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After Covid-19 Pandemic* "

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FOREWORD

Alhamdulillah, praise be to Allah Subhanahu Wa Ta'ala for granting us the opportunity to organize and publish the proceedings of the 3rd International Conference on Business and Banking Innovations (ICOBBI) with the topic "Unlocking New Marketing Strategies on ASEAN After Covid-19 Pandemic". This proceeding contains several researches articles from many fields in Business & Marketing, Banking & Sharia Banking, Accounting & Financial Management, Human Resources Management, Operations Management, Investasi, Insurance & Capital Market, Strategic Management, Technology Management, and Information System.

The 3rd International Conference on Business and Banking Innovations was held on 6th – 7th March 2021 by virtual (online) meeting and organized by the Master Management Study Program of STIE PERBANAS Surabaya in Collaboration with three Higher Education Institutions in Indonesia and two Universities from Asia countries. Keynote speakers in this conference were: Prof. Jessa Frida T Festijo (Lyceum of the Philippines University), Prof. Krisda Tanchaisak, Ph.D (Ramkhamhaeng University Thailand) and Burhanudin, Ph.D (Head of Undergraduate Program In Management of STIE Perbanas Surabaya, Indonesia).

I would like to give high appreciation to the Rector of STIE Perbanas Surabaya for his support at this event. Acknowledgments and thank you to all the steering and organizing committees of the ICOBBI for the extra ordinary effort during the conference until this proceeding published. Thank you very much to all presenter and delegates from various Universities. Beside it, I would like to express our gratitude to the three universities, namely Universitas 17 Agustus Surabaya, STIE 66 Kendari, Institut Institut Bisnis dan Keuangan Nitro Makassar which has been the co-host of this event.

Hopefully, the proceeding will become a reference for academics and practitioners, especially the business and banking industry to get benefit from the various results of the research field of Business and Banking associated with Information Technology. Proceedings also can be accessed online on the website <https://pascasarjana.perbanas.ac.id>.

Chair of the Master Management Study Program
STIE Perbanas Surabaya

Prof. Dr. Tatik Suryani, M.M.



Tabel of Content

Cover i
 Committee ii
 Reviewers iii
 Foreword iv
 Table of Content v

Business and Marketing

Evaluation of Business Strategy Implementation and its Impact to Consumer Purchase Decision) 1 - 5
 Prima Roza Paluta; Yudo Anggoro

Analysis of Factors Affecting Scholar' Disinterest in Entrepreneurship6-11
 Erma Yuliaty; Siti Mundari; Sri Hadijono; Adiati Trihastuti

Analysis Influence Between Customer Preceive Value On Customer Engagement Through Mediation Affective Commitment And Trust At Aston Inn Batu Hotel Customers In New Normal Era12-23
 Abi Darin Widodo; Tjahjani Prawitowati

The Influence of Customer Relationshio Management (CRM), Customer Behaviour, and Service Quality on Customer Satisfaction at the HK Medical Center Clinic Makassar24-29
 Dhita Pratiwi Ar; Akhmad Muhammadin; Karta Negara Salam; Andi Makkulawu Panyiwi Kessi; Rezvanny Maricar

The Influence Of Cultural, Social, Personal And Psychological Factors On Customer's Decision Of Choosing Bank Insurance30-40
 Novita Rosanti

Analysis of User Satisfaction with Fintech Applications: FintekSyariah Use EUCS Method40-50
 Fadliyani Nawir; Syahrial Maulana; A. We Tenri Fatimah Singkeruang

The Influence Of Celebrity Endorsement On The Trust And Decisions Of The People Buying In Online Shop Through Social Media In Makassar.)51- 55
 Rosnaini Daga

Analysis Of Costumer Satisfaction Index (CSI) On Marketing Mix From A Management Perspective To Determine The Level Of Customer Satisfaction (Case Study At PT. Global Technindo Utama)56 - 66
 Muhammad Heykal; Soni Harsono



THE 3rd INTERNATIONAL CONFERENCE ON BUSINESS AND BANKING INNOVATIONS
 "Unlocking New Marketing Strategies on ASEAN After Covid-19 Pandemic"

The Role of Co-creation and Co-creation Experience on Brand Loyalty	67 - 77
One Arto Wiro Suprayogo; Yudi Sutarso	
The Effect of Social Media Usage, Brand Awareness, and e-Wom Activites on SMEs Customer Satisfaction in East Java	78 - 87
Gede Ariyoga Setya Utama; Tatik Suryani	
Analysis of Product Diversification Strategies in Effort to Increase Total Revenue (Case Study at PT. Kebon Agung Surabaya)	88 - 91
Tofan Andrew Irawan; Basuki Rachmat	
The Influence of Self-Efficacy on Customer Intentions to Use BRImo BRI Application by Mediating The Perceived Usefulness, Easy of Use and Risk at BRI Bank in Surabaya.....	92 - 99
Krista Pancasari; Soni Harsono	
Banking and Syar'i Banking	
The Effect of Bank Liquidity, Asset Quality, Profitability and Bank Size on Capital Adequacy in Government Banks.....	100 - 103
Widia Rani Agustiningih; Muazaroh	
Exploring Digital Banking in the Philippines: An Aid for Financial Inclusion.....	104 - 113
Michelle Lei S. Victorino	
The Effect of Internal and External Factors of Non Performing Loan (NPL) at Foreign Exchange Commercial Banks (Go Public) in Indonesia from 2016 – 2020.....	114 - 121
Ajeng Tiara Dewi; Suhartono	
The Effect of Operational Efficiency on Profitability in Banking Sector Registered in BEI 2015-2020	122 - 127
Intan Dwi Mentari; Suhartono	
The Effect Of Market Share In The Third Party Fund, Fund Distribution, And Placement With Other Banks On The Profitability Of Banks In Timor Leste	128 - 143
Leonardo Bele Bau Amaral	



Analysis of Corporate Social Responsibility at PT. Bank Rakyat Indonesia Tbk144 - 152
 Ummy Kalsum

Factors Affecting Health Score Bank In Private Commercial Bank National Foreign
 Exchange153 - 167
 Windra Eka Mawarni; Abdul Mongid

Accounting and Financial Management

Strengthening Competitiveness of MSMEs in the New Normal Era: Strategies in Accounting
 Perspective168 - 171
 Abdul Rahman; Lina Ria Marokana Pasaribu

Real Options Valuation of Coal Mining Project Using Binomial Lattice Model172 - 181
 Setiady Ikhsani; Yunieta Nainggolan

The Effect Of The Covid-19 Pandemic On Financial Performance In The Indonesian
 Banking Sector182 - 187
 Arfiana Dewi; Elliv Hidayatul Lailiyah; Rita Nataliawati; Mokhtar Sayyid

Analysis of Financial Ratio and Macroeconomic Variables to Predicting Financial Distress A Study
 on Extractive Companies Registered in BEI.....188 - 191
 Talita Yuni Elrawati; Emanuel Kristijadi

Effects of Inflation and Economic Growth on the Profitability of Regional Development Banks
 (BPD) in Indonesia Listed on the Indonesia Stock Exchange.192 - 197
 A. We Tenri Fatimah Singkeruang; Fadliyani Nawir; Nuraeni Saeni

The Impact of Financial and Non-Financial Compensation on Employee Motivation: Case Study
 Panin Bank in Makassar City198 - 204
 Ceskakusumadewi Baharuddin; Ramlah; Alda Kurniasari

Human Resources

The Influence Of Work Ability Dan Self Confidence On Employee Performance On Cosmetic
 Companies In Surabaya Indonesia205 - 212
 Siti Mujanah

Millenial Generation Level of Trust Toward OJK.....213 - 216
 Distiani Fitria Kusuma



Human Resource Allocation Management System for A Multi-Office Architecture Firm...217 - 221
 Giovanni Riandy Tyashadi; Yuliani Dwi Lestari

The Effect of Critical Thinking And Spiritual Inteligent on Employee Performance With Career Development as Intervening Variables on Manufacture Industries222 - 226
 Sumiati

The Effect of Organizational Culture, Work Environment, Work Dicipline and Work Loyalty on Employee Performance at PT. Bank Central Asia Surabaya227 - 232
 Mufidatul Laili; Lutfi

The Effect Of Work Stress, Work Motivation, Work Environment And Job Satisfaction On Employee Performance PT Bank Central Asia, Tbk Surabaya233 - 237
 Merryza Yulinda Putri; Suhartono

The Effect of Workload and Emotional Intelligence on Nurse Performance: In the Perspective of Human Relationship Theory238 - 243
 Amiartuti Kusmaningtyas; Pipit Erfiana

The Effect of Servant Leadership and Kaizen Work Culture on Quality of Work Life, Job Satisfaction and Performance of Hospital Employees in Lamongan Regency.....244 - 249
 Umar Yeni Suyatno, Ida Aju Brahmasari; Ida Ayu Brahma Ratih

Analysis Of The Influence Of Leadership And Motivation On Employee Performance At Pt. Bank Mandiri Kcp Surabaya Sungkono250 - 254
 Diyah Fitriani; Abdul Mongid

Operating Management

Decision-Making Model in Selecting Strategy for Food Supply in Livestock Business using Analytical Hierarchy Process (AHP). A Case Study of WD Putra Farm.....255 - 258
 Ayu Agustine Hernowo ;Yuliani Dwi Lestari

Determination of Alternative Retail Layout Using Market Basket Analysis A Case Study of Maga Swalayan259 - 263
 Desi Nur Hana Kurnia; Yuliani Dwi Lestari



THE 3rd INTERNATIONAL CONFERENCE ON BUSINESS AND BANKING INNOVATIONS
"Unlocking New Marketing Strategies on ASEAN After Covid-19 Pandemic"

Operating Management

Performance of Pertamina-Indonesia among Oil and Gas Companies in the Fortune Global 500 of Southeast Asia. Can She Take the Lead?.....264 - 273
Krisna; Subiakto Sukarno

Multi Criteria Decision Making Analysis of Supply Chain Alternatives for Coal Mining Concession at Central Kalimantan Case Study: PT Hamparan Mulya274 - 284
Franklyn Berris Panjaitan; Yos Sunitiyoso

Urban Development Management Strategy In Providing Housing And Habitable Sattlement Areas In Kendari City.....285 - 295
Indira Yuana



Decision-Making Model in Selecting Strategy for Food Supply in Livestock Business using Analytical Hierarchy Process (AHP)

A Case Study of WD Putra Farm

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ABSTRACT

In the beef cattle business, it is known that the feed is one of the success factor and it is contributed 50.20% of the total cost. Based on the number of feed cost contribution of the total cost in the livestock business, the internal management should find the most effective and efficient feed supply to be applied. Based on Stevenson 2005 it is known that the supply strategy consist of two, which are outsource and insource. In this study an analysis will be carried out to consider whether the outsource or insource method is more profitable for the company as a future strategy for fulfilling the feed. This research was conducted using the AHP (Analytical Hierarchy Process) method with BOCR analysis (Benefit, Opportunity, Cost, Risk) to determine the consideration in the selection of feed supply process, the weight of each criterion at strategy in the feed supply process, and the order of priority for the strategy. BOCR was used as a criterion in pairwise comparisons. Each criterion (B, O, C, R) consists of 13 sub-criteria or called factors that developed from the literature and internal company considerations. Benefit criteria is consist of 4 sub-criteria which include enhancing organizational learning, focus on core competencies, increase organizational movement, and improve asset utilization. Cost criteria are consist of 3 sub-criteria, including capital expenditure, operational expenditure, and cash flow. Opportunity criteria are consist of 2 sub-criteria, namely easiness to control and create alternative revenue. Risk criteria consist of 4 sub-criteria, including customer complaint issue, government issue, employee issue, and operational risk. Based on the AHP analysis with the BOCR method, this research resulted that the highest priority is Cost (0.57407), and the second is Benefit (0.28208). Risk priority is in the third priority (0.09152), and the last one is Opportunity priority (0.05233). While in terms of alternative, the second priority is Outsourcing (0.26321), and finally, the first priority is Insourcing, which get the highest weight (0.73679).

Keywords: Analytical Hierarchy Process, BOCR, Feed Supply Strategy, Insourcing, Outsourcing.

1. INTRODUCTION

Mentioned by the Director-General of Animal Husbandry and Animal Health (Dirjen PKH), Ministry of Agriculture, I Ketut Diarmita through the official website of the Directorate General of Agriculture and Animal Health that it was recorded that between 2015 and the first semester of 2019, there was a significant increase in performance. This significant increase in livestock performance is proven that in 2018 the GDP of the livestock sub-sector reached 231.71 trillion or contributed 16.35% to the total GDP of the agricultural sector, which amounted to Rp. 1,417.07 trillion [1]. Besides, the deteriorating condition of the Indonesian economy caused by Covid-19 outbreak has resulted in a surge in the supply of cattle feed from abroad. This has

an impact on the livestock business which uses concentrate as the main food ingredient. With the existence of Covid-19, the price of concentrates has increased and the supply is limited. This is because all prices of imported materials, especially soybeans, have increased and their distribution to Indonesia is stagnant. As mentioned on wartaekonomi.com on April 12, 2020 there has been an increase in the price of raw materials, one of which is soybeans. It is known that the price of imported soybeans jumped from IDR 6,700 to IDR 8,500 [2].

WD Putra Farm is a company engaged in beef cattle cultivation which has been outsourcing by buying concentrate rations from suppliers to meet their feed needs. The feed needed in WD Putra Farm continues to



increase in accordance with the number of cattle's capacity and the feed cost is 50% from the total cost. With unfulfilled feed needs and increasing feed prices, the operational process of beef cattle fattening at WD Putra Farm is disrupted. So that in this study, an analysis will be carried out to consider whether the outsource or insource method is more profitable for the company as a future strategy for fulfilling feed. This research was conducted using the AHP (Analytical Hierarchy Process) method with BOCR analysis (Benefit, opportunity, cost, risk) to determine the consideration in the selection of supply process, the weight of each criterion at strategy in the food supply process and the order priority for the strategy.

2. LITERATURE REVIEW

2.1. Outsourcing and Insourcing

The definition of outsourcing in general is one of the work systems in which a company assigns tasks and responsibilities to outside parties. Outsourcing goes beyond the more common purchasing and consulting contracts because not only are the activities transferred but also resources that make the activities occur including people, activities, equipment, technology and other assets are transferred. The responsibilities for making the decision over certain elements of the activities are transferred as well. Conversely, insourcing can be defined as internal sourcing of business activities. So, insourcing can be viewed as an allocation or reallocation of resources internally within the same organization, even if the allocation is in different geographic locations. The internal supply chain provides products to customers through several chain activities within the company [3-4]. This series of activities goes through several processes including sales, production and finally the distribution process to consumers. By going through these processes the company can improve its performance.

2.2. Analytical Hierarchy Process (AHP)

Analytical Hierarchy Process (AHP) was developed by Thomas L. Saaty in the 1970's. This method is one model multi-criteria decision making that can help the human frame of mind in which the factors of logic, experience, knowledge, emotions, and feelings are optimized into a systematic process. AHP is a decision-making method developed to give priority to several alternatives when several criteria must be considered, as well as to allow decision makers to organize complex problems into a hierarchical form or a series of integrated levels [5].

2.3. Benefit, Opportunity, Cost and isk (BOCR)

Based on research made by Saaty and Ozdemir in 2003 regarding the BOCR model, there are four ways to rank the several alternatives offered, including additives, probabilistic, subtractive and multiplication in BOCR. To combine the priorities of B, O, C, R can be done by synthesizing using two formulas, namely multiplicative and additive subtractive [6]. In this study, BOCR was used as a criterion in pairwise comparisons. Each criterion (B, O, C, R) consists of several sub-criteria or called as factors before to developed from the literature as well as internal company considerations.

2.3.1. Definition of BOCR Criteria

a. **Benefit criteria**, strategies that can provide benefits or advantages for the company both in terms of operations and business development. In business criteria, there are 4 sub criteria developed from the literature and also internal company considerations, which include enhancing organizational learning, focus on core competencies, increase organizational movement and improve asset utilization.

a. **Cost and financial criteria**, is the company's expenses with regard to the implementation of the feed supply strategy in supporting the whole part of operational process and the calculation is held to review the company ability to make a deal with certain strategy based on its financial status. The cost criteria consist of 3 sub criteria, including capital expenditure, operational expenditure and cash flow. **Capital Expenditure**. In the insourcing strategy, the company should invest as much as IDR 1,286,800,000 in the beginning. In the other hand, when the company running the outsourcing strategy there is no investment needed because the company just purchase the feed daily and the delivery process is supported by renting the accommodation.

Operating Expenditure. It is known that in total the number of operation cost in 2021 for insourcing as much as IDR 2,105,086,086 and in the 2025 as much as IDR 3,272,169,401. In the other hand, the number of operating cost for outsourcing is mentioned that in 2021 the total operating cost is IDR 2,598,167,303 and IDR 4,849,397,398 in the 2025.

Cash Flow. Free cash flow of insourcing is mentioned that in the 2021 there is an investment as much as IDR 1,286,800,000 from equity with interest rate 10% and the total cash flow in the first year is IDR 1,358,659,985. In the 2025 the number of cash flow is IDR 4,658,585,039. It is compared with the cash flow of outsourcing with the number of cash flow in the first year as much as IDR 2,286,078 and there is no investment or purchase for assets. The number of cash flow for outsourcing in the 2025 is IDR

3,510,357,041. Beside, this condition also compared based on its NPV (Net Present Value). The NPV result for insourcing is IDR 10,914,157,351 and for outsourcing 10,631,168,327. It is described that based on the calculation, the most profitable strategy is insourcing.

c. Opportunity criteria, profit opportunities from the aspect of business development and opportunities in the future by implementing outsourcing and insourcing strategies. For the opportunity criteria consists of 2 sub criteria, namely easiness to control and create alternative revenue.

d. Risk criteria, the risk of loss that must be borne by the company from internal and external aspects of the company when implementing an outsourcing or insourcing strategy. There are 4 sub-criteria in the risk criteria, including customer complaint issue, government issue, employee issue and operational risk [7].

3. CONCEPTUAL FRAMEWORK

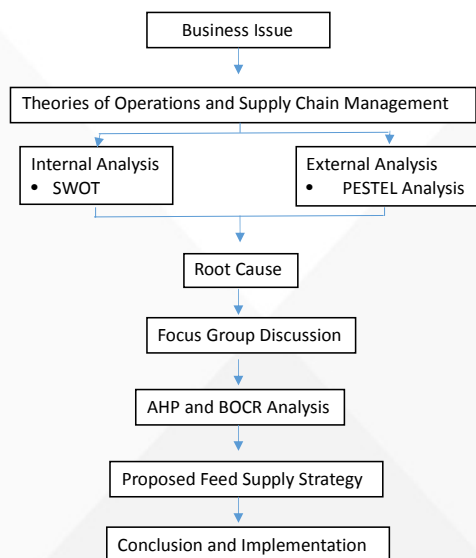


Figure 2 Conceptual Framework

As described in Figure 2, it is explained that this research begins by analysing the problem with internal company observations and collecting related phenomena occurring at this time. Next is to conduct a literature study to collect theories that supports the discussion that will be raised in the research. In this process, data collection is carried out to find related factors and theories that will be used in the research. The next step is internal and external analysis to create the root cause of the research. In this part, there is a problem break down to analyses the problem in detail. The next process is to conduct a Focus Group Discussion (FGD) with the expertise to consider the factors that will be discussed in the AHP chart and do the scoring in pairwise comparisons. After the AHP method with

BOCR analysis has been carried out, the final step is to determine the chosen solution and submit an implementation plan.

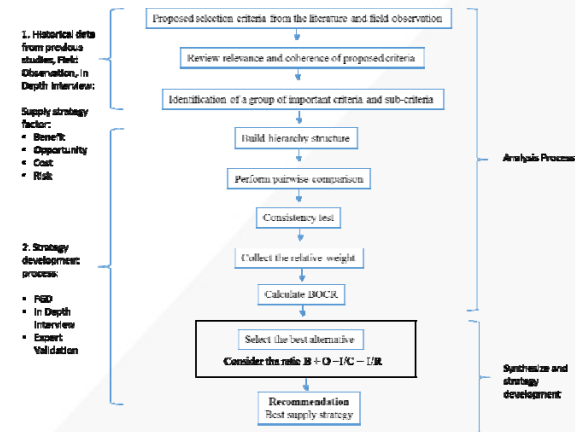


Figure 2 AHP Analysis Path

This study is conducted by combining BOCR and AHP to evaluate the synthetic utility value of the criteria and sub-criteria weights and then rank the optimal collection strategy against both outsourcing and insourcing strategies. For the AHP based decision making method was used to provide decision makers with a valuable reference for measuring the optimal strategy of the feed supply in the cattle fattening process at WD Putra Farm. BOCR was used as a criterion in pairwise comparisons. Each criterion (B, O, C, R) consists of several sub-criteria or called as factors before to developed from the literature as well as internal company considerations as describe in the Figure 2. In short, it can be explained that the AHP method with BOCR analysis is a step that will be carried out in this study using Super Decision software to analyze the data obtained more simply. Super Decision software will build a decision model with pairwise comparisons and analysis of computational results using super metrics from the Analytical Hierarchy Process (AHP) [8]. The pairwise comparison was discussed in the Focus Group Discussion (FGD) that was conducted by involving a Supervisor from WD Putra Farm and an expert from outside the company who understands the process of providing feed ingredients in the cattle fattening business and has an educational background according to this research.

4. RESULT AND DISCUSSION

4.1. Analytical Hierarchy Process (AHP)



Figure 3 Conceptual Framework

4.2. Benefit Criteria

In the benefit criteria, the highest score is on the Improve Asset Utilization sub-criteria (0.551). This illustrates that the company hopes that each strategy implemented can be useful, especially in using assets wisely so that it can maximize productivity through an effective and efficient system. The second is Enhancing Organizational Learning (0.274), which illustrates that the strategy the company will take is one that can increase the company's value through learning by the process. The third is the Increase Organization Movement (0.131), and the last one is the Focus on Core Competencies (0.044). Factor analysis for alternatives to the sub-criteria under benefits includes Enhancing Organizational Learning with the highest weight is Insourcing (0.875) and then Outsourcing (0.125). Then for Focus on Core Competencies, Outsourcing has the highest weight, namely (0.875) then Insourcing (0.125). Then for the Increase Organizational Learning sub-criteria with the highest weight on Insourcing (0.875) and followed by Outsourcing (0.125). The last sub-criteria is to Improve Assets Utilization with the highest number in Insourcing (0.875) and Outsourcing (0.125).

4.3. Opportunity Criteria

The highest value in the opportunity criteria is Easiness to Control (0.833); this illustrates that the company wants a supply strategy that provides easy access for them to control all related processes both in terms of price and quantity. The second is Create Alternative Revenue (0.167), with a long-distance of weight to illustrate that alternative revenue is not the company's priority at this time. Factor analysis for alternatives to the Opportunity sub-criteria consists of Easiness to Control and Create Alternative Revenue. For Easiness to Control, the highest priority is Insourcing (0.750), and below is Outsourcing (0.250). Next is Create Alternative Revenue with the highest value is Insourcing (0.875) then Outsourcing (0.125).

4.4. Cost Criteria

Cash Flow is the sub-criterion with the highest weight (0.637). This illustrates that the smooth flow of cash within the company is the most crucial factor that a company will consider when implementing a strategy because the cash flow will know the company's financial condition whether it is feasible to be implemented or not. Next is Capital Expenditure (0.258) because this fee is quite high and must be paid simultaneously at the beginning of strategy implementation. The third is Operational Expenditure (0.105), which is the company's final consideration in implementing a supply strategy. Factor analysis for sub-cost criteria consists of cash flow, capital expenditure,

and operational expenditure. For cash flow, the highest weight is Insourcing (0.875), then underneath is Outsourcing (0.125). Then for capital expenditure, the higher is Outsourcing (0.834) then followed by Insourcing (0.1667). The last one is operational cost with a balanced weight between Insourcing (0.750) and Outsourcing (0.250). The supporting data for the comparison process is mentioned below.

4.3.1. Capital Expenditure

In the insourcing strategy, the company should invest as much as IDR 1,286,800,000 in the beginning. In the other hand, when the company running the outsourcing strategy there is no investment needed because the company just purchase the feed daily and the delivery process is supported by renting the accommodation.

4.3.2. Operating Expenditure

It is known that in total the number of operation cost in 2021 for insourcing as much as IDR 2,105,086,086 and in the 2025 as much as IDR 3,272,169,401. In the other hand, the number of operating cost for outsourcing is mentioned that in 2021 the total operating cost is IDR 2,598,167,303 and IDR 4,849,397,398 in the 2025.

4.3.3. Cash Flow

Free cash flow of insourcing is mentioned that in the 2021 there is an investment as much as IDR 1,286,800,000 from equity with interest rate 10% and the total cash flow in the first year is IDR 1,358,659,985. In the 2025 the number of cash flow is IDR 4,658,585,039. It is compared with the cash flow of outsourcing with the number of cash flow in the first year as much as IDR 2,286,078 and there is no investment or purchase for assets. The number of cash flow for outsourcing in the 2025 is IDR 3,510,357,041. Beside, this condition also compared based on its NPV (Net Present Value). The NPV result for insourcing is IDR 10,914,157,351 and for outsourcing 10,631,168,327. It is described that based on the calculation, the most profitable strategy is insourcing.

4.5. Risk Criteria

In Risk sub-criteria, the Employee Issue has the highest weight (0.556). This indicates that the company will prioritize risks related to employees and workers. All risks associated with employees will be a major concern for the company, including job security and employee motivation. The second is Operational Risk (0.259), which means that problems related to operational activities, including errors in the system, and

workers will be the second priority in the company. The last two are Government Issue (0.136), and the last is Customer Complaint Issue (0.049). The first alternative factor analysis on the Risk sub-criteria is the Customer Complaint Issue with the highest priority on Insourcing (0.833) followed by Outsourcing (0.167). The second sub-criterion is Government Issue with a balanced weight between Insourcing (0.500) and Outsourcing (0.500). The third is the Employee Issue with the highest risk for Outsourcing (0.875) and then Insourcing (0.125). The last one is Operational Risk with the highest value in Outsourcing (0.750) and followed by Insourcing (0.250).

4.6. Global Criteria

Global weight priorities show that the highest priority is Cost and Financial (0.57407), and the second is Benefit (0.28208). Risk priority is in the third priority (0.09152), and the last one is Opportunity priority (0.05233). While in terms of alternative, the second priority is Outsourcing (0.26321), and finally, the first priority is Insourcing, which gets the highest weight (0.73679).

5. CONCLUSION

This research contributes to the company both theoretically and practically. First, this study proposes a Super Decision Software for running the AHP analysis model with BOCR. The consideration in the selection of supply strategy process is arranged using BOCR analysis. Benefit criteria consist of 4 sub-criteria developed from the literature and also internal company considerations, which include enhancing organizational learning, focus on core competencies, increase organizational movement, and improve asset utilization. Cost criteria consist of 3 sub-criteria, including capital expenditure, operational expenditure, and cash flow. Opportunity criteria consist of 2 sub-criteria, namely easiness to control and create alternative revenue. Risk criteria consist of 4 sub-criteria, including customer complaint issue, government issue, employee issue, and operational risk. The alternatives consist of insourcing and outsourcing. Based on the research and analysis the alternative selected is insourcing which generated the highest weight as much as 0.73679. In order to apply the insourcing supply strategy, the company should arrange the implementation plan and prepare for investment.

Theoretical

The used of AHP Method in this research was assumed to be independent without any inter-correlation between each criteria. For the future research suggest to conduct Analytic Network Process (ANP) method in

order to accommodate interdependent among cluster, criteria and sub-criteria of model.

Practical

After the problem solving, which already held by using AHP model analysis with BOCR, insourcing is founded as the best solution. However, it is known that in terms of costs at the beginning of the year, it is higher than outsourcing, but insourcing provides more advantages to be applied to the company. To solve the existing problems, the implementation of the supply insourcing strategy needs to be applied formally and systematically.

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