# Strategy Formulation through Identification Of Asset Management Problem Of The Gorontalo City Government

## Nuzlan Botituhe[1], Haedar Akib[2], Hamsu Abdul Gani[3]

[1]*(Public Administration/ University of Makassar, Indonesia)*
[2]*(Public Administration, University of Makassar, Indonesia)*
3*(Automotive Engineering, University of Makassar, Indonesia)*
*Corresponding Author: Nuzlan Botituhe[1]*

**Abstract:** To reduce problems faced by the Gorontalo City Government in asset management, there needs to be a professional and innovative improvement in asset management. This study aims to formulate strategies resulted from the thorough identification of the asset management practices of the Gorontalo City Government based on strategic steps, namely Identification, Asset Inventory, Assessment, Creating Professional Management and Optimizing Technology Utilization through BPKP and KPK applications. This research is a qualitative research using a case study approach. The methods of data collection used are observation, open-ended interviews, and document review. The results of this research show that the strategic steps taken to overcome problems in asset management aim to improve the asset database, which includes form, size, physical properties, legal status and condition of the asset. Gorontalo City Government must reduce constraints and problems by structuring and developing an asset management system through several steps such as updating the vision regarding comprehensive understanding of the concept of asset management, setting clear performance standards and indicators, and improving control and supervision performance.

**Key Words:** Strategy, Problem Identification, Asset Management

## I.  INTRODUCTION

One alternative to address various regional asset problems is to improve public administration management through asset management as improving public administration management system is expected to be a strategic concept in optimizing government asset management practices (Amit & Schoemaker, 2007). This concept of asset management system can be seen as a concept able to eliminate inefficient monopoly services delivered by government agencies and officials (Stoker, 2006; Osei-Tutu et.al, 2010). This concept can change the traditional ways and models of public bureaucracy into private business models and market developments.

The idea of asset management as a strategic step in supporting local governments in the implementation of local autonomy is actually a concrete example of the implementation of the modern management concept in the study of public administration (Langelo et.al, 2015). The purpose of asset management is in line with what is desired in the modern management concept. Good asset management with an asset restructuring program aims to achieve high efficiency and asset utilization through highest and best use analysis and measurable performance in local government asset management programs so that the evaluation of assets can be carried out appropriately and will ultimately facilitate the development of future asset management strategies for local governments (Simamora & Halim, 2012; Mulalinda & Tangkuman, 2014).

In both developed and developing countries, economic, social, political and administrative developments simultaneously lead to radical changes in management system and public administration. The main goal of the desired changes is an improvement in government management and public service delivery with an emphasis on efficiency, economy and effectiveness (Kloot & Martin, 2000).

Asset management is one of national activities that must be accounted for as each activity in the modern economy is related to other activities (Maskell, 1999). If all relationships between activities are based on a market mechanism or a system, these relationships will not cause problems. However, there are many relationships that are not based on a market mechanism leading to various problems. The relationship between activities that are not based on a market mechanism is called externality (Gordon, et.al, 2015). In general, it can be argued that externality is the impact of a particular party's actions on another party, both beneficial and adverse impacts (Crescenzi et.al, 2016).

In maintaining assets, a local government is sometimes faced with uncertainty, or even risks to be taken. For this reason, the local government must be able to take actions to anticipate uncertainty and risks. This condition is usually inseparable from the economic sector since everything managed by the government definitely requires costs. There needs to be a thorough identification of the asset management practices of the Gorontalo City Government based on strategic steps, namely Identification, Asset Inventory, Assessment, Creating Professional Management, and Optimizing Technology Utilization through BPKP and KPK applications.

## II.  MATERIAL AND METHODS

This research is a qualitative research using a case study approach.Through a case study approach, the results obtained from the research location are expected to be represented or used to describe and explain similar cases in other locations. The informants in this research were selected purposively or those considered having information related to the research problems. The primary data was collected from informants consisting of 10 bureaucrats, 1 asset management staff and 16 asset users.The methods of data collection used are observation, open-ended interviews, and document review.

## III. RESULT

Various problems faced by the Gorontalo City Government hamper the Gorontalo City Government efforts to realize optimal asset management, which is a condition where asset utilization is more efficient and effective; able to increase regional income, contributing to own-source revenue (PAD); reducing the burden of APBD (Local Government Budget) in terms of maintenance and security costs, especially reducing the encroachment of irresponsible parties; and able to make the community more prosperous through employment opportunities and create a source of income for the community. In addition, optimal asset management will contribute to the success of the regional development programs and the provision of high quality public servicesby the Gorontalo City Government.

In order to reduce the problems faced, the Gorontalo City Government needs professional and innovative asset management, which is expected to change the paradigm of asset management.

The application of professional and innovative asset management into asset management practices emphasizes performance standards and indicators; oriented to output and outcome; provision of reliable human resources and utilization of technology in management. This concept is expected to change the conventional asset management model of the Gorontalo City Governmentinto more innovative asset management in accordance with best practices proven reliable in realizing optimal asset management. Failure to inasset management of Gorontalo City Government is mainly due to the lack of strategic stepsin optimal asset management. The following is the results of the research related to strategic steps in asset management of the Gorontalo City Government.

### 1. Identification, Asset Inventoryand Assessment

These steps aim to enable the Regional Government of Gorontalo City to: (1) improve the asset database including the form, size, physical properties, legal status and condition of the asset. (2) Identify the completeness of asset legal documents and conduct juridical analysis of problem assets, which can ultimately provide legal options. (3) From the results of identification and assetinventory, develop an asset database through an asset management information system. (4) Identify the real value of all assets owned by the Gorontalo City Government based on current conditions that reflect the economic benefits of the assets, requiring joint commitment.

The steps explained above are expected to result in the availability of a good asset database, which includes orderly administration and real, up-to-date and accountable data. A good databasewill facilitate the process of maintaining and controlling assets, the availability of data and information as material in formulating asset management policies and other public policiesfor the Gorontalo City Government. With this in mind, policies can be made through a measurable planning process, which of course will lead to optimal asset management.

### 2.  Creating Professional Management

Professional management can be a testament to realize optimal asset management of Gorontalo City Government. Therefore, building a management/organization that is able to perform professionally is an agenda that must be implemented, as a solution to the management problems that occur in the Gorontalo City Government's asset management practices. The strategic step that can be taken in order to build professional management is to develop the quality of the HR of the Regional Government through, *first*, repositioning or recruiting and selecting the right HR to carry out the tasks and functions of regional asset management. In this respect, in the future, asset management is expected to be carried out by reliable HR. The HR needed to manage

assets should have adequate knowledge and comprehensively understand the asset management concept. At least asset management HR understand/master accounting science and computer application.

In relation to the aforementioned, asset management is closely related to the application of property management and governmental accounting system that use computer applications. In addition, optimal asset management often requires a comprehensive multi-disciplinary studysince each asset has its own characteristics.Therefore, the study of asset management and utilization is not only limited to the study of economics or management, but also requires other studies such as engineering, law, sociology, appraisal and public administration (organization), depending on the characteristics of assets managed.It is expected that Regional Government and public can more widely utilize an asset for a longer period of time. Hence, the Gorontalo City Government must also prepare an asset management team, filled with human resources with various abilities, expertise and insights, in order to face greater challenges of asset management in the future. Civil service formation must be adjusted to the assets to be managed based on their uniqueness and characteristics.

It is also necessary to pay attention to work units involved in asset management so that it can be filled by personnel who have the capacity and capability that includes several elements of asset management. For instance, a work unit has personnel with not only good capabilities in technical matters of an asset, but also in government management, understanding the ins and outs of legislation, and so forth.

***The second*** is increasing the capacity of the asset management apparatus. Referring to the research findings, the Gorontalo City Government still lacks capable human resources who are experts in their field of workand comprehensively understand the asset management concept. In addition, in carrying out asset management tasks, HR in general tends not to have a positive attitude and good work commitment. By looking at HR related problems, in terms of both quantity and quality, the Gorontalo City Government needs to develop HR by including them in education and training related to asset management. This aims to facilitate their understandingof tasks associated with asset management. Human resources development is expected to improve skills in terms of professionalism and enhance insight in asset management.

It is important to note that education and training must be in accordance with the needs of asset management apparatus of Gorontalo City Government because, in general, the policy of apparatus participation in asset management technical improvement training has often been carried out. However, technical education and training in asset management has not provided a significant performance improvement. There are still many aparatus who do not really understand the essence of management objectives and strategic value of asset. In addition, poor work ethic and commitment lead to ineffective asset management performance of the Gorontalo City Government. The problem of human resource capacity in an organization can vary. Thus, the needs or conditions of apparatus included in education and training must be taken into consideration.

The Gorontalo City Government can address the problems of apparatus poor work ethic and commitment by increasing their work motivation, both in the form of directions and implementation of strict punishment and reward with measurable indicators. Reward and punishment can be stimuli for apparatus to work and perform better. However, the mechanism that regulates the reward and punishment system must have measurable standards so that the impact can be objective and on target. The form and model of reward and punishment is adjusted to the conditions (needs) of the apparatus and the Gorontalo City Government.

The effort to develop the capability of the asset management apparatus as previously described is expected to foster human resources understanding of the asset management concept. HR is expected to understand the nature and purpose of optimizing asset management, so that every effort to optimize regional asset management can run effectively and that the objectives can be achieved. ***The third*** is improving the performance of the asset management system. In general, poor performance of asset management is caused by ineffective asset management system. This includes poor function of administration (asset data recording and presentation), an unmeasured and unaccountable planning system, non-optimal control system of asset management, and asset management performance supervision and evaluation that have not been running properly. For this reason, asset management performance must be optimized.

The Gorontalo City Government must reduce constraints and problems by structuring and developing an asset management system through the following steps: (1) updating the vision regarding comprehensive understanding of the asset management concept. (2) Setting clear performance standards and indicators. The goals or objectives of asset management should describe in detail how an objective will be evaluated. This is done in order to determine the level of performance of a work unit related to the implementation of the asset management tasks it carries out. (3) Improving control and supervision performance.

Referring to the technical provisions for regional property management guidelines (Gorontalo City Regional Regulation Number 12 of 620) containing and regulating the implementation of asset management, then the technical practices of asset management of the Gorontalo City Government should be carried out fairly, without any significant obstacles or problems. However, the real conditions indicate that the technical

implementation of asset management does not proceed as it should. Each party that has the authority and is responsible is not yet able to provide optimal performance.

In the implementation, the technical mechanism for asset management has been set up to be carried out in accordance with the procedure, but there are still HR not complying. In this case, they delayed the work, ignored the stages in the procedure, made low quality reports without going through check and recheck mechanism and so on as described previously. This indicates poor performance of the control and supervision of the asset management system. Therefore, paying attention to efforts to improve control and supervision performance must be prioritized to optimize the asset management in general.

3. Optimizing Technology Utilization through BPKP and KPK applications

To achieve asset management objectives in a planned and integrated manner, and which is able to provide the desired data and information in a short time, a supporting information system for asset related decision-making is neededcalled Asset Management Information System.The system is intended to explain efficient and effective management of regional assets and create transparency of regional asset management policies. Therefore, local governments need to have or develop a comprehensive and reliable management information system as a decision making tool.

The object of Management Information Systemdevelopment through the KPK application does not only cover fixed assets such as land and buildings, but all assets in the form of vehicles, machinery and equipment, as well as other assets. The KPK application is an asset management concept managed by the Gorontalo City Government that greatly supports the local government in terms of orderly asset administration, identification of highest and best use of assets, facilitating asset control, identification of the value of assets, and the development of strategic planning.

In relation to the above explanation, human resources with relevant educational background, having technical expertise in their fields, are needed, which is an absolute requirement that must be met by the Gorontalo City Government to ensure the effectiveness of the KPK Application program to optimize the asset management implementation of the Gorontalo City Government.

Based on the results of the research above,to optimize asset management of the Regional Government of Gorontalo City, there needs to be a breakthrough in the management of Regional-Owned Property (BMD).In this case, asset management should be improved through a BMD management system in the form of a professional asset management Innovation Roadmap by taking into account the skills of asset management human resources in accordance with asset related fields of study.

## IV. DISCUSSION

Based on the results of the research aforementioned, the Gorontalo City Government has a detailed asset management mechanism used as a standard procedure in managing its assets. However, in an effort to realize optimal asset management, it is not enough to rely only on technical mechanism/standard procedure. The expertise and capability of the asset management apparatus is still needed in implementing the asset management technical steps properly, based on existing regulations. This is evident in its implementation where goods management officials do not fully adhere to/carry out the stages of the technical mechanism for asset management, especially at Regional Working Units level (SKPD). Thus, this has become one of the factors causing ineffective asset management performance of the Gorontalo City Government. This is closely related to the use and utilization of assets that have not fulfilled the principle of highest and best use, poor bookkeeping system and reporting performance and poor asset supervision and control performance.

The lack of clear performance standards and indicators has resulted in asset management program planning, which only deals with routine operational activities and asset management administration (Bhagwat & Sharma, 2007). The Work Program created is not effective toward strategic and innovative steps of asset management.

Unstandardized performance with unaccountable indicators has an implication for the orientation of asset management, which is more concentrated on input control, not on the effort to achieve outputs and outcomes (Javorcik & Spatareanu, 2006). In this research, the Gorontalo City Government still focuses on poor data recording related to land and building. Furhtermore, the Gorontalo City Government pays great attention to efforts to overcome the problem of low human resources capability. The Gorontalo City Government is also still in the process of improving the asset management system by replacing the BPKP application with KPK application in order to be able to work effectively and overcoming technical asset management problems such as: poor asset recording system and asset supervision system.

Failure to apply the principles of professional management to asset management practices is mainly due to the lack of professional asset management human resources. Professional means expert in particular field of work, having knowledge and skills and having a positive attitude; being motivated and always striving to work (Olum, 2004; Hamilton & Hamilton, 2008).

In addition, professional management has not yet been applied as the Gorontalo City Government has not been committed in recruiting and selecting the right people to occupy certain positions and carry out tasks in accordance with their capabilities. In addition, there is no careful and persistent effort from the Gorontalo City Government to develop the capacity of its apparatus, to equip them with practical knowledge and skills through technical training on asset to perform better, and to supervise them to have consistent performance and to produce quality work.

There is no HR performance measurement/assessment system in the management of the Gorontalo City Government through a reward and promotion system based on merit. In addition, sanctions for poor performance have not been applied based on clear and measurable standards. This leads to low motivation, poor performance and poor work ethics.

The implementation of management functions is not optimal as the planning, organizing, movement and control functions of the Gorontalo City Government have not been fulfilled. This has become the most significant obstacle to the realization of optimal asset management for the Gorontalo City Government.

It is important to note that adequate human resources in terms of both quantity and quality are an absolute requirement for the Government of Gorontalo City in order to optimize the utilization of its assets. The Government needs to be strengthened by reliable officials characterized by appropriate educational background (Rajkumar & Swaroop, 2008). The majority of apparatus involved in asset management do not have educational background relevant with asset management duties and responsibilities.

The lack of human resources who do not meet these criteria results in the lack of awareness and understanding of the nature and purpose of asset management optimization. Thus, every asset optimization effort carried out becomes ineffective and fails to achieve the desired objectives. This condition is further exacerbated by the fact that asset management has not been supported by the government policy. Furthermore, there are no rules that require asset management to be carried out by professional personnel; those who have participated in regional/state asset management training and who are certified in the field of regional asset management.

## V. CONCLUSION

The strategic steps taken to overcome problems in asset management aim to improve the asset database, which includes form, size, physical properties, legal status and condition of the asset. Gorontalo City Government must reduce constraints and problems by structuring and developing an asset management system through several steps such as updating the vision regarding comprehensive understanding of the concept of asset management, setting clear performance standards and indicators, and improving control and supervision performance. Local governments need to have or develop a comprehensive and reliable management information system as a decision making tool. The Gorontalo City Government already has the object of Management Information System development through the BPKP application currently in use, which will be replaced in 2018 with the KPK application.

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