

Strategy and Performance Evaluation Analysis of PT Nippon Indosari Corpindo

Made Citra Yuniastuti¹, Suci Fika Widiana², Feni Heryani³

¹Masters of Business Management Programme,
School of Postgraduates studies Bandung, Indonesian University of Education

²Masters of Business Management Programme,
School Of Postgraduates studies Bandung, Indonesian University of Education

³Masters of Business Management Programme,
School Of Postgraduates studies Bandung, Indonesian University of Education

Abstract: *The purpose of this study to analyze the strategy and performance evaluation at PT Nippon Indosari Corpindo. This research is a descriptive study; research method used descriptive survey, that methods only see an overview of variables or relationships between variables only. Data collection was conducted through a literature study by examining the theory obtained from books, journals, and articles on strategic management. This study used secondary data from reports in the form of published data. The company is in an excellent position to utilizing various internal strength. Strategy to do for company in an aggressive profile include: backward integration, forward integration, horizontal integration, market penetration, floating markets, product development and diversification (bail related or unrelated diversification) or combination of these strategies.*

Keywords: SWOT matrix, QSPM, strategy formulation.

1. Introduction

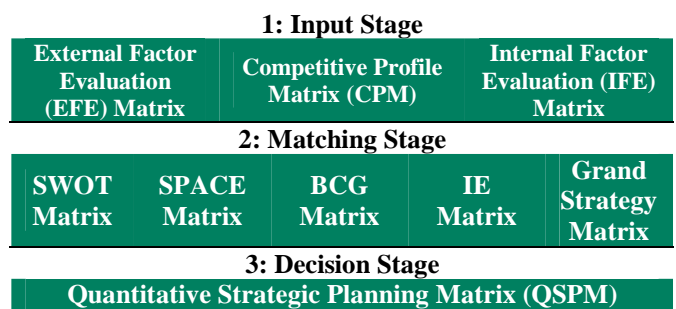
Rapid changes, which occur in the business environment/industry has been automatically requires every business to always pay attention and respond to its environment. This condition then formulates a strategy for the company to be able to anticipate change and the achievement of corporate goals both in the medium and long term. Formulating a strategy is not an easy job. The main obstacle in the formulation of the strategy is an internal commitment to what was defined as a consequence Strategy. The strategy will ensure whether the company can survive or thrive in the future. PT. Nippon Indosari Corpindo, Tbk was established on 1995 in the industrial area Jababeka, Cikarang as a company with the brand Sari Roti. PT. Nippon Indosari Corpindo is a company engaged in the business of industrial bread, cakes and other types of bread. In carrying out its activities, PT. Nippon Indosari Corpindo conduct their business activities by setting up a bakery, produce, market and sell all types of bread and other bakery. The company started its marketing activities in September 1996 with a variety of strategies including market expansion and investment in technology.

2. Literature

Management strategies include environmental scanning, strategy formulation (strategic or long-term planning), strategy implementation, and evaluation and control. The special feature is the emphasis on strategic management strategic decision-making related to the future in the long term for organization as a whole. Strategic management emphasis on observation and evaluation of environmental opportunities and threats by looking at the strengths and weaknesses of the company. Understanding management strategy according to Fred R. David translated by Dono

Sunardi (2009:5): "Strategic management is formulating art and science, implementing, and evaluating decisions that enable cross-functional organization achieve its goals. Strategic management focuses on efforts to integrate management, marketing, finance, production/operation, research and development, and computer information systems to achieve organizational success".

The following is a strategy formulation analytical framework by Fred R. David Strategic Management Concept:



According to Fred R. David (2009:323-324) formulation techniques are important strategies can be integrated into three stage decision making framework, as can be seen in the diagram above. Equipment shown in this framework can be applied to all of organization sizes and types and can help strategists identify, evaluate, and choose strategy.

3. Method

This research is a descriptive study, research method used descriptive survey, that method only see an overview of variables or relationships between variables only. Data collection was conducted through a literature study by examining the theory obtained from books, journals, and articles on strategic management. This study used secondary

data from reports in the form of published data.

4. Result and Discussion

Strategy Formulation Analysis

a. Input Stage

Table 1: External Factor Evaluation (EFE) Matrix

No.	External Strategic Factor	Quality	Rating	Score
Opportunity				
1	Bakery industry market high opportunities	0.03	8	0.24
2	Diet changes of Indonesian society	0.03	7	0.21
3	Increased purchasing power	0.02	6	0.12
4	Healthy food consumption trends	0.10	7	0.7
5	Not many competitors for large scale industrial bakery	0.05	5	0.25
6	Indonesian society has a taste for soft textured bread	0.03	6	0.18
7	The high level of community dependence to practical product types	0.07	8	0.56
8	The high demand for other food industry which require ready made bread	0.05	7	0.35
9	The existence of demand to leftover bread production unused by company	0.05	8	0.4
10	Many opportunities flavored bread and other bakery products	0.07	5	0.35
Total		0.5		3.36
Threat				
1	Bakery industry is an industry with perfect competition	0.03	3	0.09
2	An industry with a low barrier that can be penetrated by small to large sized companies	0.05	4	0.2
3	Competition from other industries provides the bread warm bread	0.07	5	0.35
4	Availability of raw materials that can be inhibited	0.03	5	0.15
5	uncertainty availability of energy supplies	0.05	5	0.25
6	Use of preservatives	0.07	4	0.28
7	Fluctuations in foreign currency	0.03	3	0.09
8	Labor strikes often occur at the plant site	0.05	4	0.2
9	The tastes and flavors of Indonesian society are quite diverse depending on the local culture	0.02	3	0.06
10	Road infrastructure in Indonesia, which can inhibit the activity distribution	0.10	4	0.4
Total		0.5		2.07
External Factor Total Score				5.43

Table 2: Competitive Profile Matrix (CPM)

No.	Indicator	Quality	Sari Roti		Sharon		Garmeli	
			Rating	Score	Rating	Score	Rating	Score
1	Reputation	0,04	4	0,16	3	0,12	2	0,08
2	Value/Culture	0,03	3	0,09	2	0,06	2	0,06
3	Capital	0,05	4	0,2	2	0,10	2	0,10
4	Asset	0,04	4	0,16	2	0,08	2	0,08
5	Relationship with Supplier	0,03	3	0,09	2	0,06	2	0,06
6	Production capacity	0,03	3	0,09	2	0,06	2	0,06
7	Management capabilities	0,06	3	0,18	3	0,18	3	0,18
8	Figure Leader	0,03	2	0,06	3	0,09	3	0,09
9	Structure	0,03	2	0,06	2	0,06	2	0,06
10	Employee competence	0,05	2	0,10	3	0,15	3	0,10
11	Product distribution	0,09	4	0,36	3	0,18	2	0,18
12	Quality Product	0,07	4	0,28	2	0,14	3	0,21
13	Brand Image	0,08	4	0,32	2	0,16	2	0,16
14	Market Share	0,07	4	0,28	2	0,14	2	0,14
15	Variant Product	0,06	3	0,18	2	0,12	3	0,18
16	Packaging	0,04	3	0,12	3	0,12	3	0,12
17	Price	0,03	2	0,06	2	0,06	2	0,06
18	Promotion Strategy	0,06	4	0,24	2	0,12	3	0,18
19	Public Confidence	0,05	4	0,20	2	0,10	2	0,10
20	Sales Volume	0,06	4	0,24	2	0,12	2	0,12
Total			1,00		3,47		2,22	

Table 3: Internal Factor Evaluation (IFE) Matrix

No.	Internal Strategic Factor	Quality	Rating	Score
Strength				
1	Increased sales volume	0.05	7	0.35
2	Large production capacity	0.03	8	0.24
3	Has many product variants	0.02	5	0.10
4	Good quality products and are halal certified	0.05	5	0.25
5	Award winning	0.05	8	0.40
6	Have quality control and HACCP certificate	0.05	9	0.45
7	Have implemented SAP as ERP software	0.05	9	0.45
8	Brand is well known	0.05	8	0.40
9	Product distribution are very strong and broad	0.10	7	0.70
10	Have assets such as factories spread across Sumatra, Java, Sulawesi	0.05	6	0.30
Total		0.5		3.64
Weakness				
1	Short product shelf life	0.03	5	0.15
2	There is a contamination risk of raw materials to the production process	0.07	4	0.28
3	Have not been able to reach areas that were located too far from the factory	0.05	5	0.25
4	Product is not warm	0.03	6	0.18
5	The high cost of production activity	0.02	3	0.06

6	Does not have a dedicated outlet	0.02	2	0.04
7	Website less updates	0.05	4	0.20
8	CSR promotion has not been widely recognized	0.08	5	0.40
9	Absence of employee competency development in the IT field	0.10	5	0.50
10	High dependence on energy supply	0.05	2	0.10
Total		0,5		2,16
Internal Factor Total Score				5,80

b. Matching Stage

SWOT/TOWS Matrix

SWOT/TOWS Strategy Analysis	Strength (S)	Weakness (W)
	<ol style="list-style-type: none"> 1. Increased sales volume 2. Large production capacity 3. Has many product variants 4. Good quality products and are halal certified 5. Award winning 6. Have quality control and HACCP certificate 7. Have implemented SAP as ERP software 8. Brand is well known 9. Product distribution are very strong and broad 10. Have assets such as factories spread across Sumatra, Java, Sulawesi 	<ol style="list-style-type: none"> 1. Short product shelf life 2. There is a contamination risk of raw materials to the production process 3. Have not been able to reach areas that were located too far from the factory 4. Product is not warm 5. The high cost of production activity 6. Does not have a dedicated outlet 7. Website less updates 8. CSR promotion has not been widely recognized 9. Absence of employee competency development in the IT field 10. High dependence on energy supply
<p>Opportunity (O)</p> <p>Bakery industry market high opportunities Diet changes of Indonesian society Increased purchasing power Healthy food consumption trends Not many competitors for large-scale industrial bakery Indonesian society has a taste for soft textured bread The high level of community dependence to practical product types The high demand for other food industry which require ready made bread The existence of demand to leftover bread production unused by company Many opportunities flavored bread and other bakery products</p>	SO Strategy	WO Strategy
<p>Threat (T)</p> <p>Bakery industry is an industry with perfect competition An industry with a low barrier that can be penetrated by small to large sized companies Competition from other industries provides the bread warm bread Availability of raw materials that can be inhibited uncertainty availability of energy supplies Use of preservatives Fluctuations in foreign currency Labor strikes often occur at the plant site The taste and flavor of Indonesian society are quite diverse depending on the local culture Road infrastructure in Indonesia, which can inhibit the activity distribution</p>	ST Strategy	WT Strategy
	<ol style="list-style-type: none"> a. Adding production capacity at each plant (S₂, O₃) b. Adding product flavors according to taste regional specialties (S₃, O₉, O₁₀) c. Adding promotion through media advertisement to further strengthen brand (S₈, O₃, O₅) d. Fostering cooperation with the schools to provide healthy lunch provided to students (S₂, S₉, O₆, O₄) 	<ol style="list-style-type: none"> a. Creating a dedicated outlet in downtown (S₆, O₇) b. Promoting CSR activities involving other small industries (S₈, S₂, O₈)
	<ol style="list-style-type: none"> a. Cooperate with restaurants using the bread as a main ingredient product. (S₂, T₃, T₁). b. Conducting outreach activities to the general public plant. (S₁₀, T₆). c. Strengthen ERP technology in product distribution with outlet/agent (S₇, T₁₀.) 	<ol style="list-style-type: none"> a. Adding web application for online order (W₇, T₁₀, T₁) b. Adding HR competencies by conduct training and human resource development (W₉, T₈).

SPACE Matrix

a. Internal Strategic Position

Financial Strength	Rating
Return on Equity	4
Return on Investment	4
Earnings per share	3
Gross Profit	5
Current Ratio	4
Total	21
Competitive Advantage	Rating
Market Share	-1
Quality of Product	-2
Customer Preference	-2
Control over supplier&distributor	-1
Technological Inovator	-3
Total	-9

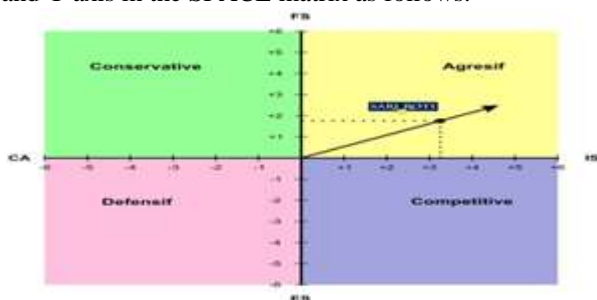
b. External Strategic Position

Environmental Stability	Rating
echnological Change	-1
Demand Elasticity	-2
Competitive Pressure	-4
Risk exposure	-3
Barrier to entry	-2
Total	-12
Industry Strength	Rating
Growth Potential	6
Profit Potential	5
Financial Stability	6
Resource Availability	4
Productivity	4
Total	25

From the internal and external strategy position table it can be calculated average values as follows:

FS	4,2
CA	-1,8
ES	-2,4
IS	5

Next on average will be obtained coordinate position on the X and Y axis in the SPACE matrix as follows:



Based on the SPACE matrix coordinates can be seen that PT NIC or Sarioti located on Aggressive profile, it's means that company is financially strong and has a huge competitive advantage in the which were grown and stabilized. The company is in an excellent position to utilizing various internal strength. Strategy to do for company in an aggressive profile include: backward integration, forward integration, horizontal integration, market penetration, floating markets, product development and diversification (bail related or unrelated diversification) or combination of these strategies.

c. Decision Stage

QSPM Matrix

Alternative Strategy	TOWS	BCG	IE	SPACE	GS	COUNT
Forward Intergration		√		√	√	3
Backward Intergration		√		√	√	3
Horizontal Intergration	√	√	√	√	√	5
Market Penetration		√		√	√	3
Market development		√	√	√	√	4
Product Development	√	√	√	√	√	5
Minimize Cost			√			1
Consenric Diversification				√		1
Conglomerate Diversification			√	√		2
Joint Venture			√			1

Strategies options based on QSPM matrix as follow:

1. Horizontal Integration
Expanding with build company at another location and improve the product and service.
2. Product Development
Strive to increase sales by improving current product or new product development.

Strength	Quality	Horizontal Integration		Product Development	
		AS	TAS	AS	TAS
Increased sales volume	0.05	4	0.20	4	0.20
Large production capacity	0.03	3	0.09	4	0.12
Has many product variants	0.02	2	0.04	3	0.06
Good quality products and are halal certified	0.05	3	0.15	3	0.15
Award winning	0.05	2	0.10	2	0.10
Have quality control and HACCP certificate	0.05	1	0.05	4	0.20
Have implemented SAP as ERP software	0.05	2	0.10	4	0.20
Brand is well known	0.05	3	0.15	3	0.15
Product distribution are very strong and broad	0.10	4	0.40	4	0.40
Have assets such as factories spread across Sumatra, Java, Sulawesi	0.05	4	0.20	3	0.15
Total	0.50		1.48		1.73

Weakness	Quality	Horizontal Integration		Product Development	
		AS	TAS	AS	TAS
		Short product shelf life	0.03	4	0.12
There is a contamination risk of raw materials to the production process	0.07	1	0.07	2	0.14
Have not been able to reach areas that were located too far from the factory	0.05	4	0.20	2	0.10
Product is not warm	0.03	1	0.03	4	0.12
The high cost of production activity	0.02	3	0.06	3	0.06
Does not have a dedicated outlet	0.02	4	0.08	3	0.06
Website less updates	0.05	1	0.05	2	0.10
CSR promotion has not been widely recognized	0.08	2	0.16	2	0.08
Absence of employee competency development in the IT field	0.10	4	0.40	4	0.10
High dependence on energy supply	0.05	3	0.15	3	0.15
Total	0.50		1.32		0.97
Total IFE			2.8		2.7

Threat	Quality	Horizontal Integration		Product Development	
		AS	TAS	AS	TAS
		Bakery industry is an industry with perfect competition	0.03	4	0.12
An industry with a low barrier that can be penetrated by small to large sized companies	0.05	4	0.2	4	0.2
Competition from other industries provides the bread warm bread	0.07	1	0.07	4	0.24
Availability of raw materials that can be inhibited	0.03	4	0.12	4	0.12
uncertainty availability of energy supplies	0.05	4	0.2	3	0.15
Use of preservatives	0.07	1	0.07	1	0.07
Fluctuations in foreign currency	0.03	4	0.12	4	0.12
Labor strikes often occur at the plant site	0.05	2	0.1	1	0.05
The tastes and flavors of Indonesian society are quite diverse depending on the local culture	0.02	4	0.08	3	0.06
Road infrastructure in Indonesia, which can inhibit the activity distribution	0.1	4	0.4	1	0.1
Total	0.5		1.36		1.2
Total EFE			2.92		2.83
Total IFE & EFE			5.72		5.53

Opportunity	Quality	Horizontal Integration		Product Development	
		AS	TAS	AS	TAS
		Bakery industry market high opportunities	0.03	4	0.12
Diet changes of Indonesian society	0.03	4	0.12	4	0.12
Increased purchasing power	0.02	4	0.08	4	0.08
Healthy food consumption trends	0.1	4	0.4	3	0.3
Not many competitors for large scale industrial bakery	0.05	4	0.2	3	0.15
Indonesian society has a taste for soft textured bread	0.03	3	0.09	4	0.12
The high level of community dependence to practical product types	0.07	2	0.14	3	0.21
The high demand for other food industry which require ready made bread	0.05	3	0.15	2	0.1
The existence of demand to leftover bread production unused by company	0.05	1	0.05	3	0.15
Many opportunities flavored bread and other bakery products	0.07	3	0.21	4	0.28
Total	0.5		1.56		1.63

Based on the QSPM analysis, strategy 1 (Horizontal Integration) scored 5.72 while for strategy 2 (Product Development) scored 5.53. So that company advised to implement the strategy 1 without ignoring strategy 2 to enhance PT NIC growth.

5. Conclusion

PT NIC position in some matrix calculations as follow IE Matrix at Sell V growth with horizontal integration, BCG Matrix at STAR position, SPACE Matrix at the aggressive profile and Grand Strategy located in Quadrant 1. Based on the QSPM analysis, strategy 1 (Horizontal Integration) scored 5.72 while for strategy 2 (Product Development) scored 5.53. Thus considered to implement strategy 1 to increase PT NIC growth. Strategy 1 refers to strategies that seek ownership or greater control over corporate competitor. PT. NIC are in moderately attractive industry, so as to implement the consolidation strategy. The purpose of this strategy relatively more defensive, namely avoid lose sales and profit. PT. NIC can continue to maintain market share by continuing market expansion, production facilities, and technology through acquisitions or joint ventures with other companies in the same industry. Company that can be selected by PT. NIC is a company that also has a strong brand recognized by public, so that company can more easily in marketing their product.

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Author Profile



Made Citra Yuniastuti, Born in Bandung, June 3rd 1982. Bachelor Degree Majoring in Bandung Institute of Tourism, Bakery & Pastry Production Management (2003), STIEPAR Yapari Aktripa, Tourism Management (2011), Masters of Business Management Programme, School Of Postgraduates studies Bandung, Indonesian University of Education (2014).



Suci Fika Widyana, Born in Bandung, June 18th 1985. Bachelor Degree Majoring in Economy Management from Pasundan University (2011), Masters of Business Management Programme, School Of Postgraduates studies Bandung, Indonesian University of Education (2014).



Feni Heryani, Born in Bandung, January 19th 1987. Bachelor Degree Majoring in Education of Business Management from Indonesian University of Education (2010), Masters of Business Management Programme, School Of Postgraduates studies Bandung, Indonesian University of Education (2014).