

THE PERFORMANCE ANALYSIS OF BUSINESS IMPROVEMENT STRATEGIES USING FINANCIAL FEASIBILITY APPROACH TOWARDS EDUCATION STARTUP: A CASE STUDY OF COMPRESS CLUB

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Keyword

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Abstract

Educated unemployment is becoming bigger every year in Indonesia. Soft skills and experience are preferred over educational background, but students lack those areas. Therefore, a skill development platform suitable to solve mismatching employment needs. Compress Club was established in 2021 as an education startup centered around its innovative mentoring system which incorporates interactive and progressive value, hoping to help high-achiever students gain a better soft skill and faster career preparation. Compress Club differentiated products to participate in programmes that students can to join; first year, middle year, and final year programmes during the university study. Based on the company's financial history from 2021 to 2023, the number of consumers fluctuated and decreased sometime, inconsistency happens through customer preference change based on market trends. This situation indicates Compress Club to create improvement strategies starting from forecasting appropriate programmes innovation until the readiness of strategies implementation in the future. For this reason, feasibility study is carried out from a financial perspective, analysing Payback Period (PP), Net Present Value (NPV), and Internal Rate of Return (IRR), completed with risk assessment as a readiness of the business improvement strategies. The result concludes that Compress Club has the ability to perform with 5 years projection by implementing the programmes innovation as valid strategies in improving business performance. There is optimism that payback period reached within 11 months with an NPV of IDR1,850,499,938 and IRR of 130.15% surpass business feasibility criteria greater than Weighted Cost of Capital (WACC) value of 7.66%.

INTRODUCTION

Current and future unemployment must be addressed (Wardoyo et al., on Yunitasari, 2021). Recent university graduates in Indonesia have high rates of educated unemployment (Duwi Yunitasari, Khusnul Khotimah Putri Asnia, and Moehammad Fathorrazi, 2021). According to BPS data, educated unemployment among new university graduates fluctuates year-to-year. Indonesia had 8.4 million jobless in August 2022, with 43.96% of the total being 20-29-year-olds (Viva Budy Kusnandar, 2022).

Good grades no longer guarantee employment (Ismail, N. A., 2011). Wan Zulkifli et al. (2010) found that employers favour graduates with job experience over those with high marks. Employers also look for applicants with relevant skills and experience rather than academic credentials (Verhaest et al., 2018).

Husin et al. (2021) found that young graduates should enhance their behaviour, technical skills, creativity, and language competence to become better team players and candidates. The World Bank and Talent Foundation found that 90% of organisations agree that university graduates should have received more industry training by the time, soft skills are important in attracting entry-level graduates, and Indonesian university graduates seem to lack those skills. Graduates may dislike themselves (Ismail, N. A., 2011). As mentioned in Human Capital Theory (Naphat Wuttaphan, 2017), human education and training improves skills and productivity.

One Yogyakarta State University research concluded that the academic programme had no excellent employability skills development programme. Therefore, employability skills should be a learning standard from planning, learning techniques, and evaluation (Dwi Rahdiyanta et al., 2021). Skills mismatches induce unemployment and show poor education (Fida Issa J. Adely et al., 2021). Indonesian schools don't always teach kids marketable skills. This has caused a skills mismatch, with certain sectors missing skilled people and others oversupplied with low-skilled individuals (Prasojo, E., & Hadisaputra, S., 2018).

Before starting, the company surveyed the market. In Indonesia, education companies like Skill Up, Revou, and Aksel emphasise learning systems for skill development using video learning, mentorship, coaching, and incubation programmes, although some of the programmes cannot build specific mentoring program for remarkable event to build that skills. In 2021, Compress Club launches an e-learning platform to teach university students soft skills. Compress Club helps customers maximise their potential to prepare for post-college careers. Compress Club coaches students from all Indonesian colleges to engage in organisations, contests, scholarships, exchange programmes, and more.

Based on marketing and R&D demand analysis, Compress Club has created successful programmes. By launching a market-demanded programme, the corporation gained market enthusiasm. Because the programmes run at different times each month, Compress Club's data transaction history shows unstable sales. Each programme has its own implementation period, therefore the organisation must establish the programme that solves the customer and improves business performance month to month. Compress Club wants to discover how company improvement programme innovation affects financial viability.

METHOD

This research uses a business feasibility study to restrict business properness analysis thinking. This study analyses the business's present state using external and internal data. This research needs secondary data such journals, literature reviews, publications, grey literature, books, and data comparison analysis amongst education startup to make a valid assumption..

Conceptual Framework

Financial Statement

Current financial operations begin with financial statement analysis. Financial statements are a company's financial summary that includes the income statement (to check the business's profit or loss), balance sheet (to check the balance amount in assets and liabilities and equity from those changes), and statement of cash flow (to check the change in cash), which form the basic foundation of a financial statement that is required in a certain period (Gibson, 2009). Financial statements may be used in investment activities and in other corporate decision-making (Aminu Abdulrahim Olayinka, 2022). In this case, financial advisors use financial statements and other methods on current financial data to evaluate performance and anticipate future risks and potential of the company, then interpret the results as truthful and appropriate (Aminu Abdulrahim Olayinka, 2022). Again, a financial statement is a tool for decision-making to enhance corporate performance (Teru, Idoko and Audu, 2018).

Capital Budgeting

Capital budgeting estimates the time value of money to determine whether a project is feasible and execute a strategy to increase corporate value (Gibson, 2009). The above technique

may assess long-term investment feasibility in respect to the owner's wealth (Gitman and Zutter, 2015). Capital budgeting analyses long-term enterprises and chooses the optimum improvement approach, such as developing new equipment or buildings (Kenton, 2023). money budgeting helps manage limited money by choosing projects with the highest return on investment (Kenton, 2023). Capital budgeting relies on Payback Period (PP), Net Present Value (NPV), and Internal Rate of Return (IRR) as part of the financial feasibility analysis (Gibson, 2009). Compress Club will evaluate investment value-risk using the three approaches.

- Payback Period (PP)
Payback Period (PP) defines a reasonable period for the firm to attain profitability from the anticipated investment (Gitman and Zutter, 2015). The payback period is the time it takes a firm to recoup its project investment via cash inflows (Gitman and Zutter, 2015). Compress Club defines acceptable payback period to determine the overall time to recover its initial investment via cash inflows.
- Net Present Value (NPV)
Net Present Value (NPV) is calculated by deducting expenditure from a project's discounted cash inflows (Gitman and Zutter, 2015). The investment is most likely to create cash inflow or outflow, hence a positive NPV is acceptable.
- Internal Rate of Return (IRR)
IRR, similar NPV, is a discount rate that suggests the firm is a good investment (Gitman and Zutter, 2015). IRR is a project or company percentage that is preferred if it is higher than the minimum needed return. If IRR exceeds WACC, the investment is feasible..

Cost of Capital

Cost of Capital generally represents the company's next dollar on funding a new investment opportunity. Zutter & Gitman (2015). Since these investments are worth more than they cost, they boost the firm's value. A company's cost of capital is the estimated average future cost of getting money for all financing activities. Cost of Equity may fund a Compress Club long-term. The company's value will be affected if the project's rate of return is below the cost of capital (Gitman and Zutter, 2015).

- Cost of Equity
The cost of equity is the return investors expect on their public sector firm investments (Ross et al., 2003). This must compute the CAPM from beta, risk-free rate, and market return (Pandey, 2015). Compress Club looked for a public firm with a comparable business plan to inject the beta rate.
- Weighted Average Cost of Capital (WACC)
WACC is the minimal market value return (Gitman and Zutter, 2015). The IRR must be bigger than the WACC after finding the WACC.

Financial Feasibility Analysis

Feasibility studies help entrepreneurs determine whether the project's potential is worth the business's objectives, workability, and profitability (Gitman and Zutter, 2015). According to Onyegbu (1989), a feasibility study allows the entrepreneur decide whether to accept, amend, or reject the planned company based on financial analysis before investing time and money. This is to provide suggestions and constraints on whether the situation should continue and how to approach the company (Drucker, 1985) Compress Club will use capital budgeting to choose the optimal feasibility study alternative.

RESULTS

3.1 Business Improvement Strategies

Since certain target markets report becoming stuck while working on their theses and not knowing what to do before setting up a meeting with the supervisor, the customer feedback that has been gathered from within the organization defines the goal of mentoring

theses. Furthermore, because many students aspire to succeed academically but lack mentors to assist them in problem-solving training or competition, students specifically need mentorship for competitions at the national and international levels. In order for the company to function over the semester vacation, Compress Club also introduced an Intensive Kampung Inggris. This was also the plan when the Internship Pool was developed, and students today prioritize experiences that support their desire for additional professional experience. Additionally, it has been modified to meet the demands of various organizations or new firms, who may be looking for resources or choosing individuals for internship positions. The following below proposes new four projects that Compress Club might use as an alternative for business improvement strategies:

- 1) Thesis Mentoring. However, it is just for seniors and offers one-on-one mentorship in March, April, May, August, September, and October.
- 2) Mentoring Competition. A mentorship programme that helps students enter business case, plan, and other competitions using mentors' expertise.
- 3) Intensive Kampung Inggris. An intensive 2-week English language camp.
- 4) Internship pool. A series of internship choices for fourth-semester students by Compress Club and organisations including Lembaga Pengembangan Inovasi dan Kewirausahaan (LPIK) ITB, The Greater Hub (TGH), and Business Initiative Movement (BIM). Compress Club organises bootcamps with mentors and curricula, including a recruiting procedure that leads to specific credentials and internships at partner universities.

No	Programme Name	Customer	Execution	Price	Terms	Session
1	Thesis Mentoring	Final Year	March-May & August-October	Rp50,000	/session	1
2	Competition Mentoring	Everyone	Every Month	Rp75,000	/session	1
3	Intensive Kampung Inggris	Everyone	June, July, November, December	Rp750,000	/program	18
4	Internship Pool	Middle-Final Year	Mat-July & November-January	Rp100,000	/program	3

Internal Analysis

Based on the business's current state, Compress Club analyses Threat, Opportunity, Weakness, and Strength to create Strength-Opportunity (S-O) strategies, Weakness-Opportunity (W-O) strategies, Strength-Threat (S-T) strategies, and Weakness-Threat (W-T) strategies. TOWS matrix table:

	Strengths	Weaknesses
Analysis Strategy of TOWS Matrix	1. Already hire an ITB Mahasiswa Berprestasi specialist.	1. Reducing the number of people required to

	<ol style="list-style-type: none"> The ability to adapt to changing curricular study environments. A strong, ambitious relationship and marketing strategy value Low cost of programming distribution. 	<p>design new programmes.</p> <ol style="list-style-type: none"> Poor at delegating and leadership sometimes because lack of human resources.
Opportunities	S-O Strategies	W-O Strategies
<ol style="list-style-type: none"> The introduction of a new programme encourages us to innovate more. Investigate new sectors such as FMCG, consulting, and so on. 	<ol style="list-style-type: none"> Develop an innovative form of skill development, such as a bootcamp in an internship pool. Extending the market to other countries and industries.. Supports extra programmes that are now trending as a fixed product. Increase the incentive for outstanding mentors to promote the company's initiatives. 	<ol style="list-style-type: none"> Develop a system that will assist businesses in conducting efficient business procedures. Organised an organisational structure development session for the following batch period. Increasing sales by combining sponsored replacements with the complementing programme.
Threats	S-T Strategies	W-T Strategies
<ol style="list-style-type: none"> Seasonal services should be tailored to market preferences. Many rivals are capable of quickly imitating. 	<ol style="list-style-type: none"> Use trial and error procedures to improve product quality in line with client preferences and make it less simple to mimic. An optional freemium offering, such as a webinar, as well as a short free trial period to use the software. 	<ol style="list-style-type: none"> Make a detailed agreement on the resources required. Participate in a variety of educational and career-related communities. Look for a volunteer mentor to help you avoid a lack of resources and work with the other firm to get into the market.

External Analysis Using PESTLE

- Political

The present administration prioritises youth and long-term human capital development, yet young people without skills and meaningful jobs face economic danger. Indonesia has a 15% youth unemployment rate and 21% of youngsters are unemployed. Indonesia has the second highest youth unemployment rate in Asia-Pacific at 15%, with 21% of young people not in school, work, or training (UNICEF, 2017).

- Economical

With a business growth rate of 25%, Indonesia is one of the top 10 countries in the world in terms of e-learning growth. According to Squline.com, Indonesia is among the top five countries that purchase mobile learning product and services.

- Social

(UNICEF, 2017) Adolescents who realise their potential by investing in their education, skills, and engagement in society will contribute to a competitive workforce, among other benefits.

- Technological

According to Brooks and Pomerantz (2017), most students at today's universities make use of digital technology and have more than one device at their disposal for academic purposes. (Keane et al., 2022) Recent research have shown that students have an expectation that the usage of digital technology in higher education will be used as a means of increasing the quality of their educational experience.

- Legal

The letter from the Ministry of Education said that there would be activities for face-to-face learning carried out. The COVID-19 epidemic caused significant changes to the infrastructure of the digital education environment, and both governments play a role as a sector reaction to take up digital education, including the platform that is owned by the government.

- Environmental

Students have been forced to limit the number of activities they do in outside the house because of the Covid-19 epidemic. Students are also worried about their ability to multitask by making use of activities that may be done in their location via online learning (Lee and Chan, 20207). After then, the condition enters an endemic phase, which has the potential to disrupt economic operations at Compress Club.

Initial Investment

Initial Investment	
Cash	Rp200,000,000
Legal	Rp10,000,000
Equipment	Rp120,000,000
TOTAL	Rp330,000,000

Compress Club must assess the first investment necessary to establish the company. The initial investment is cash from the founder, and the financing programme, which is followed by internship and other members, will add capital expenditure in the form of equipment or other items as needed in the functioning of the firm. In the early stages of running a business, establishing a single proprietorship requires legal support. During the progress of yesterday's business, the company requires a qualified device, so the needs of equipment in the form of an investment in the form of a laptop of Rp12,000,000 where the company will buy 10 devices that will be distributed to the core team and internship to support the running of the business for the next five years.

Financial Statement

Financial statements are used to calculate revenue predictions once assumptions are made. Understanding asset changes and using running cash for anything beyond the original investment budget. Compress Club may use business improvement tactics to assess its commercial prospects and provide a financial data-supported projection. This pro forma financial statement also lets Compress Club compare its current financial situation to the future, which will be closer to the optimistic, most probable, or pessimistic scenario. This pro forma financial statement should

anticipate the company's future profitability and inform the viability decision. Financial statements are also used to establish whether programmes have made a significant profit. Innovation programmes create huge revenues, as seen on financial statement from monthly to yearly of the Compress Club within 5 years projection.

Capital Budgeting

Capital budgeting involves PP, NPV, and IRR. Capital budgeting helps researchers assess risk, company prospects, and business improvement plan implementation outcomes. Business owners and investors will get capital budgeting point results. Capital budgeting showed that Compress Club had investment potential, but if the company wants to expand with more resources and a more sophisticated financial management system, it should plan to receive additional funding in the following year. However, research shows that this organization does not need conscious cost-cutting due to its business procedures. Financial viability examination will review capital budgeting data.

Payback Period

PP					
0	1	2	3	4	5
(Rp330,000,000)	Rp362,335,083	Rp383,625,874	Rp687,716,908	Rp780,231,219	Rp1,027,980,789
(Rp330,000,000)	Rp32,335,083	Rp415,960,957	Rp1,103,677,865	Rp1,883,909,084	Rp2,911,889,873
Payback Period			0.91		

Compress Club has a payback period of 0.91 years, or 11 months.

Net Present Value

NPV					
0	1	2	3	4	5
(Rp330,000,000)	Rp362,335,083	Rp383,625,874	Rp687,716,908	Rp780,231,219	Rp1,027,980,789
NPV				1,850,499,938	

Compress Club has a Net Present Value of Rp1,850,499,938.

Internal Rate or Return

IRR					
0	1	2	3	4	5
(Rp330,000,000)	Rp362,335,083	Rp383,625,874	Rp687,716,908	Rp780,231,219	Rp1,027,980,789
NPV				130.15%	

Compress Club has a Internal Rate of Return with the percentage of 130.15%.

Weighted Average Cost of Capital

The value of the WACC will serve as a comparative value when the judgement about the project's financial viability is made. The following is a rundown of the outcomes of the WACC computation performed by Compress Club:

CAPM

Beta	0.39
Risk-free rate	7.0%
Market return	3.53%
Cost of Equity	5.65%

The following are the specifics of the CAPM and WACC calculations. Unlevered beta, often known as beta, is a benchmarking from a similar industry firm, PT IDEA Indonesia Akademi, which specialises in coaching services for the hotel, food and beverage, restaurant, and cruising academy. According to MarketWatch data, IDEA's unlevered beta as of June 29, 2023 is 0.39. The risk-free rate percentage is derived using the 5-year government bond rate of return, therefore 7% is known from FR0082. As a consequence, the equity cost and WACC are 5.65%.

Financial Feasibility Analysis

Factor	Criteria	Alternative Scenario		
		Optimistic	Most Likely	Pessimistic
PP	Less than 5 Years	0.91	1.34	2.70
NPV	Positive value of NPV	2,037,690,548	1,247,381,511	864,781,382
IRR	More than WACC 5.65%	130.83%	93.75%	49.63%
Investment Approval		Acceptable	Acceptable	Acceptable

WACC is important when comparing IRR values as a driver of a company's financial feasibility decision. According to the results, all scenarios are appropriate for investment approval. The payback period is 0.91, the net present value is Rp2,037,690,648 and the IRR is 130.83% in the best-case scenario. Alternative business improvements, according to the data, may estimate outstanding firm performance in terms of financial feasibility. Based on these results, Compress Club intends to begin implementing the strategy in order to grow the firm and achieve its goals. Not only that, but this calculation was used to solve the business challenge. The researcher assessed that each piece of software had the ability to be released as soon as possible. As a consequence, a plan for implementation is necessary, which will be detailed in the next chapter.

CONCLUSION

Compress Club gives high-achieving students direct mentoring to improve their personal and professional life. Compress Club offers many mentoring opportunities to students. IISMA, Young Leader Indonesia by McKinsey, Mapres selection, 1on1 Private Career Consultation, and video and presentation materials are included. The firm hopes students may engage in exciting organisations, exchanges, competitions, scholarships, internships, and other sponsored activities to improve their skills. Compress Club operates without finance and has dramatic revenue changes. To meet client demand, Compress Club created additional courses including Thesis Mentoring, Competition Mentoring, Intensive Kampung Inggris, and Internship Pool. The corporation also examined the program's ability to earn profits during academic study vacations and semester breaks.

Compress Club's commercial sales campaign generated enthusiasm. The firm's low initial investment allowed this. This study seeks to examine whether the business improvement plan may boost company performance. Mentors may distinguish innovative schemes by price and cost. Money determines this. The researcher will next utilise primary and secondary data to make five-year projections. Company internal and external analyses are complete. Results are provided. After creating a strategy for business improvement, the researcher uses capital budgeting analysis to determine each strategy's Payback Period (PP), Net Present Value (NPV), and Internal Rate of Return (IRR). Under the most pessimistic scenario, the Compress Club may achieve repayment in 0.91 years, while the most optimistic scenario provided an NPV of Rp2,037,690,548 and an IRR of 130.83%. A backup plan should include two additional options. The most likely payback period is 1.34 years, with a nominal NPV of Rp1,247,381,511 and a 93.75% IRR. Most probable result. In conclusion, the pessimistic scenario shows that the company growth plan works with a payback period of 2.70 years, a net present value of Rp864,781,382, and an internal rate of return of 49.63%. Based on the capital budgeting analysis, WACC was compared at 5.65%. The business enhancements will succeed if implemented because all possible outcomes show a payback time of less than five years, a positive net present value, and an internal rate of return higher than the weighted average cost of capital. Thus, Compress Club's strategy of programme innovation, customer and organisation interaction, and cost reduction via freelancers may be a valid way to enhance the firm.

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