

DESIGNING THE BUSINESS STRATEGY FOR PT XYZ: A COMPANY SPECIALIZING IN HEALTH INSURANCE SERVICES IN SIDOARJO, EAST JAVA.

Salsabila¹⁾, Argo Hadi Kusumo²⁾, Esti Dwi Rinawiyanti³⁾

¹⁾ University of Surabaya
salsabiela228@gmail.com

²⁾ University of Surabaya
argohadi@staff.ubaya.ac.id

³⁾ University of Surabaya
estidwi@staff.ubaya.ac.id

*Corresponding author

ABSTRACT

Insurance has a significant part for the Indonesian economy. Insurance can enhance the allocation of public funding to address financial risks, particularly in industries with elevated health risks and work accidents. However, the level of competition in the insurance industry is rising. In 2020, the Financial Services Authority (OJK) reported that there were 376 insurance businesses with valid business licenses operating in Indonesia. The objective of this research is to develop a business strategy for PT XYZ that will ensure the long-term viability of the company and identify areas for improvement. PT XYZ, located in Sidoarjo, East Java, is a company that specializes in providing health insurance services to a diverse range of organizations. Strategy formulation necessitates the examination of industrial structure through Porter's five forces and SWOT analysis. This analysis serves as an input stage in evaluating business strategy formulation, specifically in assessing the significance of Internal Factor Evaluation (IFE), External Factor Evaluation (EFE), and Competitive Profile Matrix (CPM). During the matching stage, an analysis was conducted to align opportunities and threats with strengths and weaknesses. This analysis involves the use of the SWOT matrix, IE matrix, and GSM matrix. The decision stage involves making a decision to establish a strategy by utilizing the Quantitative Strategy Planning Matrix (QSPM). Therefore, an appropriate course of action to be undertaken at PT XYZ is the market development for health insurance services.

Keywords: health insurance, business strategy, market development

1. INTRODUCTION

Insurance has a crucial role in both the Indonesian economy and society. Insurance can enhance the allocation of public funding to address financial risks. The insurance industry plays a crucial part in the national development process by providing substantial quantities of funding over a long period of time. These monies can then be utilized as a source of economic and development resources (Keuangan, 2015). According to Sastratwidjaja & Endang (1993), insurance offers significant and crucial advantages in today's world, including providing a sense of security in corporate operations and enhancing firm efficiency and productivity. The level of market rivalry in the insurance services sector is steadily rising. According to data acquired from the Financial Services Authority, often known as OJK, in 2020 there were a total of 376 businesses that possessed the necessary authorization to conduct business operations in Indonesia. The proliferation of

insurance businesses engenders intense competition, hence necessitating meticulous attention to business planning, including comprehensive consideration of marketing elements, in order to remain abreast of market developments.

PT XYZ is a health insurance firm based in Sidoarjo, East Java, Indonesia. PT XYZ provides a health insurance plan in partnership with other companies to ensure coverage for insurance members. The quantity of companies that are clients of PT XYZ fall can be attributed to the proliferation of several health insurance firms, both domestic and foreign, as well as the intense competition within the insurance market. Additionally, the company's lack of reputation and low competitiveness have also contributed to its decline. In addition, PT XYZ lacks a coherent corporate strategy in its operations. Hence, it is imperative to formulate a suitable business strategy in order to sustain the operations and enhance the competitive edge of PT XYZ.

2. RESEARCH METODOLOGY

This research employs a qualitative methodology, specifically utilizing a case study approach. The data utilized consists of primary data and secondary data. The collection of primary data involved conducting face-to-face interviews with the directors and management of PT XYZ, as well as mailing questionnaires to customers. Additionally, secondary data was acquired by doing literature reviews and utilizing online resources. The primary and secondary data analysis yielded findings that were subsequently utilized to ascertain Porter's 5 forces and SWOT analysis. These findings were then employed as inputs in the strategy-formulation analytical framework, as outlined by David and David (2016). The strategy-formulation analytical framework consists of three distinct stages.

Stage 1 (input stage) involves the entry of data for analysis. This includes the use of an EFE (External Factor Evaluation) matrix, which utilizes external analysis data of the organization. Additionally, the IFE (Internal Factor Evaluation) matrix is used to analyze the company's internal data. Lastly, the Competitive Profile Matrix (CPM) is employed in this stage.

During stage 2, which is known as the matching stage, the analysis is centered around three matrices based on the collected data: the IE (Internal-External) matrix, which utilizes values from the EFE and IFE analyses; the SWOT matrix, which incorporates data from both internal and external analyses of the company; and an alternate approach, known as GSM (Grand Strategy Matrix), utilizes data obtained from CPM (Competitive Profile Matrix). The CPM data is gathered through interviews with directors and managers, as well as customer questionnaires.

Stage 3, the decision stage involves the use of the QSPM (Quantitative Strategy Planning Matrix) to analyze alternative strategy obtained from the SWOT matrix, IE matrix, and GSM. These alternatives are then compared with the weights in the IFE matrix and EFE matrix. Through discussions with the company, this assessment process generates alternative strategies that can be considered for business strategy decisions.

3. RELATED RESEARCH/LITERATUR REVIEW

When creating a corporate strategy, it is important to do an analysis known as Porter's five forces analysis (David & David, 2016). This approach is used to build strategies in different industries. This analysis facilitates the attainment of a competitive edge and the realization of pre-established objectives. There are five indications referred to as threats of new entrants, bargaining power of buyers, bargaining power of suppliers, threats of substitutes, and rivalry among existing competitors (David & David 2016). SWOT Analysis, as described by Kotler et al (2005), is a comprehensive evaluation of a company's internal and external factors.

Its purpose is to assist the organization in identifying and addressing difficulties, as well as identifying potential opportunities for growth. The SWOT analysis framework consists of four key components: Strengths, Weaknesses, Opportunities, and Threats (David & David, 2016).

Once familiar with Porter's five forces and SWOT considerations, it becomes possible to do a strategic analysis. Strategy formulation analysis, as described by David & David (2016), is a method of analyzing basic information from a corporation in order to facilitate the development of alternative strategies. Strategy formulation techniques can be incorporated into the three stages of the decision-making process. The three stages consist of the input stage, matching stage, and decision stage. The three stages have been elaborated upon in greater depth in the sub-chapter on research methodology above.

Strategy formulation is influenced by various types of firms and the outcomes of Porter's five forces and SWOT component analysis, leading to diverse strategy formulations. For instance, conducting a strategic analysis of local enterprises that manufacture outdoor gear yields market penetration and product development strategies (Wibisono, 2019). The Village Unit Cooperative "BATU" not only engages in product sales but also develops a market penetration strategy (Putra et al., 2014). According to Faruq and Usman (2014), analysis suggests that Scissors Convection company should focus on implementing product development strategies in order to enhance competitiveness.

For the service industry, a viable strategy analysis for PT Metra Digital Media, an advertising agency company, is to implement downsizing or regrouping by reducing expenses and reallocating assets (Setiawati & Wahyudi, 2015). At PT Smartfren Telecom, a participant in the Cellular Telecommunications Industry, an analysis of market penetration and product development strategies can be conducted. This analysis can be supported by prioritizing cost allocation and efficiency, as well as implementing attractive promotional activities (Pari and Munir 2021). Another instance is PT Inhealth Indonesia Life Insurance, an insurance firm that has successfully applied a product development strategy as its best approach (Chaira et al, 2023).

4. RESULTS AND DISCUSSION

4.1 Porter's five forces and SWOT

Porter's five forces are a set of five major factors used to analyze the structure of an industry. The first force is threats of new entrants which relatively weak as the stringent licensing framework imposed by the central government necessitates substantial financial resources, a strong corporate image, and significant market reach. The second force, buyers have a significant (strong) bargaining power with PT XYZ due to the specific focus on financial and service sectors during the bargaining process. The third force affecting PT XYZ is the suppliers' bargaining power, which falls within the medium category. This is because PT XYZ does not rely on suppliers for financial resources and human capital, but rather relies on health care providers. The fourth force, which pertains to the threats of substitutes for PT XYZ, is considered mild due to government regulations mandating businesses to offer health insurance to their employees. However, policies regarding BPJS (social security agency of Indonesia) have a limited impact on market share. The fifth force, categorized as moderate, lies in its ability to surpass similar companies by offering customized solutions that cater to customer desires and needs. Additionally, it consistently upholds the quality of its services, ensuring customer satisfaction.

The SWOT analysis is also examined through comprehensive interviews. The key strengths of PT XYZ are its competitive pricing, streamlined organizational

structure, and excellent customer service. However, there are weakness in terms of inadequate advertising, a restricted network of health services, and low financial resources. However, there are certain opportunities that exist for individuals who are not eligible for inclusion in BPJS by customers. These opportunities include government rules that require firms to provide mandated health insurance and a growing awareness of the crucial function of insurance for companies. Meanwhile, the threats encompass the implementation of universal coverage through the BPJS program and the rivalry among health insurance firms.

4.2 Input stage

As stated in the research methodology for developing corporate strategy utilizing the strategy-formulation analytical framework, the process commences with the input stage, which encompasses an assessment matrix utilized to condense fundamental data and devise alternative options.

The first matrix is the External Factor Evaluation (EFE) matrix, utilized to assess the external variables of the organization pertaining to opportunities and threats, as presented in Table 1.

Table 1. External Factor Evaluation (EFE) Matrix

No	External Factor Evaluation (EFE) Matrix	Weight	Rating	Weight x Rating
Opportunity				
1	Excluded individuals from BPJS enrolment by consumers	0,3	3	0,9
2	Government policy on health insurance obligations for customers	0,2	3	0,6
3	Heightened recognition of the crucial significance of insurance for businesses	0,1	4	0,4
Threats				
1	Comprehensive healthcare coverage provided by the BPJS program	0,3	2	0,6
2	Rivalry among health insurance companies	0,1	2	0,2
Total		1,0		2,7

The second matrix is the IFE matrix, which serves as a tool for condensing and assessing the strengths and weaknesses in functional domains. It establishes a foundation for identifying and evaluating these areas, as depicted in Table 2.

Table 2. Internal Factor Evaluation (IFE) Matrix

No	External Factor Evaluation (EFE) Matrix	Weight	Rating	Weight x Rating
Strengths				
1	A cost-effective price	0,3	4	1,2
2	Straightforward corporate bureaucracy	0,2	4	0,8
3	Excellent service	0,15	3	0,45
Weakness				
1	Insufficient advertising or marketing efforts	0,2	2	0,4
2	Limited network of healthcare facilities	0,1	2	0,2
3	Financial constraints	0,05	1	0,05
Total		1,00		3,10

The CPM Matrix is a comparative matrix that assesses a company's strengths and weaknesses in respect to its competitors and their business strategy stance (David and David, 2016). The factors utilized in CPM are derived from data collected from CSF, which is gained through customer questionnaires and interviews conducted with directors, management, and workers of PT XYZ. Additionally, the weights assigned to these variables can be found in Table 3.

Tabel 3. Competitive Profile Matrix (CPM)

CSF	Weight	PT XYZ		PT Nayaka Era Husada		PT Ramamuza Bhakti Husada	
		Ranking	CPM value	Ranking	CPM value	Ranking	CPM value
Service quality	0,27	3	0,81	3	0,81	2	0,54
A cost-effective price	0,27	3	0,81	3	0,81	2	0,54
Customer loyalty	0,18	2	0,36	3	0,54	2	0,36
Straightforward bureaucracy	0,1	3	0,30	2	0,20	2	0,2
Partnership with medical institutions	0,1	2	0,20	3	0,30	2	0,2
Efficiency of claims processing	0,08	2	0,16	3	0,24	2	0,16
Total	1		2,64		2,90		2,00
Ranking		2		1		3	

4.2 Matching stage

The matching stage generates feasible alternative plans based on the primary internal and external aspects of the firm. The IE Matrix is a tool that is utilized to assess the strategic position and potential strategic alternatives for a corporation in the context of competition and growth (David and David, 2016). Considering the assessment in the EFE and IFE matrices, PT XYZ is located in quadrant IV and falls under the "grow and build" category. This category encompasses various strategy such as market penetration, market development, and product development.

The SWOT Matrix is a tool that compares external and internal factors to create four strategic options: strength-opportunities strategy, weakness-opportunities strategy, strength-threats strategy, and weakness-threats strategy (David and David, 2016).

The acquired S-O strategy encompass comprehending customers' knowledge of the company's established system and supplied rates, as well as delivering exceptional service to establish customer trust. Meanwhile, the S-T strategy is to highlight the benefits of the company's health insurance, taking into account the current circumstances, and to streamline the process of transferring and registering for membership to ensure customer satisfaction. Alternatively, the W-O strategy involves utilizing online platforms to advertise health insurance, establishing partnerships with healthcare institutions to meet client demands, and implementing strategies to expand the market. Meanwhile, W-T's strategy involves prioritizing client demands for health insurance services, seeking investors to secure funding, and enhancing brand recognition through various social media platforms including Facebook, Instagram, and others.

The GSM Matrix is a strategic tool that combines two evaluation dimensions, competitive position and market growth, to build alternative strategies (David and David, 2016). Based on the CPM results, PT XYZ is in a highly competitive position as its CPM value is similar to that of the rival with the strongest position. PT XYZ is currently experiencing rapid market expansion. According to data from OJK for the period of 2016 to 2020 (Keuangan, 2020), the assets of the insurance sector in Indonesia showed an average growth rate of 8.74%. Similarly, the investment in the insurance industry also witnessed an average growth rate of 8.94%. Hence, PT XYZ is located in quadrant 1, indicating a high competitive position and a high market growth.

4.2 Decision stage

The process of creating strategy formulation decisions is based on the combination of analysis and intuition at the decision stage (David and David, 2016). The decision stage employs the Quantitative Strategic Planning Matrix (QSPM) as its methodology. The QSPM is a technique used to assess different strategies by considering external and internal important success variables that have been previously discovered (David and David, 2016).

Based on the findings of the SWOT matrix, a total of 10 different strategies were derived and subsequently categorized according to their respective types of implementations. By engaging in conversations and discussions with the PT XYZ management, subsequently, a favorable rating was assigned to the three strategy that had been categorized (Table 4).

Table 4. Quantitative Strategic Planning Matrix

No	Strategy Alternative	Weight	Service Development		Market Penetration		Market Development	
			AS	TAS	AS	TAS	AS	TAS
			Strengths					
1	A cost-effective price	0,3	2	0,6	3	0,9	2	0,6
2	Straightforward corporate bureaucracy	0,2	2	0,4	3	0,6	3	0,6
3	Excellent service	0,15	3	0,45	4	0,6	3	0,45
Weakness								
1	Insufficient advertising or marketing efforts	0,2	2	0,4	3	0,6	3	0,6
2	Limited network of healthcare facilities	0,1	4	0,4	3	0,2	2	0,2
3	Financial constraints	0,05	3	0,15	2	0,1	3	0,15
Total		1	2,4		3,1		2,6	
Opportunity								
1	Excluded individuals from BPJS enrollment by consumers	0,3	2	0,6	3	0,9	4	1,2
2	Government policy on health insurance obligations for customers	0,2	3	0,6	3	0,6	4	0,8
3	Heightened recognition of the crucial significance of insurance for businesses	0,1	3	0,3	3	0,3	4	0,4
Threats								
1	Comprehensive healthcare coverage provided by the BPJS program	0,3	2	0,6	3	0,9	2	1,2
2	Rivalry among health insurance companies	0,1	2	0,2	3	0,3	4	0,4
Total		1	2,3		3,0		3,4	
Total TAS			4,7		6,1		6,6	

The QSPM calculation yields the Total Attractiveness Score (TAS) for service development, market penetration, and market development. The TAS for service development is 4.70, for market penetration is 6.10, and for market development is 6.20. The highest TAS is achieved by market development. The market development strategy is a crucial element in PT XYZ's alternative approach. Market development plans entail the introduction of items or services into previously untapped geographical areas. The outcomes of the market development plan encompass the promotion of health insurance via online platforms, the establishment of a branch in Gresik, the pursuit of investors to secure funds for a

new branch, and the enhancement of brand recognition through social media channels like as Facebook, Instagram, and others.

5. CONCLUSION

The research employs a strategy-formulation analytical framework, commencing with an analysis of the industrial structure utilizing Porter's five forces and SWOT analysis. The input stage of data processing for business strategy development yielded a value of 3.10 from the IFE matrix and a value of 2.70 from the EFE matrix. PT XYZ's CPM was ranked second among the two other competitors, earning a total CPM score of 2.64. PT Nayaka Era Husada holds the top position as the strongest contender, ranking 1st with a score of 2.90. PT Ramamuza Bhakti Husada, on the other hand, ranks 3rd with a total CPM score of 2.10.

After the matching stage, it has been determined that in the IE matrix, PT XYZ is located in quadrant IV, specifically in the growth and build category. Therefore, suitable alternative strategies include market development, market penetration, and product development. In addition, the SWOT Matrix yielded 10 potential strategies. Considering the expansion of the insurance company market in Indonesia, PT XYZ is positioned in quadrant 1 based on the GSM value acquired from CPM.

PT XYZ use the Quantitative Strategic Planning Matrix (QSPM) during the decision-making process to select the most suitable alternative approach. The outcomes of the IE matrix, SWOT matrix, and GSM serve as a guide for choosing alternative strategies, which are determined by the type of strategy, namely market development, market penetration, and service development. The alternative approach is determined by utilizing the QSPM, which results in the highest Total Attractiveness Score (TAS) of 6.60 for the market development plan. PT XYZ implemented the market development plan as an alternative approach.

REFERENCE

- Chaira, R., Lukman, S., & Lukito, H, 2023, '*Analisis Strategi Bisnis PT. Asuransi Jiwa Inhealth Indonesia*', In Jurnal Informatika Ekonomi Bisnis, vol. 5, no. 3.
- David, F., dan David, F.2016, '*Strategic Management: A Competitive Approach, Concepts, and Cases 16th Edition*', New Jersey: Pearson.
- Faruq, M.A., & Usman, I, 2014, '*Penyusunan Strategi Bisnis Dan Strategi Operasi Usaha Kecil Dan Menengah Pada Perusahaan Konveksi Scissors Di Surabaya*', In Jurnal Manajemen Teori dan Terapan Tahun 7. No. 3.
- Kuangan, 2015, *OJK Sebut Industri Perasuransian Berperan Penting dalam Proses Pembangunan Nasional. Diambil kembali dari Otoritas Jasa Keuangan Online*, (<https://www.ojk.go.id/id/kanal/iknb/berita-dan-kegiatan/publikasi/Pages/Perasuransian-Berperan-Penting-dlm-Proses-Pembangunan-Nasional/>, diakses tanggal 10 April 2024)
- Kotler, P., Wong, V., Saunders, J., & Armstrong, G, 2005, '*Principles of Marketing: Fourth European Edition*', Harlow, Edinburgh Gate, England: Pearson Education Limited.
- Pari, J.T., & Munir, N.S, 2021, '*Formulasi Strategi Bisnis*', In Jurnal Manajemen, vol.13, No. 3, 457-470.
- Putra, G.R., Tama, I.P., & Efranto, R.Y, 2014, '*Strategy Business Planning by using Strategy-Formulation Framework to Improve Competitive Advantage (Case Study: Koperasi Unit Desa "BATU")*', In Jurnal Rekayasa dan Manajemen Sistem Industri, vol. 2, no. 1.
- Sastratwidjaja, M. S., & Endang, 1993, *Hukum asuransi: perlindungan tertanggung asuransi deposito usaha perasuransian*. Bandung: P.T. ALUMNI.
- Setiawati, R.E., & Wahjuadi, D, 2015, *Formulation Business Strategy Directory Portfolio Using Strategy-Formulation Framework Case Study on PT Metra*

Digital Media, [online], (<https://repositori.telkomuniversity.ac.id/>, diakses tanggal 18 April 2024).
Wibisono, F.V, 2019, '*Analisis Strategi Bisnis pada PT XYZ*', In *Jurnal Manajemen Bisnis Dan Kewirausahaan*, vol.5, No. 1.