

Analysis of Business Development Strategies of PT XYZ (Study of Acquisition of Minority Shares of PT XYZ)

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ABSTRACT

PT XYZ is the first pharmaceutical raw material (Active Pharmaceutical Ingredient/API) factory in Indonesia, established through a joint venture between PT ABC and PT FGH (a representative of FGH Co Ltd, South Korea). Despite strategic intent and supportive government policies, the joint venture failed to deliver significant performance contributions from 2016 to 2021, resulting in negative profitability and excessive debt accumulation. This study aims to evaluate the performance of PT XYZ's joint venture, analyze its internal and external strategic environments, and formulate corrective strategies to support minority share acquisition by PT ABC. A qualitative case study approach was employed. Primary data were collected through in-depth interviews, questionnaires, and focus group discussions (FGDs) with purposively selected management informants (n=3: Operations Director, Marketing & Sales Director, and Operations Division Head). Secondary data included financial reports, legal documents, and industry data. The IFE score of 3.083 and EFE score of 3.195 place PT XYZ in Cell I of the IE matrix, indicating a grow-and-build strategic position. The SWOT analysis generated six alternative strategies centered on market penetration, horizontal integration, good corporate governance, and cost efficiency. Minority share acquisition by PT ABC is strategically justified and can be executed through three scenarios: (1) direct takeover by PT ABC; (2) PT ABC seeks a new business partner; or (3) PT FGH finds an independent buyer. Managerial implications include adoption of an aggressive growth strategy, enhanced value chain management, and human resource capacity development.

Keywords: EFE matrix; IFE matrix; performance improvement strategies; SWOT matrix

INTRODUCTION

PT XYZ is the first pharmaceutical raw material factory in Indonesia, established on January 25, 2016. PT XYZ is a collaborative venture with a *Joint Venture* (JV) scheme between PT ABC and PT FGH as a representative of FGH Co Ltd from South Korea. PT ABC itself is a public limited company that produces and distributes pharmaceuticals, while PT FGH is a limited company engaged in the drug raw material and pharmaceutical product industry.

The shareholder composition in 2016 was 75% owned by PT ABC and 25% by the Korean party, consisting of PT XYZ with 5.19% and FGH Co Ltd. with 19.81%. The amendment resulted in a change in the share composition to 80.67% owned by PT ABC and PT FGH with 19.33% share ownership, as can be seen in Figure 1.

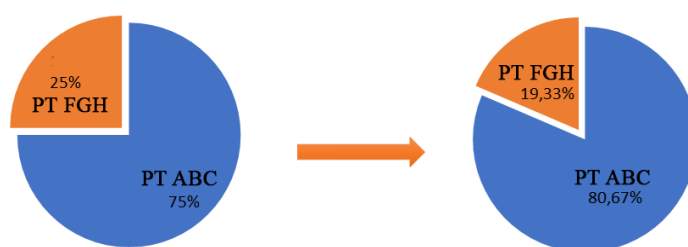


Figure 1. Composition of shareholders of PT ABC and PT FGH in 2016

Source: Internal Company Data, processed

The purpose and objective of this joint venture company PT XYZ is to run a business in the chemical industry by establishing a sustainable pharmaceutical raw material factory with initial products of pharmaceutical raw materials (BBO) and *high function chemicals (HFC)* . The products planned to be produced in the initial stage are products that have domestic and export market share opportunities as well as products whose patents have just expired such as *simvastatin*, *pantoprazole*, *clopidogrel*, *atorvastatin*, *rosuvastatin*, *esomeprazole*, *rabemeprazole*, and *sarpogrelat* with additional raw materials such as *lauolysine*, *arginine nitrate*, *arginine e-ketoglutamate*, *milk thistle thiamine dilaurylsulfate*, *ceramide*, and *1.2-henenediol* .

Both PT ABC and PT FGH are bound by a general agreement to provide positive contributions to the development of the *joint venture company's business* in accordance with their capacity and expertise. Each party is obliged to promote and socialize the *joint venture company's products* . Meanwhile, PT FGH is obliged to encourage entities affiliated with Korean companies in Indonesia to purchase the *joint venture company's products*. PT FGH, either directly or through its related companies, is obliged to contribute to the management and operation of the *joint venture company* in a form agreed upon by PT FGH and the *joint venture company* based on the experience, expertise and technology of its related companies in the pharmaceutical industry including product and market development, methodology and product development. In addition, there are several binding agreements covering aspects of training and development, *RnD* and technology transfer, *product offtake*, company management principles, and lack of funds (cash flow).

Throughout its activities, from the *joint venture's* inception through the first half of 2021, each party has strived to fulfill its obligations. Various activities have been undertaken, summarized in the following figure:

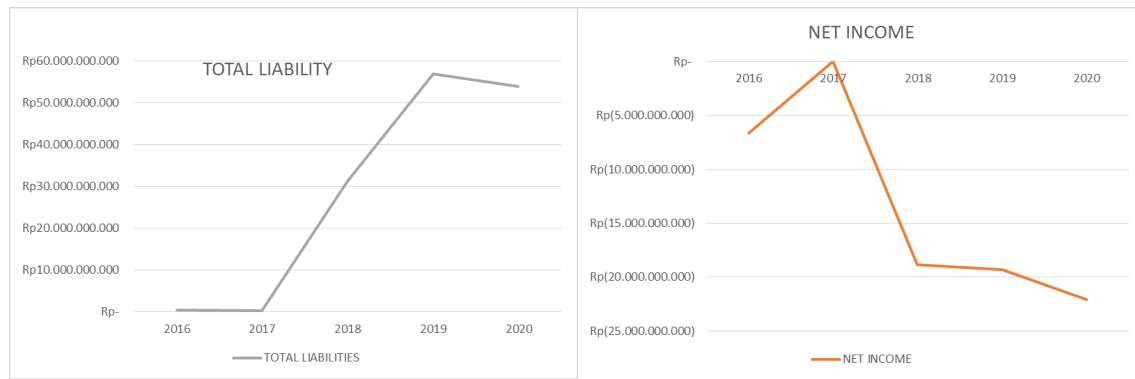


Figure 2. Graph of Total Liabilities and Net Income of PT XYZ 2016-2020
Source: Internal Company Data, processed

In Figure 2, in terms of company activities, PT XYZ began its operational activities in 2018. This is because in 2016-2017, PT XYZ focused on adaptation and technology transfer processes. Operational activities carried out by this *joint venture company* have not been running effectively and efficiently, as evidenced by the failure to achieve *Economics of Scale and Economics of Scope*. Sales carried out in *the joint venture business* have not been optimal, as evidenced by export and import sales achievements, sales values lower than the *Cost of Goods Sold (COGS) cost structure*, and the accumulation of inventory causing negative net profit. In terms of capital structure, this *joint venture business* is financed with a composition of debt levels that are much higher than the composition of capital, so that in the long term this will endanger the company's position. This financial vulnerability is particularly acute in capital-intensive pharmaceutical raw material industries, where high capex investment and technology dependency compound the debt burden (Hermawan et al., 2023). Research on SOE performance has further demonstrated that the capital structure and governance framework are among the most critical determinants of long-term profitability in state-owned enterprises operating in regulated sectors (Mauludina et al., 2023; Afgani et al., 2021; Rivanda & Muslim, 2021; Pakpahan et al., 2022; Purbayati et al., 2022).

Related to several achievements that have been made by PT XYZ, that the *joint venture* has not provided a significant contribution to the performance of PT XYZ. So it is very possible for PT ABC to take over minority shares of PT XYZ to improve the company's performance. For this action, it is necessary to conduct an evaluation study and corrective actions from the performance of the *joint venture implementation results* so that it can be used as a basis for consideration to make recommendations for *taking over* minority shares (share acquisition) by PT ABC with the aim of improving the condition of the company PT XYZ so that it can operate effectively and efficiently with a healthy company condition. According to Hashim (2016), company strategies are developed through different strategic approaches. The preparation of strategies to improve company performance is necessary so that the company can regain the trust of consumers so that the company can survive and compete. In this regard, Taherdoost et al., (2021) emphasize that systematic SWOT-based planning is essential for organizations seeking to align internal resources with external opportunities, particularly in industries undergoing structural transformation. The

pharmaceutical raw material sector in Indonesia faces additional complexity stemming from its heavy dependence on imported active pharmaceutical ingredients (API), which reached approximately 90–95% of total raw material needs, making domestic manufacturing strategy a matter of both industrial and national health security (Hermawan et al., 2023).

Research related to strategy formulation in companies has been conducted by several researchers, including Azmadahadid *et al.*, (2019) who conducted research to improve the performance of property companies after acquisition. The results of the study showed that the company must improve the bad image attached to the company before the acquisition by rebranding the name of the apartment and condotel. The next study by Rusdiono & Asmara, (2019) created a business development strategy for PT. TAF (*Toyota Astra Financial Services*), based on the QSPM matrix of selected strategies and priorities placed on *channel elements* and also *revenue streams* in improving company performance better than before. Meanwhile, Wulandari et al., (2017) improved the performance of the Elang Group property company, using SWOT analysis.

The results of the study produced four alternative strategies, namely: (1) conducting a *systematic marketing campaign program*; (2) *building strategic alliances with other development companies*; (3) *creating an excellent customer relationship management system*; (4) designing a reliable management system. Dwiputra and Nugraha (2017) formulated a strategy to improve business performance in a family-owned property company. The result was that the company was able to improve its business performance through organizational restructuring. Sapratama (2016) implemented three main strategies to increase the competitiveness of Jakarta *Garden City*, namely: (1) developing an area that combines vertical housing, shopping centers, offices, and hotels; (2) strengthening *brand image*; and (3) developing an “*eco-smarthome*.” More recently, Ben-Abdallah & Strategic, (2022) demonstrated that the integrated application of IFE, EFE, and IE matrix frameworks in high-tech companies provides a robust foundation for strategic decision-making, confirming the relevance of these tools across diverse industrial contexts. Similarly, Pasaribu et al., (2023) showed that combining SWOT analysis with business model canvas (BMC) and the TOWS matrix enables organizations to revamp their business strategies with greater clarity and precision. In the context of pharmaceutical and medical device industries, the IFE-EFE-IE-SWOT framework has been specifically validated as an effective tool for identifying strategic priorities and improving market competitiveness. Furthermore, Arora et al., (2024) underscore that joint venture performance is significantly shaped by the lifecycle management of the venture, including the adequacy of technology transfer, partner capability alignment, and governance structures — all of which are directly relevant to the PT XYZ case.

Based on the foregoing background and identified performance challenges, this study aims to: (1) evaluate the performance of PT XYZ; (2) analyze the company’s internal and external environmental conditions; (3) formulate corrective strategic actions for the joint venture business; and (4) provide strategic recommendations regarding minority share acquisition arising from the evaluation of joint venture implementation results.

METHOD

This study employed a qualitative case study research design (Yin, 2018) with a descriptive-analytical approach. The research was conducted at PT XYZ, covering the period from the company's establishment in January 2016 through the second semester of 2021. Both primary and secondary data were utilized. Primary data were collected through in-depth interviews, structured questionnaires, and *focus group discussions (FGDs)* with PT XYZ management. A total of three key informants (n=3) were selected through purposive sampling based on their direct involvement in the company's strategic operations. The informants were *the Operations Director, Marketing & Sales Director, and Operations Division Head*. Secondary data was obtained through internal company documents such as financial reports, legal documents, organizational structures, *business plans*, sales data, company websites, and journals supporting this research. The stages of data processing and analysis in this study can be seen in Table 1.

Table 1. Stages of Data Processing and Analysis

Objective	Analysis Tools	Output
- Evaluation of the performance of PT XYZ's <i>joint venture</i> .	<i>Fact Finding</i> with interviews.	Factors causing performance decline.
- External environmental analysis.	PESTLE	Company opportunities and threats.
- Internal environmental analysis.	<i>Porter's five forces</i>	Strengths and weaknesses of the company.
- Evaluation of the external and internal environment.	Functional aspects of the company (<i>Value Chain Analysis</i>) EFE and IFE Matrix IE Matrix Analysis	The company's current position in the IE matrix cells.
- Formulation of company performance improvement strategies.	SWOT Matrix	The strategies generated for performance improvements.
- Strategy selection based on matrix.		Alternative recommendations for minority share acquisition schemes.

Source: Data Processed

The IFE and EFE matrices were constructed using a paired-comparison weighting procedure consistent with David (2009). Each strategic factor was assigned a relative weight (0.0–1.0; total = 1.0) and a rating score (1–4), reflecting the importance of the factor and the company's response capability, respectively. Weighted scores were calculated by multiplying each factor's weight by its rating, and the totals constituted the IFE and EFE composite values. Data triangulation was achieved by cross-validating findings from interviews, questionnaire responses, and documentary sources.

The conceptual framework of this study can be seen in Figure 3. The conceptual framework outlines the key aspects used in the analysis. The study employed qualitative and quantitative methodologies, analyzing the analysis to formulate a strategy. To achieve the objectives, the *joint venture analysis* began with problem identification, which involved evaluating PT XYZ's performance for the second semester of 2016–2021, leading to the question of whether or not a minority stake acquisition of PT FGH could be undertaken. The study then expanded to analyze

the internal and external environments. The external analysis utilized *Porter's Five Forces analysis* to examine inter-industry competition and PESTLE analysis to examine macroeconomic conditions. The internal analysis utilized value chain analysis, financial analysis, and *joint venture agreement analysis*.

The internal analysis identified the company's strengths and weaknesses, while the external analysis identified opportunities and threats. The identification of these external and internal issues was evaluated using the IFE and EFE matrices. These two matrices were then combined into the IE matrix. Within the IE matrix, the company's position is assigned to a cell. The cells produce strategies that can be formulated in the future. The SWOT matrix is used to generate several alternative strategies a company can employ to improve its performance. These alternative strategies are derived from a combination of internal and external environmental analysis. The strategies generated in the SWOT matrix are further elaborated into actionable activities.

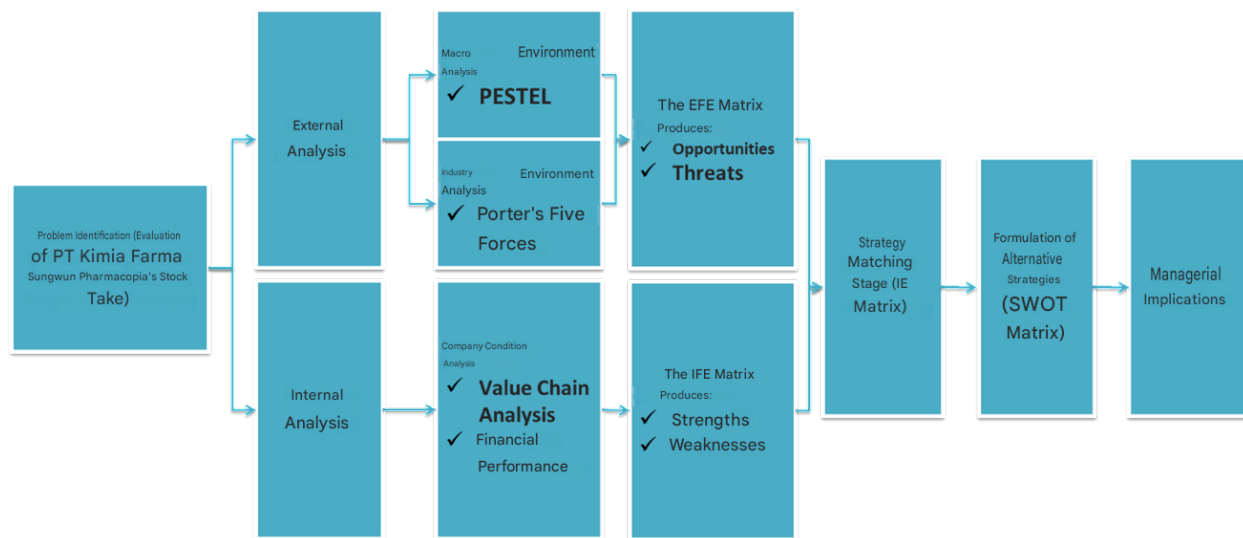


Figure 3. Research framework

RESULTS AND DISCUSSION

Company Performance Evaluation

Throughout its activities, PT XYZ, a *joint venture* between PT ABC and PT FGH, was established until the second semester of 2021. Each party has strived to fulfill its obligations. Various activities have been carried out and summarized, as can be seen in Figure 4. PT XYZ's assets have increased by an average of 16.53% per year. There has been a significant increase in total *liabilities since 2018, dominated by short-term debt, namely bank debt incurred by PT XYZ amounting to 30,000,000,000. Total equity* fluctuates as additional paid-in capital is added according to the agreed scheme. Meanwhile, *sales* only occurred in 2018.

This is because in the first 2 years PT XYZ focused on R&D and technology transfer. Significant sales occurred in the 2019 period. In 2016-2017 the current ratio value was positive, reaching more than 7000%, indicating that the company was very liquid, but along with the complexity of the company's activities, it resulted in a significant decrease in the current ratio

starting in 2018. *Total Asset Turn Over* (TATO) began to experience a significant increase in 2019, indicating that the company's productivity was getting better, but unfortunately this productivity was not yet effective and efficient, as seen from the *COGS / Sales ratio* which was in the range above 100% to reach more than 250% in 2019 and production that was not absorbed by the market was seen from sales in 2019 which were lower than *COGS* and there was a buildup of inventory.

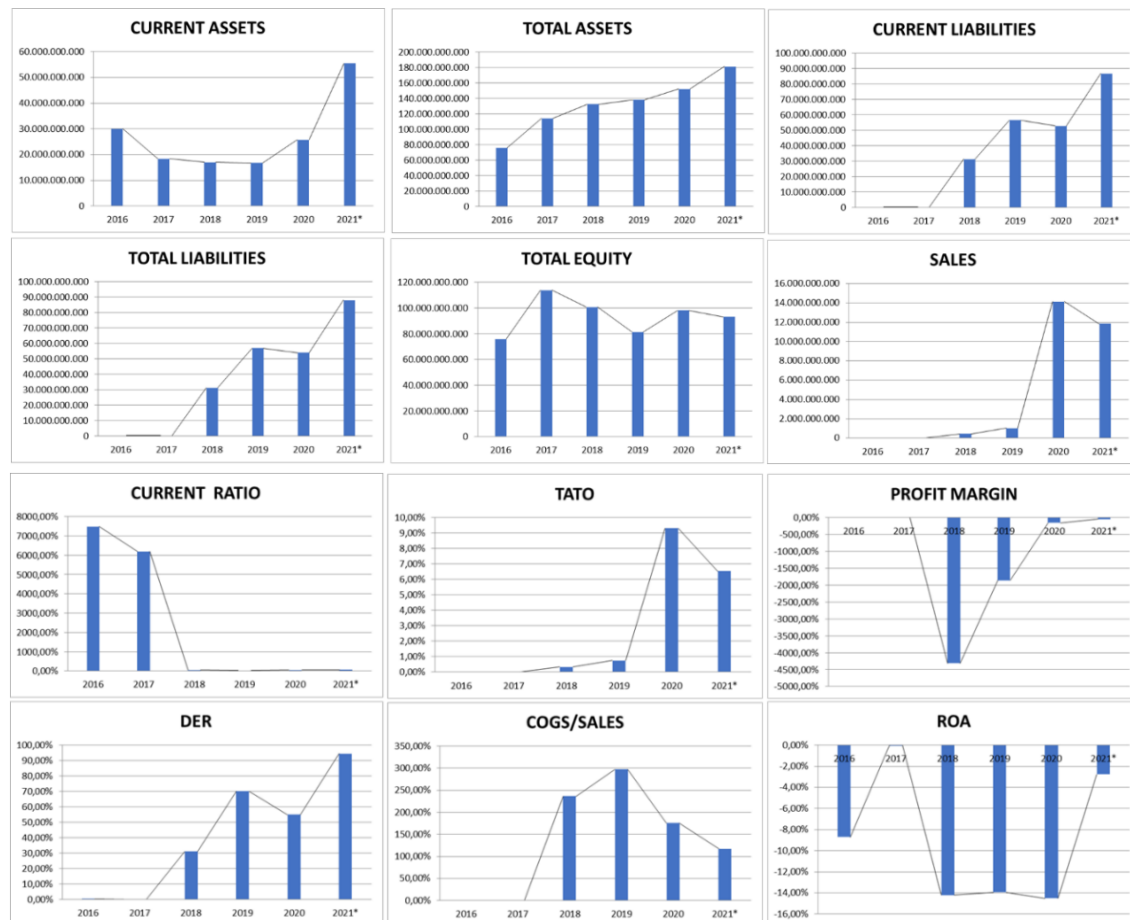


Figure 4. Overview of PT XYZ Financial Indicators 2016-2021

Source: PT XYZ Financial Report 2016-2021

Analysis Environment External

The external environmental analysis identified seven opportunities and seven threats confronting PT XYZ. These opportunities and threats were subsequently evaluated using the External Factor Evaluation (EFE) matrix to assess the degree to which the company's current strategies are responsive to prevailing external conditions. The detailed results of the external factor analysis for PT XYZ, including opportunities and threats (*threat*), are described in Table 2 below.

Table 2. EFE Matrix of PT XYZ

Strategic Factors External		Weight	Rating	Score
Opportunity				
O.1	Building National Resilience through independence in medicinal raw materials	0.098	4	0.390
O.2	Potential for national market absorption through PT ABC's subsidiary.	0.073	3	0.219
O.3	Demand for medicines, supplements, and herbal remedies increased during the pandemic era (industry growth reached 9.39%).	0.098	4	0.390
O.4	Capturing the domestic market absorption conditions to meet drug needs in the National Health Insurance government program.	0.098	4	0.390
O.5	The pharmaceutical industry contributes 10.75% to the GDP of the non-oil and gas processing industry.	0.049	2	0.097
O.6	Indonesia's market share in the largest pharmaceutical industry in the ASEAN region (27.8%) has the potential to advance the export market.	0.098	4	0.390
O.7	The potential for utilizing good quality natural resource-based medicinal raw materials in Indonesia can reduce production costs.	0.073	3	0.219
Total O		0.59		2,097
Threat				
T.1	Raw Materials Sensitive to exchange rate fluctuations	0.049	2	0.097
T.2	Businesses sensitive to interest rate fluctuations (<i>capital outflow</i>)	0.049	2	0.097
T.3	Product demand is sensitive to people's purchasing power	0.049	2	0.097
T.4	High production costs (Capital-intensive industry (high capex investment), technology-intensive)	0.073	3	0.219
T.5	The substitution of chemical-based medicinal products with herbal-based medicinal products	0.098	4	0.390
T.6	The Indonesian pharmaceutical market is rife with uncertainty and product counterfeiting.	0.049	2	0.097
T.7	<i>Distribution channel</i> management in the pharmaceutical industry in Indonesia is moving towards the <i>Concentration model</i> .	0.049	2	0.097
Total T		0.41		1,097
EFE Value		1.00	41	3,195

Source: Processed data

The analysis of the company's external environment shows that the company has been able to respond well to existing opportunities, both the independence of Drug Raw Materials, the potential for national market absorption through PT ABC's distribution channels, and the potential

for utilizing natural resource-based drug raw materials in Indonesia. This is indicated by the rating value of four obtained. In terms of threats, with a weighting value of 0.09 on the *raw material factor* being sensitive to exchange rate fluctuations, the drug market in Indonesia is full of uncertainty and product counterfeiting and product demand is sensitive to people's purchasing power. The EFE matrix evaluation has a value of 3.195. This score is greater than the average value (2.50) indicating that the company is currently quite capable of responding to existing opportunities and threats. This result aligns with the findings of Ben-Abdallah & Strategic, (2022), who demonstrated that EFE scores above the 2.50 threshold signal an organization's adequate strategic responsiveness to its external environment, particularly when the company operates in a growth-oriented industrial sector. The challenges identified in the EFE analysis particularly raw material import dependency and exchange rate sensitivity are consistent with systemic issues documented across Indonesia's pharmaceutical raw material industry (Hermawan et al., 2023).

Analysis Internal Environment

The internal environmental analysis revealed four strengths and four weaknesses of the company. These strengths and weaknesses were then evaluated using the IFE Matrix to measure the company's internal strengths and weaknesses. PT XYZ's IFE Matrix can be seen in Table 5.

Table 3. IFE Matrix of PT XYZ

Strategic Factors Internal		Weight	Rating	Score
Opportunity				
S.1	PT ABC is a member of the BUMN Pharmaceutical Holding with a high company market share (4th) in Indonesia.	0.166	4	0.666
S.2	Mastering the value chain, where PT ABC has 4 subsidiaries.	0.125	3	0.375
S.3	Having the first BBO factory in Indonesia (API) (25 Jan 2016) and having BBO processing technology and mastery of technology through technology transfer by SWP.	0.125	3	0.375
S.4	Focus on RnD of Pharmaceutical Raw Materials.	0.125	3	0.375
Total S		0.541		1,791
Threat				
W.1	Weak competitive advantage in chemical industry development and high production costs.	0.083	2	0.166
W.2	BBO dependence on imports	0.125	3	0.375
W.3	The absence of local BBO development technology (dependence on technology transfer from SWP) & the availability of local human resources that are not yet fully awake technology BBO development	0.125	3	0.375
W.4	Production efficiency , <i>economics of scale</i> and <i>economics of scope</i> have not been achieved.	0.125	3	0.375
Total W		0.458		1,291
IFE Value		1	24	3,083

Source: Processed data

The results of the internal matrix evaluation show that the most important strength currently owned by the company is PT XYZ, the composition of its shares of 80.67% is owned by PT ABC, which is a member of the BUMN Pharmaceutical Holding with the largest pharmaceutical company market share (4th) in Indonesia. This strength received a rating of four.

In terms of business, PT ABC also controls *the value chain* from upstream to downstream, such as: (1) PT RAF is a company tasked with producing Drug Raw Materials in Indonesia (2) PT TBR is a company tasked with distributing pharmaceutical products produced by PT ABC to channels spread throughout Indonesia. In terms of weaknesses, PT XYZ is very weak in the program of the absence of local BBO development technology (namely dependence on technology transfer from FGH Co Ltd Korea). Meanwhile, based on its importance, with the weight value obtained, the company's weaknesses that must be immediately corrected are the company's weak strength in the availability of local human resources who are not fully literate in BBO development technology, weak competitive advantage in the development of the chemical industry and high production costs.

Based on the results of the IFE value matrix above, it is known that the internal factors of PT XYZ are added up to get a weighted average score of 3.083. According to David (2009), regardless of the number of factors included in the IFAS Matrix, the total weighted average value ranges from the lowest 1.0 to the highest 4.0, with an average of 2.5. A total value far below 2.5 is a characteristic of an internally weak organization, while a total value far above 2.5 indicates a characteristic of an internally strong organization. PT XYZ with a total weighted average value of 3.083 shows that the company's strategy in utilizing strengths and minimizing weaknesses is above average and the company's internal conditions tend to be strong.

Analysis IE Matrix

Based on the EFE and IFE values of **3.195** and **3.08**, the company's position is in **Cell I** (growing and developing) as can be seen in Figure 5.

		IFE Total Score		
		Strong (4.00-3.00)	Currently (2.99-2.00)	Weak (1.99-1.00)
EFE Total Score	Tall (3.00-4.00)	I (3.195-3.08)	II	III
	Currently (2.00-2.99)	IV	V	VI
	Low (1.00-1.99)	VII	VIII	IX

Figure 5. IE Matrix of PT XYZ

(Supporting an aggressive/positive strategy, positive), meaning this is a very favorable situation for PT XYZ. PT XYZ has the potential to continue expanding, leveraging its strengths to

seize existing opportunities, increasing growth, and achieving maximum progress. The strategy that must be implemented in this situation is to support an aggressive growth policy (*growth-oriented strategy*). These supporting factors are:

1. PT ABC as the parent company of PT XYZ is a member of the BUMN Pharmaceutical Holding with the largest pharmaceutical company market share (4th) in Indonesia.
2. PT ABC controls *the value chain* from upstream to downstream, including: (1) PT RAF is a company responsible for producing Pharmaceutical Raw Materials in Indonesia (2) PT TBR is a company responsible for distributing pharmaceutical products produced by PT ABC to channels spread throughout Indonesia.
3. PT XYZ has the first BBO factory in Indonesia (API) with intensive technology through technology transfer by SWP.
4. Government support through various regulations, including: (1) Presidential Instruction of the Republic of Indonesia No. 6 of 2016 concerning the Acceleration of the Development of the Pharmaceutical and Medical Device Industry; (2) The Domestic Content Level in the pharmaceutical sector is stated in the Regulation of the Minister of Industry No. 16 of 2020 concerning Provisions and Procedures for Calculating the Domestic Content Level (TKDN) Value of Pharmaceutical Products; (3) Minister of Health Regulation No. 17 of 2017 concerning the Action Plan for the Development of the Pharmaceutical and Medical Device Industry.

5.

SWOT Analysis

A SWOT analysis is used to identify alternative strategies. The SWOT analysis is conducted using a SWOT matrix. The results of formulating alternative strategies using the SWOT matrix can be seen in Figure 4.

Table 4. SWOT Matrix of PT XYZ

<u>Strength (S)</u>	<u>Weakness (W)</u>
1. PT ABC is member from the State-Owned Pharmaceutical Holding Company with a market share of tall	1. Weak competitive advantage in development industry chemistry and costs production tall.
2. Mastering the value chain, PT ABC have 4 children company	2. BBO dependence in import
3. Own the first BBO factory in Indonesia (API) (25 Jan 2016) and has technology BBO processing and mastery technology through transger technology by FGH Co Ltd.	3. Absence technology BBO development in general local (dependence on technology transfer) from FGH Co Ltd)
4. Focus on RnD BBO.	4. The availability of local human resources is not yet fully awake technology BBO development.
5. Growth sale significant.	

			5. Efficiency production, <i>economies of scale</i> and <i>economies of scope</i> Not yet achieved.
<u>Opportunity (O)</u>	<u>SO Strategy</u>	<u>WO Strategy</u>	
1. Build National Resilience through independence material standard drug	1. Growth Strategy (Market Penetration) / (Concentric Strategy), Market Development and Sales	1. Integration of BUMN holding collaboration with how to : do a project together related RnD and technology transfer.	
2. Potential national market absorption through child company PT ABC.		2. <i>Strategic sourcing of materials</i> and technology in a way independent.	
3. The demand for medicines, supplements and herbal remedies has increased during the pandemic era (growth industry reached 9.39%).		3. <i>Hire professional experts</i>	
4. Catch condition domestic market absorption for fulfil need drugs in government programs National Health Insurance.			
5. Contribution industry pharmacy by 10.75% of industrial GDP non- oil and gas processing.			
6. share in the industry pharmacy largest in the ASEAN region (27.8%) potentially can advance Advancing export markets			
7. Potential utilization of raw materials drug based Natural Resources in Indonesia with quality good that can lower cost production.			

<u>Threat (T)</u>	<u>ST Strategy</u>	<u>WT Strategy</u>
1.Sensitive Raw Materials to fluctuations mark swap	1.Collaboration of State-Owned Pharmaceutical Holding Companies through consortium in procurement BBO RnD and Technology .	1.Analysis efficiency cost (W1)
2.Business Sensitive to fluctuations interest rates (capital outflow)	2.Inviting BBO expertise to teach and transfer technology and provide training human resource development .	2.Targeting achievement <i>Economics of Scale</i> and <i>Economics of Scope</i> (W5)
3.Product demand sensitive to Power buy public	3.Utilization source Power based wisdom local .	
4.Cost production high (capital-intensive industry (investment in high capex), dense technology)	4.M creates good <i>brand</i> image.	
5.Occurrence substitution product drug made from base chemistry with product drug made from herbal base		
6.drug market in Indonesia is full with uncertainty and falsification product		

SO Strategy

The SO strategy generated by the SWOT matrix is to implement a *growth strategy* through market penetration and gaining greater market share (*red ocean strategy*) through price adjustments, product promotions, or increasing *brand awareness* and distribution channels. PT ABC as parent company from PT XYZ is member from the State-Owned Pharmaceutical Holding Company with a market share of pharmacy the largest (4th) in Indonesia. PT ABC also master *value chain* of upstream to downstream one of them such as : (1) PT RAF is company in charge Manufacturer of Pharmaceutical Raw Materials in Indonesia (2) PT TBR is company in charge For distribute products pharmaceuticals produced by PT ABC to channels spread throughout Indonesia.

WO Strategy

The WO strategy produced by the SWOT matrix is to do *Horizontal integration* strategy . Horizontal integration refers to a strategy that seeks ownership or increased control over a company's competitors. Mergers/acquisitions allow for increased economies of scale and encourage the transfer of resources and competencies. State-owned enterprise holding companies collaborate by undertaking joint projects related to R&D and technology transfer. This collaborative approach is consistent with the strategic sourcing model advocated for pharmaceutical raw material manufacturers seeking to reduce import dependency (Hermawan et al., 2023). Moreover, the integration of SOE shareholding with private or partner entities has been shown to strengthen corporate governance and operational oversight in manufacturing enterprises (Mauludina et al., 2023).

In addition to the BUMN holding collaboration, other strategies that have been developed include *strategic sourcing of materials* and *hiring professional experts*, then *expertise* in medicinal raw materials (BBO) to teach and transfer technology and provide training for the development of local human resources. However, training and development cannot be implemented quickly, it is necessary to assess what skills need to be developed. Therefore, the fastest solution that can be used by the company is *to hire professional experts*. It is hoped that with these expert staff, they can master BBO processing technology and mastery of technology through technology transfer by FGH Co Ltd. In addition, these expert staff share knowledge and provide development training to local human resources.

ST Strategy

The ST strategy generated by the SWOT matrix is to implement a *vertical integration strategy*. This strategy allows a company to gain control over distributors, suppliers, and/or competitors. Collaboration with state-owned pharmaceutical holding companies through consortium in procurement RnD and BBO Technology . In addition, PT ABC also controls *the value chain* from upstream to downstream, including: (1) PT RAF is a company responsible for producing Pharmaceutical Raw Materials in Indonesia (2) PT TBR is a company responsible for distributing pharmaceutical products produced by PT ABC to channels spread throughout Indonesia.

WT Strategy

The WT strategy generated by the SWOT matrix is cost efficiency and creating added value for PT XYZ by utilizing PT ABC as the parent company that controls *the value chain* from upstream to downstream and the company with the largest pharmaceutical company *market share* (4th) in Indonesia in order to target the achievement of *Economic of Scale* and *Economic of Scope*. From a risk analysis perspective, Scenario 1 (direct takeover by PT ABC) presents the lowest integration risk but requires substantial capital mobilization from PT ABC as the parent company. Scenario 2 (PT ABC seeks a new business partner) mitigates capital concentration risk but introduces negotiation complexity and timeline uncertainty. Scenario 3 (PT FGH seeks an independent buyer) preserves PT ABC's financial position but risks strategic misalignment if the incoming partner lacks complementary capabilities in pharmaceutical raw materials.

The optimal acquisition scenario should ultimately be guided by PT ABC's financial capacity, strategic priorities within the BUMN pharmaceutical holding structure, and compliance with applicable regulatory requirements. This multi-scenario approach to acquisition decision-making reflects the complex lifecycle dynamics inherent in joint ventures, wherein governance structures and partner alignment critically determine value realization outcomes (Arora et al., 2024). From a strategic governance perspective, the acquisition of minority shares by PT ABC can also be understood as a "reverse mixed reform" mechanism, whereby increasing SOE equity participation in a joint venture enhances board oversight, reduces agency costs, and strengthens

compliance with applicable regulations outcomes empirically supported across emerging-market SOEs (Mauludina et al., 2023).

Managerial Implications

The managerial implications of this study are that the *Joint Venture business* has not made a significant contribution to the performance of PT XYZ. However, the Pharmaceutical Raw Materials business run by PT XYZ has the potential *to be profitable*, which is manifested in a strategic formulation. This strategic formulation is outlined in a strategic activity plan for a ten-year period (2022-2032). This strategic activity plan is built based on five alternative strategies resulting from the SWOT matrix. The following are six alternative strategic steps for PT XYZ *to achieve a sustainable competitive advantage*:

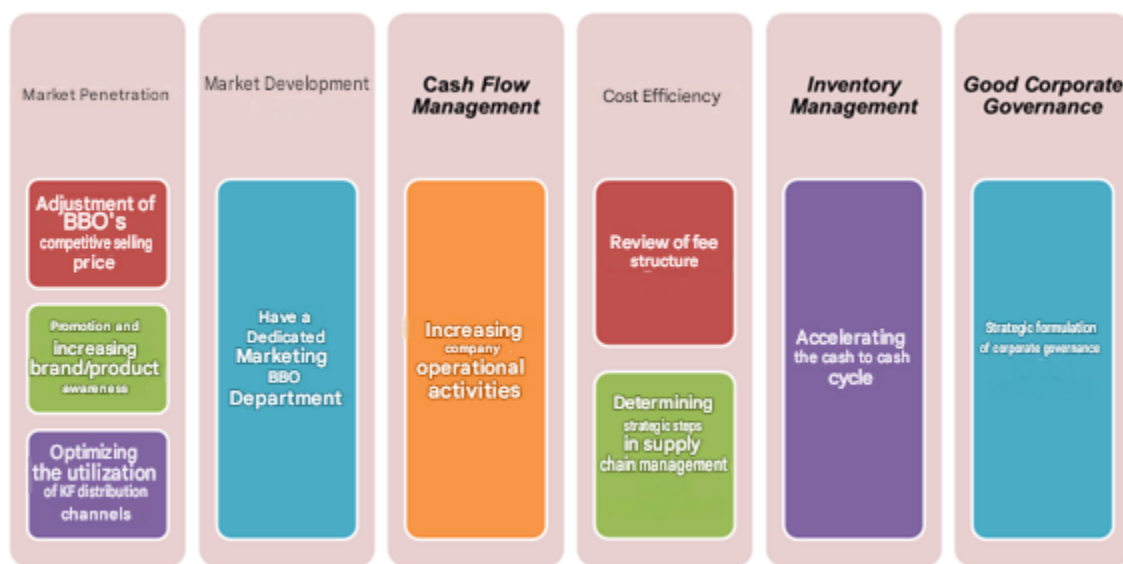


Figure 7. Strategic steps of PT XYZ to achieve *Competitive Sustainable Advantage*

The first priority strategy is market penetration and development, several methods include: 1) capturing customers from competitors that can be done with a *pricing strategy* where the company adjusts the selling price of competitive medicinal raw materials. 2) Selling more products to existing customers where the company can promote and increase *brand/product awareness*. 3) Attracting new customers and improving good relations with consumers regarding medicinal raw material products that have been produced by the company can optimize the utilization of its parent company's distribution channel, PT ABC.

The second strategic priority is from the perspective of PT XYZ in managing *cash flow management*, *inventory management*, and cost efficiency, with the aim of improving the condition of the company so that it can operate effectively and efficiently with a healthy company condition and not making the company's potential debt sources the backbone to finance the company's operational activities. The third strategic priority is the implementation of *good corporate governance (GCG)* and *strategic sourcing of materials* and *hiring professional experts* and then

expertise in medicinal raw materials (BBO) to teach and transfer technology and provide training for developing Local Human Resources. The implementation of GCG within PT XYZ is particularly urgent given the company's SOE governance context; empirical evidence consistently shows that robust GCG practices — including board oversight, audit committee involvement, and institutional accountability — are positively associated with improved financial performance in pharmaceutical companies. Furthermore, aligning GCG implementation with targeted human resource development and technology transfer programs will be essential to close the competency gap that currently constrains the achievement of economics of scale and scope in BBO production (Taherdoost et al., 2021).

CONCLUSION

The implementation of the joint venture between PT ABC and PT FGH has not contributed significantly to the performance of PT XYZ during the 2016–2021 period. This condition is reflected in the still negative profitability indicators, including Profit Margin, ROA, and ROE, which are mainly caused by high production and sales costs that have not been able to cover the Cost of Goods Sold (COGS). The results of the internal and external environmental analysis place PT XYZ in Cell I (grow and build) in the IE matrix with an IFE value of 3.083 and an EFE of 3.195. This position indicates that the company has relatively strong internal strengths and is able to respond to external opportunities effectively.

The main advantages of PT XYZ come from the support of PT ABC as part of the Pharmaceutical BUMN Holding, control of the value chain, and ownership of the first API facility in Indonesia. However, the company still faces challenges in the form of dependence on imported raw materials, high production costs, and the need to strengthen technological mastery. Based on the SWOT analysis, recommended strategies include market penetration, market development, cash flow management, inventory management, cost efficiency, and the implementation of Good Corporate Governance (GCG). Taking into account the company's strategic position, the acquisition of minority shares by PT ABC through a direct takeover scenario is considered the most appropriate option to strengthen the performance, governance, and business sustainability of PT XYZ.

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