



## Reformulation of Business Strategy PT XYZ

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### Abstract

Currently, PT. XYZ requires the restructuring of its business strategy to restore and restore PT XYZ 's finances as well as to build a viable and profitable housing. In the reformulation of the business strategy of PT XYZ, the researcher will use SWOT analysis as the basis of the analysis, and Grand Strategy matrix to analyze company position in the industry. The results indicate that the position of PT XYZ is in the quadrant 1 is Strength—Opportunity which means the position of a perfect company strategy and competes vigorously. The alternative strategy formed refers to the related Diversification strategy and Horizontal Integration, the suggested strategy is (1) to build a Highland geopark tourism park; (2) redeveloping the extreme sports arena; (3) establish cooperative relationships with government or private companies concerned; (4) to provide land or field intended for residents of housing around PT XYZ area, also a form of CSR; (5) evaluate and improve HR performance by conducting performance appraisal through key performance indicator and balanced scorecard.

### Abstrak

Saat ini PT. XYZ membutuhkan restrukturisasi strategi bisnis untuk memulihkan kembali keuangannya, serta membangun perumahan yang layak dan menguntungkan. Peneliti akan menggunakan analisis SWOT, dan matriks Grand Strategy untuk menganalisis posisi perusahaan. Hasil penelitian menunjukkan bahwa posisi PT XYZ berada pada kuadran 1 (Strength—Opportunity) yang berarti posisi strategi perusahaan sempurna dan bersaing dengan penuh semangat. Strategi alternatif yang dibentuk mengacu pada Diversifikasi dan Integrasi Horizontal. Strategi yang disarankan: (1) membangun taman wisata geopark Highland; (2) membangun kembali arena olah raga ekstrim; (3) membangun hubungan kerja sama dengan pemerintah atau perusahaan swasta yang berkepentingan; (4) menyediakan lahan yang diperuntukkan bagi penghuni perumahan di sekitar areal PT XYZ, juga bentuk CSR; (5) mengevaluasi dan meningkatkan kinerja SDM dengan melakukan penilaian kinerja melalui key performance indicator dan balanced scorecard.

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## INTRODUCTION

Indonesia's construction and building materials market has grown significantly, driven by the rapid growth of the domestic property market / real estate, increased private investment, and government spending. The contribution of the construction sector to Gross Domestic Product (GDP) has grown from 7,07% in 2009 to 13% in 2004 also push Indonesia's growth in building materials and construction industry. The construction market is projected to grow by 14,26% reach out Rp 446 trillion in 2017 and will be one of the most promising sectors cause accelerated government infrastructure development plan. The Construction sector the important role in economic matters because it affects most sectors of the country's economy is an important contributor to the infrastructure development process that provides the physical foundation which is development efforts and improvement of living standards can be realized (Proteksi, 2016).

Soaring property industry and construction sector performance developers made the demand for building materials increased considerably. Seen from the investment of building materials industry or non-metal minerals increased from 2009 to 2010, that grow 3% become Rp 1,58 trillion (Koran-Jakarta.com, 2011). In constitutions 2009 No. 4 about mineral and coal mining. Clause 4 explains that mineral mining is mining of minerals in the form of ores or rocks, beyond geothermal, oil and gas also groundwater. Andesite is the result of natural excavation which includes class C excavation material, many found in hills and volcanoes, its role is also very important in the construction sector especially for infrastructure development, like the highway, building, bridge, etc.

Although the availability of andesite spread throughout the mountains of Indonesia but not much more. Especially in the rainy season with high intensity will be more difficult to get good quality and causing the price to be more expensive

(Majalahbatu.com, 2015). Related to the provider of construction and building materials, explained by Malik (2010:24) that the guarantee of availability of materials and building materials in the market greatly affect the speed and timeliness of completion of work.

According to Wheelen and Hunger strategy formulation is the development of long-term plans for management effectiveness of environmental opportunities and threats, also company strengths and weaknesses (SWOT). This includes defining the company's mission, setting goals to be achieved, developing strategies, and setting policy guidelines. While strategy reformulation is a process, not events. Although the new strategy can be quite a bit different from the previous period strategy, where on the framework there are new ideas. The new idea then processed through an identifiable stage of change (Bashar N, 2002:5).

In simple terms, the industry is interpreted as a group of similar businesses. As an example, if running in the field of house production business, it can be classified as a business entertainment industry. An industry develops in line with the development of the business group itself. In analyzing the industry, Michael Porter has developed a guideline for analyzing an industry. The concept known as Five Forces Porters. This competitive analysis is a widely used approach for developing strategies in many industries. The intensity of competition among companies varies widely from one industry to another.

External opportunity and threats covering the economic, social, cultural, demographic, environmental, political, legal, government, technological, development trends that are competing and events that can significantly benefit or even harm the organization in the future (Wheelen & Hunger, 2012:98).

Internal strength and weakness is a controlling activity of the company that runs good or bad. Internal strength and weakness

refer to management, marketing, production/operational, finance/accounting, R&D, and activity of an enterprise information management system. Identifying and evaluating the strengths of the company's weaknesses in the business functional areas is the essence of management strategy activities (David, 2011:99).

Often the construction service providers experience late work completion due to late supply or loss of building materials in the

market. Stuff and building materials are usually provided by building material providers, both individual seller and seller entities, like retail, distributor, or factor. Natural materials (non-factor) also provided by the individual seller. That is also what PT XYZ is actively making an arrangement of the land and produce class C excavation material, like andesite, soil, and sand.

Table 1 Data Volume of Minerals

Type of Minerals	Mining Materials' Production Volume (m <sup>3</sup> )				
	2011	2012	2013	2014	2015
Sand	252.746.435	309.448.774	261.691.048	302.439.255	373.022.443
Andesite	5.980.898	15.614.556	15.726.758	13.864.769	7.294.371
Soil	40.036.033	19.105.218	21.730.810	27.335.816	23.236.082

Source: BPS (2017)

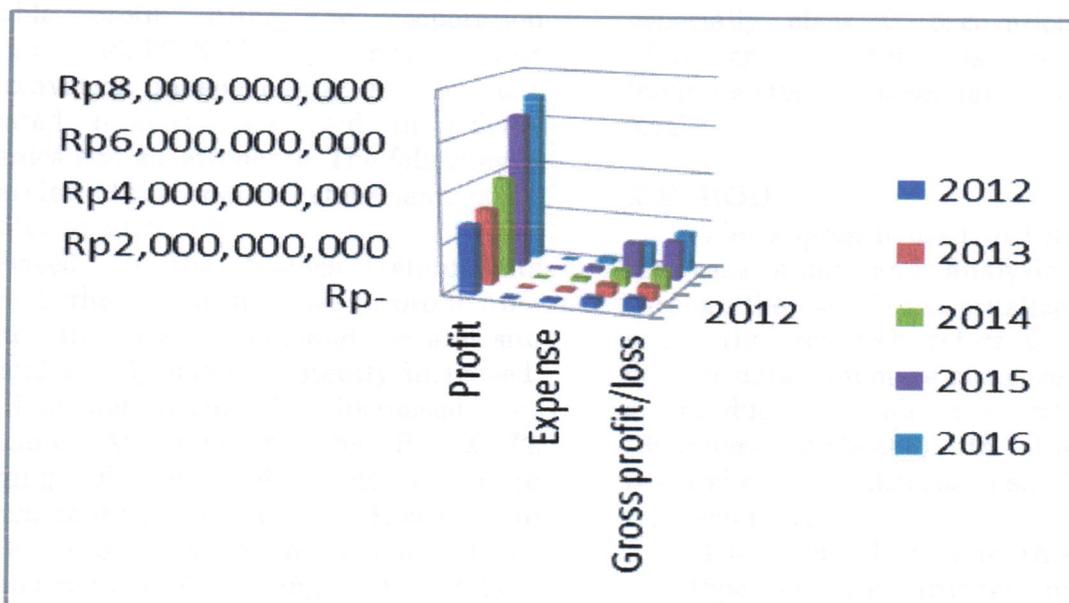


Figure 1 Profitability Ratio Diagram

PT XYZ established in 1993, a company engaged in property industry especially housing developers with the aim of providing a good dwelling, comfort, and feasible to live and occupied by the general public. A total of 120 houses have been built and sold by PT XYZ, but in 1998 the construction activities stopped for a moment because of the state economy is in the unfortunate situation along with the monetary crisis which resulted in low purchasing power also competitiveness in industry is very high so PT XYZ unable to continue the work. Currently, PT XYZ is doing a project in the field of land management and mining, excavation, processing, trading of class C excavation minerals.

The strategy that PT XYZ has ever done to improve the company condition is doing cooperation relationship to CV Fajar Utama Mandiri, they agreed to do the excavation work and management excavation class C (industrial minerals and rocks, ex: calcium, andesite, marble, gypsum, graphite, magnesite, grit/sand, pumice, slate, kaolin, asbestos, phosphate) in 2007 till 2015. Below is the data mining volume especially the minerals class C excavation materials (table 1).

PT XYZ at the time of completing the excavation project with CV FUM gets a very profitable profit. After the cooperation agreement end, PT XYZ takes over to conduct the excavation independently to this day. Excavated products are sold to private companies and governments. The following is an overview of the financial statements of PT SCP 2012 to 2016.

Based on the financial statements (Figure 1) there is an increase in profit from 2013 to 2015 because demand for andesite and sand supply has consistently increased, as well as net income that increased very significant. According to the PT XYZ's managing director tells that corporate earnings continue to increase. However, to achieve the company's main goals to continue the construction of housing and Highland geopark tourist will not suffice with the revenue earned at this time, then PT XYZ

feels need to increase revenue at least doubled than revenue.

Increase in construction growth in Indonesia also demanding for building materials is available in large quantities. Indirectly, the construction growth will lead to fierce competition in the industry. So, PT XYZ needs to reformulate the business strategy in property and excavation industry to reduce the competition, so it can dominate the market and face the ongoing global market. PT XYZ's director tells about some step that they have done applied to increase the profit, increase the organization performance, and increase product quality, like perform periodic laboratory tests on andesite to know the product quality, adding and develop networking to expand market both government and a private firm.

In this research, the author will emphasize the focus on business strategy formulation that will be evaluated dan updated from the previous strategy. Also, the central goal organization can be achieved maximally.

To find the new plan strategy, there are several research questions: (1) What are the factors that strengthen and become the weakness of PT XYZ? (2) What are the factors that become an opportunity and pose a threat for PT XYZ? (3) Where is PT XYZ current position in the mining industry, especially class C excavation materials? Moreover, (4) What is the appropriate business strategy formulation to apply in PT XYZ?

## METHOD

The approach used in this research is the case study and analysis carried out through the use of conceptualization. Data in qualitative research refers to non-numeric data or data cannot be measured and can be a product of all research strategies (Suanders, 2009:480). In this case, the researcher will discuss using Descriptive research type.

The data collected in this study uses two types of data, primary and secondary data. Primary data is a result of research

data obtained from the object (PT XYZ) of research directly without any specific intermediaries. The researchers did to get the primary data is to conduct interviews with the director and some managers of PT XYZ. Also, researchers also spread the list of SWOT statement to some managers and admin staff to do the assessment and weighting. While secondary data information, researchers get it from the business plan and company profile.

## **RESULT AND DISCUSSION**

### **Industry Analysis**

Using Michael Porter's Five Forces analysis, the following is an analysis of five variables on mining and excavation mineral activities.

### **Competitive Rivalry**

Currently, there is one company that head to head against PT XYZ, and the site mining located not far from PT XYZ. The products (split stone) produced by these companies have different qualities than those produced by PT XYZ.

When we compared the quality, the competitor's product quality is 2 or 3 levels below the product quality of PT XYZ, evident at different prices. To know the quality of andesite produced, the company has checked on the one of University Laboratory in Indonesia.

Also, with the desire to develop land use, PT XYZ has started to open a geopark tourist park. In West Java, geopark tourist park can be found in several cities, like Lembang, Bogor, etc. So it will be a new task for PT XYZ to compete for opportunities. So the competition in the industry is considered high enough for PT XYZ.

### **The threat of Substitutes Product**

One of PT XYZ's remains client making Andesite as one of the main ingredients of the concrete mix and building construction. Besides andesite, basalt rocks are also often used as construction materials, from BPS data showed that basalt material excavation volume is not as much andesite and tends to decrease.

However, to keep the quality of a

building foundation strength, many construction companies prefer andesite. Andesite was also selected as the main ingredient for reclaiming the beach because the level of hardness tested able to withstand and suppress sea water. For some building constructions, andesite is an essential ingredient of a much-needed mixture. The threat level of substitution product is not very influential but enough to be a concern for PT XYZ.

### **Bargaining Power of Customer**

The bargaining power of buyers in this industry is quite high, can be seen from the internet search engine, there are many sellers of this material with varied price options. PT XYZ holds full rights relating to sales regulations and payment systems. The price offered is slightly higher than some competitors it is because the quality of andesite produced better than that produced by those competitors so that PT XYZ dared to raise the price. Bargaining power of the customer is not very influential, so the company does not spend much effort when handling the sales process.

### **Bargaining Power of Suppliers**

In the class C excavation mining industry, a very active supplier for PT XYZ is a provider of heavy equipment. Efforts to reduce the bargaining power of suppliers are to seek ownership of heavy equipment which if it can be used repeatedly in a long time. That way the company does not need to spend money to rent heavy equipment, like an excavator, wheel loader, dump truck, jaw crusher, etc. Similarly the purchase of explosives, PT XYZ attempt to store large quantities of explosives in order to reduce costs if they purchased in large quantities. The bargaining power of suppliers is not very high and can be controlled quite well by the company.

### **The threat of New Entrants**

The entry of new competitors is essential enough to be a threat for PT XYZ. However, most of the mining company that appeared around PT XYZ's site is an illegal

mining business. Because they are entered with no mining business license, so many of them were forcibly shut down by the police and housing residents. Overall mining business growth especially class C minerals, very much scattered almost in every empty land in Indonesia. However, for entrepreneurs who do not heed the government's rules and obligations will not be able to run the business for a long time, as happened around the PT XYZ mining field. The threat of new entrants around PT XYZ's mining area is considered low to medium.

### External Environmental Analysis

The EFAS (External Factors Analysis Summary) matrix form used to evaluate external factors in the company. External data collected to analyze economic matter, social, culture, environment, law, politics,

technology, industry competition, also other external data.

Based on the external analysis in table 2 showed that the overall result of the weighted value EFAS total is 3,6088 with the Opportunity value total is 2,2185 and Threat value total is 1,3903. This shows that PT XYZ is in a good position to develop the company but still must pay attention and alert to the existing threat variables.

### Internal Environmental Analysis

The IFAS (Internal Factors Analysis Summary) matrix form used to know the company internal factors that relate to strength and weakness which is considered important. Company internal data and information can be extracted from some corporate functions. From the result of

Table 2 External Factor Analysis Summary

External Factors	Weight	Rate	Score
<b>Opportunity</b>			
1. Develop and expand the geopark tourist park	0.147	4.9	0.7203
2. Level of andesite and sand/soil demand increases until 2020	0.124	4.2	0.5208
3. Construction and building material sector increased significantly	0.119	3.7	0.4403
4. Client extend the material supply contract until 2020	0.131	4.1	0.5371
<b>Sub total</b>	<b>0,521</b>		<b>2,2185</b>
<b>Threat</b>			
1. Appeared some warehousing and settlement around PT XYZ's land	0.099	3.4	0.3366
2. Appeared some illegal miners company around the land owned by PT XYZ	0.113	3.3	0.3729
3. Bad weather conditions	0.085	2.4	0.204
4. Potential occupational hazards in mining location	0.088	2	0.176
5. Explosive storage permit, ownership, and authorization are difficult to obtain	0.094	3.2	0.3008
<b>Sub total</b>	<b>0,479</b>		<b>1,3903</b>
<b>Total</b>	<b>1,00</b>		<b>3,6088</b>

Source: Author (2017)

internal environment analysis hence got strength and weakness with IFAS matrix so it can be arranged as in table 3.

Based on the internal analysis in table 3 showed that the overall result of the weighted value IFAS total is 3,0599 with the Strength value total is 2,3113 and Weakness value total is 1,3903. This indicates that PT XYZ has good strength in operational perform.

### Generating SFAS

The SFAS (Strategic Factors Analysis Summary) matrix summarizes an organization's strategic factors by combining the external factors from the EFAS table with the internal factors from the IFAS table. The SFAS matrix requires a strategic

decision maker to condense these strengths, weaknesses, opportunities, and threats into fewer than ten strategic factors.

### Grand Strategy Matrix

Analysis of table 3 shows that total Opportunity and Threat factors are 3,6088 and next on Table 4 total Strength and Weakness factors is 3,0599.

### CONCLUSION

Based on the analysis that has been done, so the strategy formulation of this research gives the following conclusions:

1. PT XYZ external and internal factors stemming from opportunities, threats, strengths, and weaknesses affect the

Table 3 Internal Factor Analysis Summary

Internal Factors	Weight	Rate	Score
<b>Strength</b>			
1. Good quality products (lab tested)	0.109	5	0.545
2. The entrance way to mining site is easy to pass by the truck	0.079	3.4	0.2686
3. Regularly conduct CSR activities	0.087	3.9	0.3393
4. HR and mining expert staff are competent	0.086	4	0.344
5. Company's profitability ratio is stable	0.091	3.7	0.3367
6. The security system at the mining site is quite good	0.07	3.1	0.217
7. Fully controlling payment rules	0.079	3.3	0.2607
<b>Sub total</b>	<b>0,601</b>		<b>2,3113</b>
<b>Weakness</b>			
1. A rock blasting trial (1x a month)	0.091	1.6	0.1456
2. The price offered is higher than competitors	0.083	2.1	0.1743
3. Bad impact on the environment	0.073	1.9	0.1387
4. Lack of capital increase	0.084	2.4	0.2016
5. System information network is not good	0.068	1.3	0.0884
<b>Sub total</b>	<b>0,399</b>		<b>0,7486</b>
<b>Total</b>	<b>1,00</b>		<b>3,0599</b>

Source: Author (2017)

company's performance; these factors provide many opportunities and advantages in increasing profits and opportunities to develop new business. Based on the results of research and interviews PT XYZ most significant opportunity factor is the opportunity to open a new business that is geopark tourist park on productive land and strategic, also the contract extension to the client to supply the materials until 2020. While the most robust threat facing PT XYZ is the emergence of illegal competitor companies around the mining location, some warehousing areas, and other housing. Also difficulty in obtaining ownership permits and storage of explosives in large quantities. For strengths, the quality of andesite that produced has a good quality warranty which has already passed the lab test, and the company profitability ratios are in stable condition. While the weakness faced by companies related to finance which is currently faced with the lack of additional capital for new business development. Other than that the product prices they are offered are higher than other competitors become a concern, especially for customers in making choices.

2. From Grand Strategy matrix, the results show that PT XYZ's position is in quadrant I (Strength – Opportunity) which From Grand Strategy matrix, the results show that PT XYZ's position is in quadrant I (Strength – Opportunity) which means the state of PT XYZ's strategy in the mining industry is perfect and competing strongly.
3. The new business strategy formulation that appropriate and recommended for PT XYZ is related diversification alternatives, strategies that can be done is to build Highland geopark tourist park and redevelop extreme sports arena that had previously been opened. The next alternatives are horizontal integration, strategies that can be done is make cooperating with private companies and local governments; improve HR

performance and company operations overall; adding and combines CSR obligation and marketing at the same time.

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