

CRAFTING NEW BUSINESS STRATEGY IN INDONESIA'S FERTILIZER COMPANY (CASE STUDY IN PT XYZ)

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Abstract— Fertilizer is the important product in Indonesia. The growth of Indonesia's is highly depending on the supply of fertilizer. PT XYZ is one of the national fertilizer company in Indonesia. PT XYZ is a subsidiary company of a State Owned Enterprise (BUMN) in Indonesia which engaged in fertilizer production and distribution. PT XYZ is the first fertilizer company in Indonesia with objectives to supply fertilizer products to Indonesian farmers. This time, PT XYZ is facing problems in achieving its sales target, having old plant facilities, and sourcing of natural. Those problems are the overcome challenges of the company in the future. In accordance with those problems, this final project will craft PT XYZ's business strategy and its implementation plan to overcome future challenges. To craft the business strategies, business situations were explored externally and internally. External opportunities & threats and internal strengths & weaknesses are the main factors to formulate the business strategy. Those business situations are described in the SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis. SWOT analysis is determining strategic positioning to formulate company's business strategy. Business strategy formulation is conducted with using TOWS Matrix and Business Model Analysis tools. The strategic implementation plan has developed based on strategic formulation and the availability of the company. The result of analysis toward the information that is obtained from PT XYZ, it concludes that PT XYZ's business strategy is based on cost leadership strategic positioning. Those proposed business strategies are conducting fertilizer plant revitalization, conducting of coal gasification system, increasing non subsidized fertilizer sales, and developing business area to Tj. Api-Api. The implementation plan of those strategies is suggested on action plant that adjusted with related functions in the company. Strategic implementation will be implemented in the next 4 years and will start in 2012.

Keywords: Fertilizer Industry, Business Strategy, Business Model Analysis

I. INTRODUCTION

A. The History of PT XYZ

PT XYZ is a State Owned Enterprise (SOE) that produces and distributes fertilizers in Indonesia. Officially, PT XYZ was established by notaries' deed No. 177 Eliza P On December 24, 1959 and published in the Gazette of the Republic of Indonesia Number 46 On June 7, 1960. At that time the President was Ir. Ibrahim Z and Ir. Salmon M as a Director.

PT XYZ's head office and the production center are located in Palembang, South Sumatra. It is the first producer of urea fertilizer in Indonesia. Company's name was taken from the name of famous kingdom that located in South Sumatra. Palembang as a capital city Province of South Sumatera is selected as location of its plant while its nature that to rich with natural gases as PT XYZ's raw material and located in high banks of Musi River

After having a role as fertilizer holding company, on November 12, 2010, PT XYZ was established as a new company with using the city after Company's name. PT XYZ is a subsidiary under the holding company with a form of Limited Liability Company (PT). The new company was a spin of company of holding company based on extraordinary AGM dated December 24, 2010. This is intended to PT XYZ can move more efficiently to achieve better performance and PT XYZ was established on January 1, 2011.

B. Scope of Business

To achieve the company's objectives, the company is conducting business activities as follows:

1. **Industry**
PT XYZ is processing raw materials into basic materials to be produce fertilizers, petrochemicals and other chemicals. Then, PT XYZ processes main material to become chemical fertilizers and other products.
2. **Trade**
Conducting distribution and trading activity in domestic and overseas area related to fertilizers, petrochemicals and other chemicals, and the import of goods which include raw materials, supporting materials, production equipment and other chemicals.
3. **Other Services**
Conducting feasibility studies, business development, engineering design, bagging station, construction management, plant operations, repair activity, maintenance, consultation (except for legal consultation) and other technical services in the fertilizer industry sectors and other chemical product.
4. **Other Business Activities**

- a. Transport
- b. Agriculture and Plantation
- c. Etc.

Currently, PT XYZ is still having functions to produce and to distribute fertilizers in Indonesia. PT XYZ has the same position as subsidiary of fertilizer holding company with PT Kaltim fertilizer, PT Gresik, PT Cikampek fertilizer, and PT Aceh fertilizer. Every subsidiary company is having subsidized fertilizer distribution area which controlled by government. Subsidized fertilizer areas for PT Pusri Palembang are Jambi, South Sumatera, Bengkulu, Lampung, Bangka Belitung, Banten, Jakarta, Yogyakarta, and middle java I. PT XYs should ensure fertilizer needs in those distributions areas are fulfilled.

C. Business Issues

There are several problems for PT XYZ that is happened on this time. The problems are including:

1. Old plant led to high frequent of turnaround activities occurrences, the cessation of production processes, high maintenance costs, and waste energy technologies.
2. Sales of fertilizer. Based on the company evaluation, PT XYZ couldn't achieve its target in last five years (2006-2010). Company should increase sales of fertilizer with good strategy.
3. Natural gas. It is becoming a major business issue for PT XYZ because on this time, PT XYZ isn't has supply of natural gas as raw material of fertilizer production in the long run. Then, coupled with rising natural gas prices that affect the cost of production of fertilizers that can result in lower profit margins that can be accepted by PT XYZ.

The future challenges of PT XYZ are how to overcome those problems with new business strategies and its action plan.

II. BUSINESS ISSUE EXPLORATION

A. Conceptual Framework

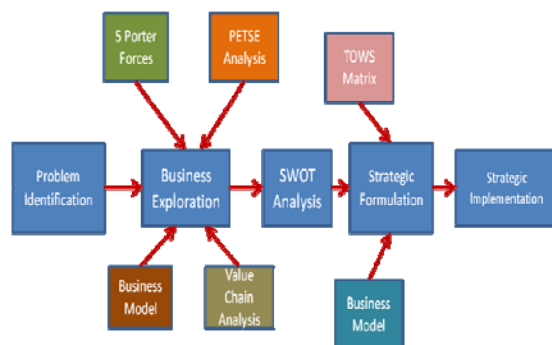


Figure 1. Conceptual Framework

The conceptual framework is starting from problem identification. Then, the business exploration using external analysis (PETSE analysis and 5 Porter's forces) and internal analysis (Business model and Value chain analysis) is conducted to find the SWOT

analysis. The strategic formulation by using business model and TOWS matrix is developed before conducting the strategic implementation.

B. Method of Data Collection and Analysis

The methods of data collection and analysis in this research are used 2 source which are:

1. Interview with PT XYZ's corporate planning unit staff to find the business process, the main issues, and the internal condition of PT XYZ.
2. Secondary data from internal data of PT XYZ to find the internal and the external conditions about PT XYZ in the last 5 years.

C. Analysis of Business Situation

PETSE Analysis

Societal environment includes general forces that don't directly touch on the short-run activities of the organization but that can influence its long-run decisions. (Wheelen and Hunger, 2010:73)

PETSE analysis for PT XYZ is on this figure:

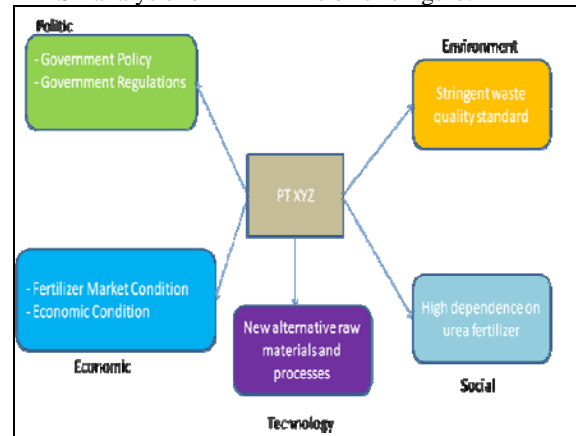


Figure 2. PETSE Analysis

According to the figure above, the political aspect is related with the government as the regulator of the fertilizer industry in Indonesia. Thus, the Government policy and the Government regulations can give an impact for PT XYZ.

The economic aspects are related with the high demand of fertilizer in national and regional area and with the economic condition of Indonesia that could affect the operational cost and fertilizer price.

The technology aspects can give an impact for the development of PT XYZ for the production process improvement and new breakthrough raw material controlling.

The social aspect is related for the high dependence on urea fertilizer for Indonesian farmers. Thus, PT XYZ should distribute the fertilizer on the right time and the right amount. For the environmental aspect, it is related with the waste management. PT XYZ should consider about stringent waste quality standards from the regulators.

5 Porter's Forces

In carefully scanning its industry, a corporation must assess the importance to its success of each of six forces: threat of new entrants, rivalry among existing firms, threat of substitute products or services, bargaining power of buyers, bargaining power of suppliers, and relative power of other stakeholders. (Wheelen and Hunger, 2010:158)

5 Porter's forces that related to PT XYZ are the bargaining power of suppliers and the bargaining power of other stakeholders. The bargaining power of suppliers is high because fertilizer industry is highly dependent of natural gas a raw material. Then, other stakeholders such as government are the controller of the fertilizer industry in Indonesia.

The 5 Porter's forces as the external factor basis is seen on the table below:

Table 1. 5 Porter's Forces

Forces	Value	Explanation
Threats of new entrants	Low	High capital, high technology, High brand loyalty, controlled by government
Threats of substitute products	Low	Cheap prize, perception of farmers, expensive prize for substitute product
Bargaining power of suppliers	High	limitation of natural gas, price in long term, highly depend on foreign supplier for supporting materials
Bargaining power of buyers	Medium	Just only depend on non subsidized fertilizers for plantation and industrial sector
Relative power of other stakeholders	High	Provided by government, waste management
Intensity of competitive rivalry	Low	no competition in subsidized fertilizers, low competition in non subsidized fertilizers and foreign fertilizer company

Value Chain Analysis

Value chain is a linked set of value-creating activities that begin with basic raw materials coming from suppliers, moving on to a series of value-added activities involved in producing and marketing a product or service, and ending with distributors getting the final goods into the hands of the ultimate customers. ((Wheelen and Hunger, 2010:191)

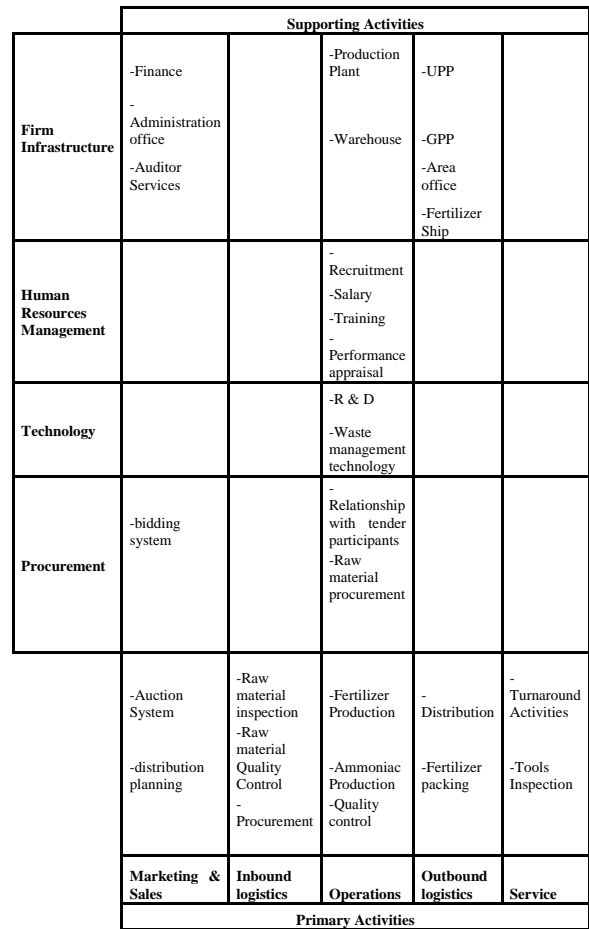


Figure 3. Value Chain Analysis

The value chain process in PT XYZ is the integration process between primary activities and supporting activities. Primary activities are conducted from marketing and sales with auction process and distribution planning for the fertilizer sales. Inbound logistics are including raw material inspection, quality control, and procurement. Operations are including Fertilizer production. Outbound logistics are including distribution process, and the services are TA and tools inspection. Supporting activities is supporting primary activities with infrastructure, human resource management, technology, and procurement.

Business Model Analysis

Business model is the rationale of how an organization creates, deliver, and capture value. Building blocks of the business model includes customer segments, the values are offered, channels, customer relationships, revenue sources, key resources, key activities, key cooperation, and cost structure (Osterwalder and Pigneur, 2010: 18-19).

The business model analysis of PT XYZ is divided to 3 aspects and the value prepositions. The aspects are including customers, operations, and financial.

For the customer blocks, customer Segmentations for PT XYZ consists of agriculture sector, plantation sector, and industry sector. It depends on subsidized or non subsidized fertilizer. PT XYZ has multiple channels as a connection to the customer. PT XYZ has a UPP (Begging fertilizer units) which is the media to

the costumers. It uses the marine transportation system with using a bulk fertilizer. Then, GPP (Fertilizer Storage Warehouse) as a channel for the retailer before go to the farmers. GPP is located in each fertilizer sales area. PT XYZ is conducting several methods to maintain its customer relationship. The objectives are to obtain any information that can be followed up by PT XYZ. Value prepositions from PT XYZ is known as “6 T” which are *tepat waktu* (Right time), *tepat jumlah* (Right amount), *tepat jenis* (Right type), *tepat tempat* (Right place), *tepat mutu* (Right quality), and *tepat harga* (Right price).

For the financial blocks, revenue stream for PT XYZ is generated from the total sales of subsidized and non subsidized urea fertilizer. Existing cost structures in PT XYZ covers several things including production costs, maintenance costs, salary costs, development costs, logistics costs, distribution costs, and other costs.

For the operations blocks, key resources on PT XYZ consist of Human Resources, assets of PT XYZ in the form of factories, offices, etc. Key activities of PT XYZ are including urea production process, distribution process, development project, marketing process, procurement process. The key partnership is the supplier and other stakeholder for PT XYZ.

The Business model is on the figure below:

Key Partners	Key activities	Value Proposition	Customer Relationship	Customer Segments
Natural Gas Suppliers (PT Pertamina, Medco)	Fertilizer Production	Right place	Customers meeting	Agriculture (Subsidized Fertilizer)
Government	Fertilizer Distribution	Right time	Telephone call	Plantation (Non Subsidized Fertilizer)
Supporting material suppliers	Procurement	Right price	Fax and Email	Industry (Non Subsidized Fertilizer)
Fertilizer distributor	Business Development	Right quality	Customer satisfaction survey	Overseas (Subsidized Fertilizer)
Fertilizer expediter		Right amount	Complain box	
		Right type	Customer visit	
	Key resources		Channels	
	Employee		Retailers	
	4 Fertilizer plant		Line 3 Warehouse	
	Fixed Asset (land, office)			
	Distribution unit (UPP, GPP)			
Cost Structure		Revenue Stream		
COGS		Fertilizer Sales		
Business development cost		Government subsidies		
Distribution Cost				
R & D Cost				

Figure 4. Business Model Analysis

Financial Analysis

Table 2. PT XYZ’S Financial Performance

Ratio	Year				
	2006	2007	2008	2009	2010
- Current Ratio	3.83	3.83	4.25	3.32	3.24
- Net Profit Ratio (%)	3.01	13.77	15.04	6.24	7.55
- Return on Investment (%)	3.27	16.26	17.05	6.67	7.27
- Return on Equity (%)	4.61	21.62	22.16	9.34	8.80

a. Current Ratio

In 2006-2010, the current ratio of PT XYZ is unstable. PT XYZ had experienced to have high value current ratio on 4.25. In 2009 and 2010, the current ratio is decreased until reach 3.24. According to this situation, PT XYZ’s ability to meet the liabilities is unstable. It is happened because PT XYZ’s current liabilities value in 2009 was increased. The value is equal to 49%. The, the level of PT XYZ’s accounts receivable in 2010 was decreased. Those values are impacting PT XYZ’s current ratio value.

b. Net profit ratio

According to the PT XYZ’s financial statements in 2006-2010, the profit margin value is unstable. In 2008, the profit margin value reached 15/04%. However, in 2009, the profit margin value was declined with 6.24%. In 2010, the profit margin value increased to 7.55%. Low profit margin in 2009 is happened due to a significant increase of the Operational cost. Operational cost reached 36%, but Sales is on 10.3%. This condition was affected PT XYZ’s profit margin value.

c. Return on Investment

The same trend as the current ratio and the profit margin also occurred in the PT XYZ’s return on investment (ROI). PT XYZ’s ROI reached 17.05% in 2008. However, the condition immediately had a significant decrease in 2009 on 6.67%. In 2010, ROI was stabled in 7.27%.

d. Return on Equity

PT XYZ’s return on equity (ROE) value also has a same trend with the previous ratio. In 2008, ROE is increased on 22.16%. In 2009, ROE is decreased significantly to 9.34%. In 2010, ROE is declined to 8.8%.

In this part, author attempts to find out factors so assumed to be the root of business issue. Such factors form conceptual framework of his/her final project. By analyzing factors found in such conceptual framework, the student could identify one or several significant factors affecting the business issues. Description concerning conceptual framework and analysis is described as follows.

SWOT Analysis

From the business issue exploration, the SWOT analyses for PT XYZ are including:

Strengths:

1. Having complete production facilities.
2. Having high competence human resources in the field of fertilizer industry.

3. Having complete distribution facilities (ship bulk fertilizer and ammonia).
4. Implementing certified management system such as ISO-9001: 2008, ISO-14001: 2004, GCG, SMK3, ISM Code, ISPS Code, IBC, Risk Management, and PMT.
5. Having healthy financial performance and good brand image product.

Weaknesses:

1. Plants are in old age. Thus, it needs high maintenance costs.
2. The plant is wasteful of energy and has a small capacity.
3. Limitations of own capital for investment activities.
4. Just having urea fertilizer products.
5. Number of old age employees (more than 50 years) is above 45%.
6. Areas for plants development are limited.

Opportunities:

1. Government Program to revitalize fertilizer plant (INPRES 02/2010).
2. Regulation from the Minister of Energy no. 03 / 2010 to prioritize the natural gas as main raw material in the fertilizer industry.
3. Coal resources in South Sumatra are 45% of total national coal resources. It can be utilized as a source of energy and raw materials (coal gasification).
4. The increase of urea fertilizers demand in agriculture and plantation sectors.
5. The existence of business development area at Tanjung Api-api industrial area.

Threats:

1. Profit margin for the agricultural sector (PSO) is smaller than the profit margin for the commercial sector.
2. Gas prices after 2013 is projected above USD 5 / MMBTU.
3. Export of South Sumatera natural gas reserves is very high.
4. The existence of new overseas fertilizer plant with larger capacity, high energy efficiency, and low natural gas prices.
5. Critical Equipments, Spare parts, and other materials are still depends on overseas vendors.
6. Waste quality standards are more stringent and potential protests from the community who are in an environment is high.

III. BUSINESS SOLUTION

To determine the business solution, several alternatives are developed to be then analyzed in determining one optimal solution for the Company's business issue. Author may not necessarily analyze the solution alternatives one by one, but he/she could directly focus on one business solution and then analyze the possibilities that the solution could address the issue that is being faced by the company.

A. Alternative of Business Solution Strategic Positioning



Generic Strategy (Porter)

	Cost leadership	Differentiation	Cost Focus	Differentiation Focus
Internal Factor	265	225	0	0
External Factor	430	80	0	45
Total	695	305	0	45

Figure 5. PT XYZ's Strategic Positioning

From the SWOT analysis, the highest value in four porter's generic strategy is in **cost leadership**.

The reasons for PT XYZ to be in the cost leadership position are including:

1. PT XYZ is difficult to make a differentiation in the condition of high demand of urea fertilizer. This market condition is not fully utilized.
2. Fertilizer industry has a wide range of customer segments. Fertilizer is needed by the farmers. Therefore, it is difficult for PT XYZ to be focus on market segmentation.
3. According to the PT XYZ's strength factors, the factors are able to direct in the differentiation strategic positioning. Complete production facilities, high competence human resources in fertilizer industry, good management system, healthy financial condition, and good brand image can be fit to the differentiation strategic positioning.
4. For the PT XYZ's weakness factor, all of the PT XYZ's weaknesses are fit to the cost leadership strategic positioning. Old plant, wasteful technology, the limitations of their own capital in investment activities, the high composition of old employees and the limitation of business development areas are fit with the position of cost leadership.
5. For the opportunities factors, almost all of the PT XYZ's opportunities factors are in the position of cost leadership. Government program to revitalize the fertilizer plant to improve efficiency and to increase production capacity, the priority of natural gas as a main raw material in the fertilizer industry to ensure the natural gas supply in the long run, and the large coal reserves in South Sumatera can be used by PT XYZ for new alternative raw material are fit with the cost leadership strategic positioning.
6. For the PT XYZ's threat factors, almost all of the threats factors are in the cost leadership strategic positioning. The small profit margin in the agricultural sector, high natural gas prices, the high export quantity of natural gas, and the dependence of the supporting

material supply on foreign vendors are fit with the cost leadership strategic positioning.

TOWS Matrix

TOWS matrix is the basis of the business strategies formulation. According to the TOWS Matrix analysis, the focus strategy of PT XYZ is maintaining the product focus on urea fertilizer. Other strategies for PT XYZ are related to the internal improvement for the fertilizer plant, coal gasification, system, HR improvement, good fund management, and the audit to optimize the plant condition. For the external improvement, PT XYZ should increase its non subsidized fertilizer plant, and partnership with PT BA for the study of coal gasification system.

The TOWS matrix is on the figure below:

SO Strategies	WO Strategies
1. Maintenance of distribution facilities (S3, S4, O2)	1. Plant audits and technical audits to optimize plant conditions (W1, W2, O2)
2. Partnership with PT Bukit Asam to guarantee the supply of coal (S6, O3)	2. Urea Fertilizer Factory revitalization / replacement (W1, W2, O1)
3. Improve supervision for distributors / retailers in the distribution of fertilizer with related institutions (S6, O5)	3. Partnership with suppliers of Natural Gas and the Government to ensure the supply of natural gas (W3, O2)
4. Coal mining investment (S6, O3)	4. Improving the competence of workers and recruitment in accordance with the needs of the company (W5, O1, O3)
5. Increase the non-subsidized fertilizer sales to the plantation, industrial, and export sector (S6, O5)	5. Coordination with the government for the implementation of the development of the Tanjung Api-Api industrial area (W5, O5)
	6. Cooperation with financial institutions to get funding development projects with competitive interest rates (W3, O1, O3, O5)
	7. Maintaining the product focus on urea fertilizer (W3, O5)
ST Strategies	WT Strategies
1. Maintain the Environmental Management system certificate (S5, T6)	1. Increase efficiency and productivity in every business area (W1, W3, T1)
2. Feasibility studies and tendering system for domestic suppliers of supporting raw materials (S6, T5)	2. Replacement of steam and electricity generators from natural gas fuel to coal fuel (W1, W2, T2, T3)
3. Gasification system as a new alternative process for natural gas substitutions (S6, T2, T3)	3. conducting asset and working capital management optimally (W3, T2, T3)

Figure 6. PT XYZ's TOWS Matrix

Business Model Strategic Formulation

Business model strategic formulation is formulated to make strengthen TOWS matrix. The strategies are adjusted with the 9 building blocks of PT XYZ's business strategies.

The scheme of business strategies are in the figure below:

Key Partners	Key activities	Value Proposition	Customer Relationship	Customer Segments
Partnership with PT BA Feasibility studies for domestic supporting material suppliers Cooperation with financial institutions	Plant audit Coal as raw fuel Urea plant revitalization Tanjung Api-Api business development	Maintenance of distribution facilities Continuous improvement system	Feedback activities Analysis and Evaluation of customer satisfaction level Channels Improvement of Supervision Maintenance and Improvement regularly	Agriculture Sector Plantation Sector Industry Sector Export
Maintain environmental management system certificate	Coal Gasification System Improvement of employee competence			
Cost Structure		Revenue Stream		
Optimize asset and working capital management		Financial Management Control		

Figure 7. PT XYZ's Business Model Strategies

B. Business Solutions

PT XYZ's ne business strategy is related to the strategic positioning of PT XYZ with the cost leadership strategic positioning. The business strategies are also in accordance with the TOWS Matrix and the business model analysis. The long-term goals of PT XYZ are as follows:

1. The increase of company profits, cost efficiency, and maintain a healthy financial performance.
2. The guarantee of raw materials supply in the long term.
3. The increase of distributions / sales of Subsidized Fertilizer to the agricultural sector every year.
4. The increase of non subsidized urea fertilizer sales to the commercial sector every year.
5. The increase of fertilizer production every year.
6. Implementation of the development projects in accordance with the availability of the investment funds.
7. Availability of active employees in accordance with the company's business needs.

To make an increase of company profits, cost efficiency, and maintain a healthy financial performance, the strategies is related to the productivity and the efficiency in every field, the optimal asset and working capital management, and the feasibility studies to find supporting raw material suppliers. By conducting those strategies, PT XYZ can increase profits, reduce costs, and maintain a healthy financial performance.

To guarantee the raw materials supply in the long term, PT XYZ can develop a strategic partnerships with the government and the suppliers of natural gas. Strategic partnerships can enhance a good cooperation for natural gas supply. Natural gas supply is still very necessary in the fertilizer industry. Then, the coal gasification system must be implemented in order to reduce the dependence on natural gas needs. Then, this new alternative process is having a lot of resources area in South Sumatra.

To increase the distributions / sales of subsidized fertilizer to the agricultural sector every year, the business strategies are conducting the supervision of the fertilizer distributor and the fertilizer retailers, improving the productivity and the quality of fertilizer with continuous improvement system, and improving the distribution system in order to run optimally.

For the increase of non-subsidized urea fertilizer sales to the commercial sector every year, PT XYZ can conduct the strategies for increasing sales of fertilizer to the plantation sector, industry and exports. The reduction in fertilizer distribution area for PT XYZ allows the excess inventory of subsidized fertilizer. The excess of fertilizer stock can be used by to Increase the sales of fertilizer to the commercial sector.

To Increase the fertilizer production every year, the strategies are revitalizing the fertilizer plant to increase the fertilizer production capacity. Then, PT XYZ should conduct the efficiency of the fertilizer plant in

terms of technology, energy, and raw materials. The key strategy to increase the production capacity is the audit process of the plant condition periodically to optimize the condition of the plant.

To make the availability of active employees in accordance with the company's business needs, the strategy is increasing the competence of employees and recruitment systems to adjust with the current needs of the company.

For the implementation of the company's development activities in accordance with the investment funds, the strategies are cooperating with the financial institutions to obtain an investment fund with competitive interest rates, and making the cooperation with the government for business development in the area of Tanjung Api-Api.

Table 3. PT. XYZ'S New Business Strategies

Goals	Strategy
The increase of company profits, cost efficiency, and maintain a healthy financial performance	Improve the efficiency and the productivity in every area
	Optimize assets and working capital management
	Conduct the feasibility studies and the tender system for supporting material supplier companies in domestic area
The guarantee of raw materials supply in the long term	Conduct partnership with gas suppliers and government
	Conduct gasification system as a new alternative raw material
The increase of distribution / sales of Subsidized Fertilizer to the agricultural sector every year	Improve monitoring of distributors / retailers in the distribution of fertilizer with the relevant agencies
	Improve productivity and quality of fertilizer urea
	Conduct maintenance activities for distribution facilities
The increase of sales for non subsidized urea fertilizer to the commercial sector every year	Increase sales of non-subsidized fertilizer to the plantation sector, industry and exports
The Increase of fertilizer production every year	Revitalization and efficiency of urea factory
	Conduct plant audits and technical audits to optimize plant condition
Availability of active employee in accordance with the company's business needs	Improve the competence of workers and recruitment in accordance with company requirements
Implementation of development projects in accordance with planned investment costs	Cooperation with financial institutions to obtain funding development projects with competitive interest rates
	Coordination with the government for the implementation of the development of Tanjung Api-Api Industrial Are

IV. CONCLUSION AND IMPLEMENTATION PLAN

A. Conclusion

The conclusions of final project that should be conducted by PT XYZ are including:

1. After analyze the business situation of PT XYZ, we conclude the business situation for PT XYZ are:

The external factor:

- Opportunities: High demand on urea fertilizer in international & national market, high coal reserves in South Sumatera, government program for fertilizer plant revitalization, and the existence of Tj. Api-Api business area.
- Threats: low profit margin on subsidized fertilizer, High natural gas price in the long term, high natural gas export, overseas fertilizer plant, supporting raw material still depends on overseas vendor, and string waste quality standards.

The internal Factor:

- Strengths: Complete production and distribution facilities, high competences human resources, good management system, health financial performance and good brand image.
 - Weaknesses: Old age plants, waste technology, limitations of the project development funds, old employees, and limited development area.
2. The proposed business strategies for PT XYZ to overcome further challenges are:
 - Strengthen distribution facilities.
 - Strengthen supervision for distribution and retailers.
 - Increase sales of non subsidized fertilizer.
 - Coal Gasification system.
 - Quality continuous improvement.
 - Urea plant revitalization.
 - Employee competencies.
 - Availability of development funds
 - Tanjung api-Api business development.

3. The action plan for PT XYZ is described in chapter 4, the action plan is assigned to the related function on the company and the term of action plan is from 2012 until 2015 in accordance with long term planning of PT XYZ.

B. Implementation Plans

Implementation plan for the new business strategy is adjusted to the new business strategy. In 2012, PT XYZ should find new domestic supporting material supplier and should develop new career planning model for HR improvement. In 2013, the implementation plants are including coal gasification system implementation, generator system replacement, and new human capital system. In 2014, XYZ II-B plant and coal mining ownership will be conducted. In 2015, PT XYZ should start Tanjung Api-Api business development.

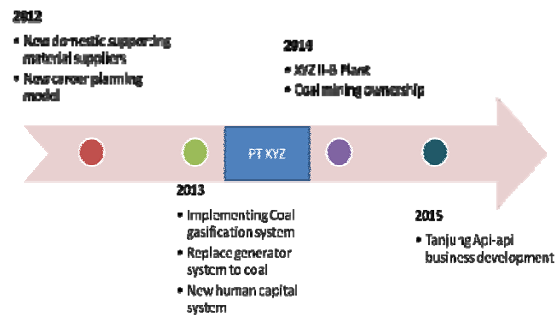


Figure 8. PT XYZ's Business Model Strategies

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