

Evaluation of The Business Performance of PT ADARO Energy Indonesia Tbk Before and After Business Diversification With A Competitive Intelligence Approach

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ABSTRACT

This research examines the impact of business diversification on the financial performance of PT Adaro Energi Indonesia Tbk (ADRO) in response to Indonesia's high dependence on coal, which poses long-term risks related to resource limitations and sustainability challenges. The study aims to analyze ADRO's financial performance before and after diversification, particularly its transition into clean water processing, solar power, hydropower, and steam power plants. Using a quantitative descriptive method, this research utilizes financial report data from 2015 to 2023 to assess key financial indicators such as Return on Equity (ROE), Return on Assets (ROA), liquidity, and equity growth. The findings indicate that before diversification (2015–2017), ADRO exhibited stable financial performance, with an ROE of 13.1% and an ROA of 7.9% in 2017, alongside a Current Ratio of 2.6 and equity growth to USD 4,091,627 thousand. Post-diversification (2018–2023), the company showed significant improvement, achieving a peak ROE of 43.4% in 2022, strengthened liquidity, and enhanced asset and equity value. The results suggest that business diversification has positively impacted ADRO by reducing dependence on coal, expanding into renewable energy sectors, and enhancing long-term financial sustainability.

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Introduction

Coal is an important energy source for iron ore processing, with reserves in Indonesia being greater compared to petroleum and natural gas. It is estimated that coal reserves can last until 150 years, meanwhile petroleum and natural gas may be depleted in 20-30 years. Indonesia's coal reserves are approximately 31 billion tons, with 64% of them categorized as medium-calorie, 30% as low-calorie, and 1% as high-calorie. From a total potential of 161 billion tons, 53% is found in Sumatera Island and 47% in Kalimantan Island. However, 92% of exploration and exploitation currently occurs in

Kalimantan. Reserves that can be immediately exploited reach 28 billion tons, distributed across West Sumatera, Riau, South Sumatera, as well as East and South Kalimantan. The potential unexplored reserve remains significant (Gunara, 2017).

History shows that Indonesia is still very dependent on coals to fulfill energy needs, because coal-fired power plants are seen as the most economist option for electricity generation. This dependency has potential to continue, especially with the government plan under President Jokowi to build a power plant with a capacity of 35.000 Mega Watt (MW), in which 25.000 MW comes from coal. However, this expansion is in contradiction with Indonesia's commitment to sustainable development. The construction of coal-fired power plants may induce environmental destruction, land conflicts and worsen poverty in already marginalized communities (Indrayani & Firdaus, 2024).

Aside from the environmental aspects, a high dependency on coals also has potential to threaten the financial stability of mining companies. Fluctuating coal price in the global market may cause serious threat, especially for mining companies that are highly dependent on this commodity. A drastic change in coal prices may also affect the income and profit of a company, which will then influence its stock price and company value. When coal prices is reduced significantly, companies may face challenges in maintaining profit, managing debt burdens, and meeting market expectations. On the other hand, a rise in coal price can drive rapid revenue growth, but also create instability in long-term finance planning (Saputra, 2016).

Along with coal dependence and fluctuating prices that affect financial stability, mining companies are also faced with an extra challenge, a stricter environmental regulation. The government and international bodies has implemented a rigorous standard regarding carbon emission and fossil energy usage, as an effort to mitigate climate change and promote renewable energy (Tim PEI, 2022). This regulation forces energy companies to adapt efficiently and rapidly, whether it is from reduction of greenhouse gas emission, implementation of environmentally friendly technology, or investation on alternative energy sources. Compliance with these requirements does not only increase operational costs but also impact long-term strategies of the company in terms of innovation and sustainability (Sasongko et al., 2023).

In facing coal dependency challenges and fluctuating prices that affect company financial stability, business diversification acts as an effective strategy for risk mitigation. Diversification allows companies to expand into new markets or industry that differs from their core business, such as renewable energy, other metals, or other industrial sectors to balance the potential loss due to a decline in coal prices (Sunarjanto & Kusumantoro, 2015). There are two types of diversification: related diversification which involves expansion to areas connected with the main business, and unrelated diversification which involves an entirely different industry. With this strategy, companies may reduce the negative impacts of fluctuating main commodity prices and increase flexibility in facing environmental regulation changes as well as market demand changes (Rahmaniar & Khairita, 2024). Although diversification offers benefits such as risk mitigation and increased attractiveness to investors, it also arises costs and uncertainty, especially in new product developments that involve aspects that have never been encountered before (Aaker et al., 2001).

PT Adaro Energy Indonesia Tbk (ADRO) has significantly diversified its operation to expand the market and utilize new technology, increasing its competitive advantage in the future. Its strategic steps include geographical expansion with IndoMet Coal project acquisition in Kalimantan and Kestrel mine in Australia, as well as entry to

the Sumatera market with additional coal concession. Investing on aluminium smelters through PT Adaro Indo Aluminium Indonesia and involved in a coal-fired power plant project in South Kalimantan and Middle Java shows a shift to metal industry and green energy (Januar et al., 2023). The development of an environmentally friendly technology, Envirocoal, and the publishment of Net-Zero Emission Statement displays Adaro's commitment in reducing the environmental impacts and meet the strict emission standards. With these steps, PT Adaro Energy not only expands its portfolio and global market but also positions itself as a pioneer in clean technology and renewable energy, giving a competitive advantage in the global and domestic market (AEI Team, 2023).

In diversification efforts to mitigate risk and increase resilience to fluctuating prices and environmental regulation, competitive intelligence plays a crucial role. This is because competitive intelligence involves collecting, processing, and storing information to make it available for everyone in the organization to improve the business and protect it from competitive threats. Danandjaya et al., 2016 explains that competitive intelligence is a systematic process to collect, analyze and use information on market trends, competitors and other external factors to identify new business opportunities and anticipate risks that may occur from diversification initiatives (Ariza et al., 2023). By implementing competitive intelligence, companies may gain insights on market dynamics, potential growth of new sectors and strategies used by competitors from different industries. This allows them to make a more informational decision on expansion to new markets, product development, and investing on new technology (Prahendratno et al., 2023). Through diversification, ADRO not only makes use of the opportunity effectively, but also plan a better risk mitigation and optimize diversification strategies to achieve sustainable competitive advantage.

As a company in energy sector, ADRO holds responsibility in contributing to sustainable environment by adopting an environmentally friendly business practice. This commitment is not only crucial in meeting stricter environmental standards and regulations, but also maintain reputation and competitiveness in the global market that further demands sustainability (Liestyowati et al., 2023). ADRO has displayed this commitment in various initiatives, such as the development of Envirocoal technology that creates lower emission compared to conventional coal, as well as publishment of Net-Zero Emission Statement that emphasizes the company's commitment in achieving net zero emissions in the future (NZE Statement, 2023). Aside from that, investing on renewable energy projects and metals such as aluminium smelters and solar power plant shows concrete steps in a greener energy diversification. By investing further on clean technology and expanding its energy portfolio, ADRO may play a key role in reducing environmental impacts from its operation while maintaining growth and profit. These moves not only strengthen its position in facing environmental regulation changes and market dynamics, but also displays social responsibility and its long-term commitment to environmental sustainability (Adin & Irawan, 2024).

In this case, ADRO's responsibility to environmental sustainability is not only to fulfill the existing regulations, but also as a response to increasing demands from various stakeholders. Investors, customers and current regulators further demands companies to adopt sustainable and responsible business practices. This trend reflects the increased awareness and concern for environmental, social and governance (ESG) issues that are now important factors in business decision making. Investors look for a company that not only promise financial benefits, but also show commitment to long-term sustainability (Hidayati et al., 2024). Customers, on the other hand, increasingly choose products and

services from companies that care for the environment and act ethically. Meanwhile, regulators introduce stricter regulations to ensure that companies reduce environmental impacts and meet sustainability standards (Iznillah et al., 2024). For ADRO, responding to this demand is not only to comply to regulations, but is also to create additional value for all stakeholders. By further adopting and improving sustainable business practice, ADRO can build customer trust and loyalty, attract more investors who are aware of ESG, and ensure compliance to the developing regulation. This strategy not only supports environmental sustainability, but also strengthens its position in an increasingly competitive and sustainable global market.

By developing effective diversification strategy, ADRO not only strengthens its position in the market and ensure environmental sustainability, but also gives a crucial contribution to national economic stability. This diversification has potential in opening job opportunities and increasing country income from the energy sector, thanks to innovative projects from renewable energy, metals and clean energy. Moreover, by reducing dependence on coal, ADRO supports national energy security through the provision of more diverse and sustainable energy sources (Hermanto et al., 2021). Based on this explanation, in-depth research is required on ADRO's business performance before and after diversification, as well as how to evaluate ADRO's business performance in competitive intelligence analysis. This study will not only provide insight into the performance changes due to the diversification strategy, but will also analyze the impact of the strategy on the company's competitiveness in an increasingly competitive energy market. In accordance with these interests, this study aims to explain the factors that influence ADRO's business performance in diversification, evaluate the effectiveness of the diversification strategy implemented, and provide recommendations based on competitive intelligence analysis to improve the company's performance and sustainability in the future (Habibah et al., 2022).

In this research, several theories are used to analyze the existing problems, including the theory of Competitive Intelligence and the concept of Diversification. Competitive Intelligence theory emphasizes the importance of collecting, analyzing, and distributing information about products, customers, and competitors to support the strategic decisions of managers and executives. Competitive intelligence helps organizations understand market dynamics and identify risks and opportunities before they become evident, which is different from illegal practices such as industrial espionage. On the other hand, the concept of Corporate Diversification is an expansion strategy that focuses on shifting resources geographically as well as product-wise to minimize risk. Although diversification can generate operational efficiencies and synergies, it also faces challenges such as information asymmetry and the risk of over investment, therefore companies must ensure that the benefits gained outweigh the costs incurred.

The energy industry in Indonesia faces significant challenges due to its high dependence on coal, which is vulnerable to global price fluctuations and increasingly pressured by energy transition policies and stricter environmental regulations. The uncertainty in the coal market threatens the financial stability of energy companies, including PT Adaro Energi Indonesia Tbk (ADRO), which has adopted a business diversification strategy in recent years to mitigate risks. However, the effectiveness of this strategy in strengthening competitiveness and corporate sustainability still requires further in-depth study. Therefore, this research is urgent in providing empirical insights into how business diversification contributes to financial resilience and corporate

sustainability amid the continuously evolving energy industry dynamics.

Research on business diversification in the energy sector has been extensively conducted, but most studies focus only on its general impact on companies without specifically examining its effect on long-term financial stability and operational efficiency. Additionally, there is a limited number of studies utilizing a competitive intelligence approach to assess the effectiveness of diversification strategies, making this research increasingly relevant. This study fills the research gap by analyzing how ADRO's business diversification, particularly into the renewable energy sector, impacts its financial performance and competitiveness in navigating the global energy transition.

The uniqueness of this study lies in its use of a competitive intelligence approach to evaluate ADRO's business diversification. Through this method, the research not only measures the impact of diversification on the company's financial stability but also maps ADRO's strategic position compared to its main competitors in the energy industry. This analysis provides new insights into how energy companies can design more effective adaptation strategies in response to environmental regulatory pressures and shifting global market trends toward clean energy.

This study aims to analyze the impact of PT Adaro Energi Indonesia Tbk's business diversification on financial performance, operational stability, and corporate competitiveness. Furthermore, this research seeks to evaluate the effectiveness of the diversification strategies implemented and provide recommendations based on competitive intelligence to enhance business resilience and sustainability in facing the increasingly dynamic energy industry challenges.

The findings of this study are expected to benefit various stakeholders. For energy companies, this research can serve as a reference for designing more effective diversification strategies to reduce dependence on coal and enhance competitiveness in the renewable energy sector. For regulators and policymakers, the study can provide insights into how energy transition policies can be adapted to better support the transformation of energy companies toward more sustainable business practices. Additionally, from an academic perspective, this research can contribute to the literature on business diversification strategies and the application of competitive intelligence in the energy industry.

Research Methods

This research method uses a literature study with a focus on secondary data collection. The data that will be analyzed includes ADRO's business performance from 2015 to 2023, before and after the diversification strategy was implemented. Secondary data sources include company annual reports, industry publications, market reports, and relevant academic articles, which will provide information on key performance indicators such as revenue, profit, and market share. The analysis will be conducted by comparing the company's business performance in both periods and applying competitive intelligence analysis to understand the company's adaptation to market changes. This research is expected to provide a deep insight into the impact of diversification on business performance and how competitive intelligence plays a role in strategic decision-making at ADRO.

Results and Discussions

The business performance results of PT Adaro Energi Indonesia Tbk (ADRO) before diversifying its business

Based on the results of document studies on ADRO's financial statements in 2015-2017, PT Adaro Energi Indonesia Tbk who has not diversified its business, is known to have the following financial statements.

Table 1. Financial Statement of PT Adaro Energy Indonesia Tbk Before Business Diversification

Years	Current Assets (thousands of US Dollar)	Current Liabilities (thousands of US Dollar)	Total Equity (thousands of US Dollar)	Current Ratio (X)	Net Debt to Equity (X)	Return on Equity (%)	Return on Assets (%)
2015	1.092.519	454.473	3.353.043	2.4	0.3	4.5	2.5
2016	1.592.715	644.555	3.785.882	2.5	0.1	9.0	5.2
2017	1.979.162	773.302	4.091.627	2,6	net cash	13.1	7.9

Source: Results of Researcher's Analysis, 2024

Based on ADRO's financial report data for the period of 2015-2017 before diversifying its business, a significant increase is seen in several financial performance indicators. *Current Assets* show an increasing trend from USD 1,092,519 thousand in 2015 to USD 1,979,162 thousand in 2017, reflecting the company's liquidity growth. In line with that, *Current Liabilities* also increased, but at a lower rate, from USD 454,473 thousand in 2015 to USD 773,302 thousand in 2017. This contributed to the increase in the *Current Ratio* from 2.4 times in 2015 to 2.6 times in 2017, indicating the company's improving ability to meet short-term obligations.

In terms of capital structure, *Total Equity* experienced an increase from USD 3,353,043 thousand in 2015 to USD 4,091,627 thousand in 2017. This increase in equity indicates a strengthening of the company's financial fundamentals. The *Net Debt to Equity* ratio shows a significant change, from 0.3 in 2015 to net cash in 2017. This indicates that the company has a more solid financial position with a reduction in net debt, even reaching a net cash condition by the end of the period.

From a profitability perspective, *Return on Equity* (ROE) sharply increased from 4.5% in 2015 to 13.1% in 2017, reflecting the company's efficiency in generating profit from its equity. *Return on Assets* (ROA) also shows a positive trend, from 2.5% in 2015 to 7.9% in 2017, indicating an improvement in the efficiency of the company's asset utilization.

Based on the explanation above, it is known that ADRO's financial performance during that period showed consistent and solid growth, even though the company had not yet diversified its business. This provides a strong financial foundation for the company to consider business diversification in the future, in order to enhance its competitiveness and business sustainability amidst the dynamics of the coal industry.

Threats to ADRO if it has not diversified its business include:

- a. Dependence on the coal industry that is vulnerable to market price fluctuations and government regulations. The coal industry is known to have a cyclical nature influenced by global demand, commodity price changes, and increasingly strict environmental policies. This dependence can pose a strategic risk because sudden changes in coal prices can directly affect the company's revenue and profitability. In

the long term, the decline in coal demand due to the shift towards renewable energy can threaten the sustainability of ADRO's business.

- b. Environmental regulations and pressure from the international community to reduce carbon emissions have become significant threats. Many countries are starting to implement decarbonization policies that can reduce coal imports, as well as impose carbon taxes that increase the operational costs of fossil fuel-based companies. If ADRO does not diversify its business into more environmentally friendly sectors, the company risks losing competitiveness in the global market.
- c. The limited growth opportunities in the coal industry. The global coal market is predicted to stagnate or decline due to the development of clean and renewable energy technologies. Dependence on only one line of business can limit ADRO's ability to explore new opportunities and expand its revenue base. Diversifying into other sectors, such as renewable energy or industries not dependent on commodities, can help the company mitigate this risk.
- d. Geopolitical risks and competition in the coal industry also pose a threat. Dependence on exports to certain countries can make ADRO vulnerable to changes in trade policies or political tensions. On the other hand, the increasingly fierce competition among coal companies can squeeze profit margins and force ADRO to continue making massive investments in operational efficiency.

To reduce these threats, PT Adaro Energi Indonesia Tbk needs to consider business diversification as a risk mitigation strategy. Diversification will not only reduce dependence on coal but also open up new opportunities for more stable and sustainable growth in the future. Opportunities for ADRO in diversifying its business include:

- a. Expansion into the rapidly growing renewable energy sector. With the increasing global demand for clean energy, PT Adaro can utilize this momentum to develop a renewable energy portfolio such as solar power, wind, or biomass. Investment in environmentally friendly energy not only enhances the company's image in the eyes of stakeholders but also secures future revenue streams as dependence on coal decreases.
- b. Diversification into the infrastructure and logistics sector. With experience in managing large assets and complex supply chains, ADRO has the opportunity to expand its business into infrastructure development, such as roads, ports, or other logistics facilities. This sector offers significant growth potential in Indonesia, considering the ongoing need for basic infrastructure development.
- c. Leveraging a solid financial position for strategic investments. Strong financial performance before diversification, as evidenced by the net cash ratio and equity increase, provides sufficient capital for the company to explore new opportunities. With strategic investment allocation, ADRO can reduce the risk of failure in diversification.
- d. Enhancing business sustainability through a green economy. Global trends towards low-carbon development open up significant opportunities for ADRO to participate in green projects, such as the development of emission reduction technologies, carbon capture, or carbon trading. This not only enhances business sustainability but also provides potential additional revenue from the emerging carbon market.
- e. Entering the technology and digitalization sector. With the increasing adoption of technology in various sectors, ADRO can consider investing in innovative technologies that support operational efficiency or new services. For example, the

development of digital solutions for energy management, applications for environmental monitoring, or automation systems in the production process.

- f. Developing collaboration with the government and the international community. By supporting the Indonesian government's sustainable development agenda, ADRO can forge strategic partnerships for clean energy projects or environmentally friendly infrastructure. Moreover, involvement in global projects can expand market access and enhance the company's reputation.

Business diversification provides a significant opportunity for ADRO to secure business sustainability, enhance competitiveness, and create added value amid the changing landscape of the global energy industry and economy. However, the implementation of diversification strategies requires in-depth analysis, thorough planning, and measured execution to ensure success and minimize risks.

1. The business performance results of PT Adaro Energi Indonesia Tbk (ADRO) after diversification

Based on the document study results on the financial statements of PT Adaro Energi Indonesia Tbk (ADRO) for the years 2018-2023, PT Adaro Energi Indonesia Tbk has diversified its business, as evidenced by the following financial statements:

Table 2. Financial Statement of PT Adaro Energy Indonesia Tbk After Diversification

Years	Current Assets (thousands of US Dollar)	Current Liabilities (thousands of US Dollar)	Total Equity (thousands of US Dollar)	Current Ratio (X)	Net Debt to Equity (X)	Return on Equity (%)	Return on Assets (%)
2018	1.600.294	816.443	4.302.692	1.96	0.10	11.0	6.8
2019	2.109.924	1.232.601	3.983.395	1.71	0.09	10.92	6.0
2020	1.731.867	1.144.923	3.951.714	1.51	0.04	4,02	2.5
2021	2.838.132	1.361.558	4.458.315	2.08	(0.10)	23.1	13.6
2022	5.319.309	2.447.512	6.527.338	2.17	(0.40)	43.4	26.3
2023	4.302.033	2.135.234	7.408.750	2.01	(0.26)	25.0	17.70

Source: Results of Researcher's Analysis, 2024

Based on the financial report data of PT Adaro Energi Indonesia Tbk (ADRO) for the period 2018-2023 after diversifying its business, it is evident that diversification has a significant impact on the company's financial performance, although there are fluctuations in several indicators. This can be observed from *Current Assets*, which generally show an increase, from USD 1,600,294 thousand in 2018 to a peak of USD 5,319,309 thousand in 2022, before slightly decreasing to USD 4,302,033 thousand in 2023. This increase reflects the growth of liquid assets generated from business diversification. Meanwhile, *Current Liabilities* also increased, from USD 816,443 thousand in 2018 to USD 2,447,512 thousand in 2022, indicating an increase in short-term obligations due to business expansion. The *Current Ratio* remains within a healthy range (1.5-2.17 times), although it briefly decreased in 2020 (1.51 times), indicating fairly good liquidity management.

In terms of capital structure, *Total Equity* increased significantly from USD 4,302,692 thousand in 2018 to USD 7,408,750 thousand in 2023. This indicates the success of diversification in increasing the company's equity value, especially in 2022

and 2023. Net Debt to Equity experienced significant improvement, from 0.10 in 2018 to a negative position (net cash) of -0.40 in 2022 and -0.26 in 2023. This reflects that the company has more cash than debt, indicating a very solid financial position.

From a profitability perspective, *Return on Equity* (ROE) and *Return on Assets* (ROA) have shown a sharp increase, especially after 2021. ROE peaked in 2022 at 43.4%, and ROA at 26.3%, before declining to 25.0% and 17.7% respectively in 2023. This surge in profitability indicates that business diversification has a positive impact on the company's efficiency in generating profits from its equity and assets. However, the year 2020 showed a significant decline in ROE (4.02%) and ROA (2.5%) which may have been caused by the impact of the COVID-19 pandemic, before recovering very strongly in the following years.

From the results of the analysis, it is known that the business diversification carried out by PT Adaro Energi Indonesia Tbk has provided tangible benefits, including an increase in equity, strengthening financial position, and increasing profitability. This indicates that the diversification strategy has successfully reduced dependence on the coal sector and provided stability and sustainable growth for the company. However, the company needs to continuously monitor liquidity management and short-term obligations, as well as maintain high profitability amidst potential global economic challenges.

Based on the explanation above, it is known that the threats to ADRO after diversifying its business include:

- a. Business diversification, especially into new sectors such as renewable energy or non-energy, requires significant investment in infrastructure, technology, and human resources. If not managed properly, this can increase the financial burden on the company and reduce the efficiency of capital allocation.
- b. Expansion into various sectors creates challenges in operational management, including the integration of new businesses with existing structures. This complexity can increase management and operational risks that can affect the company's efficiency.
- c. During diversification, PT Adaro faces greater competition from established companies in the sector. For example, in renewable energy, there are many global players with advanced technology and innovation, which could pose a challenge for Adaro to compete in the new market.
- d. Each new sector that Adaro enters has different regulations. Misunderstanding or non-compliance with these regulations can result in legal risks or additional costs for the company.
- e. The success of diversification greatly depends on the right execution strategy. If the strategy is not executed effectively, diversification can end up being a burden rather than an opportunity for the company.

To address the threats arising from diversification, PT Adaro Energi Indonesia Tbk needs to take several strategic steps, including conducting an in-depth risk analysis to ensure that each diversification step is based on a thorough understanding to mitigate potential threats. In addition, the company needs to enhance its human resource (HR) capacity by developing a competent workforce to manage the new sectors it enters. Establishing partnerships with strategic players in new sectors is also important to reduce risks and accelerate market adaptation. Finally, ensuring compliance with applicable regulations by forming a special team to monitor each new business to ensure it adheres to existing regulations. Well-managed diversification will reduce dependence on coal,

while simultaneously enhancing the company's competitiveness and sustainability in the global market.

Although there are threats and solutions mentioned above, ADRO also has opportunities after diversifying its business. These opportunities include:

- a. Diversification provides an opportunity for Adaro to reduce its dependency in the coal sector facing global regulatory pressure regarding climate change. This helps the company create a more stable and sustainable business portfolio.
- b. Adaro's entry into the renewable energy sector or other industries opens up opportunities to create new sources of income that can enhance the company's overall revenue.
- c. With the increasing global demand for environmentally friendly energy, Adaro has the opportunity to become a major player in renewable energy, such as solar, wind, or biomass, which offers long-term growth prospects.
- d. Diversification allows Adaro to reach new markets and customers, both domestically and internationally, thereby increasing the company's global competitiveness.
- e. Entering a new sector often drives companies to adopt more efficient new technologies. This not only improves performance in the new sector but can also be applied to enhance efficiency in the traditional sector.
- f. Diversification into the renewable energy sector or other strategic sectors often receives government support in the form of tax incentives, subsidies, or favorable regulations, especially to support the national energy transition agenda.
- g. The diversification efforts, especially towards more sustainable directions, enhance Adaro's image and reputation as an innovative, responsible, and visionary company, thereby attracting the interest of investors and strategic partners.
- h. With a more diverse business portfolio, Adaro is able to withstand market volatility, thereby strengthening the company's position to remain competitive in the long term.

Business diversification provides opportunities for PT Adaro Energi Indonesia Tbk to create more stable growth, expanding markets, and leveraging global trends towards sustainability. If managed strategically, these opportunities can strengthen the company's foundation to face future challenges.

3. The results of the business performance evaluation of PT Adaro Energi Indonesia Tbk (ADRO) in competitive intelligence analysis

ADRO, before diversifying, was heavily reliant on the thermal coal business. This dependence places the company in a vulnerable position to fluctuations in global coal prices, although ADRO has managed to maintain financial stability through good operational efficiency. However, the challenges related to market volatility and increasingly stringent environmental regulations become risk factors that the company needs to address in the long term.

After diversifying, ADRO began expanding its portfolio into the renewable energy and minerals sector, including an aluminum smelter project and a hydropower plant in North Kalimantan. This diversification not only reduces the company's dependence on coal but also improves operational performance and strengthens its financial position with significant net cash. Investment in new technologies and green infrastructure also plays a role in long-term efficiency improvements, allowing Adaro to continue growing amidst industry challenges. To find out the results of ADRO's performance analysis before and after diversification, this can be observed in the following table:

Table 3. Comparison of ADRO's Performance Before and After Diversification

Financial Performance	Before Diversification (2015-2017)	After Diversification (2018-2023)
Current Assets (ribuan Dolar AS)	1.092.519 (2015), 1.592.715 (2016), 1.979.162 (2017)	1.600.294 (2018), 2.109.924 (2019), 1.731.867 (2020), 2.838.132 (2021), 5.319.309 (2022), 4.302.033 (2023)
Current Liabilities (ribuan Dolar AS)	454.473 (2015), 644.555 (2016), 773.302 (2017)	816.443 (2018), 1.232.601 (2019), 1.144.923 (2020), 1.361.558 (2021), 2.447.512 (2022), 2.135.234 (2023)
Total Equity (ribuan Dolar AS)	3.353.043 (2015), 3.785.882 (2016), 4.091.627 (2017)	4.302.692 (2018), 3.983.395 (2019), 3.951.714 (2020), 4.458.315 (2021), 6.527.338 (2022), 7.408.750 (2023)
Current Ratio (X)	2.4 (2015), 2.5 (2016), 2.6 (2017)	1.96 (2018), 1.71 (2019), 1.51 (2020), 2.08 (2021), 2.17 (2022), 2.01 (2023)
Net Debt to Equity (X)	0.3 (2015), 0.1 (2016), 0.1 (2017)	0.10 (2018), 0.09 (2019), 0.04 (2020), 0.10 (2021), 0.40 (2022), 0.26 (2023)
Return on Equity (%)	4.5 (2015), 9.0 (2016), 13.1 (2017)	11.0 (2018), 10.92 (2019), 4.02 (2020), 23.1 (2021), 43.4 (2022), 25.0 (2023)
Return on Assets (%)	2.5 (2015), 5.2 (2016), 7.9 (2017)	6.8 (2018), 6.0 (2019), 2.5 (2020), 13.6 (2021), 26.3 (2022), 17.7 (2023)

Source: Researcher's Analysis, 2024.

The data above can be further explained through the following figure, which illustrates the trend of PT Adaro Energi Indonesia Tbk's financial performance before and after business diversification:



Figure 1. Comparison Results of ADRO's Performance Before and After Diversification

Source: Researcher's Analysis, 2024.

Based on the data above, it can be seen that after ADRO diversified its business, the company's financial performance showed some significant changes, which can be explained as follows:

Evaluation of The Business Performance of PT ADARO Energy Indonesia Tbk Before and After Business Diversification With A Competitive Intelligence Approach

- a. *Current Assets* After diversification, there was a significant increase in current assets, reaching its peak in 2022 (USD 5,319,309 thousand) although it decreased slightly in 2023.
- b. *Current Liabilities* show a significant increase in current liabilities in line with business expansion, although the company maintains its current ratio within a healthy range.
- c. *Total Equity* shows a sharp increase in the company's equity, especially since 2021, indicating successful diversification in strengthening the financial position.
- d. *Current Ratio* although slightly declining in 2020, the current ratio still shows the company's capacity to meet short-term obligations is healthy.
- e. *Net Debt to Equity* shows the company's position is much more solid post-diversification, reflected by the negative ratio (net cash), which means the company has more cash than debt.
- f. *Return on Equity (ROE)* and *Return on Assets (ROA)* show a significant increase in both profitability ratios, especially after 2021, indicating that business diversification has a positive impact on the company's efficiency in generating profits.

According to this explanation, it is known that before diversification (2015-2017), the company's financial performance showed stable growth in total assets and equity, with an increase in liquidity and profitability ratios. After diversification (2018-2023), business diversification had a positive impact on total assets and equity, despite fluctuations in some years. Financial ratios such as current ratio and net debt to equity showed healthy management with a stronger cash position. Profit generated from diversification recorded significant increases in Return on Equity (ROE) and Return on Assets (ROA), peaking in 2022. The changes show that ADRO's business diversification has significantly contributed to the financial growth and strengthening of the company's capital structure.

From a competitive intelligence perspective, the results obtained by ADRO after diversifying its business can be analyzed by referring to several key indicators, including the company's financial position, business development strategy, as well as comparisons with major competitors in the energy sector, such as PT Bukit Asam Tbk (PTBA) and PT Bumi Resources Tbk (BUMI), which can be explained as follows:

- a. Financial performance of PT Adaro (ADRO) after diversification

PT Adaro's business diversification showed positive results in several financial aspects, such as an increase in total assets, equity, and favorable profitability ratios (ROE and ROA which increased rapidly). This reflects the success of the diversification strategy in expanding revenue sources and increasing the company's competitiveness. Adaro has successfully capitalized on opportunities from non-coal sectors, strengthened its cash position, and improved debt management by recording net cash in recent years. However, despite these positive results, challenges remain in managing risks stemming from coal price fluctuations and dependence on the traditional energy sector, despite the company's efforts to reduce this dependence through diversification. In this regard, PT Adaro needs to pay attention to macroeconomic trends and global energy market dynamics that may affect future financial performance.

- b. Comparison with competitors PT Bukit Asam Tbk (PTBA) and PT Bumi Resources Tbk (BUMI)

Based on the results of document studies from several literatures, it is known that the comparison of ROA and ROE from ADRO with competitors such as PT Bukit

Asam Tbk (PTBA) and PT Bumi Resources Tbk (BUMI) in 2020-2022 is known as follows:

Table 4. Comparison of Performance After Diversification Between ADRO and Competitor

Financial Performance	PT ADARO	PT Bukit Asam Tbk	PT Bumi Resources Tbk
Return on Equity (%)	4.02 (2020), 23.1 (2021), 43.4 (2022)	14,09 (2020), 32,61 (2021), 43,46 (2022)	-255,84 (2020), 34,52 (2021), 19,75 (2022)
Return on Assets (%)	2.5 (2020), 13.6 (2021), 26.3 (2022)	9,9 (2020), 21,9 (2021), 27,71 (2022)	28,50 (2020), 25,90 (2021), 79,51 (2022)

Source: Researcher's Analysis, 2024

Based on the data in Table 4, the financial performance of PT Adaro Energy Tbk (ADRO), PT Bukit Asam Tbk (PTBA), and PT Bumi Resources Tbk (BUMI) showed different trends during the 2020-2022 period. In terms of Return on Equity (ROE), ADRO recorded a significant increase from 4.02% in 2020 to 43.4% in 2022, signaling the success of its diversification strategy in increasing equity profitability. PTBA also showed consistent improvement, from 14.09% in 2020 to 43.46% in 2022, reflecting stable performance. In contrast, BUMI experienced sharp fluctuations, with ROE going from a negative value of -255.84% in 2020 to 19.75% in 2022, indicating an improvement although still below the other two competitors.

In terms of Return on Assets (ROA), ADRO and PTBA showed consistent positive trends. ADRO recorded an increase from 2.5% in 2020 to 26.3% in 2022, indicating better efficiency in asset management after diversification. PTBA also managed to increase its ROA from 9.9% to 27.71% over the same period, indicating solid operational performance. Meanwhile, although BUMI recorded a very high ROA of 79.51% in 2022, the fluctuations that occurred over the past three years reflect the risk and instability in its asset management.

Based on the analysis above, it can be seen that ADRO and PTBA are more consistent in utilizing diversification to enhance profitability and efficiency compared to BUMI. ADRO specifically demonstrates a strong ability to adapt to changes in the business environment, while PTBA continues to maintain stable performance. While BUMI shows significant improvement, its performance volatility indicates challenges in diversification strategy or operational efficiency that need to be addressed.

According to the explanation above, it can be concluded that the performance of PT Adaro Energy Tbk (ADRO), PT Bukit Asam Tbk (PTBA), and PT Bumi Resources Tbk (BUMI) during the 2020–2022 period reflects the effectiveness of their respective diversification strategies. ADRO showed significant growth in ROE and ROA, indicating the success of its diversification strategy that supports the efficiency of asset and equity management. PTBA also recorded solid performance with stable growth, supported by diversification into downstream sectors such as renewable energy-based power plants. On the other hand, although BUMI experienced an improvement in ROE and recorded a high ROA in 2022, significant performance fluctuations indicate major challenges in risk management and the implementation of diversification strategies.

The success of PTBA in maintaining performance stability is largely due to their focus on diversifying the renewable energy sector, which aligns with the Indonesian government's policy to increase the use of environmentally friendly energy. This approach not only strengthens PTBA's position in the energy sector but also helps reduce

dependence on the fluctuating domestic coal market. On the other hand, BUMI, which tends to be conservative in diversification, continues to rely on coal exploration and mining as its core activities. Although BUMI has started investing in steam power plants, its high dependence on the coal sector makes it more vulnerable to commodity price changes and government energy regulations compared to PTBA, which is more proactive.

Based on the comparison of financial performance between PT Adaro Energy Tbk (ADRO), PT Bukit Asam Tbk (PTBA), and PT Bumi Resources Tbk (BUMI), it shows that a targeted diversification strategy, such as that implemented by PTBA, provides a significant competitive advantage. PTBA remains superior with ROE and ROA of 43.46% and 27.71% respectively in 2022, slightly higher than ADRO, which, despite showing significant growth to ROE 43.4% and ROA 26.3%, still lags slightly in asset efficiency. On the other hand, BUMI recorded a recovery from the negative conditions in 2020, but its performance remained lower with an ROE of 19.75% in 2022, due to its high dependence on the coal sector. Overall, ADRO demonstrates good adaptability through diversification, making it competitive against PTBA and superior to BUMI, with the potential to match or surpass PTBA's performance stability in the future.

c. Competitive intelligence analysis

PT Adaro Energy Indonesia (ADRO) has successfully utilized competitive intelligence analysis to strengthen its position after diversifying its business, particularly into the renewable energy sector. This diversification strategy allows the company to reduce its dependence on risky coal and expand its revenue sources by entering the environmentally friendly energy market. ADRO's financial performance, marked by significant increases in Return on Equity (ROE) and Return on Assets (ROA), reflects the success of this strategy in enhancing the company's efficiency and adaptability to changes in the global market. Through a deep understanding of the global policy shift towards renewable energy and the reduction of dependence on fossil fuels, ADRO can identify opportunities and threats and respond to them proactively. Despite facing challenges such as coal price fluctuations and competition from other companies also operating in the renewable energy sector, ADRO can manage these risks with sustainable diversification policies, which support the company's competitiveness in the global market. As a result, ADRO not only maintains its position in the market but also strengthens its long-term sustainability through the development of more environmentally friendly renewable energy.

To ensure success in the transition to renewable energy, ADRO not only relies on business diversification but also integrates a deep understanding of external factors that can influence its performance and business direction. This understanding can be seen in the following aspects:

1) Understanding the external environment

ADRO's understanding of the external environment is evident from its ability to leverage information related to changes in the global energy market. ADRO is highly sensitive to changes in sustainable energy trends, especially related to the energy transition and stricter environmental regulations. This understanding is reflected in its diversification strategy, which involves shifting part of its portfolio from dependence on coal to renewable energy, such as solar power and the development of LNG-based energy infrastructure. The company monitors changes in international and domestic regulations regarding decarbonization, so they can plan steps that support the company's sustainability.

2) Collection and analysis of relevant information

ADRO uses competitive intelligence analysis to gather and utilize relevant information in various aspects of the market. For example, the company collects data related to renewable energy market trends, the growth potential of environmentally friendly energy, and the technologies used in the development of renewable energy such as solar panels and wind turbines. ADRO also monitors changes in global energy prices, government policies related to energy, as well as technological developments that can increase efficiency and reduce energy production costs. By analyzing this data, ADRO can predict market changes and make the right decisions to enter new, more environmentally friendly markets.

3) Evaluation of opportunities and threats

The process of evaluating opportunities and threats by ADRO is very important in supporting business diversification decisions. ADRO carefully evaluates the opportunities available in the renewable energy sector, particularly to meet the increasing demand for clean energy, both in domestic and international markets. This opportunity is reinforced by the increasing global awareness of climate change issues and the decreasing dependence on fossil fuels. However, in evaluating threats, ADRO also takes into account the significant challenges present, such as the threat of stricter regulations on the coal industry and the possibility of more intense competition in the renewable energy sector, which involves both major players and new entrants also focusing on clean energy solutions.

4) Adjustment to the company's strategy

ADRO's diversification into the renewable energy sector is very much in line with the company's broader strategy, which is to become a sustainable energy provider focused on long-term growth. Previously, ADRO heavily relied on coal as its main source of revenue, but by observing market trends and regulatory pressures, they made strategic adjustments by investing in environmentally friendly energy projects. This adjustment shows that ADRO is capable of adapting to market changes and developing strategies that not only ensure business continuity but also build the company's reputation as a pioneer in green energy solutions.

5) Proactive decision-making

Proactive decision-making is reflected in ADRO's quicker entry into the renewable energy sector, even though this sector is still in the development stage and requires significant initial investment. This decision shows that ADRO is not only reactive to market changes but also acts proactively to anticipate future demand for clean energy. By getting ahead of competitors, ADRO can seize this opportunity to build a dominant position in the renewable energy market and strengthen the sustainability of its growth.

6) Alignment with economic, technological, and legal aspects

ADRO demonstrates its ability to adapt to the continuously evolving economic, technological, and legal contexts. Economically, ADRO utilizes market intelligence to project energy price fluctuations and prepare appropriate diversification measures. In terms of technology, ADRO not only invests in efficient renewable energy technologies but also strives to leverage the latest innovations in energy resource management. From a legal perspective, ADRO pays great attention to applicable regulations, both domestic and international, which increasingly demand the reduction of carbon emissions and the implementation of sustainability standards in the company's operations. They comply with these

regulations by adjusting their business strategies to remain within the applicable legal boundaries, which also helps reduce legal risks in the future.

7) Improvement of sustainable competitive advantage

ADRO strives to build and maintain sustainable competitive advantage through more environmentally friendly business diversification. This diversification allows the company to reduce its dependence on coal, which can be significantly affected by fluctuations in global market prices and shifts in energy policies. With investments made in the renewable energy sector, ADRO not only creates a more stable diversification of income sources but also enhances the company's image as a firm committed to sustainability. This competitive advantage not only focuses on short-term financial performance but also on strengthening the company's competitiveness in the global market in the long term, especially in facing increasingly stringent global energy policy changes.

Based on the explanation above, this analysis shows that ADRO has undertaken strategic business diversification and successfully utilized competitive intelligence analysis to strengthen its position in the increasingly competitive and sustainability-focused energy market. The decisions made by the company are based on a deep understanding of opportunities, threats, and changes in the external environment, while maintaining competitiveness and sustainable innovation.

d. Competitive intelligence strategy for ADRO

The competitive intelligence strategy that ADRO needs to implement should involve continuous monitoring of industry trends that could potentially affect their business, especially regarding renewable energy policies. Along with the government's policy changes increasingly supporting the use of renewable energy, coal prices and the demand for the coal market can be affected. Therefore, Adaro needs to proactively monitor these trends, both globally and locally, in order to anticipate market shifts and adjust its business strategy accordingly. By understanding the current policy direction and market trends, Adaro can seize opportunities in the renewable energy sector and reduce its dependence on coal.

Sustainable innovation in the renewable energy sector will be a key factor in providing long-term competitive advantage for ADRO. The company must focus on developing new technologies and solutions that support the transition to clean energy, in line with global efforts to reduce carbon emissions and address climate change. By investing in sectors such as solar, wind, and bioenergy, as well as strengthening environmentally friendly power generation projects, Adaro will be able to build a stronger position in the renewable energy market. Such innovations not only provide a competitive advantage but also open up new revenue opportunities beyond the more risky coal sector.

Collaborating with the government and private sector becomes a very important aspect in strengthening Adaro's position in the renewable energy sector. Considering that clean energy projects often require substantial policy support and investment, ADRO can expand partnerships with the government to gain access to incentives and policies that support the development of renewable energy. Additionally, collaboration with the private sector in clean energy projects and more efficient power plants will enable Adaro to access new technologies, accelerate the development process, and share risks and costs. This collaborative approach can help Adaro strengthen their competitiveness and position in the increasingly growing renewable energy market.

Conclusion

Based on the discussion above, it can be concluded that PT Adaro Energi Indonesia Tbk (ADRO), prior to diversifying its business, had solid financial performance with increases in assets, equity, and profitability between 2015-2017. However, its dependence on the coal industry exposed it to risks such as price fluctuations and environmental regulations. Between 2018-2023, ADRO's diversification led to further growth in assets, equity, and profitability, despite challenges like large investments and competition. Diversification enabled the company to reduce its dependence on coal, enter the renewable energy sector, and create new income streams, enhancing its competitiveness and fostering long-term growth. Following its diversification, ADRO's business performance evaluation showed a competitive advantage, yet the company must remain vigilant about global market dynamics, especially commodity prices and renewable energy regulations. In order to maintain its position against competitors such as PT Bukit Asam and PT Bumi Resources, Adaro needs to continuously innovate and strengthen its presence in the renewable energy sector to ensure sustained competitiveness.

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