

## ANALYSIS OF THREE TENSIONS IN REAL ESTATE COMPANIES IN INDONESIA (PT XYZ CASE STUDY)

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### ABSTRACT

*This study aims to assess the management of three key tensions within a company. The research was conducted at a real estate firm listed on the Indonesia Stock Exchange, specifically PT XYZ. Data were collected from financial records, specifically audited financial statements covering the period from 2019 to 2021. The collected data were then analyzed using a qualitative descriptive analysis approach. The conceptual framework of this study is structured around three tensions: profitability vs. growth, today vs. tomorrow, and whole vs. parts. To analyze the relevant data, the researchers employed the batting average technique for each identified tension. Significant findings emerged in the whole vs. parts tension, which achieved a batting average score of 100%. In contrast, the other tensions—profitability vs. growth and today vs. tomorrow—each recorded a score of only 33%. These findings provide valuable insights for companies and stakeholders, serving as input to enhance financial management and optimize organizational resources in the future.*

### KEYWORDS

*Keywords: three tensions, real estate, management*



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### INTRODUCTION

The COVID-19 pandemic has had a significant impact on various sectors worldwide, including Indonesia (Adedoyin & Soykan, 2023; Belitski et al., 2022; Chowdhury et al., 2021; Sarkodie & Owusu, 2021). At the global economic level, the pandemic has profoundly affected both the economy and international trade. A comprehensive study conducted by the Organization for Economic Co-operation and Development (OECD) highlights the substantial impact of COVID-19 on the global economy, characterized by a sharp decline in production activity, household consumption, and consumer confidence, as well as heightened stock market volatility, all of which contribute to increased uncertainty (Arriola et al., 2022; Hasan et al., 2021; Moder & Fuentes, 2021; Pinhan, 2022; Strömberg, 2021). Consistent with the OECD's findings, a study by the Ministry of Finance (2021) indicates that the pandemic has caused a contraction in the domestic economy, marked by weakened purchasing power, declining corporate performance, and systemic risks within the financial sector. Additionally, another impact of COVID-

19 is the shift in consumer behavior, with most consumers preferring to save their money amid such uncertainty. This tendency has led to a decrease in purchasing power for consumer goods, thereby exerting pressure on both producers and sellers.



**Figure 1. Indonesia's Gross Domestic Product Growth (2017-2023)**

*Source: Badan Pusat Statistik (2024)*

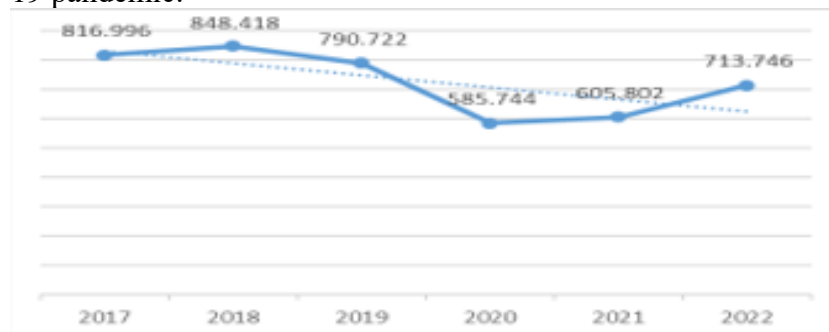
Based on data published by Indonesia's Central Bureau of Statistics (BPS) in 2024, it can be seen in the graph above that Indonesia as a whole experienced a sharp decline in Gross Domestic Product (GDP), which amounted to -2.07% (yoy) in 2020, very far compared to the previous year of 5.02% (yoy) in 2019. In 2021 Indonesia's GDP has still not returned to its normal state. Indonesia's GDP only returned to its normal state in 2022 at 5.31% (yoy). This reflects that Indonesia's economy is greatly affected by the impact of COVID-19 from 2019 to 2021. This situation requires companies to remain adaptable and have the ability to implement the right strategic plan in order to survive in difficult situations like this.

During the COVID-19 pandemic, several strategies and offers to consumers were carried out by companies, but most consumers prefer to save their money because this condition is uncertain when it will end, making the company experience a decline from the previous year due to little consumer demand (Machado et al., 2021; Suharti & Sugiarto, 2020; Yasin et al., 2019). During COVID-19, the main challenge for companies is how to achieve several goals at the same time to stabilize the company's condition, including being able to obtain good profitability in the current year, grow the company's revenue in the next few years, improve the performance of the company's main business and other business lines, and so on. The problem is not only to "become more profitable" or "find new revenue growth", but how can the company do both, namely the ability to obtain stable profits and stable company growth or in other words not drop dramatically at the same time because the COVID-19 condition has made consumer demand drop dramatically. Not just the need to produce good performance in the short term, but the need to produce results today and progress for tomorrow simultaneously. In general, under these circumstances, most companies face obstacles or problems regarding how to make progress on different objectives, such as increasing profitability or increasing company growth at the same time. In the context of intensified global business competition, achieving a goal often involves trade-offs, where success in one aspect may come at the expense of another. Rapid technological changes and rapid market fluctuations demand business strategies that are not only effective, but also adaptive to the dynamics of the evolving business environment.

In facing this challenge, companies need to understand and manage the various tensions that arise from trying to achieve different goals simultaneously. An empirical study conducted by Dodd and Favaro (2007) on a number of companies in 2003 indicated significant challenges in managing three types of interrelated tensions, including profitability vs growth, today vs tomorrow, and the performance of the company as a whole vs the performance of each part of the company. The three tensions together create the corporate cycle. Corporate cycle is an interaction of three types of tensions that result in the company being in a cycle between two phases, namely the “Brave New World” phase, which focuses on growth, long term, and parts, and a Back to Basic phase, which focuses on profitability, the short term and the whole (Dodd and Favaro, 2007). By understanding this corporate cycle, companies can better formulate a balanced strategy, so that they are able to adapt to rapid changes and remain focused on achieving long-term goals even in uncertain situations.

To measure the ability of company management to manage these three tensions, the concept of batting average is used. Batting average measures the intensity of the company in achieving success on both sides of the opposition simultaneously in certain years. In the management of the three tensions can run well, then the company needs to strengthen what factors can unite (the common bond) the two opposing sides with the aim of achieving a high batting average. Factors that can unite or be known as the common bond for profitability vs growth tension is customer benefit. While the common bond for today vs tomorrow tension is sustainable earnings, and the common bond for whole vs parts tension is diagonal assets.

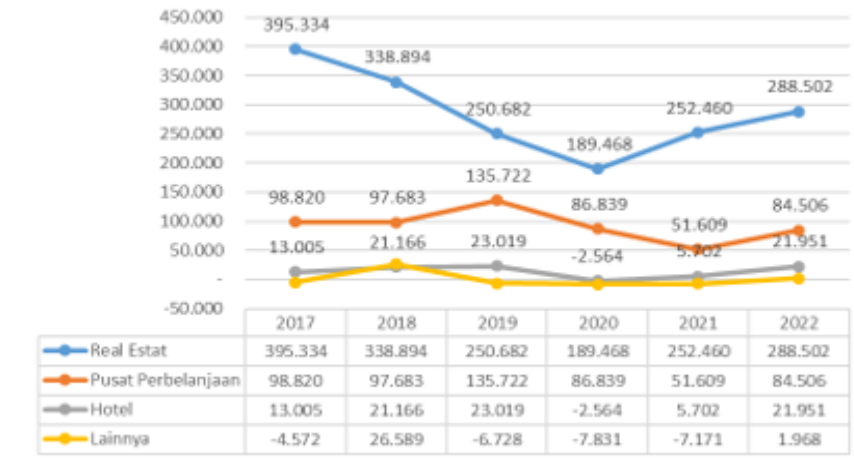
Based on an examination or review conducted by the Ministry of Manpower in collaboration with INDEF in 2020, companies generally experienced a decline in demand, production and profits. The companies that felt the biggest impact due to the pandemic were the provision of food and beverage accommodation, real estate and construction (Kemnaker, 2020). In general, these industries have experienced a decline in growth due to low public interest in spending their money. PT XYZ as one of the real estate companies in Indonesia today and already listed on the Indonesia Stock Exchange is experiencing a similar impact due to the COVID-19 pandemic.



**Figure 2. Gross Profit of PT XYZ (in Millions Rupiah)**

Source: PT XYZ Financial Report

We can see from the graph, that in 2019-2020 the company experienced a decline in growth compared to the years before the COVID-19 pandemic occurred.



**Figure 3. Segment Result of PT XYZ (in Millions Rupiah)**

Source: PT XYZ Financial Report

The impact received was also a decrease in revenue in one of its business fields, namely in the shopping center segment, as a result of many retail companies closing their tenants or preferring not to extend their lease periods. On the other hand, due to restrictions on the number of crowds in public places, the shopping center business segment has become very quiet among the public. This will result in a decrease in the source of recurring income from the segment, which according to Dodd and Favaro (2007) means the loss of sustainable earnings from the company, thus affecting the company's tomorrow performance. On the other hand, quoting from PT XYZ's Annual Report in 2019, there were several new projects and existing projects that had to be postponed, such as hotel projects in Kertajati and villas in Ubud, as a result of the COVID-19 pandemic. This was done in order to maintain the availability of the Group's cash flow, so that it is sufficient to finance the Group's operational needs and pay the Bank's loan obligations until the end of the year. This indicates that companies are struggling to manage profitability and short-term financial performance, which means that there will be tension in both the profitability vs growth tension and the today vs tomorrow tension.

In the housing sales (real estate) sector, the same thing happened. In addition, we can also see in the graph that in 2021-2022 where COVID-19 has begun to be resolved, company growth has increased slightly. This study aims to measure the management of three tensions in a company. This study was conducted at a real estate company that has been listed on the Indonesia Stock Exchange, namely PT XYZ. This means that the COVID-19 pandemic has a major effect on PT XYZ. In 2021-2022, consumer demand began to increase, they began to be able to use their money for transactions as in previous years, starting from visits to malls or even buying property for investment. This makes PT XYZ have the opportunity to open new clusters or even add new projects because public demand is increasing compared to 2019-2020. Based on the explanation above, the authors are interested in conducting research on the Analysis of Three Tensions in Real Estate Companies in Indonesia.

## RESEARCH METHOD

The object of this research is financial performance obtained from the Financial Statements of PT XYZ. The research location is at PT XYZ which is located in Bekasi City, West Java Province. The time of this research began in February to April 2024. In conducting this research, the data collected is secondary data consisting of:

Financial data, in the form of financial statements (audited) for the period 2019 to 2021. As well as non-financial data obtained from the company's Annual Report.

To analyze the data needed in this study, researchers used the batting average technique for each tension with the following details:

### Profitability versus Growth Batting average

In order to calculate the batting average under this tension, the first stage involves measuring the profitability of the company. Profitability is defined as Positive Economic Profit and is calculated using the following formula (Mc Taggart et.al., 1994):

$$\text{Economic Profit} = \frac{\text{Earnings} - \text{Equity Capital Charge}}{\text{Revenue}}$$

In the context of this study, Earnings is interpreted as gross profit, while Equity Capital Charge is calculated using the equation:

$$\text{Equity Capital Charge} = \text{Equity Invested} \times K_e$$

$$K_e = R_f + \beta (R_m - R_f)$$

$R_f$  (risk free rate) is obtained from the average one-month Bank Indonesia Certificate (SBI) interest rate in the relevant year, while the  $\beta$  (beta) value for the company is obtained from Pefindo data in the relevant year. For the market risk premium ( $R_m - R_f$ ) calculation, country risk premium data published by the Damodaran Online website is used.

The next stage involves calculating the growth of the company. The growth calculation adopts the formula proposed by Dodd and Favaro (2007):

$$\text{Growth} = \frac{\text{Revenue year}_n - \text{Revenue year}_{n-1}}{\text{Revenue year}_{n-1}} - \text{GDP Growth}$$

GDP growth data was extracted from the Indonesian Economic and Financial Statistics available on the Bank Indonesia website. Once the profitability and growth for the three-year period of the study (2019-2021) have been calculated, the profitability vs growth batting average can be calculated with the following methodology:

$$\text{Profitability vs Growth Batting Average} = \frac{\text{Total Hits}}{3} \times 100\%$$

Total hits in this context refer to the number of years in which the company managed to achieve a combination of positive economic profit growth and positive growth simultaneously in the same year.

### Today versus Tomorrow Batting average

Calculation of batting average for today vs tomorrow tension begins with calculating earning growth as an indicator of today's performance and cumulative economic profit for three years as an indicator of tomorrow's performance with the following calculation method (Dodd and Favaro, 2007):

$$\text{Today's Performance} = \frac{\text{Earning year}_n - \text{Earning year}_{n-1}}{\text{Earning year}_{n-1}}$$

$$\text{Tomorrow's Performance} = \text{cumulative economic profit in 3 years}$$

The batting average score is obtained through a comparison between current performance and future performance. If the company manages to achieve positive cumulative economic profit and positive earnings growth simultaneously in one year, it is considered as one hit. The formula for calculating the batting average score is as follows:

$$\text{Today vs Tomorrow Batting Average} = \frac{\text{Total Hits}}{3} \times 100\%$$

Total hits in this context refer to the number of years in which the company managed to achieve a combination of positive economic profit growth and positive cumulative economic profit simultaneously in the same year.

#### **Whole versus Parts Batting average**

The batting average calculation for whole versus parts tension begins by calculating the number of years in which the company has a market value higher than the total sum of the market value of all business units (Dodd and Favaro, 2007), but due to limitations in measuring the market value of each business unit, the analysis is carried out by measuring how much benefit the company's activities each year have on both the company as a whole and each business unit.

The batting average score is obtained through a comparison between the performance of the company as a whole and the performance of business units. If the company as a whole and business units succeed in achieving positive economic profit simultaneously in one year, it is considered as one hit. The formula for calculating the batting average score is as follows:

$$\text{Whole vs Parts Batting Average} = \frac{\text{Total Hits}}{3} \times 100\%$$

Total hits in this context refer to the number of years in which the company and the business unit managed to achieve positive economic profit simultaneously in the same year.

## **RESULT AND DISCUSSION**

### **Profitability versus Growth Batting average**

**Table 1. Calculation Results of Profitability vs Growth Batting Average**



Description	2019	2020	2021
Revenue	1.403.758	1.110.650	1.199.074
Gross Profit (Loss)	790.722	585.744	605.802
Capital	3.849.851	4.076.937	4.406.174
Rf	5,63%	4,25%	3,52%
Rm-Rf	1,88%	1,84%	1,88%
$\beta$ (Beta)	0,486	0,682	0,533
Ke	6,54%	5,50%	4,52%
Capital Charge	251.729	224.430	199.286
Economic Profit	538.993	361.314	406.516
Economic Profit Margin	38%	33%	34%
Revenue Growth	-3,21%	-18,81%	4,26%
GDP Growth	5,02%	-2,07%	3,70%
Profitability vs Growth Hits	0	0	1
Profitability vs Growth Batting Average		0,33	

Source: PT XYZ Financial Report

An analysis of the batting average in the profitability vs growth tension at PT XYZ from 2019 to 2021 is presented in the table above. The data shows that PT XYZ experienced negative revenue growth from 2019 to 2020. Only in 2021, the company recorded a positive revenue growth of 4.26% with profitability - measured using Economic Profit Margin - of 34%. The trend of increasing profitability and growth was consistent from year to year, with the exception of 2020 where there was a decline in both indicators. The negative Economic profit margin trend in 2020 is an implication of the economic profit trend which is also negative.

Negative revenue growth in 2020 is a continuation of the downward trend that began in 2019. Although national GDP growth still shows a positive value, PT XYZ recorded negative revenue growth in 2019. This condition has an impact on the following year's performance, where revenue growth still remains in negative territory.

Based on the profitability and growth calculations presented in the table, the batting average score for the tension in profitability vs growth of PT XYZ during the 2019-2021 period is 0.33. This value of 0.33 means that PT XYZ achieved a positive economic profit margin and positive real revenue growth simultaneously by 33% or only once during 2019 to 2021 (3 years). With a batting average score smaller than 0.5, PT XYZ still cannot control the tension well because the company fails more often than it succeeds in controlling this tension. In order to increase the batting average score on this tension, the company needs to implement an effective control strategy. This can be achieved by paying special attention to customer benefits as a common bond between profitability and growth.

As previously described, customer benefits are compensation, both tangible and intangible, obtained by customers. This concept is difficult to measure directly because it is subjective and varies between individuals. However, willingness to pay can be used as a proxy indicator to measure customer benefits. Manifestations

of customer benefits that are easier to observe are increased market share and/or higher prices compared to similar products or services. Products or services with superior customer benefits tend to have a larger market share, which has the potential to generate economies of scale. Growth based on improved customer benefits has a higher compatibility with profitability, as it drives operational efficiency by eliminating bad costs. Consequently, the company can achieve optimal profitability without sacrificing growth.

#### Today versus Tomorrow Batting average

The results of the calculation of the batting average score for today vs tomorrow tension at PT XYZ for the period 2019 to 2021 can be seen in the table below. Based on the data in the table, PT XYZ in the last three years could not achieve gross profit growth. The decrease in gross profit in 2020 was caused by a decrease in business due to COVID-19. PT XYZ during the two-year period 2019-2020 has not been able to achieve positive earning growth. And for the achievement of cumulative economic profit, it has been able to be achieved, indicated by positive values from 2019 to 2021.

**Table 2. Calculation Results of Today vs Tomorrow Batting Average**

Description	2019	2020	2021
Revenue	1.403.758	1.110.650	1.199.074
Gross Profit (Loss)	790.722	585.744	605.802
Capital	3.849.851	4.076.937	4.406.174
R <sub>f</sub>	5,63%	4,25%	3,52%
R <sub>m</sub> -R <sub>f</sub>	1,88%	1,84%	1,88%
β (Beta)	0,486	0,682	0,533
K <sub>e</sub>	6,54%	5,50%	4,52%
Capital Charge	251.729	224.430	199.286
Economic Profit	538.993	361.314	406.516
Economic Profit Margin	38%	33%	34%
Revenue Growth	-3,21%	-18,81%	4,26%
GDP Growth	5,02%	-2,07%	3,70%
Profitability vs Growth Hits	0	0	1
Profitability vs Growth Batting Average		0,33	

Source: PT XYZ Financial Report

The analysis of earning growth and cumulative economic profits of PT XYZ during the 2019-2021 period shows a low batting average score for the today vs tomorrow tension, which is only 0.33. PT XYZ only managed to achieve earning growth and cumulative positive economic profits simultaneously once, namely in 2021.

To increase the batting average score in this tension, companies need to focus on strengthening their common bond, namely sustainable earnings, through the development of assets and capabilities that are unique and difficult to imitate. This



is in line with the view of Dodd & Favaro (2007) which states that sustainable earnings come from assets and capabilities that are proprietary and have a long economic life.

### Whole versus Parts Batting average

Based on the calculation of Economic Profit as a whole company, from 2019 to 2021 the company's economic profit fluctuates and is higher than the sum of the economic profit of each business unit, which shows that the impact of efforts to add value both vertically and horizontally is positive. For whole vs. parts tension, the company gets a batting average value of 100 percent, indicating the company's optimal ability to manage whole vs. parts tension.

**Table 3. Calculation Results of Whole vs Parts Batting Average**

Description	2019	2020	2021
<b>Segment revenues</b>			
Real Estat	905.744	777.966	888.703
Pusat Perbelanjaan	362.479	252.333	219.909
Hotel	120.263	63.003	74.879
Lainnya	31.086	25.126	24.125
<b>Economic Profit (Parts)</b>			
Real Estat	250.682	189.468	252.460
Pusat Perbelanjaan	135.722	86.839	51.609
Hotel	23.019	2.564	5.702
Lainnya	- 6.728	- 7.831	- 7.171
Total	402.695	265.912	302.600
<b>Economic Profit (Whole)</b>			
Whole vs Parts Hits	1	1	1
Whole vs Parts Batting Average		1,00	

Source: PT XYZ Financial Report

When the company was established, the function of the holding company was an investment holding that had a function to maintain the investment portfolio to business units and provide a picture of what the business would look like in the future. But in line with the development of the company, there was a mistake in managing the investment portfolio and operations, in the sense that the holding company also played a role in the operations of the business units. Then only in mid-2021, the company returned to its original philosophy, namely the structure of the holding company as an investment holding.

After making observations regarding diagonal assets, several diagonal assets have been owned by the company as described below. In the case of pair decentralization with centralization, the company gives decentralized authority to business units to run operations and gives authority to decide in relation to business unit activities but the company still centralizes for leadership development and investment purposes.

The company prepares budgets and business plans annually for the next five years. In preparing the budget and business plan, the company uses a bottom-up planning process, while the top down process is used to set the strategic direction for the company as a whole and the targets that must be achieved by business units such as revenue growth, ROE, and EBITDA. The preparation of the budget and business plan begins every October using September's actual results. Each business unit creates a budget and business plan for the next five years consisting of: income statement, balance sheet, cash flow statement, project report, and fact sheet, which are then sent to the parent company for analysis and consolidation. After the budget is consolidated, a presentation is made to the board of directors. In order for the company to control profitability, it analyzes the budget vs. actual every quarter and discusses the deviations between the financial controller and the head of finance of each business unit. In addition, the company also makes a quarterly income statement forecast, to find out how the company's profitability is based on the latest results that have been achieved. The company synergizes finance through expert management from the internal capital market as well as through financial competencies and practices.

Another diagonal asset owned by the company is a sense of shared purpose and values that underpin a company culture, with a mission to develop a quality investment portfolio, the company has built an organizational culture that focuses on performance, innovation, and collaboration. The combination of these intangible assets with the strength of human resources, technology, and business networks is projected to be able to provide significant added value for shareholders while the company's values are: integrity, innovation, responsiveness, networking and cooperation, discipline, adaptive, and mutual respect, both of which are reflected in every action taken in all sections and business units in carrying out company activities and serve as a supporting factor of the company culture.

The company integrates using the company's strategic theme by accelerating project development, strategic partnerships, and planning alternative funding for company expansion. So that all business units focus on accelerating project completion and development, conducting strategic partnerships in implementing projects, and financing the project by seeking funding sources.

Currently, communication between business units is done through informal communication, the aim is to share ideas and knowledge. In addition, the company already has standardized business processes, especially for the operations of business units, which results in the company's products being of good quality. When the company raises funds such as issuing bonds and sukuk, the company uses collateral from its business units. This provides an advantage for the company because it can get a larger amount of funds.

For leadership and management skill development, business units receive inputs from the parent company to create more qualified human resources. The company proactively manages the development of human resources both at the parent company level and in the business units through continuous trainings. In leveraging the company's brand, in conducting marketing and promotional activities, each business unit uses the company name "XYZ" so that the company name can be better recognized.

The company has common customers in both business units due to similar product types and characteristics. In addition, product knowledge for all products also exists in all business units so that business units can provide product references to customers not only for products owned by the business unit. For example: the company has joint customers between the city property business unit, namely apartment buyers and the landed residential business unit, namely home buyers. This has an impact on increasing company sales.

Several diagonal assets should be owned by the company to enhance the overall performance of the company and the performance of each business unit, as outlined below. The company should start actively managing the internal labor market by rotating management from one company to another in order to get the right human resources that suit the needs of each business unit. But until now, the company has not had a management rotation policy because the quality and skills of human resources are still not the same among the business units.

Other diagonal assets that should be owned but are not yet owned by the company are shared payroll processing for salary payments in business units and the parent company, shared IT network among business units and also the parent company to share data and documents that can speed up information exchange, and shared logistics in working on projects so that they can negotiate with suppliers, especially in pricing. The shared payroll processing, shared IT network, and shared logistics are expected to give business units more time to focus on other activities to improve customer benefits so that business units can add more value. For some of the same consultants used by business units, but negotiations and contracts are still done by each business unit. In this case, the company should have negotiations and contracts for the company as a whole, so that it can increase efficiency for the company by getting a better price than if negotiations and contracts are carried out by each business unit.

Until now, there are no shared processes and services owned by the company. The company should have these shared processes and services because it is expected that the company can benefit from these synergies, viz: economies of scale and having specialized knowledge and expertise on how to operate a key process or service. Until now, the company has not had an integrated marketing among its business units. So that the marketing and promotion activities of business units are still carried out by each unit. The company should have integrated marketing so that marketing and promotion activities can be more structured and directed.

From the explanation above, it is clear that the diagonal assets owned by the company are still very limited, which has a negative impact on the company's overall collective performance. Therefore, the company needs to make continuous efforts to increase diagonal assets in order to optimize the company's overall performance and encourage the improvement of the individual performance of each business unit.

In conducting its business activities, the company already has very good business concepts and ideas but the implementation is still not ready, the cause is the people in the company and the lack of communication, alignment, and synergy between the parent company and each business unit. This is also a factor in the limited diagonal assets owned by the company.

The strategy owned by the company each year is adjusted to the existing corporate strategy, company conditions, macroeconomic conditions, and political circumstances. For example, in 2010 the company's strategy was to remain oriented towards environmentally friendly development focused on completing housing units, condominiums, and hotels; optimizing various sources of funding; and sharpening the focus of marketing and communication. This strategy was then communicated to the business units. Below is an explanation of the alignment of the business units with the corporate strategy.

The strategy of the business unit is in line with the company's strategy, which is still oriented towards environmentally friendly development focused on completing housing units, condominiums, and hotels, this is evidenced by continuing projects in the business unit, for example: the XYZ Villa Ubud and XYZ Cikarang projects. Meanwhile, the business unit has optimized various funding sources in financing its projects either through banks, capital markets, and strategic partners. In terms of marketing and communications, although the company does not yet have an integrated marketing among its business units, it has shown efforts to harmonize various marketing elements. Through the implementation of a comprehensive branding strategy, including positioning and brand hierarchy, the company has built a strong brand identity. In addition, the integration of promotion, public relations, marketing intelligence, and customer relationship management has enabled the company to deliver consistent messages to various market segments. This approach has also enabled the company to maintain brand relevance amidst changing market dynamics. Nonetheless, the potential to improve synergies between business units through a more thorough implementation of IMC is still open.

In terms of acquiring additional sources for value creation, the business units are still not capable enough to contribute to enterprise-level synergies. This is due to the lack of communication, alignment and synergy between the business units and the parent company. As for incorporating corporate themes, serving corporate customers, and integrating and coordinating with other business units, the business units have contributed quite well to obtaining additional sources for value creation.

### **Lead Tension**

In the process of selecting the optimal lead tension, company management needs to conduct a comprehensive and careful analysis of the problems faced to produce an accurate diagnosis. One approach that can be implemented is to compare the company's batting average score against competitors. It is important to note that the three pairs of tensions are interdependent; a low batting average in one pair of tensions can potentially cause a decrease in batting average in the other tensions (Dodd and Favaro, 2007).

Based on the batting average calculation results, PT XYZ shows a very good performance in the whole vs parts tension with a score of 1.00. Meanwhile, for profitability vs growth tension and today vs tomorrow tension, the company recorded a batting average score of 0.33. The low batting average in these two tensions reflects the inability to manage in these tensions. This can be attributed to the complexity of the organization, especially the large size and structure of PT

XYZ. In accordance with Complexity Theory, large-scale organizations often face difficulties in realizing all potential relationships between organizational elements, leading to only certain relationships being realized, as seen in the success of the whole vs parts tension. In addition, the high number of elements in the organization also increases vulnerability to external influences due to the many points of contact with the environment. This is in line with the low batting average scores on profitability vs growth tension and today vs tomorrow tension, which are rooted in external influences, such as customer benefits and sustainable earnings, as stated by Dodd and Favaro (2007).

In the context of tension prioritization, PT XYZ is advised to focus its efforts on whole vs parts tension. The implication of this finding is the need for a review of the company's strategic planning, with special emphasis on strategies to increase diagonal assets. In an effort to increase diagonal assets, PT XYZ can consider several strategies, including:

1. Strengthening and developing a more diversified and synergistic business portfolio.
2. Improving the quality of customer service through more intensive implementation of Corporate Social Responsibility (CSR) programs.
3. Optimization of Customer Relationship Management (CRM) to increase customer loyalty and value.

The implementation of these strategies is expected to increase the effectiveness of whole vs parts tension management, which in turn will have a positive impact on the company's overall performance.

## CONCLUSION

Based on a comprehensive analysis of PT XYZ's management of three key tensions, the study found that while the company achieved positive revenue growth and generated economic profit, it struggled to balance profitability and growth, as reflected in a 33% batting average—mirroring Dodd & Favaro's (2007) observation that few firms excel in this area. Similarly, fluctuating gross margins led to unstable earnings and declining growth trends, resulting in another 33% batting average for managing short-term performance versus future growth. In contrast, PT XYZ excelled at managing the whole-vs.-parts tension, achieving a 100% batting average by effectively leveraging *diagonal assets* such as human resources, communication, and strategic synergy, which stands in contrast to previous research (Sari, 2012) where companies struggled with this aspect. These results are consistent with Complexity Theory, highlighting that as a large organization, PT XYZ encountered difficulties in optimizing all internal relationships, leading to uneven tension management. For future research, it is recommended to explore the specific mechanisms and leadership practices that enable effective balancing of profitability and growth, as well as to conduct comparative studies across different sectors to generalize the findings.

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