

## **CHAPTER IV**

### **DATA COLLECTION AND ANALYSIS**

#### **4.1 Data Collection**

##### **4.1.1 Company History**

PT Trakindo Utama is an expanding privately owned company dealing in heavy equipment business in Indonesia. PT Trakindo Utama is now operating with about 5.500 employees all over Indonesia and it has over than 50 branches throughout Indonesia. PT Trakindo Utama is as the supplier and also dealer of Caterpillar products in Indonesia. Caterpillar is one of the world's largest manufacturers of construction and mining equipment, diesel and natural gas engines and industrial gas turbines all over the world. The Caterpillar equipment product range includes articulated trucks, backhoe loaders, compactors, excavators, integrated tool-carriers, material handlers, motor graders, multi terrain loaders, off-highway trucks, off-highway tractors, pipe-layers, scrapers, skid steer loaders, telehandlers, track-type tractors, track loaders, wheel dozers, underground mining equipment, paving equipment, forest machines, and industrial prime movers.

PT Trakindo Utama as the dealer in Indonesia has a long journey of more than 35 years, during which Trakindo has grown to become 'The Customer Services Company' and a world-class provider of Caterpillar equipment solutions. The achievement that PT Trakindo Utama has made since first it was established will be explained as follow.

✓ 1970

A. H. K. Hamami founded PT Trakindo Utama on December 23<sup>rd</sup>.

✓ 1971

Trakindo became the sole authorized dealer for Caterpillar in Indonesia on April 13<sup>th</sup>.

✓ 1977

Trakindo established a subsidiary PT Sanggar Sarana Baja to provide design and fabrication service for the heavy equipment market.

- ✓ 1982
  - PT. Natra Raya was established as a joint venture company between Caterpillar Inc. and Trakindo to provide manufacturing and assembly operations Caterpillar heavy equipment.
  - Trakindo established an Employee Pension Program on July 1<sup>st</sup>.
- ✓ 1993
  - Trakindo's mining division was set up to provide the Indonesian mining industry with world-class equipment and support services.
  - Pension Fund Program inaugurated and later approved by the Ministry of Finance on 12<sup>th</sup> January 1994.
- ✓ 1995
 

Trakindo established a subsidiary, PT Chandra Sakti Utama Leasing, to offer financing options for the purchase of Caterpillar equipment.
- ✓ 1996
  - Trakindo introduced the CAT Oil Program
  - Trakindo became the dealer for Sullair products
  - Nayakatama Foundation established to provide scholarship grants for children of employees and to administer an education cooperation program with various educational institutions.
- ✓ 1997
  - Trakindo established a subsidiary, PT Cipta Kridatama, to provide contracting and rental services to the mining industry.
  - Trakindo established a subsidiary, PT Cipta Krida Bahari, to provide logistics services.
- ✓ 1998
 

Trakindo became the dealer for Baldwin and Olympian products.
- ✓ 1999
  - Trakindo established a subsidiary, PT Mitra Solusi Telematika, to provide information technology facility management services, including business and information disaster recovery center.
  - Nayakatama Foundation changed its name into Mitratama Foundation.

- ✓ 2000
  - PT Tiara Marga Trakindo was established on August 16<sup>th</sup> as a parent company of Trakindo Group's subsidiaries.
  - Trakindo became the dealer for Sykes Pumps products.
- ✓ 2001
  - Trakindo became the dealer for Bitelli products.
- ✓ 2002
  - First CAT Rental Store opened.
  - Trakindo deployed the 6Sigma business methodology.

#### **4.1.2 Company's Vision and Mission**

##### **4.1.2.1 Vision of PT Trakindo Utama**

PT Trakindo Utama vision is to be the world-class provider of Caterpillar equipment solutions

##### **4.1.2.2 Mission of PT Trakindo Utama**

PT Trakindo Utama mission is to set up an entity that creates worthwhile and challenging job opportunities to as many Indonesians as possible, while incorporating the following values:

- Continuous development of employees
- Consistent capital growth (financial, intellectual, brand identity) and reinvestment of capital into the business, and
- Maintaining highly ethical business practices.

#### **4.1.3 Company's Core Values**

PT Trakindo Utama core values in doing their business are as follow.

- *Ethical*  
Always maintain and practice high level of business ethics on every aspect that we do.
- *World-Class*  
Consistently aiming for world-class standard practices and continuously bringing best practices and attracting international talents to Indonesia.

- *Demanding*  
In every business that we do, we constantly set a high level of internal expectations that will motivate our employees to go the extra mile in satisfying the key stakeholders.
- *Proactive*  
Constantly seeking to improve operations for near perfection level by adopting the 6Sigma philosophy and methodology.
- *Respectful*  
Continuously maintain high level of respect among fellow employees, customers, suppliers and marketplace.
- *Employee Development*  
Constantly seeking training and employee career enhancement possibilities.

#### **4.1.4 Products and Services of PT Trakindo Utama**

##### **4.1.4.1 Products**

Trakindo is proud to offer products that are designed to work hard and build to last. The products that are offered in PT Trakindo Utama are as follow.

- Machine
- Engines
- CAT® Rental Store
- Parts
- Used Equipment and Used Parts
- Non CATProducts

##### **4.1.4.2 Services**

PT Trakindo Utama is trying to keep equipments working at peak performance while lowering costs. The services that are offered are as follow.

- Maintenance Program
- S. O. S Fluid Analysis
- Customer Support Agreement

#### **4.1.5 Business Strategy of PT Trakindo Utama**

PT Trakindo Utama Strive for perfection through proven methodology, advanced technology and competent people.

- *Striving for Perfection through 6Sigma*

6Sigma has become an indispensable part of the operations of top companies in the world. By statistically evaluating any business process –from manufacturing to transactions to products and services –and determining where improvements can be made, the implementation of 6Sigma can lead to a reduction in defects and improvements in profits, product quality and customer satisfaction.

First implemented by the Company in 2002, 6Sigma has since become widely adopted by Trakindo in all of its operations. Today, teams of Black Belts and Green Belts –certified experts in 6Sigma methodology continue to drive our various project undertakings towards striving for perfection.

- *Making Technology Work*

Information Technology (IT) plays a vital role in providing superior services to customers. Our Dealer Business System (DBS), for instance, provides efficient, accurate and convenient online parts order capability, 24 hours a day, 7 days a week. DBS is supported by a combination of VSATbased data communication and VPN, linking Trakindo's branch offices and worksites all over Indonesia, and protected by the latest technology in network security systems.

In line with the rapid technology development, Caterpillar machines and engines are equipped with advanced Electronic Control Module (ECM) that captures and stores performance data from sensors installed in the equipment, and automatically adjusts equipment settings for optimal performance. This is further supported by Caterpillar Electronic Technician (ET) software, providing our technicians with an accurate and userfriendly tool for conducting problem analysis and trouble shooting. The software is also capable to perform various functions including calibration, parameter setting, as well as actual and historical diagnostic test.

- *Developing Professional Human Resources*

Employees are our most important asset. Trakindo recruits only the best talents in the industry, and provides necessary tools and resources, including comprehensive and continuing training programs that enable employees to constantly develop their competencies and strive for excellence in their respective fields. We have developed a comprehensive human resources management program that rewards our people with career advancements on the basis of merit.

Employees balance work with social activities. Company sponsored sporting competitions and games, amateur music and art performances, employee gatherings and family trips, are just some examples of activities in which employees can enjoy recreational activities and socialize with one another outside of their formal work relationship. We make our people proud to work with us and appreciate their loyalty and dedication by recognizing those with extensive service year. As a result, Trakindo now prides itself on maintaining one of the most competent, productive and loyal pool of employees in the industry, contributing to Trakindo's continuing ability to provide first-class services.

#### **4.1.6 Organization Structure**

PT Trakindo Utama has over 5.500 employees all over Indonesia with over than 50 branches. The organization structure of PT Trakindo Utama can be seen in Figure 4.1

#### **4.1.7 Customer Profile**

One main product of PT Trakindo Utama is engines. The customers of Trakindo engine basically starts from individual level until big companies. However, Trakindo is focusing on the big companies such as hotels, offices, department stores, mal, and many other big companies or buildings since they usually need engines to run their business, especially when the electricity runs down.

#### **4.1.8 The Competitors**

In doing businesses, there will be always competitors in the market. The competitors are the other party that has the same product and market in their business. For Trakindo, in doing their business, there are also main competitors in the market. The competitors will be explained as follow.

#### 4.1.8.1 United Tractor

Trakindo is one company that has large contribution in heavy equipment market in Indonesia. In doing their business, there are competitors that also took place. One biggest competitor of Trakindo in the market is United Tractor which sells Komatsu heavy equipment, including engines. The author will look at factors that are affecting the machinery business for Trakindo.

##### *General Overview of United Tractor*

Construction machinery business unit demonstrated achievement in fulfilling the target. Total revenue from sales of heavy equipment, spare-parts and maintenance services, reached Rp. 12.36 trillion, increased by 42% from Rp. 8.70 trillion in the previous year. Total sales amount of Komatsu heavy equipment by end of 2008 reached 4,345 units, and leading the market with 45% market share.

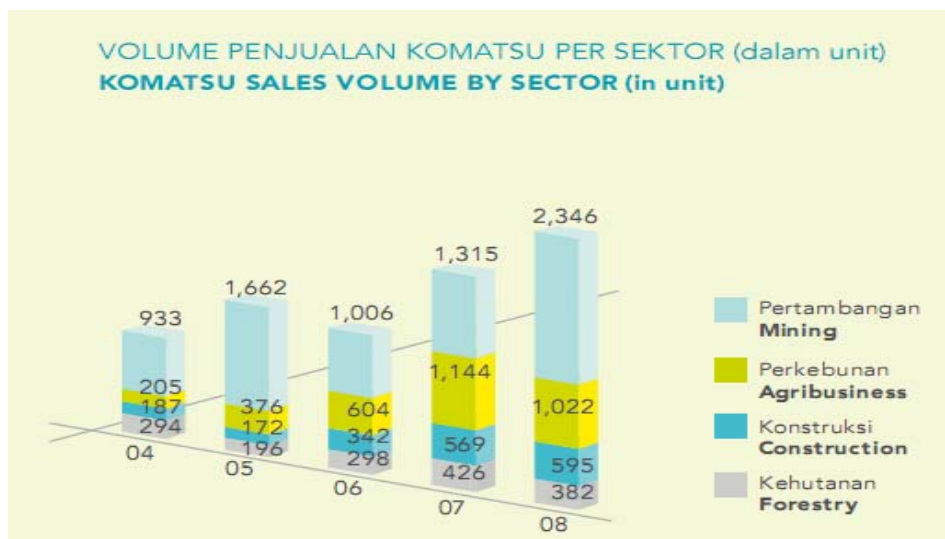


Figure 4.1 Komatsu Sales Volumes

United Tractor Products on Construction Machinery consist of:

- Nissan Diesel: Diesel-Powered Medium and Heavy Duty commercial Trucks.
- Bomag: Compaction equipment range from vibratory tampers and plate compactors to recycling equipment and landfill compactors.
- Komatsu Generator Sets: Komatsu EGS series diesel generators the combination of Komatsu diesel engine and reliable alternator for use in industrial plants and buildings.

- Scania: Premium-quality trucks for long-haulage construction haulage and distribution of goods, also provides high passenger capacity buses.
- Valmet: World's Leading forest machines and mechanized logging.
- Komatsu Forklift: Engine-powered and battery-powered forklift designed for use material handling.

### Financial Overview

The figure below will show the financial revenue of UT for the last 5 years, from 2003 until 2008. The contribution can be seen from each business unit such as, construction machinery, mining, and mining contracting for total revenue.



Figure 4.2 United Tractor Total Revenue

The Company has increased their total net revenue eagerly in 2008; achieve Rp. 27.9 trillion or 53.6% higher than the 2007 position of Rp. 18.2 trillion. The incensement was mostly due to the revenue improvement in Construction machinery business unit that rose 42.2% to an amount of Rp. 12.4 trillion. The result also marked the all-time record of Komatsu unit sales that previously achieved 3,454 units in 2007 into 4,345 units by end of 2008.

#### 4.1.8.2 Hexindo

Besides UT, Hexindo is also one competitor of Trakindo that has big contribution in the market. Hexindo also run their business in machinery heavy equipment. The explanation of Hexindo will be explained as follow.

### *General Overview of Hexindo*

Hexindo Adiperkasa is an Indonesian private-owned company for trading, rental and heavy machineries after-sales service that has been providing the best choices of products and services since 1988. The company's strengths consist of its cost-efficient products and services, highly regarding the quality of Human Capital Resources as well as Good Corporate Governance, which are the basic ingredients to maintain good employee relations and long term, loyal and satisfied customers.

Hexindo Adiperkasa is a diversified company in terms of assets, culture and long term outlook. 24% of the company shares are held by the public and foreign institutions, which have held Hexindo Adiperkasa for years. Listed on the Jakarta Stock Exchanges, Hexindo Adiperkasa is known for its relatively stable stock prices, which is the reflection of the market confidence in the corporate performance.

### *Financial Overview*

Hexindo Adiperkasa is still continuing its commitment in dealing with customers' demand for heavy machineries during the year 2008. They sold 1,732 units in 2008, an increase of 38% from 1,251 units in 2007. In terms of value, they have achieved a significant increase from IDR 1.8 trillion into IDR 2.8 trillion in 2008 (approximately 60% increase since last year). Excavator from Hitachi once again proved himself as our mainline product by being the biggest contributor of sales, sold over 1,625 unit, or roughly 94% of the total national sales.

With an outstanding sales performance, Hexindo needs to provide primary after sales services to their customers. They have recorded the highest spare parts and maintenance sales in 2008, an outstanding increment from IDR 273 billion to IDR 507 billion, which is approximately 86% compared to last year figure. This significant improvement has been supported by 30 branches and the representative offices in Indonesia. The support system has been integrated with the warehouse system, real-time connected to the customer services help desk to improve their clients' satisfaction.

The overall financial review until year 2008 of Hexindo can be seen in the Figure 4.3 and Figure 4.4.

		Rasio Usaha dan Keuangan				
		Ratio				
		Dalam Persentase				
		In Percentage				
		2008	2007	2006	2005	2004
Laba Usaha terhadap Jumlah Aktiva	<i>Operating Income to Total Assets</i>	22	9,9	4,8	13,4	20,7
Laba Bersih terhadap Jumlah Aktiva	<i>Net Income to Total Assets (ROI)</i>	13,89	3,6	3,3	9,1	14,4
Laba Usaha terhadap Ekuitas	<i>Operating Income to Equity</i>	66,04	35,9	16,8	41,5	46,5
Laba Bersih terhadap Ekuitas	<i>Net Income to Equity (ROI)</i>	41,70	13	11,4	28,4	32,3
Aktiva Lancar terhadap Kewajiban Lancar	<i>Current Ratio</i>	140,37	115,2	111,1	132,1	177,8
Jumlah Kewajiban terhadap Ekuitas	<i>Liabilities to Stakeholder's Equity</i>	200,16	263,4	248,5	210,2	124,7
Jumlah Kewajiban terhadap jumlah Aktiva	<i>Liabilities to Total Asset</i>	66,68	72,5	71,3	67,8	55,5
Laba Kotor terhadap Penjualan Bersih	<i>Gross Profit Margin</i>	23,94	19,1	17,9	21,2	24,7
Laba Usaha terhadap Penjualan Bersih	<i>Operating Income to Net Sales</i>	14,49	7,5	4,2	10,0	13,2
Laba Bersih terhadap Penjualan Bersih	<i>Net Income to Net Sales</i>	9,15	2,7	2,8	6,9	9,2

Figure 1.3 Hexindo Financial Ratio

		Ikhtisar Keuangan				
		Financial Highlight				
		Dalam Jutaan Rupiah				
		In Million IDR				
		2008	2007	2006	2005	2004
Penjualan Bersih	<i>Net Sales</i>	2.792.930	1.741.151	1.395.736	1.423.317	995.576
Laba Kotor	<i>Gross Profit</i>	668.514	331.623	249.326	301.111	246.141
Laba Usaha	<i>Operating Income</i>	402.923	120.523	52.169	143.020	131.522
Laba Bersih	<i>Net Profit</i>	255.485	56.623	39.428	97.771	91.418
Jumlah Saham Beredar	<i>Outstanding Shares</i>	840	840	840	840	840
Laba Bersih per Saham (Rp.)	<i>Net Income per Share (IDR)</i>	304	67	47	116	109
Modal Kerja Bersih	<i>Net Capital</i>	100.712	100.712	100.712	100.712	100.712
Jumlah Aktiva	<i>Total Assets</i>	1.838.946	1.377.864	1.204.104	1.069.514	636.109
Jumlah Investasi	<i>Total Investment</i>	70.494	36.463	245.745	158.226	27.463
Jumlah Kewajiban	<i>Total Liabilities</i>	1.226.286	1.003.049	858.555	724.754	352.998
Kewajiban Lancar	<i>Current Liabilities</i>	1.137.060	887.073	699.476	635.092	290.614
Kewajiban Jangka Panjang	<i>Long Term Liabilities</i>	89.226	115.976	159.079	89.662	62.384
Ekuitas	<i>Stockholder's Equity</i>	612.660	374.815	345.549	344.761	283.110
Aktiva Lancar	<i>Current Assets</i>	1.596.053	1.082.693	777.234	838.826	516.764
Aktiva Tetap	<i>Fixed Assets</i>	169.035	128.641	352.771	200.104	105.021
Penyertaan & Aktiva Lain – lain	<i>Investment Share of Stock and Other Assets</i>	73.858	166.530	74.098	30.584	14.324
Laba Sebelum Pajak	<i>Income Before Tax</i>	373.338	84.576	57.938	141.670	132.103
Pajak Penghasilan Tahun Berjalan	<i>Current Income Tax</i>	(118.084)	(25.898)	(17.929)	(42.372)	(38.412)
Pajak Penghasilan Tangguhan	<i>Deferred Income Tax</i>	231	(2.055)	(581)	(1.526)	(2.272)

Figure 4.4 Hexindo Financial Highlight

## 4.2 Sales Strategy Break-down Process

The strategy that the corporate has made has to be broke down until individual levels in order to make it align. In breaking down their strategy until individual targets, there are processes that they do. The author has identified that in doing the sales strategy break down process, the identified problems in misalignment are hampering the process. There are several Key Performance Indicators (KPIs) of the identified problems that might ruin the sales strategy break down process. All the KPI will be explained in Table 4.5.

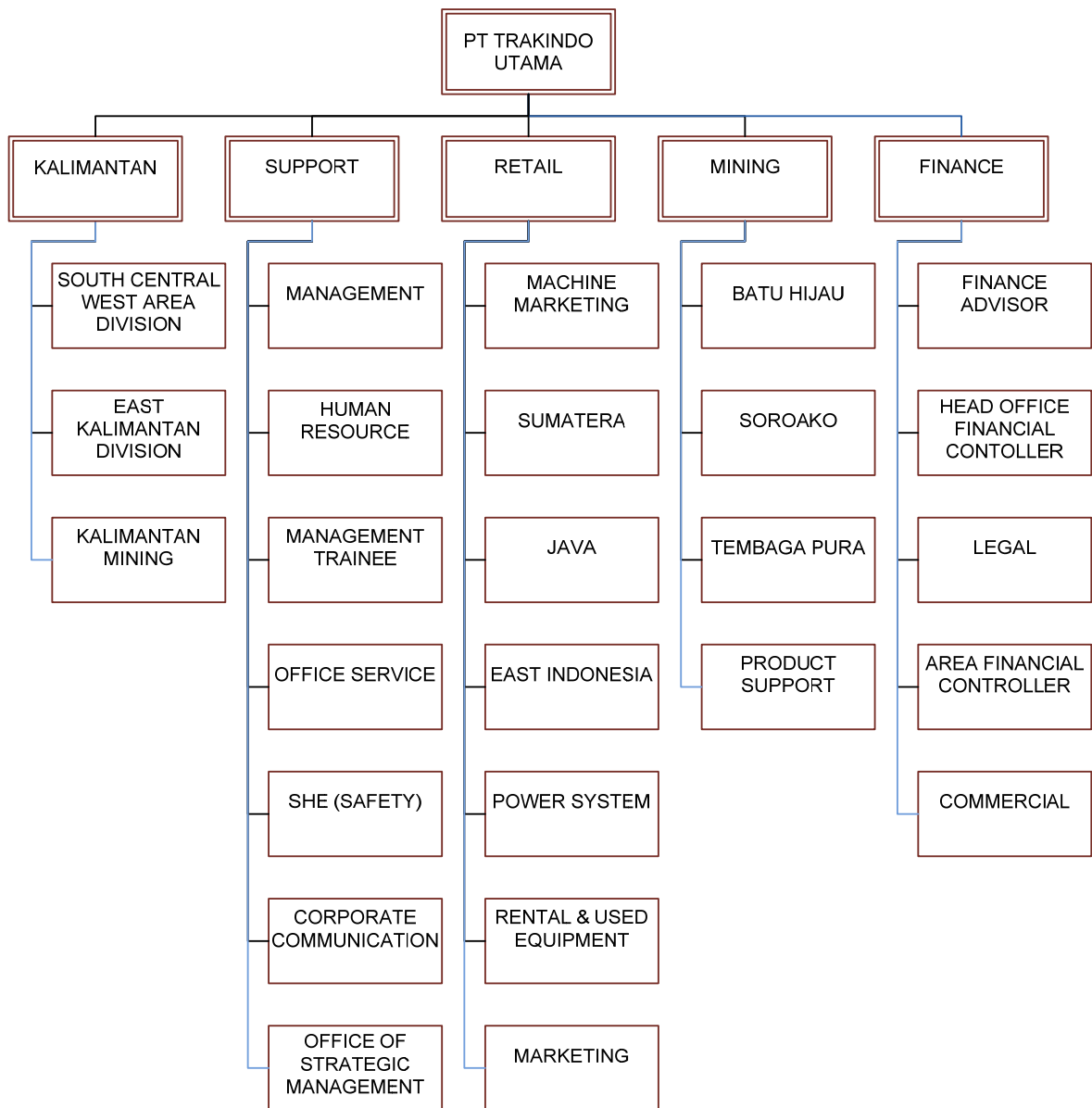


Figure 4.5 PT Trakindo Utama Organization Structure

Table 4.1 KPI of Identified Problems

No	Objective	KPI Measurement
1.	<u>Executed Sales</u> : Achievement of sales target	Amount of Engine Product Sold
2.	<u>Engine Forecasting</u> : Ensure that the forecasting are reliable	% of engine forecast accuracy
3.	<u>Sales events attendance</u> : Ensure that SBU and CEG agree to participate in sales events.	% of participating in sales events

From the Table 4.1, all the KPI are determining the success of the sales strategy alignment. It means that if the KPI are not resulting to good result, it will give a bad impact and bother the sales strategy break down process and make the alignment not working.

The explanation of the sales strategy break down process and how the KPI are related to the process will be explained in Figure 4.6.

From the figure, it can be seen that the all the KPI are influencing the sales strategy break down process. KPI number 1 is about sales events participation which is a part of creating strategy from field observation. The SBU and CEG will decide whether to participate in a sale event or not. KPI number 2 is about the miss sales target which is caused by the strategy translation that is not fully understood. KPI number 3 is about engine forecasting system which is currently not going well. The analysis of each KPI will be explained in the following subchapter.

### 4.3 Data Analysis

In doing the research in PT Trakindo Utama, the author has identified problems that occur in Trakindo engine product business. From the problems that occur in the sales strategy alignment of Power Systems Division and Engine Division, the author has found out that there are three specific problems caused by several reasons. The author has analyzed the problems based on the facts that the author find in the real condition of the PSD and Engine Division in Trakindo.

The author has interviewed the key person in the Power Systems Division as well as in Engine division. To identify the alignment in the PSD and Engine Division, the author has main questions that was asked which are as follow.

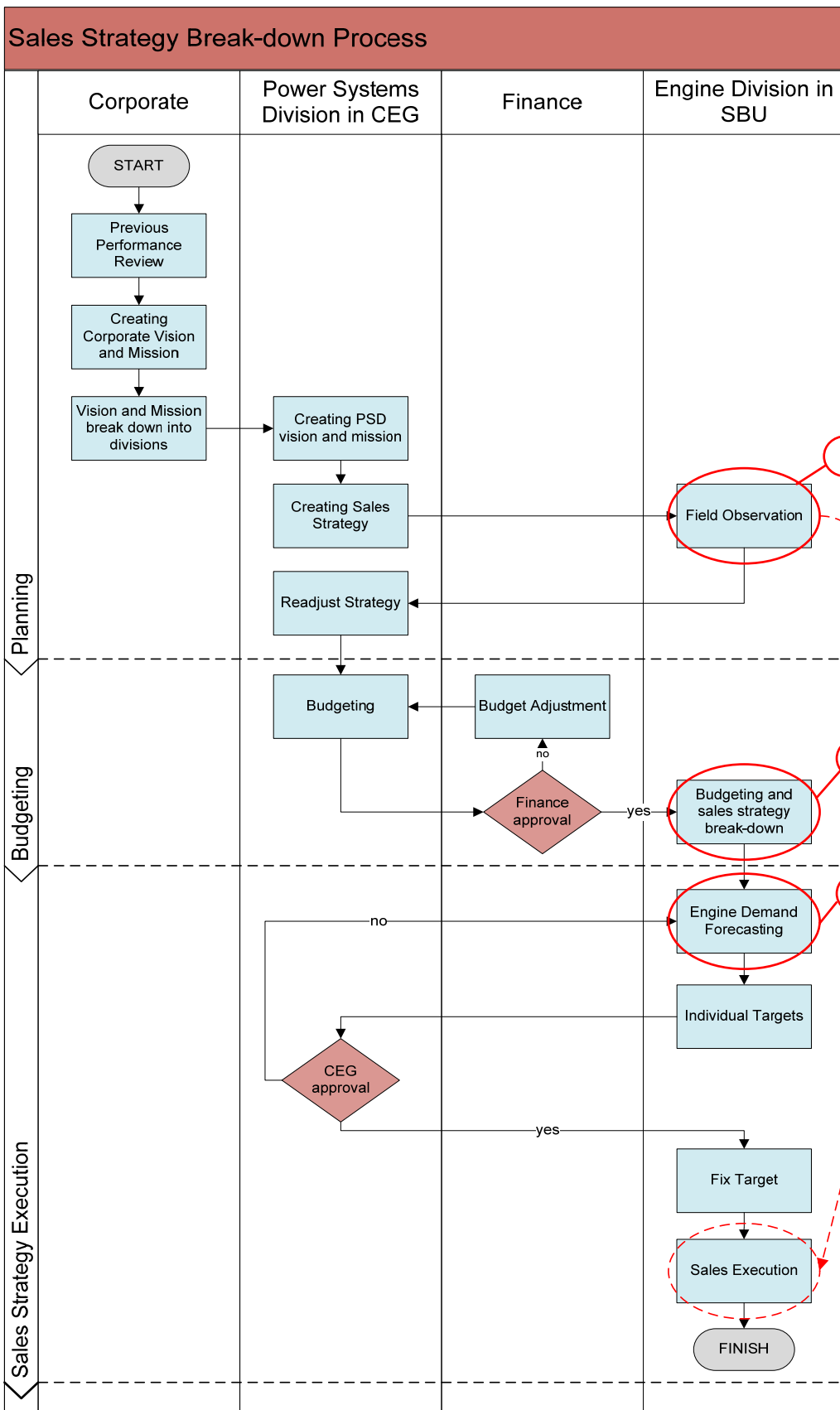


Figure 4.6 Sales Strategy Break-down Process

Main questions asked to CEG:

- What is your objective?
- What do you give to SBU?
- What barriers are you facing related to the alignment?

Main questions asked to SBU:

- What is your objective?
- What do you require from CEG? And what do you give to CEG?
- What barriers are you facing?

Besides interview, the author has also analyzed the alignment by analyzing the current data that the author gets from Trakindo. However, the data is limited by Trakindo so that not all required data can be founded by the author. There are several sources of data that the author can get from Trakindo, which are:

- Trakindo Portal

Trakindo portal is the integrated web from Trakindo. Inside this portal, there are many kinds of data, it is compiled there. However not all data can be accessed, it is based on the user id that is being used while accessing the portal. The author that only uses guest id is not able to access all data. The important data that the author can get is about the QPR which is the tool that is used by Trakido to interpret their strategy in form of Balanced Scorecard. Inside the QPR, the author can take a look at the performance of PSD and Engine Division and can analyze the performance of them.

- Trakindo Post Description Book

This book is a book that is clustering the job positions in Trakindo and explains the job description of each position in Trakindo. By looking at the book, the author can identify the correlation of each job position in the PSD and also Engine Division. Besides, the author will be also able identify the key persons that the author has to interview, based on the responsibility of their position. By that identification the author can be able comparing the stated job description which is written in the book with the real condition in the field and analyze the present condition that happen.

### 4.3.1 Strategy Translation

The misalignment in strategy translation makes the sales strategy that is made in the CEG level sometimes not well-executed by the SBU. The CEG has to translate their strategy to the SBU level to make it well-executed. The strategy of the CEG is to focus their target market on huge companies that usually need engines. However, the present condition shows that the execution of the strategy does not run well. The Key Performance Indicator (KPI) that can be taken here which is related to their engine product sales is about their total sales of their sales person. The average performance gap result of their salesmen who do not achieve their target in 2009 is as tables as follow.

Table 4.2 KPI of Engine Products Sales Performance

Role/Objective	KPI measurement	Total Target	Actual	Gap
Executed Sales: Achievement of sales target	Engine Product Sold	60 units	52 units	8 Units

Table 4.3 Engine Product Sales Performance

Quarter	Unit Sold		
	Sales Target	Average Actual Sales	Gap
1	25%	24%	1%
2	50%	45%	5%
3	75%	68%	7%
4	100%	87%	13%

From the Table 4.3, it can be seen that their salesmen who do not achieve their target sales performance in 2009 result to a gap about 13%. They are not able to achieve their 2009 sales target which means that they are not doing their strategy well. The symptom of the problem is that when the strategy from the CEG is not fully understood by the salesmen which make them not achieving their target that has been set before.

From the observation that the author made, the author has found out that the miss translation in strategy which is caused by the CEG strategy itself and also from the individual sales forces. The CEG already arrange a strategy and try to translate it and break it down to the SBU level. However, the strategy that has been made is not always appropriate which make it hard for the salesmen in SBU to translate it into actions. This make many salesmen have sales

which are under the target. These factors should be considered to make the alignment goes better in their engine business activities.

There are two perspectives that can be taken to look at the miss translation in strategy which will be explained in the following points.

- Strategy from the CEG

The CEG which gives sales strategy to the SBU level may give inappropriate strategy to the SBU. With an inappropriate strategy, it makes the SBU level difficult to translate the strategy into actions. An inappropriate strategy will also affect the engine product sales performance. The market may go up and down for each period. If the market condition of the engine product at a given time is highly demanded, then the strategy of the CEG has to balance the situation by giving a better and understandable strategy to make them even have a higher sales. In opposite, if the market demand is low, then the strategy of the CEG should not be too high and become unachievable target.

This means that the CEG level has to give the right strategy based on the market fluctuation that happens on a given time to make it easy to be translated. An effective strategy will make the strategy become effective in penetrating the market. Besides, they also have to break down their strategy in a good way to make it become understandable by the SBU level and make the execution become on target based on the strategy.

- Salesmen Sales Force

If the strategy from the CEG level is already easy to understand and appropriate with the present market condition, then it will be the salesmen responsibility to execute the given strategy and achieve their sales target. The problem is that in the real situation there are always weak spot and employees that are not making good sales. One strong factor is that the strategy is not well understood by the employee which makes them difficult to make sales. The condition has to be realized by the SBU management level and they have to help them solve their salesmen problems and make them become able to make sales for their engine product.

With an understandable and appropriate strategy, it will be easier to get customers and finally getting sales. However, if the individual does not understand the given strategy, then it can ruin the strategy that has been given by the CEG level although the strategy is already an appropriate strategy based on the market condition.

Based on those two perspectives, the real condition that happens in Power Systems Division is that the strategy from the CEG level is still not appropriate enough since they sometimes are not able to follow the market fluctuation. They sometimes are running out of engine stock which makes customers searching for other engine product from competitors. In addition, sometimes the CEG makes a strategy that is hard to be translated by the SBU level related to the real market condition. So this makes the strategy sometimes unexecuted well by the salesmen in the SBU level.

#### 4.3.2 Products of Engine

From the specific problems that occur, there is further impact to the engine business. One of the impacts is that the engine product which is handled by the Power Systems Division and Engine Division is not always ready in stock.

By the present system of their stock in Trakindo engine products, the author has observed that their demand of engine product for year 2009 and its lost is in Table 4.5. The Key Performance Indicator (KPI) of their success indicator in forecasting in 2009 is explained in Table 4.4.

Table 4.4 KPI of Sales Forecast

Role/Objective	KPI measurement	Target	Actual	Gap
Engine Forecasting: Ensure that the forecasting are reliable	% of engine forecast accuracy	100%	90%	10%

Table 4.5 Engine Product Demand in 2009

	Weekly	Monthly	Yearly
<b>Demand</b>	9	38	459
<b>Met Demand</b>	8	34	416
<b>Gap (Unmet Demand)</b>	1	4	43

From the table, it can be seen that their average unmet demand is about 10-12% of their total engine products sales. The symptom is that the required engine products needed by their customers are not always available. The specific product that is needed by the customer is not always fulfilled by them. If their customers do not meet their need, Trakindo will try to offer other product that has the biggest similarities with the needed engine product. However, it does not always work. Customers will not always willing to accept the substitute product and make them canceling their order of their engine product. This makes their customers probably buy competitors products and make Trakindo losing their opportunities to make sales. So, the problem is that with the present system, their engine product stock is not always available when customers need it.

From the observation, the author has identified that the forecasting of their engine products demand is not going well. The forecasting alignment between the Power Systems Division in CEG and Engine Division in SBU does not exist. The forecasting about the sales forecast is only done by the SBU level or salesmen in more detail. The salesman has to forecast the prospective customer that they want to try to make sales. The customer should be as specific as possible. They should target a customer name in fact.

After the salesman has made an individual sales target, it will be input to the system in Trakindo portal, and it will be reviewed by the CEG level in the PSD which is the marketing department. The marketing department of CEG will take a look at the input data and will analyze whether the target is appropriate or not. The present sales forecast that happens currently in Trakindo can be seen in Figure 4.7.

The analysis that the CEG make is based on the statistical data on the previous performance results. If the target seems that it is too low, then the CEG will ask the salesmen in the SBU to increase their sales target, and also in opposite.

So from Figure 4.7 it can be seen that only the SBU is trying to find for potential customers, and the CEG only tries to formulate strategy after SBU set targets. It means that CEG does not have any contribution in forecast their engine product demand which means that the forecasting alignment is not yet well-implemented.

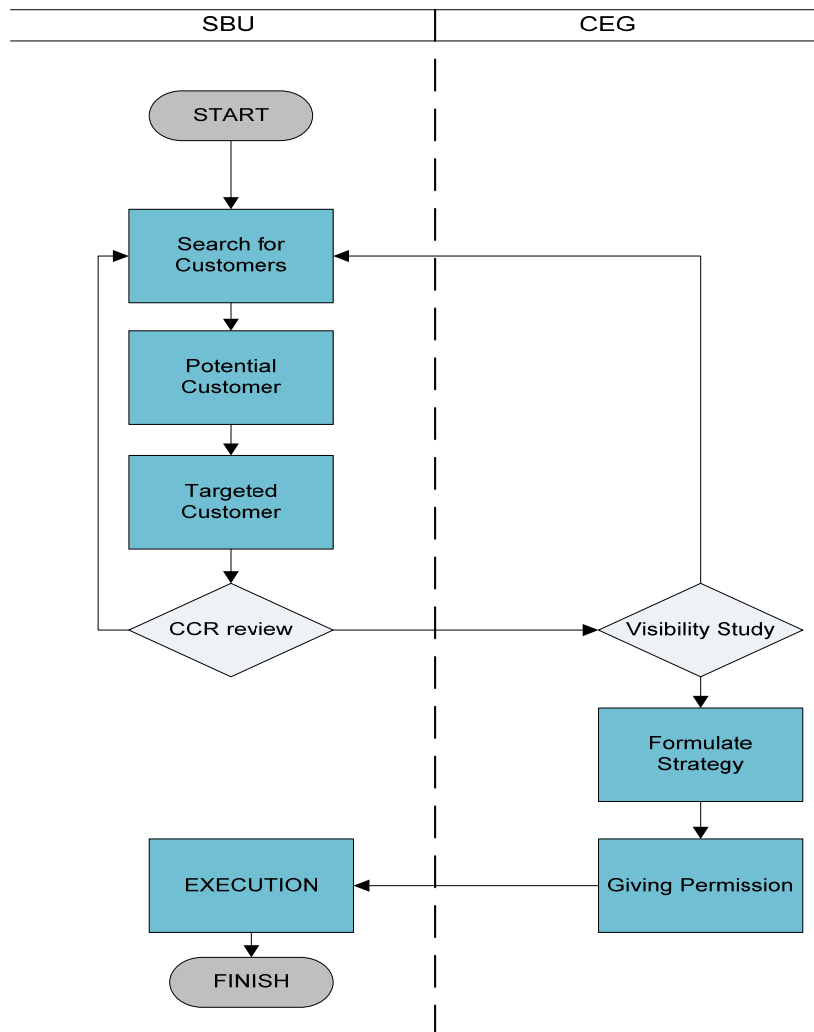


Figure 4.7 Present Sales Process Forecast

### 4.3.3 Sales Events Participation

One specific problem that occurs is that there is misalignment in the decision to join sales event or not. System Business Unit (SBU) and Central Expertise Group (CEG) have to negotiate whenever they want to decide to participate in sales events or not. The problem is that different perceptions do occur periodically. Moreover, the negotiation is running slow which make different perception occur for long time and sometimes unsolved. Based on the observation that the author makes, the SBU level complains that the negotiation is running too slow. The events that the SBU thinks is prospective enough are not always agreed by the CEG level which make them have to have a negotiation. However, since the negotiation is slow, it makes them often missing the sales events.

Table 4.7 will explain the number of sales events that PSD and Engine Division have missed in 2009 where Table 4.6 explains their sales achievement.

From Table 4.6 it can be seen that the average sales events that is not agreed or missed by the CEG is about 39%. This can be either with negotiation or without negotiation. The symptom of this problem is when SBU and CEG have different perception of a sales event which makes them have to make long negotiation and probably not participating the sales events.

Based on the observation, the miss-alignment that cause the different perception between SBU and CEG about sales events often occurs periodically. If there is different perception between the SBU and CEG, there have to be negotiation between them. The bad point is that the negotiation between SBU and CEG take too much time. The event that is being offered by the SBU sometimes is not fully responded by the CEG, so that the SBU just wait until there is a respond from the CEG. The SBU have to push and always follow up the CEG level to make the CEG aware of the sales event even the CEG thinks that it is not prospective enough.

**Table 4.6 KPI of Sales Events Attendance**

<b>Role/Objective</b>	<b>KPI measurement</b>	<b>Target</b>	<b>Actual</b>	<b>Gap</b>
Sales events attendance: Ensure that SBU and CEG agree to participate in sales events.	% of participating in sales events	100%	61%	39%

**Table 4.7 Sales Events in 2009**

	<b>Number of Sales Event</b>	<b>Succeeded Event</b>	<b>Gap</b>	<b>Percentage</b>
January	5	2	3	0.6
February	6	3	3	0.5
March	7	3	4	0.57
April	6	2	4	0.67
May	6	3	3	0.5
June	8	3	5	0.63
July	4	2	2	0.5
August	5	2	3	0.6
September	4	1	3	0.75
October	3	1	2	0.67
November	6	2	4	0.67
December	4	1	3	0.75
<b>TOTAL</b>	64	25	39	0.61

In doing negotiation, the General Manager in Engine Division is the one that usually tries to handle the Engine Division employee's aspiration and negotiate it with the CEG level. The present negotiation system is explained in Figure 4.8.

From Figure 4.8 it can be seen that the GM is handling the negotiation with the CEG. The aspiration from the employees under the GM is gathered by the GM and then negotiated to the CEG. However the main job of the GM is not to negotiate with the CEG. So this make the alignment of the sales event negotiation is not running well.

**Figure 4.8 Negotiation System Between SBU and CEG**

From all of the KPI of the identified problems, there are correlations between each KPI. The cause-effect diagram between all the three specific problems can be seen in Figure 4.9.

From Figure 4.9, it can be seen that all the three specific problems form the KPI have contribution in determining the engine product sales in final. It means that if these three problems are not solved, then it can be as the inhibitors in improving they engine product sales and finally cause the sales target unachieved.

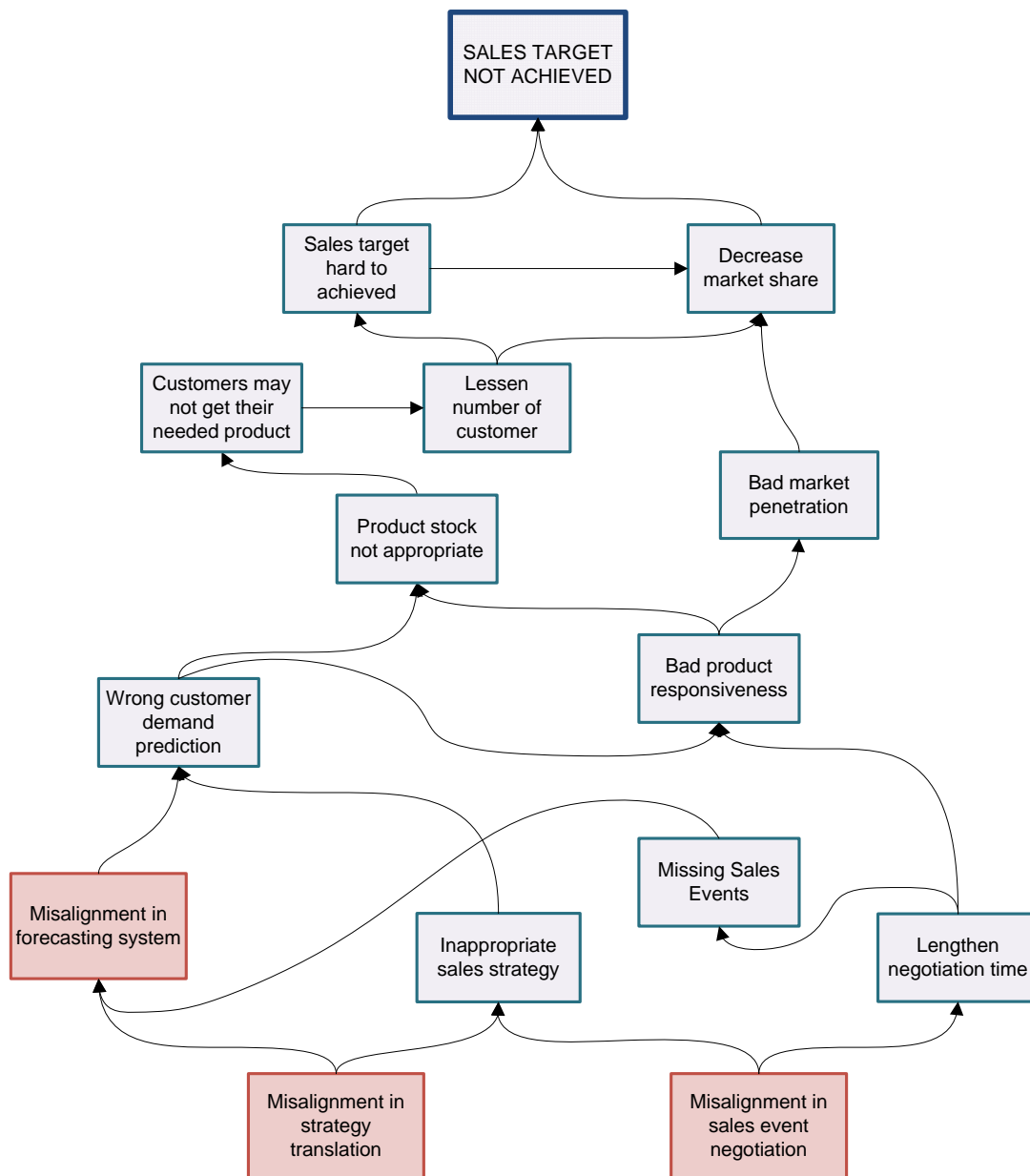


Figure 4.9 Cause-effect Diagram of Identified Problems

#### 4.4 Root Cause Analysis

In the engine products sales in PSD and Engine Division, there are processes happen. The process start from customer order and ends with the customer satisfaction after customer receives the engine products. However, there are some processes in the sales process that causes the identified problems to occur.

The sales process flow is explained in Figure 4.10. From the figure it can be seen that there are crucial process that PSD and Engine Division has to pay attention to. The circled activities are the activities that cause the problems, which mean that it might inhibit the sales process. The inhibitors in the process show that the alignment between PSD and Engine Division is not quite enough. The explanation of each circled activities are as follow.

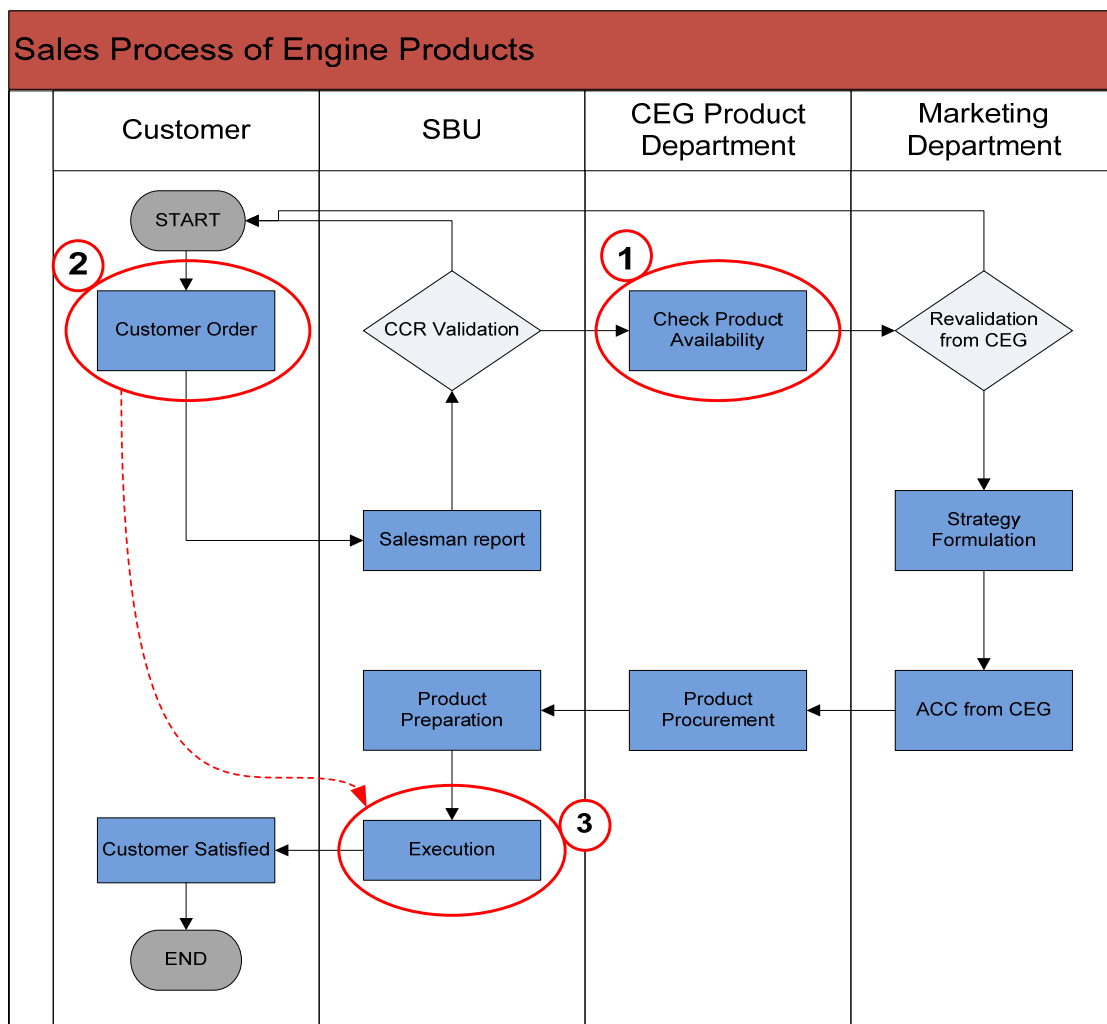


Figure 4.10 Crucial Activities in Engine Sales Process

### *Strategy Translation*

In number 2 from Figure 4.10, the problem that comes up is that there is insufficient customer order of their engine product which is caused by the misalignment of their strategy translation. The average targeted sales in unit sold and the actual achievement in 2009 results to a gap up to 13%. This means that their sales persons are not able achieving the target that they had set before. The observation by the author has shown that two factors are causing the problem to occur, which is:

1. CEG strategy

The strategy that CEG gives to the SBU is sometimes inappropriate. The CEG does not give a strategy based on the market fluctuations which make the SBU hard to translate the strategy into actions.

2. Lack sales forces

The salesmen in the SBU level are not highly encouraged to make sales since they do not understand the strategy. There are difficulties that the salesmen feel which is sometimes not understood by the management level either in SBU level or CEG level. The difficulties that they felt are not realized by the management level.

From the Figure 4.11, it can be seen that the executors of the sales are the salesmen in the SBU level. However, there is strategy that is given by the CEG which is expected to help the salesmen execute the sales more easily. However, the strategy that is given by CEG is not always fully understood by the SBU and makes them hard to execute sales. If one of those two factors is not going well, so it will make the execution also not going well and make the strategy not aligned between levels.

The miss execution in 2009 in their engine products actually is caused by the translation of the CEG strategy that is hard to be translated. The alignment between sales strategy and the understanding of their salesmen is not aligned which make the execution not running good. The CEG and SBU should collaborate to make them able performing good sales.

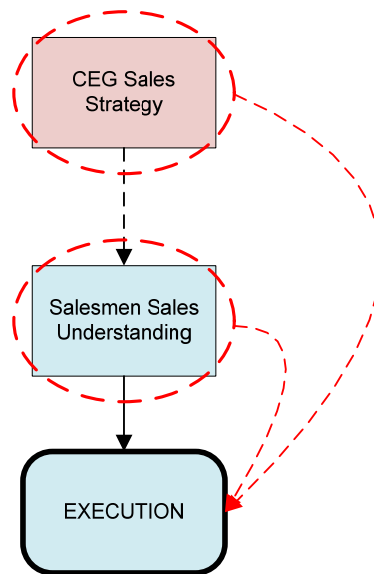


Figure 4.11 Execution Influencing Factors

To solve the problems, the management level should make an improvement and make a better control system that can improve their salesmen performance to react against CEG strategy and make them become aware of the difficulties that the salesmen faced. This will decrease the gap that might occur because of not understandable strategy by the salesmen. The CEG should also give a strategy that is easy to translate by the SBU level. So this makes misalignment in sales strategy translation as the root cause of the problems.

### *Products of Engine*

In number 1 from Figure 4.10, the problem is that the product availability is not always ready for their Engine Product. The gap that occurs is in amount of 45 units in year 2009. From the data analysis, it can be seen that the specific problem is that the forecasting is not quite good enough for their engine products. Forecasting is as the source of the problem. Their current forecasting has showed that it does not meet their customers' demand. They are sometimes still running out of engine stock whenever customer needs it.

The explanation of the number 1 activity from Figure 4.10 in more detail is explained in Figure 4.12.

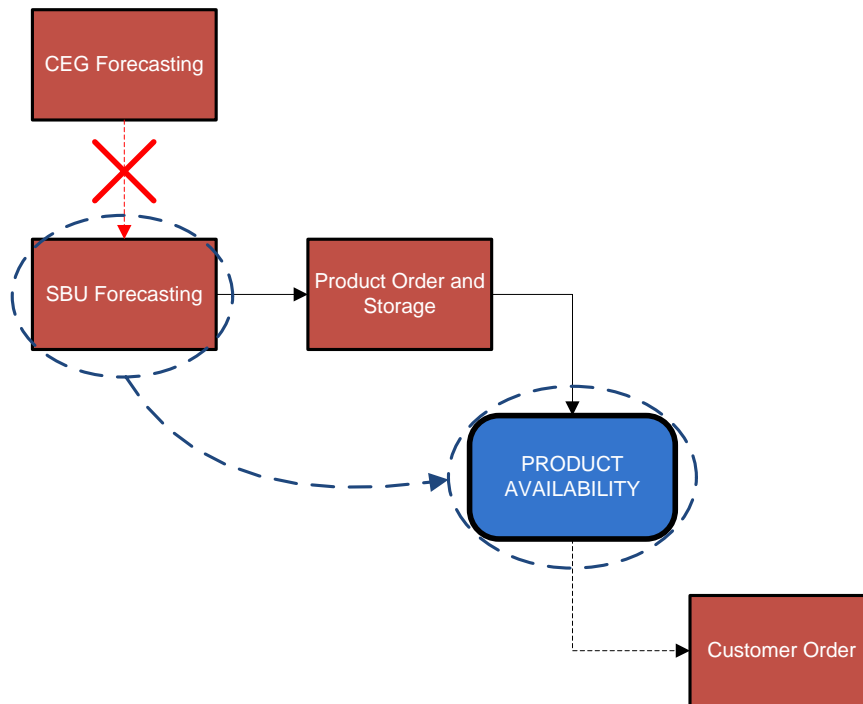


Figure 4.12 Product Availability Influencing Factors

From the figure above it is explained that the forecasting is determining the product availability of their engines. The purpose is to make the product ready whenever customers need it, so it will meet the customer's order. The data analysis has shown that their forecasting performance is not quite good and makes the product availability not always ready.

From the observation, the author has found out that the forecasting is not aligned between PSD in CEG level and Engine Division in SBU level. The forecasting is only done by the SBU level with no intervention from the CEG level. This make the SBU not able to have an accurate forecasting since SBU has no high-level point of view of their engine products and make them only forecast based on the client that they had in the list, and not considering the market fluctuation. This makes forecasting as the root cause of the problem.

If the forecasting is improved by them, they can able to minimize the gap of their engine product sales and prevent any stock out whenever their customer needs their engine product. So this will make the availability of their engine product become more appropriate.

### *Sales Event Participation*

There are also problem that is identified by the author in number 3 of Figure 4.10 which is that there is an unaligned perception between the PSD in CEG level and the Engine Division in SBU level about participating sales event. The sales event that the SBU thinks is prospective is not always supported by the CEG. Whenever this situation happens, negotiation is needed. However, form the data analysis, the author has found out that the negotiation usually takes too much time which makes them probably not joining the sales event. The point is that the negotiation between the SBU and CEG does not run quick enough or less responsive. The current negotiation system is illustrated in Figure 4.13.

The problem might occur in this illustration; if an Engine PPSR has found a sales event, then he/she needs to deliver it to the General Manager. However, from the organization structure, it can be seen that he/she has to report it first to the Branch Manager. Then the Branch Manager will have to report it again to the Area Engine Sales Manager, then it will be delivered to the General Manager, and finally the GM will negotiate with the CEG. So it can be clearly seen that the negotiation require much time.

From the statistical in 2009 it can be seen that more than 60% sales event need to be negotiated. Even worst, sometimes the sales event that is proposed by the SBU is not always highly considered when the CEG already received the sales event information near to the date of the event.

From the observation that the author made, the author has found out that the problem occurs because the negotiation system is going bad. The current negotiation system is done by the General Manager (GM). However, the GM has other jobs to do besides negotiating to the CEG which make the negotiation become even slower. It means if the GM is not ready for negotiation, than there would be no negotiation between SBU and CEG. There is no department in the Engine Division that has direct link to the CEG which will be also responsible in negotiate directly to the CEG level. So these factors are the root cause that inhibits the responsiveness of the negotiation and makes different perception between those two levels to occur.

Figure 4.13 Inhibitors in Negotiation Systems

The negotiation between SBU and CEG need to be improved to quicken the negotiation. A new negotiation system can help the alignment of their negotiation. By making a new-better negotiation system, it makes them able to grab bigger market share from the potential events that they are going to participate.

#### **4.5 Solution**

From the problems that are identified by the author, and from the analysis that the author made about the problems, there are improvements that the author suggest to Trakindo PSD and Engine Division in order to solve the problems that occurs. The suggestion for improvement is based on the observed condition that happens in PSD and Engine Division and also based on the related theory that the author gets from studying in SBM-ITB and related common knowledge.

The recommendation for improvement that the author made is based on the problems that the author has already identified before. The author will give alternatives in solving the problems in order to have the best final-solution which will resolve the problems that occur. The criteria to select the best solution are solutions that will improve their sales performance result with minim impact. The explanation of the possible solutions will be explained as follow.

#### *Improvement in Sales Strategy Translation*

In the engine products sales activity, the target of the sales person is not always accomplished by the related person. The problem that occurs is mainly caused by the undefined CEG's strategy by the SBU level which makes the salesmen hard to translate the strategy into action and make them not able to achieve their sales target in final.

Based on the observation that the author make, there are possible solutions that the author suggested. The possible solutions are based on the observation to the PSD and Engine division and it is expected to make the engine products sales become better and make them able achieve their target. The explanation of each possible solution will be explained as follow.

##### 1. Incentive Training Program

Based on the problem that occurs, the author recommends that there should be training programs for their employees. The training program should not only be conducted in the beginning of starting the job, since the performance of an employee may decrease again after the training if it is not maintained by the management. The employees can be considered as an engine that has to be maintained in order to keep its performance good. The training program will focus on how to increase the employee's awareness and how to react to a given strategy. This will make the salesmen able to translate the CEG's strategy and make it become actions and sales in final.

The training could be conducted in every 6 month to constantly keep their employees performance well, or even better than before. By the training program, it makes the employees able improving their performance in making sales. Besides, in this program, the employees can also share about the difficulties that he/she are facing. So the management level can identify the difficulties and they will be able giving strategies for the difficulties that the employees are facing.

## 2. Cross-check Management System

Other possible solution that can be done to improvement they sales performance are doing a cross-check system. In doing the engine product sales, the supervisor of the sales person have to cross check the performance of the sales persons periodically. The sales supervisor will be also checked by the sales manager, and so on. This cross check system has to be implemented not only in the SBU itself, but also until the management level in the CEG to make it align until the highest level.

The cross check system will not only be in a form of the result of the product sales, but also the difficulties that they are facing in selling the engine products. In the current sales management, the result of the sales persons will be input in the Trakindo portal only as a result without any feedback or complains form the sales person. This makes the management level not able to identify the real situation that their sales person is facing.

So, by the periodically two-way cross check system, it makes the management level able to recognize what the sales persons' difficulties are. Besides, it will also make the management level able to solve the sales persons' difficulties responsively which means that it will help the sales persons to improve his/her sales again.

From the two possible solutions, the author recommends the second option since the first option has bigger impact than the second option. The impact of the first option is that Trakindo has to spend extra budget to make the periodic training system meanwhile the second option just need a readjustment of new sales management system which do not need continues budget.

The new two-way cross check system is targeted to give advantage in increasing salesmen sales performance by having a two-way communication system. It means that the new system will make the SBU and CEG understand each other position and difficulties since they can communicate in two-way. The current system is that the SBU only input their sales result without having opportunity to sate their difficulties that they feel. By having two-way cross check system, it makes the CEG able to give the best strategy based on the actual situation which is identified by the salesmen in the SBU level. This will finally make the sales strategy translation aligned between SBU and CEG and make them able having the best strategy based

on present situation. So this will prevent them to not missing their sales target since each level have a better understanding about the strategy which will lead to a better performance in their sales achievement in final.

### *Improvement in Forecasting System*

One problem that the author has identified in the observation is about engine product forecasting. The forecasting of their engine product is only happen in the SBU level. Based on that problem that happen in the PSD and Engine Division, the author made recommendation that will make the CEG has a contribution in making the engine product forecast since it will improve the strategy alignment.

There are two possible solutions to improve the forecasting which are involving CEG level in the forecasting, or creating a special team dedicated for forecasting.

#### 1. Involving CEG in forecasting

The author recommends that the CEG should also contribute in making the engine product sales forecasting. The engine market which is a huge market is always changing in every periods, the demand are not constant every year. The competition with the competitors will also become tighter. So, the CEG has to analyze the engine market in global and also the market share that they want to achieve. The CEG should have a contribution in the forecasting which predicts the future market condition, determining the demand of engine products in the market.

After the CEG has predicted the future market condition, the CEG should determine how many percent they want to grab the market by looking at the potential customers that their engine product may penetrate. They also should look at their competitors to make them have more accurate forecast. After that, the CEG can give the information to the SBU, and then the SBU will finally execute the given information. This will make the CEG create an appropriate strategy that will be broke down to SBU level based on the market condition, in order to prevent wrong engine sales strategy.

## 2. Special Team for Forecasting

The second option is to make a special team or department that handles the forecasting for their engine product business. The responsibility of this team is to make the demand forecasting of their engine products. This team has to be responsible in having a more accurate forecasting than it has now.

The team will have to take many sources that will make their forecasting become more accurate such as historical data of engine products demand, economical condition, industry trend, and so on. By gathering many sources it is expected that the team will result to an accurate forecast in for their engine products business.

The team will consider the SBU level opinion of the market demand situation, and also the CEG level opinion in targeting their engine products sales. So by considering both two levels' opinion it will make an alignment in the forecasting between the PSD in the CEG level and Engine Division in the SBU level.

From the two possible solutions, the author prioritizes the first solution which is starting the forecasting from the CEG level. This is because the first option of forecasting improvement may give double benefits which are they can control their engine stock better, since the forecasting become more accurate when CEG is involved and they also can give better strategy based on the forecasting that they made.

The process flow of the given recommendation by the author for the strategy alignment of PSD and Engine Division can be seen in Figure 4.14.

From the recommendation that the author give, the process flow of the market forecasting will not started from the SBU level anymore, which is currently happen. The process will start at the CEG level. The CEG level will analyze the potential of a current market condition based on the market demand of engine products. After that, the CEG will analyze how many percent they can grab the market, or their market share. By doing those market analyses, it makes the CEG level has contribution in making the engine market forecast which is previously not happen in Trakindo.

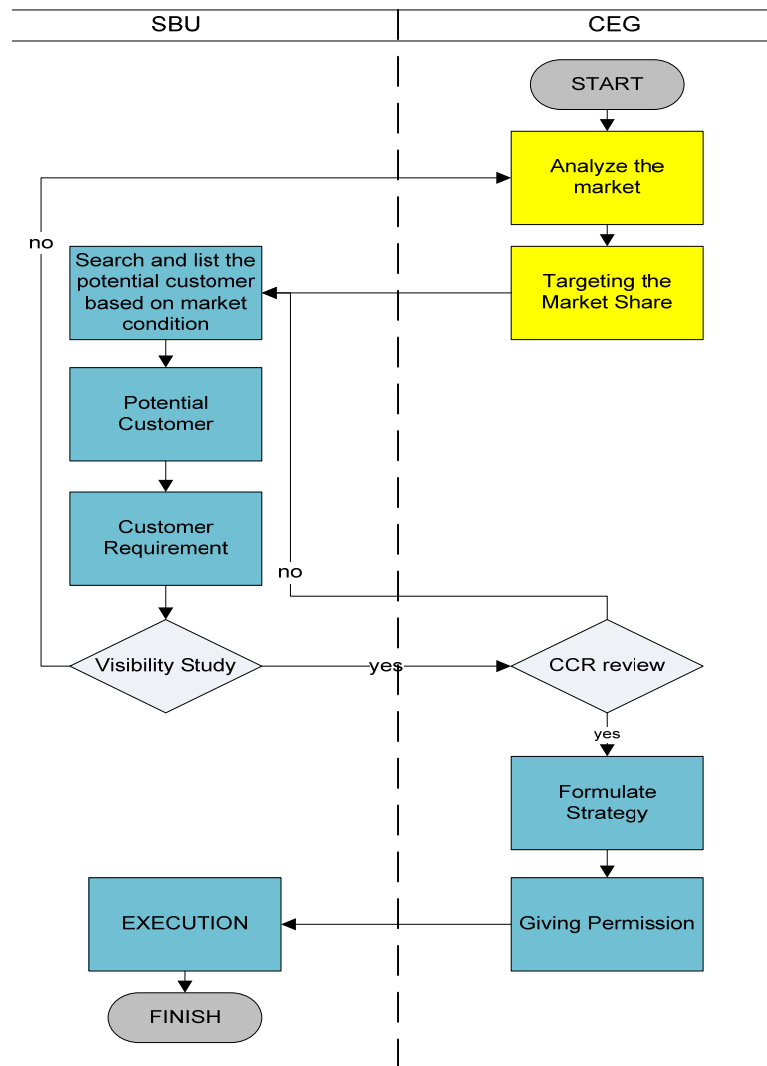


Figure 4.14 Sales Forecasting Improvement Process

By the contribution of the CEG level in determining the forecasting of their engine products, there will be an alignment between the CEG and SBU. It means that the CEG will give the current market condition forecast, and the SBU level will make a target sales based on the information that is given by the CEG level. So it means that the sales target will be appropriate with the market condition if the prediction in the CEG level is accurate enough.

By the alignment of the engine market forecasting, it will make Trakindo able to penetrate more easily and penetrate in a strategy that is based on the forecasted market situation in a given period. The SBU also will not find difficulties in forecasting the market when CEG support that forecasting. The engine market forecasting of their engine product will become more accurate since the forecasting is in both level, and it is supporting each other.

Another problem that will be solved by the forecasting is that the PSD and the Engine Division may have a better engine product stock since they can predict their demand better based on their forecasting. The market situation that is analyzed by the CEG will make their engine product availability become more accurate.

#### *Improvement in Sales Events Negotiation System*

Based on the observation that the author make, the different perception between the PSD in CEG level and Engine Division in SBU level is happen since there are no alignment between the CEG and the SBU in term of negotiation. It means that the negotiation for a sales event is not going well and controllable.

The negotiation system that is currently handled by the General Manager in the Engine Division makes the negotiation going slow and uncertainly. Since the GM is the only one that makes the negotiation with the CEG, it makes the employees in Engine Division has to tell it first to the GM then after that it will be negotiated with the CEG.

In order to solve the identified problems, the author has find out two possible solutions to solve the problem which will be explained as follow.

##### 1. Sales Event Forecast

The PSD and the Engine Division can make a forecasting about sales event in the beginning of the year. The forecasting means that they are deciding whether they want to participate in a sales event far more quickly in the beginning of the year. Of course the events that will be forecasted are the events that are always periodically held.

From the observation, there is no forecasting for contributing in sales events. By the beginning year forecasting, it make PSD and Engine Division able to know earlier which events they want to contribute or not. Besides, they also can make the strategy earlier in order to contribute in a sales event. By doing this, it can also give another advantages such as it makes them able to prepare their budgeting earlier. Besides, it will also decrease the negotiation that might happen when there will be sales events, since the decision has been made before.

## 2. Additional Job Position

Based on the author observation, the negotiation is still running slow since it is done by the General Manager in Engine Division. In making the negotiation there should be another position that will be responsible in negotiating with CEG. The General Manager is not always able to handle the negotiation since he/she has another job to do.

Based on the observation, there are no job positions that handle the negotiation between the SBU level and the CEG level. The meant position will also handle the decision making about sales event participation which is usually handled by position such as market analyst. However the decision making should be still discussed together with the CEG level since the position will have direct link to CEG level. The additional job position that might Trakindo added in the SBU level is job position in marketing which they currently do not have.

From the two possible solutions that the author has recommended, the author prioritizes the second option. The additional job position will be Marketing Department in the Engine Division that may give more advantages and increase their sales performance by quickens the negotiation between SBU and CEG.

By the existing of the new position, all other positions in the Engine Division may directly state his/her aspiration to the Marketing Department which will be negotiated to the CEG furthermore. It will become the responsibility of the position to gather the whole division aspiration. The other advantage is that the additional job position can also actually make sales events forecasting together with the CEG. The division that are responsible in the forecasting in the CEG level is the Marketing Support Division. The advantage is that they may do the forecasting together whenever they think they need it, since it already becomes the responsibility of the new additional position to have direct negotiation with the CEG. The explanation of the job description of the recommended job position is as explained in Table 4.8.

Table 4.8 Additional Job Position in SBU level

Additional Job Position	Job Description
Marketing Department	<ul style="list-style-type: none"> <li>• Analyze the potentiality of the sales execution based on salesman (individual) perspective in the SBU.</li> <li>• Gather the aspiration of each member or position in the division and deliver it to the CEG furthermore.</li> <li>• Responsible in negotiating with Marketing Support in the CEG to make the negotiation become efficient whenever negotiation is needed.</li> <li>• Forecast sales events together with Marketing Support Department in CEG level.</li> </ul>

By the additional job position, it is expected that it will increase their sales performance and will avoid unneeded negotiation between SBU level and CEG level when they are attempt to participate in sales events.