

# Formulating a Business Strategy for Herbal Company (The Case of PT. XYZ)

Praditya Gumilang<sup>1</sup>, Dicky Indrawan<sup>2</sup>, Amzul Rifin<sup>3</sup>

<sup>1,2,3</sup>School of Business, IPB University, Indonesia.

Corresponding Author: Praditya Gumilang

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## ABSTRACT

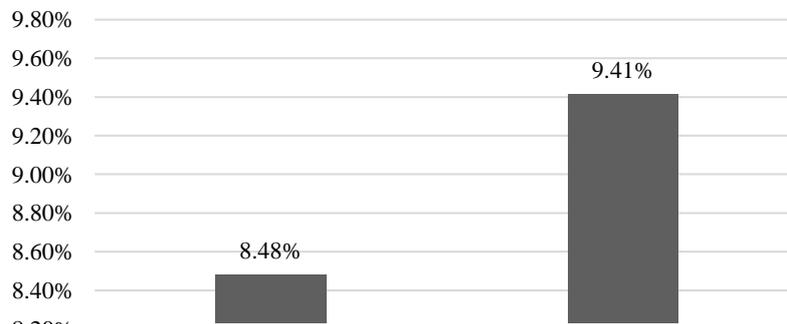
The large potential in the chemical, pharmaceutical and traditional medicine industries raise many new challenges for players in the industry, especially for MSMEs. The purpose of this study is to analyze the external and internal environment of PT. XYZ, formulate strategic alternatives and strategic priorities for PT. XYZ's business development, and mapping program recommendations from alternative strategies in PT. XYZ's business development. The analysis tool used is the QSPM method with SWOT analysis. Then mapping program recommendations from alternative strategies is carried out using the strategy architecture method. The results of the formulation with the SWOT matrix produce eight alternative business strategies with a focus on market penetration and product development. The results of business strategy priorities based on the company's current conditions are 1) Managing licensing by utilizing intensive support from BPOM (online assistance, 50% PNPB fee discount, and free lab testing); 2) Expanding the marketing of extract product manufacturing services, simplicia, and contract manufacturing; 3) Maximizing marketing channels through digital media; 4) Develop new product ideas and innovations in the herbal industry; 5) Collaborating with other certified parties to use production facilities; 6) Maintaining the quality and variety of products; 7) Strengthening partnerships with resellers to minimize marketing costs.

**Keywords:** *Competitive Strategy, Herbal Industry, MSME, Strategy Architecture, SWOT, QSPM.*

## INTRODUCTION

The dynamic development of the chemical, pharmaceutical, and traditional medicine industries has become one of the driving factors for players in this industry to continually enhance their competitive competence. According to the Central Statistics Agency (BPS), the Gross Domestic Product (GDP) of the chemical, pharmaceutical, and traditional medicine industry experienced a sharp increase of 14.96% in the third quarter of 2020. The industry continued to show robust growth in the first quarter of 2021, with a growth rate of 11.46%. When compared to other industries, the performance growth of the chemical, pharmaceutical, and traditional medicine industry ranked eighth, during the first three months of this year. (Bayu 2022). Increased growth in the chemical, pharmaceutical, and traditional medicine industry group is, of course, in line with the demand for herbal-based products. Data from the Ministry of Industry indicates that the development of the chemical, pharmaceutical, and traditional medicine industry in Indonesia experienced positive growth in 2020. For instance, the growth of the chemical, pharmaceutical, and traditional medicine industry group reached an impressive 9.41%, not only surpassing the 8.48% growth rate from the previous year, but also becoming the highest growth rate among other industry groups (Ministry of Industry 2021).

### Growth of the Chemical, Pharmaceutical, and Traditional Medicine Industry



Source: adapted from Central Statistics Agency

Figure 1. Growth of the Chemical, Pharmaceutical, and Traditional Medicine Industry from 2019 to 2021

The occurrence of changes in the business environment is an inevitable aspect faced by any industry (Sofani et al. 2018). For companies as business entities, these changes can present both opportunities and challenges or threats. Hence, companies are constantly required to be adaptive and anticipate any changes that occur by undertaking business transformation (Mardiana 2018).

These changes are also evident in the players of the chemical, pharmaceutical, and traditional medicine industry. Not only the big players are trying to adapt to that changes, but the micro, small, medium enterprise (MSME) players as well. Many MSMEs producing herbs and herbal medicines apply for permits to distribute their new products to the BPOM. It was recorded that in 2020 the application for registration of Traditional Medicines had increased by 25.24% compared to the previous year.

The significant potential for MSMEs to develop in the chemical, pharmaceutical and traditional medicine industries is also seen by one of the herbal medicine and herbal remedies producers based in Bogor, PT. XYZ. PT. XYZ is a company engaged in the production and service of traditional medicine products and herbal-based supplements. Among the products manufactured by PT. XYZ are herbal medicines (Biovigra, Phylari, Nuric, Brotowali, and others), various instant herbal beverages (Alora, Madu Daun Sirsak,

Madu Gano, and others), herbal raw materials (Serbuk Jati Belanda and Biocylin), and herbal product manufacturing services.

Similar to other companies, PT. XYZ also aims to not only survive but thrive in winning the market competition. This can be achieved, in part, by maintaining and increasing the company's profits through implemented business strategies. However, with an increasing number of players in the same industry, numerous new challenges arise as well. Therefore, when facing a highly competitive business environment, companies need to carefully plan their business strategies that not only focus on the future but also have the capability to anticipate short- and medium-term changes (Retnowati, 2011).

Therefore, researchers are interested in conducting this research to analyze the external and internal factors that constitute the strengths, weaknesses, opportunities, and threats for the company, to formulate alternative business strategies that can be developed for the traditional medicine business of PT. XYZ, and to establish the priority of effective business strategies in the development of PT. XYZ's enterprise.

## LITERATURE REVIEW

### Traditional Medicine Definition

Indonesian Food and Drug Administration (BPOM RI) in 2004 defines traditional medicines as ingredients or ingredients in the form of plant ingredients, animal

ingredients, mineral ingredients, herbal preparations (gelenik) or mixtures of these ingredients which have been used for generations for treatment and can be applied according to the norms in force in society. The types of traditional medicines are herbs, standardized herbal medicines (OHT), phytopharmaceutical, and imported traditional medicines.

### Strategy Formulation

Strategic management process consists of three stages, namely strategy formulation, strategy implementation and strategy evaluation. Strategy formulation includes developing the organization's vision and mission, identifying organizational opportunities and threats, determining internal strengths and weaknesses, setting long-term goals, generating alternative strategies, and selecting priority or specific strategies to run. Strategy formulation includes deciding what businesses to enter, what businesses to leave, whether to expand markets or diversify, whether to enter international markets, whether to merge or joint ventures and how to avoid forced takeovers. Because no company has unlimited resources, strategists must choose what alternative strategy is most profitable for the company (David 2017).

### SWOT Matrix

Wheelen et al. (2018) stated that SWOT matrix is a tool that helps company management combine the opportunities and threats faced with the company's strengths and weaknesses to produce four sets of strategic alternatives, namely S-O (strengths-opportunities), W-O (weaknesses-opportunities), S-T (strengths-threats), and W-T (weaknesses-threats).

David (2017) explained that SO strategy uses internal strengths to take advantage of external opportunities. The WO strategy improves internal weaknesses by taking advantage of external opportunities, one of which is the formation of joint ventures with companies that are competent in technology or the recruitment and training of employees

with the technical skills required by the company. The ST strategy uses the company's strengths to avoid or reduce the impact of external threats. Meanwhile, the WT strategy reduces or improves internal weaknesses and avoids external threats.

### Internal-External Matrix (IE Matrix)

The IE matrix is built with two main dimensions, the IFE total weighted scores on the X axis and the EFE total weighted scores on the Y axis. The definition of total weighted scores for both IFE and EFE matrices is 1.0 to 1.99 indicates a weak/low (internal/external) position, 2.0 to 2.99 indicates an average/medium position, and 3.0 to 4.0 indicates a strong position (strong/high).

In the IE matrix, companies are grouped into three main areas which produce different strategic implications:

1. Growth and Build Strategy (if located in cell I, II and IV)  
: The right strategy to implement is an intensive strategy (market penetration, market development and product development) or an integrative strategy (forward, backward and horizontal integration).
2. Hold and Maintain Strategy (if in cell III, V, or VII)  
: Market penetration and product development strategies are the two strategies that are mostly used for these types of divisions.
3. Harvest or Divest Strategy (if in cell VI, VIII, or IX)  
: Commonly used strategies are divestment strategies and liquidation strategies.

A successful company is a company that can achieve a business portfolio in or around cell I in the IE matrix (David 2017).

### Quantitative Strategic Planning Matrix (QSPM)

David (2017) stated that Quantitative Strategic Planning Matrix (QSPM) is a technique designed to determine the most appropriate alternative strategy to do. This

technique evaluates alternative strategies objectively based on external and internal critical success factors. Like other strategy formulation tools, QSPM also requires good intuitive judgment. The QSPM component consists of strategic alternatives, key factors, weights, Attractiveness Scores (AS), Total Attractiveness Scores (TAS), and Sum Total Attractiveness Scores (STAS). Attractiveness scores indicate the relative attractiveness of each strategy in a certain set of alternatives while TAS is the result of extracting weights with AS. The AS values are 1 (not attractive), 2 (rather attractive), 3 (quite attractive), and 4 (very attractive).

### Strategy Architecture

Strategic architecture is prepared through an approach that takes into account several elements, namely the vision and mission of the organization, analysis of the internal and external environment of the organization, industry foresight, organizational challenges and organizational goals. The strategic architectural drawing that will be made is a creative thinking process that combines art with the results of the strategy obtained from the decision-making stage. Some points to take into considerations are: organization vision and mission; company's internal and external environment analysis; industry foresight; strategic challenge; and company's goals (Anggara 2015).

### MATERIALS & METHODS

This research was conducted at the office of PT. XYZ. Data collection took place from August to November 2022. The study adopted a descriptive approach in the form of a case study at PT. XYZ. The research method employed a combination of qualitative and quantitative approaches, known as a mixed-method design. The qualitative approach involved conducting interviews with respondents to obtain data and information regarding the factors influencing the company's external and internal environment. The quantitative approach involved assessing the responses

from the filled questionnaires. The types of data used in this study were primary data and secondary data. Sample selection was performed using purposive sampling through the expert's judgment approach that will take three external respondents and three internal respondents as you can see in Table 1.

Table 1. Research Respondents

No	Respondents	Source
1.	Director	Internal
2.	Production Manager	Internal
3.	Marketing & Finance Manager	Internal
4.	Head of Center for Tropical Biopharmaca Studies	External
5.	Technical Manager of Biopharmaca Study Center Laboratory	External
6.	Director of Herbs Company	External

Data processing and analysis were carried out in three stages: the input stage, the matching stage, and the decision stage.

### 1. Input Stage

#### 1.1 Identification of Internal Factors:

This stage involves the identification or analysis of the company's internal environment. The analysis is conducted using the VRIO framework.

#### 1.2 Identification of External Factors:

This stage involves the identification or analysis of the company's external environment. The analysis is conducted using the PESTEL framework.

#### 1.3 EFE and IFE Matrices:

The selected external and internal factors' results will be compiled into the External Factor Evaluation (EFE) matrix and the Internal Factor Evaluation (IFE) matrix. After identifying the external and internal factors, the next step is to determine the weights for each factor by asking the management. Determination of the weight of each factor using a scale of 1, 2, and 3. The scale used to fill in the column is:

1 = If horizontal indicators are less important than vertical indicators

2 = If horizontal indicators are as important as vertical indicators

3 = If horizontal indicators are more important than vertical indicators

The weights obtained will be in the range between 0.0 (not important), to 1.0 (most important) for each factor with the sum of all the weights given must be equal to 1.0. Next is the stage of determining the rating for each factor by giving a scale ranging from 4 (outstanding) to 1 (poor), based on the influence of these factors on the condition of the company concerned. Then the value of the weighting is multiplied by the rating on each factor and all the multiplication results are added up vertically to obtain the total weighting.

The sum of the weighted values in the IFE matrix will be in the range of 1.0 (low) to 4.0 (high) with an average of 2.5. A total weighting score that is far below 2.5 indicates a weak organization internally, while a total weighting value far above 2.5 indicates a strong internal position. The rating is based on the following information: Score 1, if the strategic factor is considered to be a major weakness.

Score 2, if the strategic factor is considered to be a minor weakness.

Score 3, if the strategic factor is considered to be a small strength.

Score 4, if the strategic factor is considered to be a major strength.

If the total weighting value is equal to 4.0, it indicates that an organization can take advantage of opportunities and minimize threats in its industry. The rating value is based on the following information:

Score 1, if the company's ability is considered not good in taking advantage of opportunities.

Score 2, if the company's ability is considered good enough to take advantage of opportunities.

Score 3, if the company's ability is considered good in taking advantage of opportunities.

Score 4, if the company's ability is considered very good in taking advantage of opportunities.

## 2. Matching Stage

### 2.1 SWOT Analysis:

In this analysis, the development of alternative strategies is carried out by making pairwise comparisons, comparing one component with another within the same category. The SWOT matrix facilitates paired comparisons between strengths and opportunities (SO Strategy), strengths and threats (ST Strategy), opportunities and weaknesses (WO Strategy), and weaknesses and threats (WT Strategy).

### 2.2 IE Matrix (Internal-External Matrix):

The evaluation results of the external and internal factors that place the company in one of the nine cells are used to construct the IE Matrix. The data for this evaluation are obtained from the EFE and IFE matrices. The company's position in the cells provides information about the actions that can be taken by the company. The total IFE weight value in the IE matrix is placed on the x-axis, while the total EFE weight value is placed on the y-axis. On the x-axis of the IE matrix, the total IFE weight score of 1.0 to 1.99 describes a weak internal position. Scores of 2.0 to 2.99 are considered average, and scores of 3.0 to 4.0 are strong. The same thing applies to the total EFE weight value which is on the y axis.

The IE Matrix has three major sections with respective strategic implications:

1. Companies that are in cell I, II, or IV, can implement a growth and build strategy. Commonly used strategies are intensive strategies (market penetration, market development and product development) or integrative strategies (backward integration, forward integration and horizontal integration).
2. Companies that are in cells III, V, and VII can carry out a hold and maintain strategy. The strategy used is market penetration and product development.
3. Companies in cells VI, VIII and IX can implement a harvest or divest strategy. Commonly used strategies are divestiture, conglomerate diversification and liquidation.

### 3. Decision Stage

#### 3.1 Quantitative Strategic Planning Matrix (QSPM):

QSPM objectively utilizes inputs from the SWOT analysis to make decisions among the alternative strategies. The stages in preparing the QSPM are as follows:

1. List the opportunities and threats of the external environment as well as the strengths and weaknesses of the company's internal environment in the left column of the QSPM. This information is obtained from the EFE and IFE Matrix.
2. Give weight to each external and internal strategic factors by using the same weight on the EFE and IFE matrices.
3. Identify feasible alternative strategies to be implemented in the company.
4. Determine the Attractive Score (AS) for each strategy against external and internal strategic factors using a scale of 1 to 4 with these characteristics:  
1 = uninteresting                      3                      =  
moderately attractive  
2 = somewhat interesting      4                      =      very  
interesting
5. Calculating the Total Attractive Score (TAS) by multiplying the weight and AS. TAS shows the relative attractiveness of each alternative strategy by considering its importance to external and internal strategic factors. The higher the TAS, the more attractive the alternative strategy is.
6. Calculating the number of TAS that is a priority for all strategic alternatives. The magnitude of the difference between the TAS in each alternative shows how much the strategy is prioritized over the other strategies.

After determining strategic priorities for the company, recommendations for long-term and medium-term company programs will be formulated using strategic architecture.

### RESULT

PT. XYZ, which was founded in 2005, was originally a business unit of an academic study center at one of the universities in West Java Province. Aiming to downstream research products from university researchers related to medicinal plants or biopharmaceuticals, PT. XYZ focuses on developing herbal products with the concept of "back to nature". Commercial business carried out by PT. XYZ is based on test and research results that prioritize quality and the efficacy of each product as a guarantee to achieve consumer satisfaction. As the company's business was running, there were several changes in the university so that in 2010, PT. XYZ separated from their business units and ran its business independently.

PT. XYZ has a vision as a leading company in the field of biopharmaceutical development and provides quality research services that can compete with good performance, honesty and responsibility. The company also has a vision of prioritizing the human aspect by providing guarantees in terms of quality, efficacy and service guarantees in order to make an independent business in its field to improve common welfare.

The mission of PT. XYZ is to contribute to advancing the welfare of the Indonesian people and nation. This is realized through herbal products and services that are of high quality, safe and have an effectiveness value based on the results of research and research.

To identify opportunities and threats, the PESTEL/macro model is employed, which involves an analysis of the political, economic, social, technological, and environmental aspects. Opportunities and threats are derived from information pertaining to the political, economic, social, technological, environmental, and legal fields.

Table 2. PESTEL Analysis Table

Element	Factor	Impact on the Industry	Matrix (O/T)
Politic	National Economic Recovery Program (PEN)	Enhancing the Competitiveness of Micro, Small, and Medium Enterprises (UMKM)	O1
		Community-Based Economic Development through the Development of Traditional Medicine Commodities	O2
	Launch of the Phytopharmaceutical Formulary	Absorption of Phytopharmaceutical Products in Public Healthcare Services	O3
Economy	Growth of the chemical, pharmaceutical, and traditional medicine industry	Increased demand for traditional medicines	O4
	Potential for traditional medicinal plant exports	Expanding international market share	O5
	Pharmaceutical Industry Investment	High investment capital	T1
Social	Public trust in the back-to-nature approach	Traditional medicine is considered an alternative to chemical drugs.	O6
Technology	Research and development of traditional medicine	Significant costs and time required for research	T2
		Production and post-harvest technology still reliant on simple/traditional methods.	T3
Environment	Biodiversity of traditional medicine species	New plant species with potential as raw materials for traditional medicine.	O7
Legal	Regulation of the Herbal Industry	Complex and challenging requirements for CPOTB compliance	T4
	Distribution and marketing of potentially hazardous traditional medicines	Proliferation of illegal drug circulation Violation of traditional medicine marketing practices.	T5 T6

Table 3. EFE Matrix

Key External Factors		Weight	Rating	Weighted Score
<b>Opportunity</b>				
1.	Enhancing the Competitiveness of MSMEs	0,094	3	0,282
2.	Community economic development based on the development of traditional medicine commodities	0,094	3	0,282
3.	Absorption of phytopharmaceutical Products in public healthcare Services	0,094	2	0,188
4.	Increased demand for traditional medicines	0,094	3	0,282
5.	Expanding international market share	0,053	2	0,107
6.	Traditional medicine is considered an alternative to chemical drugs	0,080	3	0,240
7.	New plant varieties with potential as raw materials for traditional medicine.	0,053	3	0,160
<b>Threat</b>				
1.	Expensive investment capital	0,094	2	0,188
2.	Significant costs and time required for research	0,094	3	0,282
3.	Production and post-harvest technology still reliant on simple/traditional methods	0,048	2	0,096
4.	Complex and challenging requirements for CPOTB compliance	0,094	2	0,188
5.	Proliferation of illegal drug circulation	0,053	3	0,160
6.	Violation of traditional medicine marketing practices.	0,053	3	0,160
TOTAL		1,00		2,616

The Total Weighted Score of the External Factor Evaluation (EFE) matrix for the chemical, pharmaceutical, and traditional medicine industry is 2.616. PT. XYZ is considered not performing well enough as it has not been able to respond adequately to the opportunities and threats present in the industry where the company operates.

In identifying the internal weaknesses and strengths of PT. XYZ, VRIO analysis tool is used, with data obtained from company management, as well as other sources such as financial reports, sales data, interviews with company employees, and others.

Table 4. VRIO Matrix

	Resources	V	R	I	O	Impact on Competitive Advantage	S/W
Management	Good human resources competence	✓	✓	✓	✓	<i>Sustained Competitive Advantage</i>	S1
	Human resource management is not yet optimal	-	-	-	-	<i>Competitive Disadvantage</i>	W1
	Business planning is not well-structured	-	-	-	-	<i>Competitive Disadvantage</i>	W2
	Production facility permits are still constrained.	✓	-	-	-	<i>Competitive Parity</i>	W3
Marketing	Company reputation not widely recognized	-	-	-	-	<i>Competitive Disadvantage</i>	W4
	No marketing plan in place	-	-	-	-	<i>Competitive Disadvantage</i>	W5
Finance/	Limited working capital.	✓	-	-	-	<i>Competitive Parity</i>	W6

Accounting							
Product/ Operational	Having a variety of products	✓	✓	✓	✓	<i>Sustained Competitive Advantage</i>	S2
	Having machines to produce products in-house	✓	✓	✓	✓	<i>Sustained Competitive Advantage</i>	S3
	Products already have Halal MUI, BPOM, and PIRT licenses.	✓	✓	✓	✓	<i>Sustained Competitive Advantage</i>	S4
Research	Ability to conduct research on new products	✓	✓	✓	-	<i>Unused Competitive Advantage</i>	S5

From the Table 4 above, it can be observed that there are four points of company resources that meet the VRIO characteristics and fall under the category of sustainable competitive advantage. These four resources should be the main focus of PT. XYZ to be appropriately organized and allocated according to their respective functions. Apart from these four resources, there is one resource that falls under the category of unused competitive advantage, meaning that this resource has great potential to become a strength for the company but only if the company is sufficiently organized to optimize its

potential. Additionally, there are two other resources that fall under competitive parity, which implies that these resources are also widely possessed by other competitors, thus adding challenges to competing in the chemical, pharmaceutical, and traditional medicine industry. Lastly, there are four company resources that do not add value to the company. If left unaddressed and not improved, these resources may not provide benefits to PT. XYZ as they are essential resources for survival in the chemical, pharmaceutical, and traditional medicine industry.

Table 5. IFE Matrix

Key Internal Factors		Weight	Rating	Weighted Score
<b>Strengths</b>				
1.	Good human resources competence	0.055	3	0.164
2.	Having a variety of products	0.104	4	0.418
3.	Having machines to produce products in-house	0.071	3	0.214
4.	Products already have Halal MUI, BPOM, and PIRT licenses	0.104	4	0.418
5.	Ability to conduct research on new products	0.104	4	0.418
<b>Weaknesses</b>				
1.	Human resource management not yet optimal	0.055	2	0.109
2.	Business planning not well-structured	0.104	1	0.104
3.	Production facility permits still constrained	0.104	1	0.104
4.	Company reputation not widely recognized	0.088	2	0.176
5.	No marketing plan in place	0.101	1	0.101
6.	Limited working capital.	0.108	1	0.108
TOTAL		1.00		2.335

The total score of the Internal Factor Evaluation (IFE) matrix for the internal environment of PT. XYZ is 2.335, where according to David (2017), a score below 2.5 is indicative of an organization that is relatively weak internally. This is evident from several factors that received relatively high weights, such as marketing, working capital, production facility permits, and business planning of the company. However, since these factors are classified as weaknesses of the company, they ultimately receive lower weighted scores. As a result, with this score, PT. XYZ is considered less capable of responding to its

strengths and weaknesses, and is perceived to be less competitive in the chemical, pharmaceutical, and traditional medicine industry.

### IE Matrix

Based on the EFE and IFE analysis that has been done, PT. XYZ has an IFE value of 2.335 and an EFE value of 2.616. Therefore, if adjusted to the IE matrix table, PT. XYZ belongs to the V quadrant. According to David Fred R. and David Forest R. (2017), Quadrant V is described as "hold and maintain," indicating that market penetration ("MP") and product



development (“PD”) are two common strategies used in this type of quadrant.

Table 6. IE Matrix

		IFE		
		Strong (3,00 - 4,00)	Medium (2,00 - 2,99)	Weak (1,00 - 1,99)
EFE	High (3,00 - 4,00)	I	II	III
	Medium (2,00 - 2,99)	IV	V	VI
	Low (1,00 - 1,99)	VII	VIII	IX

The performance of a company can be determined by a combination of internal and external factors. Both factors should be considered in a SWOT analysis. SWOT stands for internal strengths and weakness environments as well as the external environment of opportunities and threats

faced in the business world. SWOT analysis can compare external factors of opportunity (opportunities) and threats (threats) with company’s internal factors strengths (strengths) and weaknesses (weaknesses), as summarized in below table:

Table 7. SWOT Matrix

Strength	Weakness
Good human resources competence Having a variety of products Having machines to produce products in-house. Products already have Halal MUI, BPOM, and PIRT licenses. Ability to conduct research on new products	Human resource management not yet optimal Business planning not well-structured Production facility permits are still constrained. Company reputation is not widely recognized. No marketing plan in place Limited working capital.
Opportunity	Threat
Enhancement of the competitiveness of Micro, Small, and Medium Enterprises (UMKM) Community-Based Economic Development through the Development of Traditional Medicine Commodities Absorption of Phytopharmaceutical Products in Public Healthcare Services Increased demand for traditional medicines Expanding international market share Traditional medicine is considered an alternative to chemical drugs. New plant varieties with potential as raw materials for traditional medicine.	Expensive investment capital Significant costs and time required for research. Production and post-harvest technology still reliant on simple/traditional methods Complex and challenging requirements for CPOTB compliance Proliferation of illegal drug circulation Violation of traditional medicine marketing practices.

The results of the analysis through the SWOT Matrix then produced eight alternative strategies for developing the company's business that focusing on market penetration (“MP”) and product development (“PD”).

**1. S-O Strategies:**

- a. PD: Develop new product ideas and innovations in the herbal industry (S2-S5-O3-O4).
- b. PD: Maintaining the quality and variety of products (S2-S3-S4-O4-O6).

**2. W-O Strategies:**

- a. MP: Maximizing marketing channels through digital media (W7- W8- W9-O4- O5).
- b. PD: Managing licensing by utilizing intensive support from BPOM (online assistance, 50% PNBP fee discount,

and free lab testing) (W4-W9-O1-O2).

- c. MP: Expanding the marketing of extract product manufacturing services, simplicia, and contract manufacturing (W3 – W4 - W5 – O2-O4).

**3. S-T Strategy:**

- a. MP: Strengthening partnerships with resellers to minimize marketing costs (S2-S4-T1).

**4. W-T Strategies:**

- a. PD: Collaborating with other certified parties to use production facilities (W3 - W6 - T1 - T2 - T3 - T4).

After obtaining alternative strategies, QSPM then used to determine priority business strategies that can be used by PT. XYZ. Determining the priority of this

business strategy also considers internal capabilities and external conditions that will be faced by the company.

**Table 8. QSPM Matrix**

Alternative Strategy	TAS	Rank
Develop new product ideas and innovations in the herbal industry	4.183	4
Maintaining the quality and variety of products	3.407	6
Maximizing marketing channels through digital media	4.284	3
Managing licensing by utilizing intensive support from BPOM (online assistance, 50% PNBP fee discount, and free lab testing)	5.501	1
Strengthening partnerships with resellers to minimize marketing costs	2.708	7
Expanding the marketing of extract product manufacturing services, simplicia, and contract manufacturing	5.394	2
Collaborating with other certified parties to use production facilities	3.955	5

Architecture of Strategy, is a framework or building blocks used in strategic management to create a successful company. This framework includes organizational capabilities, corporate synergies, structural positioning, implementation processes, competitive advantages, and financial performance (Kelly and Chris, 2004). This design serves as a strategic roadmap to achieve the goals or development of the traditional medicine business. The success of the company can be measured through its program of activities/work. Based on interviews with experts, the goals and challenges faced by PT. XYZ in its competitive strategy in the traditional medicine industry are as follows:

**Organizational Goals**

1. Market expansion
2. Collaboration with other stakeholders
3. Development of production facilities and legal compliance
4. Company management restructuring

**Organizational Challenges**

1. Limited capital resources of the company
2. Absence of business plans and strategies
3. Competition with competitors
4. Limited number of human resources in the company
5. Legal compliance of production facilities

Based on the results of discussions with the

company's internal department, the managerial implication that occurs is that there are two classifications of programs recommended to achieve company goals, namely programs that are carried out in stages and programs that are carried out regularly and continuously.

The work program is implemented progressively based on the alternative policies that have been formulated, namely:

**First Year (2023)**

1. Participate in training from BPOM or local POM Workshop
2. Doing pitching to potential customers
3. Participate in MSME development programs
4. Create a new social media account (Tiktok & Whatsapp Business)

**Second Year (2024)**

1. Apply for a CPOTB permit via online
2. Create a PT. XYZ product sales website
3. Developing features on PT.XYZ e-commerce accounts (Shopee and Tokopedia)
4. Participate in seminars related to quality management standards
5. Completing the SOP for each stage of production

**Third Year (2025)**

1. Creating new cosmetic derivative product variants (toothpaste, skincare, etc.)
2. Opening opportunities for

cooperation with Medical Representatives

3. Make distribution and marketing channel maps
4. Join the association of traditional medicine entrepreneurs (ASPETRI, GP Jamu, APSKI, AB3O, etc.)
5. Conduct independent research

The recommended routine programs that should be implemented by PT. XYZ are as follows:

1. Organize seminars/webinar related to traditional medicine with sources from relevant agencies
2. Participate in knowledge sharing with agencies/researchers related to medicinal plants
3. Developing existing research
4. Attend traditional medicine industry exhibitions
5. Hold an internal coordination meeting

## CONCLUSION

There are several factors of external and internal conditions that affect PT. XYZ. External issues such as the National Economic Recovery program, launch of the phytopharmacy formulary, public trust in the back to nature method, biodiversity of traditional medicinal species, and regulations in the herbal industry. While internal issues include HR management, business planning, venture capital, production facilities and infrastructure as well as product variety and marketing.

The external and internal factors previously mentioned were then analyzed using tools such as the EFE Matrix, IFE, SWOT Matrix and IE Matrix. Based on the EFE and IFE analysis that has been carried out, PT. XYZ has an IFE score of 2.335 and an EFE score of 2.616. So if adjusted to the IE matrix table above, PT. XYZ is included in quadrant V which is included in the hold and maintain condition strategy. The results of the formulation with the SWOT matrix produce seven alternative business strategies with a focus on market penetration and product development.

Based on the seven alternative business strategies that PT. XYZ can run, the priorities are then determined using the QSPM analysis tool. The priority results of the business strategy made based on the company's current condition are first, taking care of licensing by utilizing incentives from BPOM. Second, expanding the marketing of extract product manufacturing services, simplicia, and contract manufacturing. Third, Maximizing marketing channels through digital media. Fourth, developing new product ideas and innovations in the herbal industry. Fifth, cooperate with other certified parties to use production facilities. Sixth, Maintain product quality and variety. Seventh, strengthen partnerships with resellers to minimize marketing costs.

## Declaration by Authors

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