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Governance Mechanisms in Optimizing the Management of Regional-Owned Enterprises in West Java

Thoriqoh Nashrullah Fitriyah[1], Oyo Sunaryo Mukhlas[2], Mohamad Anton Athoillah[3], Ija Suntana[4]

[1,2,3,4]UIN Sunan Gunung Djati Bandung, Indonesia

ABSTRACT: This study aims to analyze the implementation of governance in Regional-Owned Enterprises (ROEs) in West Java and to identify the strengths, weaknesses, opportunities, and threats faced by three key ROEs: PT. X (Finance), PT. Y (Energy), and PT. Z (Agriculture). Utilizing SWOT analysis and the Internal Factor Evaluation (IFE) and External Factor Evaluation (EFE) matrices, this research provides a comprehensive overview of each ROE's strategic position in addressing market challenges and regulatory changes. The findings reveal that PT. X holds significant potential in the Islamic financial market but faces challenges in technology and marketing. PT. Y focuses on leveraging natural resources and diversifying into renewable energy, despite its reliance on global oil prices. Meanwhile, PT. Z encounters challenges in supply chain efficiency and marketing of agricultural products. Effective governance implementation, through the principles of Good Corporate Governance (GCG), is shown to be crucial in enhancing accountability and transparency, thereby supporting the growth and sustainability of ROEs. This study also highlights the necessity of technological innovation and strategic partnerships to bolster ROE competitiveness in the era of globalization and digitalization. The limitations of this research lie in its focus on only three ROEs and its external factor analysis, which does not fully address socio-cultural and political dimensions.

KEYWORDS: BUMD; Good Corporate Governance (GCG); Local Revenue (PAD); Regional-Owned Enterprises (ROEs); Strategic Management

I. INTRODUCTION

Regional-Owned Enterprises (ROEs) (referred to as Badan Usaha Milik Daerah or BUMD in Indonesian) play a strategic role in promoting regional economic development and increasing Regional Original Revenue (Pendapatan Asli Daerah, PAD) (Rori et al., 2016). BUMD are expected to serve as engines of economic growth while simultaneously addressing the welfare needs of the community (Yani, 2012). However, in practice, many BUMD face persistent challenges such as operational inefficiencies, overreliance on government subsidies, and a lack of innovation in managerial practices. These challenges hinder their ability to achieve financial sustainability and fulfill the development objectives that have been set (Daniel et al., 2012).

In West Java, key Regional-Owned Enterprises (ROEs) such as PT. X (operating in the financial sector), PT. Y (operating in the energy sector), and PT. Z (operating in the agricultural sector) play a significant role in the regional economy. Despite receiving substantial investment support from the government and operating in resource-rich sectors, their contributions to Regional Original Revenue (PAD) remain below expectations. This condition highlights a gap between their potential and actual performance. Therefore, it is crucial to align regulatory frameworks with robust governance mechanisms, particularly through the implementation of Good Corporate Governance (GCG) principles. Such alignment is essential to enhance operational efficiency, strengthen transparency and accountability, and foster innovation in the management of BUMD.

The regulatory framework governing Regional-Owned Enterprises (BUMD) in Indonesia, such as Law No. 23 of 2014 on Regional Government and Government Regulation No. 54 of 2017 on BUMD, plays a critical role in establishing a structured and transparent approach to BUMD management. These regulations aim to ensure transparency, accountability, and efficiency in utilizing regional resources to increase Regional Original Revenue (PAD) and promote regional economic development. However, their implementation faces several challenges, including inconsistencies in law enforcement, varying institutional capacities, and gaps between regulatory provisions and operational realities in the field.

In the context of Regional-Owned Enterprises (BUMD), the implementation of Good Corporate Governance (GCG) principles—such as transparency, accountability, responsibility, independence, and fairness—is widely recognized as essential for enhancing organizational performance. These principles promote more effective decision-making, build stakeholder trust, and ensure the long-term sustainability of BUMD. Empirical studies indicate that consistent implementation of GCG can significantly improve financial performance, operational efficiency, and stakeholder engagement. However, the level of GCG adoption across different BUMD often lacks consistency, influenced by factors such as leadership effectiveness, organizational culture, and the adequacy of regulatory oversight.

In addition to governance issues, Regional-Owned Enterprises (BUMD) face recurring operational and financial challenges. One major issue is their excessive reliance on funding from regional governments, which limits their financial independence and ability to operate autonomously. The lack of investment in research and development, coupled with limited adoption of technology, hampers their competitiveness and reduces their ability to adapt to market changes. Other significant challenges include weaknesses in governance structures and leadership, with political interference often undermining accountability and operational efficiency. Furthermore, external pressures such as competition from private companies, economic fluctuations, and shifting consumer preferences demand greater resilience and adaptability from BUMD to sustain and thrive in an increasingly dynamic environment.

Effective governance is fundamental for the success of ROEs, as it directly influences their performance and impact on local communities. Anhari emphasizes that ROEs are designed to strengthen village economies and foster social cohesion, highlighting their role as community-driven enterprises that respond to local needs and capabilities (Anhari, 2023). Similarly, Purnamasari and Trihatmoko argue that good corporate governance is essential for both State-Owned Enterprises (SOEs) and ROEs, as it lays the groundwork for effective management and accountability (Purnamasari & Trihatmoko, 2022). The quality of governance in ROEs is often assessed through various frameworks that consider transparency, accountability, and stakeholder engagement, which are critical for building trust and ensuring sustainable operations (Hartono & Musdholifah, 2019).

Moreover, the findings from Prafitri et al. reveal that the application of government business principles, such as accountability and transparency, significantly influences the success of Village-Owned Enterprises (Prafitri et al., 2018). These principles are essential for fostering an environment where ROEs can thrive and effectively contribute to local economic development. The financial performance of ROEs is closely linked to their governance mechanisms. Triandhari et al. highlight that the allocation of dividends from ROEs can directly impact local government revenues, emphasizing the importance of effective governance in financial decision-making (Triandhari et al., 2017).

The application of SWOT analysis in BUMD is not limited to identifying potential business opportunities but also plays a significant role in strategic decision-making. Ogunwolu et al. illustrate how SWOT analysis can critically assess an organization's internal and external environments, allowing them to formulate strategies that capitalize on strengths while mitigating weaknesses and threats (Ogunwolu et al., 2020). This perspective is reinforced by Büyüközkan and Ilıcak, who highlight the advantages of SWOT analysis in providing a clear overview of an organization's current situation, which is crucial for long-term success (Büyüközkan & Ilıcak, 2019).

To address these challenges, this study employs a SWOT analysis framework to assess the strategic positioning of three key Regional-Owned Enterprises (BUMD) in West Java—PT. X (finance), PT. Y (energy), and PT. Z (agriculture). The research aims to explore the relationship between regulatory frameworks and governance practices in the management of BUMD, with a specific focus on their impact on operational performance and contributions to Regional Original Revenue (PAD). By analyzing the implementation of Good Corporate Governance (GCG) principles and conducting case studies on these three BUMD, the study seeks to evaluate the effectiveness of existing regulations. Furthermore, it aims to propose strategic recommendations to optimize BUMD management, ensuring alignment with regional economic development objectives.

II. LITERATURE REVIEW

The concept of Good Corporate Governance (GCG) plays a crucial role in improving the operational efficiency and accountability of Regional-Owned Enterprises (BUMD) in Indonesia. GCG is centered around principles such as transparency, accountability, and fairness, which are vital for safeguarding the interests of stakeholders, including shareholders and the broader community. Implementing GCG principles can significantly enhance operational performance, foster innovation, and promote financial transparency, thereby aligning BUMD with regional development objectives (Revida, 2023; Sinarwati & Suarmanayasa, 2023; Suyanto, 2023).

Agency Theory, introduced by Jensen and Meckling (1976), offers valuable insights into the relationship between regional governments (acting as principals) and BUMD managers (acting as agents). This theory highlights the importance of ensuring that agents prioritize the public's interests over personal gains (Jensen & Meckling, 1976). Such alignment is critical for effective BUMD operations, as it strengthens accountability and reduces conflicts of interest (Amerieska et al., 2021; Lubis et al., 2020; Sari & Prameswari, 2022). Within this framework, GCG principles provide a structured approach to holding BUMD managers accountable for their decisions, thereby reinforcing governance and performance (Fridayanti, 2022; Saputra et al., 2019).

Freeman's Stakeholder Theory (1984) further underscores the need to address the interests of all stakeholders involved in BUMD activities, such as local communities, employees, and the environment. Given their public ownership, BUMD are expected to make meaningful contributions to social welfare and regional economic development. Effective stakeholder engagement fosters more inclusive and sustainable growth, enabling BUMD to leverage local resources and capabilities (Akadun, 2022; Hendaris & Siraz, 2021; Kania et al., 2021). Complementing this, Barney's Resource-Based View (RBV) theory (1991) emphasizes the strategic importance of unique resources—such as natural assets and managerial expertise—enabling BUMD to gain competitive advantages and bolster contributions to Regional Original Revenue (PAD) (Rosiani, 2023; Wishmilia, 2023).

Empirical studies confirm that successful GCG implementation in BUMD leads to enhanced financial management, transparency, and accountability (Ariski & Asy'ari, 2022; Sagala, 2023). Organizations adhering to GCG principles consistently report better financial performance and operational efficiency (Sulaksono, 2023; Suwito, 2022). Additionally, establishing robust regulatory frameworks and engaging local communities are essential for ensuring the sustainability and effectiveness of BUMD operations (Vergera et al., 2021; Yuliana, 2022). Integrating governance principles with regional economic strategies is crucial for realizing the intended developmental impacts (Yuan, 2016).

Effective governance is fundamental to the success of Regional-Owned Enterprises (ROEs) as it directly impacts their performance and contributions to local communities. Anhari (2023) emphasizes that ROEs strengthen village economies and foster social cohesion by addressing local needs, while Purnamasari and Trihatmoko (2022) highlight governance as the foundation for effective management and accountability (Anhari, 2023; Purnamasari & Trihatmoko, 2022). Frameworks focused on transparency, accountability, and stakeholder engagement are vital for building trust and ensuring sustainable operations (Hartono & Musdholifah, 2019). However, legal complexities, as discussed by Marenda (2023), often hinder effective governance, particularly in regional development banks, necessitating clearer frameworks (Marenda, 2023). Additionally, the shift from traditional regional companies to structured ROEs requires reevaluating governance practices to meet contemporary standards of accountability and performance (Widodo, 2021).

Governance improvements are closely linked to financial and operational outcomes for ROEs. Hartono and Musdholifah (2019) identify the need for stronger boards and better use of technology for transparency, while Prafitri et al. (2018) demonstrate how principles like accountability and transparency foster ROE success (Hartono & Musdholifah, 2019; Prafitri et al., 2018). Financial performance also depends on effective governance, as highlighted by Triandhari et al. (2017), who note that dividend allocation impacts local government revenues (Triandhari et al., 2017). Mumba et al. (2022) further emphasize that enhanced governance practices improve operational efficiency and stakeholder trust, leading to better financial outcomes (Mumba et al., 2022). Collectively, these findings underscore the importance of prioritizing governance reforms to optimize ROE management and maximize their contributions to regional economic development.

The SWOT analysis framework has emerged as a critical tool for assessing the strategic positioning of organizations, including Village-Owned Enterprises (BUMD). SWOT analysis serves as a comprehensive method for evaluating internal and external factors that influence organizational performance. Ghazinoory et al. emphasize that SWOT analysis is an integral part of strategic planning, enabling organizations to identify their strengths and weaknesses while recognizing external opportunities and threats (Ghazinoory et al., 2011). Benzaghta et al. present an integrative literature review that broadens the understanding of how SWOT analysis can be adapted to various sectors, including the unique challenges faced by BUMD (Benzaghta et al., 2021).

The application of SWOT analysis in BUMD is not limited to identifying potential business opportunities but also plays a significant role in strategic decision-making. Ogunwolu et al. illustrate how SWOT analysis can critically assess an organization's internal and external environments, allowing them to formulate strategies that capitalize on strengths while mitigating weaknesses and threats (Ogunwolu et al., 2020). This perspective is reinforced by Büyüközkan and Ilıcak, who highlight the advantages of SWOT analysis in providing a clear overview of an organization's current situation, which is crucial for long-term success (Büyüközkan & Ilıcak, 2019).

Furthermore, the integration of SWOT analysis with other strategic frameworks, such as the TOWS matrix, is recommended to enhance its effectiveness. This approach encourages organizations to develop strategies that align internal strengths with external opportunities while addressing weaknesses and threats. This method is particularly relevant for BUMD, as they often operate in dynamic environments where adaptability is essential for sustainability.

III.METHODS

This study adopts a qualitative methodology supported by a descriptive analysis framework to investigate the management mechanisms of three significant Regional-Owned Enterprises (BUMD) in West Java: PT. X (finance), PT. Y (energy), and PT. Z (agriculture). The names of the companies have been anonymized to maintain confidentiality and avoid potential conflicts of interest. The analysis focuses on how regulatory frameworks and governance principles influence their operational practices, managerial structures, and contributions to regional revenue (PAD). The selection of these entities, representing diverse sectors such as finance, energy, and agriculture, provides a comprehensive understanding of the dynamics involved in BUMD management.

This study collected data from various sources to ensure a comprehensive and valid analysis. Data were obtained through the analysis of official documents such as financial reports, annual reports, strategic business plans, and regulations governing Regional-Owned Enterprises (BUMD). Additionally, questionnaires were distributed to key stakeholders, including BUMD executives and regional government officials, to gather insights on the implementation of Good Corporate Governance (GCG) principles and operational efficiency. Field observations were conducted to understand practical issues in daily BUMD operations and to validate the data. Secondary data sources, such as previous studies and industry reports, were utilized to provide context and support the triangulation of findings.

The primary analytical tools employed in this study were SWOT Analysis and Thematic Analysis. SWOT Analysis evaluated the strengths, weaknesses, opportunities, and threats affecting BUMD, such as government support and financial dependency. Thematic Analysis was used to assess the alignment of regulations with the operational objectives of BUMD, as well as challenges in implementing Good Corporate Governance (GCG), transparency, and operational efficiency.

IV. RESULT AND DISCUSSION

A. Regulatory Mechanisms and Governance Implementation

1. Regulatory Mechanisms and Governance Implementation

The management of Regional-Owned Enterprises (BUMD) in West Java is governed by regulatory frameworks aimed at fostering accountability, operational efficiency, and financial sustainability. The key regulatory frameworks include Law No. 23 of 2014 on Regional Government and Government Regulation No. 54 of 2017 on BUMD, which provide comprehensive guidelines on the establishment, governance, and objectives of BUMD. These regulations emphasize aligning BUMD operations with regional economic goals while promoting the application of Good Corporate Governance (GCG) principles, such as transparency, accountability, and fairness. However, the effectiveness of these mechanisms often depends on the ability of BUMD to interpret and implement the regulatory provisions in the context of their operational environments.

a. Governance Implementation of PT. X (Finance)

Based on the analysis of Good Corporate Governance (GCG) implementation at PT. BPD Jawa Barat dan Banten Syariah (BJBS), the company demonstrates a commendable commitment to applying GCG principles, despite facing certain challenges. Effective GCG is crucial for BJBS, particularly in maintaining transparency, accountability, and fairness, as part of its efforts to build stakeholder trust.

In terms of transparency, BJBS has shown strong commitment through clear and accessible financial reporting. The company's robust liquidity ratios reflect transparency in risk and working capital management, which is vital for the operations of a syariah banking institution. However, despite these transparent financial reports, questionnaire results indicate that 50% of respondents desire more detailed information regarding the company's fund utilization.

BJBS's managerial accountability is evident in its high profitability ratios, such as Return on Assets (ROA) and Return on Equity (ROE), which indicate the company's ability to deliver solid returns to its shareholders. Nevertheless, the decline in these ratios needs to be addressed openly by management to explain its causes to stakeholders, thus preserving trust in the company.

Regarding social responsibility, BJBS has successfully maintained low debt ratios, reflecting sound risk management and the ability to avoid excessive reliance on debt. This indicates that BJBS responsibly manages its finances and minimizes financial risks, contributing to its overall sustainability and resilience.

PT. X (Finance) has demonstrated a strong level of independence, as evidenced by its low debt ratio, allowing the company to make strategic decisions without external pressures. This independence provides critical operational flexibility in navigating the dynamic challenges of the market. Additionally, fairness in profit management has been identified as an important area for attention. According to questionnaire results, 75% of respondents believe that profit distribution needs improvement to ensure equity for all stakeholders, including employees and shareholders.

Overall, PT. X has effectively implemented the principles of Good Corporate Governance (GCG), though certain areas require further enhancement. A more transparent, accountable, and fair application of GCG principles will contribute to improving the company's performance, building customer trust, and ensuring long-term business sustainability. The company should focus on deepening its transparency efforts, particularly by providing more detailed reports on fund utilization, as well as enhancing communication and engagement with stakeholders through forums to explain strategic decisions effectively.

b. Governance Implementation of PT. Y (Energy)

PT. Y (Energy) has demonstrated a commitment to implementing the principles of Good Corporate Governance (GCG), which are essential to ensuring transparency, accountability, responsibility, independence, and fairness in its operations. In terms of transparency, the company has made efforts to provide clear and timely financial reports. Additionally, PT. Y conducts General Shareholders' Meetings (RUPS) openly, ensuring that stakeholders receive relevant and material information regarding the company's operations. However, questionnaire results indicate that 65% of respondents believe further explanations are needed concerning the company’s declining profitability.

The company’s accountability is evident in its strong profitability ratios, such as a Profit Margin (PM) of 87%, a Gross Profit Margin (GPM) of 95%, and a Return on Equity (ROE) of 96%. These figures highlight the company’s ability to generate substantial profits while maintaining effective cost control. Management has been responsible for presenting transparent and accurate financial reports, reflecting actual performance without manipulation. Nevertheless, 75% of respondents indicated that management needs to be more accountable in explaining the decline in ROE and ROA, to provide a clearer understanding of the financial conditions to stakeholders.

From a responsibility perspective, PT. Y exhibits excellent risk management, with a Debt to Asset Ratio (DAR) of 11% and a Debt to Equity Ratio (DER) of 13%. These low debt ratios demonstrate the company's prudence in maintaining long-term business sustainability without taking on excessive financial risks. This cautious financial management enhances operational stability and investor confidence.

The company's independence is also evident in its strong liquidity and solvency, which indicate that PT. Y does not rely heavily on external debt for its operations. This independence allows for greater flexibility in strategic decision-making without external pressures, ensuring objective and conflict-free decision-making. Regarding fairness, the company has shown equitable attention to all stakeholders. Fair profit distribution to shareholders and balanced management of interests between shareholders and employees are indicators of the company's successful adherence to GCG principles.

PT. Y has also demonstrated excellent operational efficiency, as reflected in the declining ratio of Operational Costs to Operational Income (BOPO). This improvement indicates the company's ability to manage costs more efficiently, thereby enhancing profitability without significantly increasing operational burdens. The sharp increase in EBIT and EBITDA in 2021 further reflects the company's effective and efficient management practices.

Based on questionnaire responses, 80% of respondents feel that the company has been adequately transparent in managing working capital, although most respondents also desire further explanations about declining profitability. Additionally, 70% of respondents stated that the company has implemented effective risk management practices. To strengthen the effective application of GCG, the company should enhance communication with stakeholders regarding financial performance and the corrective measures being taken. Moreover, management should conduct regular explanatory sessions on policies and strategies, as well as provide further training on best practices in risk management.

Overall, PT. Y has implemented GCG principles effectively, as reflected by financial indicators demonstrating stable and efficient performance. However, the company must continue improving communication regarding financial performance and corrective measures, while placing greater emphasis on accountability in financial management to maintain stakeholder trust and strengthen the company's reputation for the future.

c. Governance Implementation of PT. Z (Agriculture)

PT. Z (Agriculture) has made significant efforts to implement the principles of Good Corporate Governance (GCG) to ensure transparency, accountability, responsibility, independence, and fairness in all aspects of its operations. In terms of transparency, the company has committed to providing clear and timely financial reports and holding open General Shareholders' Meetings (RUPS). However, despite demonstrating sound cash management with healthy liquidity ratios, questionnaire results revealed that 60% of respondents felt that information regarding declining profitability was not communicated clearly enough. The significant decline in net profit margins necessitates immediate clarification to stakeholders to avoid uncertainty and maintain investor trust.

From an accountability perspective, PT. Z recorded significant declines in Return on Equity (ROE) and Return on Assets (ROA), at 0.80% and 0.37%, respectively, in 2021. This decline indicates a need for the company to account for the outcomes of its equity and asset management strategies. Given the challenges in achieving optimal returns for shareholders, management must proactively explain the corrective measures planned to improve operational efficiency and profitability. Questionnaire results also revealed that 70% of respondents believe management needs to provide more detailed explanations regarding the drop in ROE and ROA to assure stakeholders about the company's strategic direction.

In terms of social and environmental responsibility, despite experiencing a decline in net profit, PT. Z maintained a stable Gross Profit Margin (GPM) of 33.33%, demonstrating responsible management of production costs and operational risks. Additionally, the company has shown a commitment to healthier capital structure management by reducing its reliance on debt. The Debt to Equity Ratio (DtoER) decreased significantly from 12.54 in 2020 to 1.18 in 2021, reflecting management's efforts to mitigate financial risks and ensure long-term sustainability. This initiative was appreciated by 80% of respondents, who agreed that reducing debt demonstrated the company's responsibility in managing financial risks.

From the perspective of independence, PT. Z (Agriculture) has demonstrated flexibility in strategic decision-making following a reduction in its reliance on external financing. This reduction in debt has given the company greater freedom to make strategic investments without significant pressure from creditors, aligning with the independence principle of Good Corporate Governance (GCG). This indicates that the company has gained greater control over its operations and financial decisions, enabling it to act more autonomously in addressing challenges.

However, the company's most significant challenge lies in its declining profitability, reflected in the drop in Net Profit Margin (NPM) to 0.34% in 2021. While the company continues to manage production costs effectively, it is crucial for management to provide clear and transparent explanations for this performance decline to stakeholders. In terms of fairness, the company must ensure that its financial policies are equitable to all parties, including shareholders, by striking a balance between reinvesting in the company and distributing profits.

Regarding risk management, PT. Z's substantial reduction in debt underscores its commitment to managing financial risks prudently. The decline in the Debt to Equity Ratio demonstrates the company's effort to maintain financial stability and mitigate risks associated with liquidity or debt repayment failures. This reflects the company's implementation of sound risk management practices, a critical component of GCG, to ensure long-term sustainability.

The company's operational efficiency has also shown positive results, despite the overall decline in profitability. The stability of the Gross Profit Margin (GPM) at 33.33% reflects the company's ability to manage production costs efficiently, even while facing challenges in achieving high net profit margins. This indicates that, despite a decline in profits, the company has maintained operational efficiency, which is crucial for sustaining competitiveness and business continuity.

Overall, PT. Z (Agriculture) has demonstrated sound implementation of GCG principles, particularly in risk management and liquidity management. However, the company needs to address the challenges related to declining profitability promptly by enhancing transparency and accountability and providing clear explanations of the corrective actions to be taken. Based on questionnaire results, the following recommendations should be considered by the company:

a) **Enhancing Transparency**
Management should proactively explain the causes of declining performance and outline corrective actions. This can be achieved through open discussion sessions or regular presentations involving stakeholders to ensure clear communication and build trust.

b) **Improving Accountability**
Organize training programs for management and employees on the importance of Good Corporate Governance (GCG) and how to implement it in daily operational activities. This initiative aims to foster a culture of transparency and accountability across the organization.

c) **Strengthening Financial Communication Management**
Establish a dedicated team to monitor and evaluate GCG implementation periodically and provide feedback on areas for improvement in financial management and stakeholder communication.

By implementing these steps, PT. Z can enhance transparency, accountability, and fairness in financial management while improving stakeholder trust. In turn, this will strengthen the company's position in navigating economic uncertainties.

The application of GCG principles within this regulatory framework demonstrates the potential to improve BUMD governance. However, without targeted reforms to address industry-specific challenges and stakeholder expectations, the current mechanisms risk perpetuating inefficiencies. This underscores the importance of continuous dialogue among regulators, local governments, and BUMDs to create a governance environment that supports both compliance and innovation, ultimately enhancing the contribution of BUMDs to regional economic growth

B. SWOT Analysis of BUMD in West Java

Energy), and PT. Z (Agriculture)—provides a comprehensive overview of their internal capabilities and external environments. By identifying their strengths, weaknesses, opportunities, and threats, this analysis offers actionable insights into their strategic positioning and growth potential.

Table 1: SWOT Analysis of Regional-Owned Enterprises (ROEs) in West Java

ROE	Strengths	Weaknesses	Opportunities	Threats
PT. X (Finance)	Operates under syariah principles, attracting customers prioritizing Islamic values.	Limited capital and resources compared to major private banks.	Growth of the syariah market and interest in syariah-compliant financial products.	Intense competition with syariah banks and conventional financial institutions.
	Support from regional government, enhancing trust.	Less recognition outside West Java.	Product innovation, such as green financing or digital banking.	Regulatory changes that could impact operations.
	Diversified financial products, including MSME financing.	Limited technological infrastructure.	Partnerships with fintech or government institutions.	Economic crises affecting customers' repayment capacity.
	Strong reputation among customers valuing ethics.		Increased financial literacy.	Changing customer preferences favoring digital services.
PT. Y (Energy)	Access to abundant natural resources, particularly in oil and gas.	Dependence on global oil and gas prices.	Growing focus on renewable energy, offering diversification opportunities.	Strict energy and environmental regulations.

	Experienced and skilled management team in the oil and gas industry.	Inadequate and costly infrastructure to support operations.	Increasing energy demand domestically and internationally.	Price fluctuations in oil and gas impacting profitability.
		High environmental risks.	Technological innovations in exploration and production.	Competition from renewable energy sources reducing oil and gas demand.
PT. Z (Agriculture)	Expertise in managing and producing high-quality agricultural products.	Limited product marketing, especially to broader markets.	Rising demand for organic products, offering product line expansion opportunities.	Impact of climate change on agricultural yields.
	Support from regional government (ROEs).	Limited capital and technology hindering innovation.	Population growth and increased awareness of food security.	Competition from imported agricultural products threatening local markets.
	Diversified agricultural products.	Over-reliance on the local market.	Strategic partnerships for distribution and marketing.	

Source: Researcher's Observation Results (Processed Data, 2024)

After conducting a SWOT analysis for the three Regional-Owned Enterprises (ROEs) in West Java—PT. X (Finance), PT. Y (Energy), and PT. Z (Agriculture)—subsequent calculations of the Internal Factor Evaluation (IFE) Matrix and External Factor Evaluation (EFE) Matrix were performed to assess the internal and external factors influencing their performance. These matrices help identify internal strengths and weaknesses, as well as external opportunities and threats faced by each ROE.

IFE (Internal Factor Evaluation) and EFE (External Factor Evaluation) Matrices

The IFE Matrix is utilized to evaluate internal factors impacting ROE performance. Each internal factor is assigned a weight and rating to determine how effectively the organization manages these factors. Meanwhile, the EFE Matrix assesses external factors influencing ROE performance, with each external factor also assigned a weight and rating.

Table 2: Matriks IFE dan EFE PT. X (Finance)

No	Internal Factors	Weight	Rating	Score
1	Sharia principles attracting customers	0.15	4	0.6
2	Support from local government	0.10	4	0.40
3	Diversification of financial products	0.12	3	0.36
4	Good reputation among customers	0.13	4	0.52
5	Limited capital and resources	0.12	2	0.24
6	Lack of brand awareness outside West Java	0.10	2	0.20
7	Limited technological infrastructure	0.10	2	0.20
8	Commitment to transparency and accountability	0.08	3	0.24
Total		1		2.80
No	**External Factors**	**Weight**	**Rating**	**Score**
1	Growth of the sharia market	0.14	4	0.56
2	Partnerships with fintech and government institutions	0.13	4	0.52
3	Increased financial literacy	0.12	3	0.36
4	Intense competition with other sharia banks	0.15	2	0.30
5	Regulatory changes impacting operations	0.13	3	0.39
6	Economic crisis and changing customer preferences	0.13	2	0.26
7	Advancements in digital technology	0.10	3	0.30
Total		1		2.67

Source: Researcher's Observation Results (Processed Data, 2024)

Based on the IFE and EFE matrix analysis for PT. X (Finance), several key points need to be considered in the development strategy for this institution. Internally, PT. X possesses significant strengths, such as its syariah principles, which attract customers prioritizing ethical, sharia-compliant financial services, and strong support from local government, which provides stability and access to resources needed for expansion. Additionally, its solid reputation among customers serves as an essential asset for building trust. However, PT. X also faces several weaknesses, including limited capital and resources, insufficient brand awareness outside West Java, and inadequate technological infrastructure. These weaknesses could hinder PT. X's ability to compete with more advanced digital banks and fintech companies.

Externally, PT. X has substantial opportunities, particularly with the rapid growth of the syariah financial market. The increasing public interest in syariah financial products creates space for broader expansion, especially in developing sharia-compliant products and services. Partnerships with fintech companies and government institutions can further enhance digital services and improve product distribution. However, PT. X also faces significant threats, such as intense competition from other syariah banks, economic crises, changing customer preferences, and regulatory shifts that could affect its operations. The growing competition with syariah banks and fintech companies necessitates innovation in the products and services PT. X offers.

With a total IFE score of 2.80 and an EFE score of 2.67, PT. X is in a relatively favorable position but still has room for improvement and further development. Strategic recommendations for PT. X include strengthening its technological infrastructure to compete more effectively in the digital market. Expanding its market beyond West Java and enhancing brand awareness are also critical steps to attract more customers. To address the threats from competition, PT. X should focus on developing innovative products and strengthening technology-based services, particularly for younger generations who prefer digital solutions. Additionally, PT. X needs to prioritize improved risk management to navigate economic uncertainties and regulatory changes that could impact the bank's performance. By implementing these measures, PT. X can capitalize on existing opportunities and address its challenges to grow and thrive in an increasingly competitive market.

In the context of PT. X's strategic growth, enhancing technological infrastructure is critical for success in the digital market. Integrating advanced technologies, such as fintech solutions, improves banking services and customer engagement (Zaborovskaya et al., 2021), helping to attract a broader audience beyond West Java. Innovations like mobile and online banking are especially important for appealing to younger, tech-savvy generations, while also boosting operational efficiency, profitability, and customer retention (Chinwoke & Victor, 2021; Hassan et al., 2021).

Expanding market reach and building brand awareness are equally essential. Effective marketing and innovative products significantly influence customer loyalty and perceptions (Syahribulan, 2023). Adopting customer relationship management (CRM) tools can help PT. X understand and fulfill client needs, strengthening loyalty and broadening its market (Valmohammadi, 2017). Developing innovative, segment-specific banking products can further enhance visibility and draw in new customers (Elena et al., 2018).

To remain competitive, PT. X must focus on innovative products and technology-based services. Studies highlight that innovation helps banks overcome market competition and economic uncertainties (Okenabirhie, 2021). Solutions like biometric systems and automated services improve operations and customer experience, offering a competitive edge (Zaborovskaya et al., 2021). Product innovation differentiates PT. X from competitors and appeals to diverse customer bases (Chipeta & Muthinja, 2018).

Given economic uncertainties and regulatory changes, robust risk management is vital. Uncertainty in economic policy can negatively affect bank performance, making effective frameworks crucial for mitigating challenges (Bordo et al., 2016; Syed, 2023). By aligning risk management with technological and product innovations, PT. X can adapt to shifting market conditions while sustaining stability and profitability (Çağlayan & Xu, 2018; Kryklii & Jayasundera, 2023).This comprehensive approach will position PT. X to thrive in the modern banking landscape.

Table 3: Matriks IFE dan EFE PT. Y (Energy)

No	**Internal Factors**	**Weight**	**Rating**	**Score**
1	Access to abundant natural resources	0.15	4	0.60
2	Experienced management team	0.14	4	0.56
3	Dependence on oil and gas prices	0.12	2	0.24
4	Inadequate infrastructure	0.12	2	0.24
5	High environmental risks	0.10	2	0.20
6	Experience in the energy sector	0.12	4	0.48
7	Adoption of new exploration technologies	0.10	3	0.30
8	Potential for diversification into renewable energy	0.10	4	0.40
Total		1		2.82
No	**External Factors**	**Weight**	**Rating**	**Score**
1	Increasing energy demand	0.15	4	0.6

2	Rising attention to renewable energy	0.14	3	0.42
3	Strict regulations related to energy and environment	0.15	2	0.3
4	Fluctuations in oil and gas prices	0.13	2	0.26
5	Competition from renewable energy	0.14	3	0.42
6	Technological advancements in the energy sector	0.13	4	0.52
7	Dependence on global markets	0.12	3	0.36
Total		1		2.88

Source: Researcher's Observation Results (Processed Data, 2024)

Based on the IFE and EFE matrix analysis for PT. Y (Energy), the company demonstrates several strong internal advantages, including access to abundant natural resources in West Java and a highly experienced management team in the energy sector. This expertise provides PT. Y with a competitive edge in conducting exploration and production operations. Additionally, the potential for diversification into renewable energy serves as a crucial strength, considering the global trend toward more environmentally friendly energy sources. However, the company also faces significant internal weaknesses, such as high dependency on the volatile global oil and gas prices and inadequate infrastructure to support operations. Moreover, the high environmental risks associated with its operations pose ongoing challenges, potentially affecting the company's reputation and operational costs.

Externally, PT. Y is in a favorable position, given the increasing energy demand, which offers opportunities for expansion. Furthermore, advancements in energy sector technology present an opportunity for the company to adopt innovations that could enhance operational efficiency. Despite these prospects, PT. Y faces several external challenges, notably the tightening regulations in the energy and environmental sectors, which may constrain operational flexibility and increase costs. Additionally, global oil and gas price fluctuations and growing competition from renewable energy sources are significant threats. The global shift toward renewable energy also pressures PT. Y to diversify into more sustainable energy sectors to maintain its relevance in the market.

With an IFE score of 2.82 and an EFE score of 2.88, PT. Y is in a relatively stable position but faces substantial challenges both internally and externally. Recommended strategies for the company include accelerating diversification into the renewable energy sector to address increasing environmental and sustainability concerns. Additionally, the company should invest in improving its infrastructure and technology to mitigate dependence on the highly volatile oil and gas market. Collaborating with external stakeholders, such as renewable energy technology companies or government agencies, in green energy development programs could be a strategic move to secure PT. Y's position in the evolving energy market. Strengthening risk management systems to handle price fluctuations and regulatory changes is also critical to ensuring stability and resilience in navigating market uncertainties.

The transition towards renewable energy sources is increasingly critical for oil and gas companies, given rising environmental and sustainability concerns. For companies like PT. Y, accelerating diversification into renewable energy aligns with global trends and strengthens energy security. Research highlights that implementing renewable energy policies, fostering technological innovation, and developing human capital significantly aid diversification into non-hydro renewable sources, especially in developing countries (Seriño, 2021). This shift mitigates the risks of dependency on fossil fuels, which are prone to market volatility and regulatory constraints.

The evolving energy market dynamics require companies to invest in infrastructure and technology. The oil and gas sector is moving towards niche energy areas, driven by expectations of a "green shift" in energy systems (Steén & Weaver, 2017). Companies that adapt to this trend can secure competitive advantages. Advanced technologies improve operational efficiency, reduce reliance on volatile fossil fuel markets, and support long-term sustainability.

Collaboration with stakeholders, including renewable energy firms and government agencies, is another strategic move for PT. Y. Participation in green energy programs facilitates access to external expertise and resources, accelerating the transition to sustainable solutions (Shojaeddini et al., 2019). Evidence also suggests that diversification enhances corporate social performance, benefiting public image and stakeholder relations (Jongsma & Pennink, 2020).

Finally, strengthening risk management systems is vital to address the uncertainties in the energy sector. Volatile oil prices and potential regulatory changes require robust frameworks to manage risks effectively. Studies show that strategic risk management mitigates price volatility's impacts and enhances resilience, ensuring stability and sustainability in a rapidly evolving landscape (Arokodare, 2020; Balcılar et al., 2016). By adopting these strategies, PT. Y can navigate challenges and capitalize on opportunities in the dynamic energy market.

Table 4: Matriks IFE dan EFE PT. Z (Agriculture)

No	**Internal Factors**	**Weight**	**Rating**	**Score**
1	Ability to manage high-quality agricultural products	0.15	4	0.60
2	Support from local government	0.14	4	0.56

3	Diversification of agricultural products	0.12	4	0.48
4	Limitations in marketing	0.12	2	0.24
5	Lack of capital and technology	0.12	2	0.24
6	Over-focus on local markets	0.10	2	0.20
7	Strategic partnerships with other companies	0.08	3	0.24
8	Development of organic products	0.08	4	0.32
Total		1		2.88
No	**External Factors**	**Weight**	**Rating**	**Score**
1	Increasing demand for organic products	0.15	4	0.60
2	Population growth and awareness of food security	0.13	4	0.52
3	Strategic partnerships with other companies	0.14	3	0.42
4	Climate change affecting agricultural yields	0.14	2	0.28
5	Competition from imported agricultural products	0.12	3	0.36
6	Increasing demand for domestic food products	0.12	4	0.48
7	Changes in global food policy	0.1	3	0.3
Total		1		2.74

Source: Researcher's Observation Results (Processed Data, 2024)

Based on the IFE and EFE matrix analysis for PT. Z (Agriculture), the company demonstrates several significant internal strengths, particularly in its ability to manage high-quality agricultural products and diversify its offerings. PT. Z benefits from strong support from the regional government, which facilitates business development. A key strength of the company is its focus on developing organic products, which are gaining popularity due to increasing consumer awareness of healthy and environmentally friendly eating habits. However, PT. Z also faces notable internal weaknesses, such as limitations in marketing and product distribution that hinder its ability to expand into broader markets. Additionally, the company struggles with constraints in capital and technology, which impede operational efficiency and innovation. Over-reliance on local markets further restricts its potential for growth in larger markets.

Externally, PT. Z has significant opportunities for growth, especially with the rising demand for organic products and the growing importance of food security. Population growth and increased awareness of food sustainability present opportunities for the company to expand its production and distribution capabilities. Strategic partnerships with other companies can also enhance market reach and competitiveness. However, PT. Z faces several external threats, such as climate change, which could adversely affect agricultural yields, and competition from imported agricultural products, which are often cheaper and of higher quality. Despite growing demand for domestic food products, the company must address challenges related to rising production costs caused by fluctuating raw material prices and environmental factors. Additionally, global food policy changes may affect regulations, potentially impacting the company's operations.

With an IFE score of 2.88 and an EFE score of 2.74, PT. Z is well-positioned in the market. While the company has solid internal strengths, challenges in marketing and distribution, as well as external threats like climate change and competition from imports, need immediate attention. Recommended strategies for PT. Z include expanding its marketing network both locally and internationally and strengthening strategic partnerships with agribusiness companies and distributors to broaden market reach. The company should invest in advanced agricultural technology to enhance production and distribution efficiency. Emphasizing organic products and food security can be further leveraged by introducing innovative products that align with market demand and global food policy developments. Diversifying product offerings and expanding market reach will create significant opportunities for PT. Z to thrive in an increasingly competitive global market.

In the strategic development of PT. Z, expanding its marketing network both locally and internationally is essential to strengthening its competitive position in the agribusiness sector. Studies indicate that proactive agromarketing strategies enable agribusinesses to better meet market demands and adapt to consumer preferences, which are critical for long-term sustainability (Alpatova et al., 2021). Furthermore, forming strategic partnerships with agribusiness firms and distributors can significantly enhance market access and customer acquisition by leveraging shared expertise and resources, leading to improved operational efficiency and greater market penetration (Lozano et al., 2022; Perdana et al., 2018).

Another key strategy for PT. Z is investing in advanced agricultural technologies. Modern agricultural practices and technological solutions have been shown to increase production efficiency and streamline distribution logistics, ultimately reducing operational costs while enhancing profitability (Wang & Huang, 2018). For example, the adoption of e-commerce models in agriculture has demonstrated strong potential for driving economic growth, while lean production techniques can optimize resource utilization and minimize waste—both crucial in managing perishable agricultural goods effectively (Satolo et al., 2020).

Focusing on organic products and food security is also critical as consumer preferences increasingly shift towards healthier and environmentally sustainable options. Promoting organic agribusiness aligns with global food policy trends and meets the growing demand from eco-conscious consumers (Shiri, 2021). By developing innovative products tailored to these preferences, PT. Z can enhance its market position and contribute to food security initiatives, further supported by sustainable agricultural practices (Perdana et al., 2018). Diversifying product portfolios to include organic and health-focused offerings not only opens new revenue streams but also broadens PT. Z's customer base, securing its position in the competitive global agribusiness landscape (Soetriono et al., 2020).

CONCLUSIONS

Based on the SWOT analysis and IFE-EFE matrix evaluations conducted for the three Regional-Owned Enterprises (ROEs) in West Java—PT. X (Finance), PT. Y (Energy), and PT. Z (Agriculture)—it can be concluded that each ROE has distinct strengths and opportunities to leverage, as well as challenges that must be addressed. PT. X demonstrates significant potential in expanding the syariah banking market and utilizing partnerships with fintech, though it faces limitations in marketing and technological infrastructure. PT. Y capitalizes on its abundant natural resources and adoption of advanced energy technologies to strengthen its position, but must overcome dependency on volatile oil and gas prices. PT. Z excels in agricultural management and organic product development but confronts challenges in supply chain efficiency and market expansion.

Implications

The implementation of effective governance and strategies based on SWOT analysis is essential to support the performance of Regional-Owned Enterprises (ROEs) in navigating dynamic market changes. Each ROE must focus on technological advancements, product diversification, and strengthening strategic partnerships with private sectors and government entities. Success in leveraging opportunities and addressing weaknesses and threats will directly impact their contribution to regional economic development.

Enhancing operational efficiency and adapting to regulatory changes are critical steps. Effective governance implementation is expected to improve accountability and transparency, strengthen relationships with stakeholders, and ensure long-term business sustainability. Emphasizing Good Corporate Governance (GCG) principles such as transparency, accountability, and social responsibility will bolster the position of ROEs in facing competition, while simultaneously increasing public and investor trust.

Research Limitations

This study is limited to three Regional-Owned Enterprises (ROEs) in West Java and primarily analyzes internal and external factors quantitatively through IFE and EFE matrices. Other factors influencing governance and ROE performance, such as socio-cultural and political aspects, are not fully covered in this analysis. Additionally, the study does not account for the rapid technological advancements impacting the financial and energy sectors, which may significantly affect ROE strategies and operations

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