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Jakarta, March 21, 2009
I Made Arya Swastika
PREFACE

This thesis is the final work of my study at Master of Management Degree majoring in General Management (MM Executive Program) in Binus Business School.

The thesis consists of six chapters. A brief summary of each chapter is presented as below:

Chapter 1: Overview. This chapter explains about general information of flat glass industry, also talk about oil and natural gas resource especialy in Indonesia and its uses in flat glass manufacturing industry. Chapter 2: Problem Formulation. It explains how the industry especialy flat glass industry suffering by the hiking price of industrial fuel oil considering that the flat glass industry is categorized as energy intensive industry. Chapter 3: Theoretical Framework : Business Process Management. That explains the possible theoretical approach to formulate the best way in managing an energy crisis in a flat glass industry. It is describe a systematical concept to come up with the changing technology, regulation, the action of stakeholders and the eroding of business boundaries. Chapter 4: The Business Analysis that consisting of the market situation of the flast glass, challenge that must be faced by flat glass industry, distribution channel, its competitors both export and domestic, financial analysis, SWOT analysis and financial analysis of the company. Chapter 5: Alternative solution and conclusion that describes efforts that have been using by the company to eliminate negative effect of the price increment. Finally, Chapter 6: Recommended Strategy. It gives another strategic ways. All the chapter are trying to give a good understanding about problems in flat glass industry.

Hopefully this thesis can be usefull in enhancing students knowledge about a case study with a different industry background.

Jakarta, March 21, 2009
I Made Arya Swastika
ABSTRACT

PT Asahimas Flat Glass Tbk (Asahimas) is a foreign investment company established in 1971 as a pioneer of glass producers in Indonesia. In the year 2005 the gross profit and operating profit decreased to become 33% and 18% respectively. It is mainly stimulated by the significant increment of oil price for industry within the 4th quarter 2005 which caused the increase in manufacturing cost of 36%. The hiking price of industrial fuel oil is one of the factor which causing a substantial increment in the production cost.

Indonesian macro economic condition in year 2005 was marked by various economic, social and political challenges. The government announced twice fuel price raises in year 2005, the first one on March 1, 2005 by an average of 29% and the second one on October 1, 2005 by an average of 126%.

Flat glass industry is an energy intensive industry which characterized by the fact that energy represents a large part of the manufacturing cost. Hence, fluctuation of fuel oil price will directly influence performance of the industry.

In order to improve Asahimas performance, in 2006 Asahimas had implemented several measures, such as cost reduction activities, continuously to improve quality and productivity. Asahimas also made a study to convert heavy oil to natural gas. From view of operational aspect, prior to the implementation, Asahimas have to consider several factor such as: its effect to the glass quality, energy efficiency, furnace life, maintenance equipment and also pollution.

This Case Study will be focused on the Asahimas situation after oil price in 2005. They seek out opportunities to reduce production costs without negatively affecting product yield or quality. Asahimas believes the development of more energy-efficient manufacturing technologies will achieve significant energy savings and help to strengthen the competitiveness of glass products.

Keywords: Asahimas, Flat Glass Industry, Oil, Natural Gas, PGN, Energy.
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