

Good to Great Effect – At Bank Sectors in Indonesian Capital Market

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Abstract. This study aims to see companies indicated to experience a good to great effect. The good to great effect is a concept created by Jim Collins, where research shows that several companies have experienced a significant increase in the American capital market. Hence, he tries to find out the characteristics of these companies. In this study, the researcher made BCA Bank the Object of research which was suspected of having a good to great effect. Research Quantitative research utilizing secondary data is employed as the methodology. The examination includes firm fundamental analysis, stock performance, and product innovation. The Object of this research shows many numbers in recapitulations. It will be compared with itself and to other companies. The analytical results indicate that Bank BCA had a moderate to significant impact.

Keywords: Good to Great Effect; Fundamental Analysis; Stock Return, Innovation Product

1 Introduction

Investing, in simple terms, is an activity of delaying current enjoyment or benefits for future benefits. Investment activities are increasingly popular among Indonesian people in its development, especially financial investment for the younger generation who are starting to have independent income because they are already working. The result of the work is in the form of money, not all of it should be used for consumption, but it should be set aside for saving and investing. Then at the investment point, quantitative data shows that Indonesia's investors increased after the COVID-19 pandemic [1].

Of course, the main purpose of a person or institution doing investment activities is to make a profit, so they need a lot of information and knowledge to avoid the risk of failure in investing. That is why this research was done. The main reference source for this research is a book entitled "Good to Great" published in 2001 by Jim Collins, a professional management consultant in America. In his study, he conducted many companies and the final results identified 11 companies categorized as "great companies", which were able to increase the company's value growth consistently for up to 15 years [2]. In addition, this research is a continuation of previous research that has been done by [3], which in his research shows a good to great effect on manufacturing companies in Indonesia, a case study on the company PT. Merdeka Chopper Gold Tbk. The results showed that the company experienced a good to great effect after considering several fundamental indicators and the company's stock return. For this study to be

different from the previous one, the researchers included other assessment components, namely the various product innovations provided, which were the company's advantages.

Other research has also been carried out by [4], who researched Hindustan Unilever Limited (HUL) companies on the Indian Capital Market list (SENSEX 30), which in this study used 2 data collection approaches, namely primary data collection (questionnaire distribution) and secondary data analysis from financial statement publications for five years. Years from companies considered to have experienced a good to great effect.

The most visible initial indicator in determining an object of research based on the concept of good to great effect presented by Jim Collins can be seen from the graph of the development of the value of a company's stock price, which continues to increase from time to time. So, in this case, the researcher is interested in a banking company in the Indonesian capital market, namely PT BCA Tbk. In the researcher's initial assumption, this company has characteristics as a company that experiences a good to great effect. We can see this in the following charts:

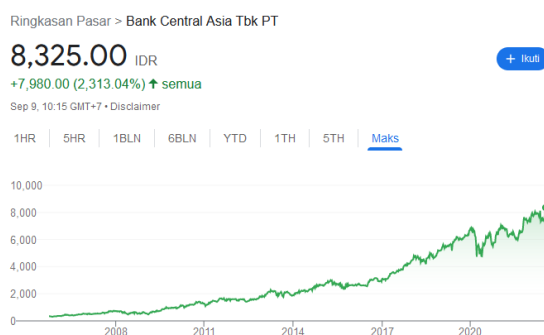


Fig 1. Stock Return of PT. BCA, Tbk

Based on the figure above, it can be seen that stock prices have been steadily increasing since 2008 when they tended to remain relatively constant. In the subsequent 14 years, they have climbed by around 800% from their prior average price. The value of the company's shares saw little fluctuations. As is common knowledge, profit in the capital market may be achieved in two ways: the distribution of dividends on the company's yearly profit and growth in the stock price (capital gain). The graph above demonstrates that PT BCA Tbk's shares saw substantial value growth (capital gain) over the long run.

Based on the three graphs above, it shows the movement of stock price values that tend to fluctuate, where there is an increase, which then afterward experienced a stable value and some experienced a decline. However, of the 3 companies, all show a larger fluctuating picture when compared to PT. BCA Tbk. Based on the exposure of the data above, the researchers determined this research with the title "Good to Great Effect - At Bank Sectors In Indonesia Capital Market"

The formulation of the problem from this research is whether PT. BCA Tbk experienced a good to great effect based on three indicators: the company's fundamental value, stock value and product innovation. At the same time, this study aims to find out about PT. BCA, Tbk, is suspected of having experienced a good to great effect. The benefits are expected to be one of the descriptions and knowledge for potential investors in choosing which shares to buy, as stated at the beginning of the study that the number of Indonesian investors is increasing post-covid-19 pandemic era.

While the limitation of the problem used in this study, which is a replication study of previous research [4], from the sources of data, the researcher only uses a secondary data

approach, namely the financial report analysis of the object of this research. In addition, this is also a follow-up study of research [3] Following the guidance provided, the value of the company's shares may be bolstered in the eyes of investors by including a second evaluation, namely product innovation. The analysis includes a fundamental analysis of the company through the financial statement, the distribution of Earnings Per Share as a proxy for investor profits (dividends), and the value of stock prices as potential capital gains for investors, as well as product innovation as support for stock price assessments.

2 Literature Review

2.1 Good to Great

Good to great is a concept developed by Jim Collins, where he conducts research to obtain answers about various variables in a company's business strategy, to change from a good company condition to a great company [5]. At least, there are several factors identified by Collins [6], [7], including: 1) Level 5 Leadership, in which leaders focus on the organization rather than themselves; 2) "Get the proper people on the bus before deciding where to drive it."; 3) In other words, you cannot make a decent judgment without understanding the facts; 4) Hedgehog Concept, which is knowing one thing as opposed to attempting to know several things; and 5) Construct Your Company's Vision, which is to maintain basic principles while being adaptable to new operating procedures and business methods.

Of the five factors described above, it can be observed that the human resource aspect is the major key, where leadership style and choosing suitable individuals to manage the company are the most significant things in operating a firm. Human resources are also directly associated with discovering the company's strategy, adhering to its vision and values, and gathering information before making choices. These five factors will provide output in the form of company value in the capital market, which continues to rise. It can be detected quantitatively by examining financial statements and stock price changes in the capital market.

2.2 Fundamental Analysis

Fundamental analysis examines a public company's financial position and operations to determine its fundamental features and operational characteristics [8]. One may do a fundamental analysis by examining the statement of financial position and other financial measures, such as liquidity ratios, profitability ratios, leverage ratios, market ratios, and activity ratios. In addition, if economic conditions are favourable, the stock price will reflect this [9].

2.3 Earnings per Share

Earnings per share is one of the market ratio's indicators, with the market ratio revealing crucial information about the firm's used stock performance [8]. Meanwhile, Earnings per Share is calculated by dividing net income by the number of outstanding shares. EPS is used to assess the amount of rupiah generated by ordinary shares, not the amount of rupiah given out as dividends to shareholders. The formula for calculating earnings per share:

$$\text{EPS} = \frac{\text{Net profit}}{\text{Number of shares}}$$

2.4 Stock returns

Stock returns represent the outcome of investing operations. Realized returns (also known as actual returns) and expected returns (also known as returns anticipated by investors) are the two types of returns [10]. Capital gains and dividends are the components of stock returns. Investors can examine the company's performance based on the company's financial statements in order to determine the return. Expectations for returns exist in financial assets as well. A financial asset indicates the readiness of investors to offer a quantity of money now in exchange for a flow of funds in the future as compensation for the time element during which the funds are invested, and the risk assumed. By analyzing the activities associated with investing in stocks, it is hoped that the highest possible return may be obtained. Therefore, it is vital to understand the elements influencing stock returns to attain optimal returns [9].

2.5 Innovation

Innovation is a new concept, method, device, or the introduction of anything new [11]. In addition, others contend that innovation is a produced product that is relatively new to the industry, developed and marketed by a company [12]. In the current digital era, innovation in financial products is critically required in banking. Combining superior customer service with advanced technology elevates financial services to the next level. Here is also recommended by researchers [13], who wrote a book titled Bank 4.0, Banking anywhere, never at the bank. In his novel, he describes a futuristic, technologically and product-wise extremely advanced bank.

3 Methodology

This research on the Indonesia Stock Exchange (IDX) was completed via a search on IDX's official website, www.idx.co.id. This study employs quantitative data, that is, data in the form of numbers that can be evaluated or represented and measured with units of measurement [14]. This study relies on secondary data, specifically information gathered from company filings and other pertinent publications. The population consists of all banking businesses on the LQ45 list, and the sample consists of PT BCA Tbk, which is suspected of having a good to great effect. PT BCA has consistently appeared on the LQ45 list, at least within the last five years, based on this study's 2017 to 2021 measurement timeframe.

4 Result and Discussion

4.1 Recapitulation of the Company's Fundamental Indicators

The company's fundamental indicators for the past five years include the statement of financial status, market capitalization, revenue, and net profit.

Table 1. Fundamental Conditions of PT. Bank Central Asia, Tbk for the last 5 years

Indicator	2021	2020	2019	2018	2017
Market Cap	735.3T	695.0T	731.6T	524.1T	443.0T
Cash	15.4T	14.7T	17.9T	21.7T	28.1T
Total Asset	1,129.4Q	975.0T	870.4T	791.7T	738.1T
Short Term Debt	43.9B	21.5B	62.9B	194.5B	153.0B
Long-term debt	941.9T	805.7T	710.7T	654.6T	617.1T
Total Equity	187.4T	169.2T	159.6T	136.8T	120.8T
Revenue	32.9T	32.9T	31.1T	27.0T	26.2T

Net Profit	14.4T	12.2T	12.8T	11.4T	10.5T
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Based on the recap of the company's fundamental indicators, information that Bank BCA has a healthy financial position report. The company's financial position report shows that total assets are constantly increasing every year. For example, in the financial statements in 2021, the company has total assets of 1,129.4 trillion, an increase from the previous value of 975 T. Then, if an analysis of the liquidity ratio, namely the company's ability to pay its short-term debt, the Bank BCA company still has total assets. The current is greater than the amount of short-term debt. It also happens to other indicators, like market caps, company revenue, and net profit. Every indicator shows an increasing value from time to time.

4.2 Company Stock Return Recapitulation

The company's stock return indicators include stock price data, number of shares distributed, earnings per share and price earning ratio for the last 5 years as follows:

Table 2. Stock Return of PT. Bank Central Asia, Tbk Last 5 Years

Indicator	2021	2020	2019	2018	2017
Last Price	30,125	28,475	29,975	21,475	18,150
Share out	24.4B	24.4B	24.4B	24.4B	24.4B
EPS	592.45	501.64	572.12	468.07	431.75
PER	50.85x	56.76x	56.87x	45,88x	42.04x

In the analysis of stock returns, as stated from the beginning, the initial detection of companies that are expected to experience a good to great effect, namely companies that have stock returns that continue to increase consistently, so that when investors make long-term investments will get maximum results in the form of rising stock prices in the future. As we know, there are 2 ways for investor to get profit from their investment, first from dividend (when company get profit in their financial report) and from capital gain (difference from buying price and sell price of the stock market). If we refer to the results above, it shows a consistent increase in BCA bank stock returns. In 14 years, stock return in BCA already increase about 800% from beginning. This can be seen in the last price per share each year. These conditions is perfect for investor to invest in the long time.

4.3 Product Innovation Recapitulation

Based on reports which is published annually by BCA bank, it is known that the company has a BCA Innovation Awards program, namely the company provides opportunities for all employees to contribute to the development of creative and innovative products and services. Everything is done with the aim of achieving efficiency, easy access, convenience, and encouraging environmentally friendly behavior. Some of the innovative products that have been launched until 2021 are: MyBCA, HelloBCA Application, BCA Merchant Application, Lifestyle features on BCA Mobile, Outward remittance at KlikBCA Individual and Credit Card Installments Conversion on BCA mobile

5 Conclusion

Bank Central Asia (BCA) Tbk has experienced a good to great effect, where the company's fundamental value is very healthy, stock returns are always increasing consistently (about 800%

in 14 years), and product innovations are very supportive of the company's value so that in the eyes of investors and customers, BCA has a good image and is expected to be the right option for investors to invest in BCA as a stock.

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