OPTIMIZING PT SEMEN PADANG PERFORMANCE POST-COMMERCIAL CENTRALIZATION TO THE HOLDCO

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BANDUNG
ABSTRACT

This research aims to explore the beneficial extension of the Holdco strategy and formulate suitable meso-level strategies for PT Semen Padang. This research uses primary and secondary data collection methods, identifies the environments through generic frameworks, analyses qualitative data through thematic frameworks, and formulates the result as corporate and business strategies. According to the research, Holdco set the sales target in a top-down instruction without PT Semen Padang's interference in the procurement, marketing of cement and clinker, and supply chain functions. These functions are essential and inseparable from sales targets but have withdrawn to Holdco. However, Holdco allows PT Semen Padang to develop the plant process, non-cement product, non-clinker product, and enter the non-cement business. Therefore, PT Semen Padang could fulfill the strategy gap and gain a global subsidiary mandate by building a university-industry collaboration, strengthening the vertical integration, utilizing cost-saving technologies, and the outside cement chain diversification.

Keywords : Commercial Centralization, Global Subsidiary, Collaboration, Vertical Integration, Diversification

ABSTRAK


Kata Kunci : Sentralisasi Komersial, Subsider Global, Kolaborasi, Integrasi Vertikal, Diversifikasi
INTRODUCTION

From May 2018 to January 2019. There is transition production units of PT Semen Padang Holdco (T. Hendrawan, 2019). In January 2019, PT Semen Indonesia solidified its Opco by executing commercial centralization. The strategy pointed to fortifying Holdco-Opco collaboration, speeding up Holdco-Opco choice-making, and strengthening the market share. Through commercial centralization, all benefits attached expected to be achieved (PT Semen Padang, 2018). Despite the advantage of this strategy, PT Semen Padang eclipses limitations to control its cement and clinker marketing, supply chain, and strategic procurement. Nonetheless, Holdco permits PT Semen Padang to handle its daily ops needs (T. Hendrawan, personal communication, 2019; PT Semen Padang, 2019).

Based on Figure 1, the production generated by PT Semen Padang ceaselessly declines, indeed on post-strategy implementation. The cement and clinker production declined to 0.84X and 0.82Y within two years. Production volume and deals performance work simultaneously yet isolated following the commercial centralization policy. In case the deal’s decision of Holdco is changes or underperforming abruptly, PT Semen Padang must alter its production promptly to preserve overproduction. Otherwise, Holdco needs to promptly re-adjust its deal target concurrent to the Opco capability if underproduction occurs (A. Koto, 2019). Unfortunately, a long bureaucratic chain made production and deals decision less synergized (T. Hendrawan, 2019).

Figure 1. Production Volume of PT Semen Padang

Based on Figure 2, PT Semen Padang’s domestic deals of keep diminishing to 0.84X within two years. In contrast, export deals expanded and elevated to

Source: Internal Data, 2019
the highest point in Q1/2019, valued at 1.78Y. Despite the increment in export deals, Holdco ought not to ignore the domestic deals’ potency. But, since the domestic sales happened after a tight competition, PT Semen Indonesia decided to export PT Semen Padang products (A. Koto, 2019).

Based on Figure 3, PT Semen Padang’s respective market share to PT Semen Indonesia reduces and reaches the slightest point in Q1/2019, valued at 0.80X. The securing of PT Solusi Bangun Indonesia by PT Semen Indonesia does not ensure the increase within the domestic market share of PT Semen Padang and is uncorrelated even more. Inevitably, if commercial centralization proved beneficial, it could increase its esteem or the opposite. So, there should be an assessment of post-strategy performance and a new meso-level strategy proposal at the Opco level to minimize the Holdco-Opco strategy gap (T. Hendrawan, 2019).

**Figure 2. Domestic and Export Sales of PT Semen Padang**

**Figure 3. PT Semen Padang Market Share**

In 2018, a study to identify the marketing potency of PT Semen Padang in Region III was done and covered DKI Jakarta, West Java, and Banten Provinces.
According to the SWOT analysis, PT Semen Padang has a strategic position among other competitors. In August 2017, PT Semen Padang had a 7.07% market share in Region III. Currently, the Government policy, which potentially contributed as a strength, also contributes to weakness since it forbids PT Semen Padang to re-enter Region III. PT Semen Indonesia may consider a corporate transformation, such as a zoning distribution policy for the subsidiaries (Febrianto, 2013), which years later realized. The policy aims to hold domestic and international market expansion, strengthen distribution channels, and provide rooms for subsidiaries to innovate internally.

To date, on post-commercial centralization, the holding’s market expansion boosted while the market share of PT Semen Padang is slowing down. A scenario planning identified the impact of cement super-holding establishment on its subsidiaries, taking the case of PT Semen Tonasa (Jakadilaga, 2018). The research concluded that the cement super-holding establishment could degrade PT Semen Tonasa’s position into a grand subsidiary and degrade PT Semen Tonasa’s value chain freedom to a certain degree. The best fit scenario for the current situation is called Bargain Scavenger, where the Government policy supports the growth of overseas cement manufacturers while domestic cement overstock leads to more bargains. A pilot project aims to centralize logistic and maintenance departments performed at PT Bara, a mining company in Indonesia (Wijaya, 2017).

The study shows that centralization contributes to employee cost reduction, asset utilization improvement, work quality improvement, and better control. The study found that the centralization concept suggested over-supporting functions despite being generalized since each department has different business nature. The proportional balance between decentralization and centralization is crucial for every organization to identify (Pidun et.al, 2015). Decentralization helps build an entrepreneurial capability, adaptiveness, and agility to respond to a dynamic market. On the other side, centralization helps the organization achieve economies of scale and gain excellent financial performance. As these proportions are balanced, an organization could overcome the policy weaknesses.

Thus, the beneficial linkage of commercial centralization between PT Semen Padang and PT Semen Indonesia should be identified. The disadvantages of the comical centralization affects PT Semen Padang’s performance. This research explores the beneficial extension of the strategy through its value chain without crossing the holding company policy and formulating suitable strategies for PT Semen Padang to stay competitive in the markets.

RESEARCH METHODS
Table 1. Discussed Topics, Parameters, and Outputs

<table>
<thead>
<tr>
<th>Discussed Topics</th>
<th>Parameters</th>
<th>Outputs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial centralization strategy</td>
<td>Identify Holdco’s strategy pros and cons</td>
<td>Internal strategy analysis</td>
</tr>
<tr>
<td>Internal environment</td>
<td>Identify required resources and their relevancy</td>
<td>VRIO analysis, internal strategy analysis, and SWOT analysis</td>
</tr>
<tr>
<td>External environment</td>
<td>Identify domestic competition</td>
<td>Porter’s five forces model, PESTEL analysis, and SWOT analysis</td>
</tr>
<tr>
<td>Openness to innovations</td>
<td>Identify BOD support and the possibility of adapting low-cost technologies</td>
<td>The ten types of innovation analysis</td>
</tr>
<tr>
<td>Alliencing strategy</td>
<td>Identify the possibility of alliencing and Universitas Internasional Semen Indonesia’s contribution to PT Semen Padang</td>
<td>Vertical integration and model for university - industry collaboration</td>
</tr>
<tr>
<td>Holdco-Opco influence</td>
<td>Identify possible bottom-up strategy initiatives and the possibility to become the leader in innovation</td>
<td>Subsidiary typological analysis</td>
</tr>
<tr>
<td>Opco strategy</td>
<td>Identify corporate diversification type and feasibility of product escalation</td>
<td>Corporate and business strategies</td>
</tr>
</tbody>
</table>

Source: Processed by the Author, 2019

Qualitative research utilizes collecting primary (essential) and secondary (auxiliary) data from three interviewees and external sources. Qualitative research is an interpretative method to portray, interpret, decipher, and explain current phenomena as the output (Maanen, 1979). The steps incorporate formulating questions, collecting information within the attendance setting, examining specific common topics, and providing the meaning of the data (Creswell, 2009). Qualitative research is necessary for the data collection and data analysis stages (Cooper & Schindler, 2014). According to Table 1, the research conducts the semi-structured interview method.

Questions were made on seven topics, arranging questions and answers with the interviewees to fulfill seven parameters, followed by word-for-word conversation writing, compiling the answer for every question, and analyzing the compilation to arrange the output. The interviewees are A. Koto (Head Dept of Clinker Production of PTSP), T. Hendrawan (Head Dept of Human Capital of PTSP), and A. Utami (BOD Staff of PTSP). Secondary (auxiliary) data characterizes as the studies done by others for a different research objective (Cooper & Schindler, 2014). Primary (essential) data is deficiently insufficient for concluding research. Therefore, secondary (auxiliary) data ought to collect, combined, and analyzed with the primary (Silalahi, 2006). The secondary data for this research accumulated from the electronic newspaper, books, electronic reports, corporate presentations, annual reports, and the internal data of PT Semen Padang and PTSI.
Internal data was re-arranged to preserve its secrecy. This research uses generic and thematic frameworks. The generic framework compromises the five forces model, PESTEL analysis, VRIO analysis, and internal strategy analysis. Inevitably, SWOT analysis combines and categorizes all identified environmental factors. The thematic framework comprises the UIC model and the ten types of innovation analysis. A shift in subsidiary type will analyze afterward. At last, the research formulates suitable corporate and business-level strategies. The VRIO framework is a resources-based model that assesses resource implications and competitiveness of an entity (Rothaermel, 2017). The resources separate into two: tangible resources and the intangible resources.

Every resource must be valuable, uncommon, exorbitant to imitate, and well-organized to improve esteem to end as a competitive advantage. Besides, immobile and heterogeneous resources are the two assumptions in employing this framework. The five forces model demonstrates the potency of profit and the competitive level of a particular industry (Rothaermel, 2017). This model analyzes the forces of new entrants, buyers, suppliers, substitutes, and the rivalry among competitors. PESTEL framework utilizes to scan, monitor, and evaluate the large-scale environment of a company (Rothaermel, 2017). The PESTEL stands for economic, political, technological, socio-cultural, legal, and ecological factors. PESTEL framework aims to recognize trends that might affect the entity ops. SWOT analysis presents the company external and internal environments (Rothaermel, 2017).

It also describes current strategy circumstances. The environment examines weaknesses, strengths, threats, and opportunities. Ivascu et.al created a preparatory university and industry collaboration model (Ivascu et.al, 2016). The creation is based on the viewpoint that a firm might not develop novel products themselves, and the information between the university and the industry is imperative for its innovativeness. There are six parameters for collaboration: culture, collaboration, financial support, knowledge sharing, barriers, and communication. The outputs are patent and licensing, tangible research, thesis, product commercialization, social benefits, and published research. According to Figure 4, the ten types of innovations framework distinguish innovations by splitting them into elements (Keeley et.al, 2013).

The framework permits an entity to know how and where to stride its innovativeness. The underneath image represents types of combinable innovation without order. Each element part into categories: offering, configuration, and experience. The offering category analyzes services/products, the configuration category analyzes the business system, and the experience category analyzes customer interaction variables.
Structure

Process

Offering

Product Performance

Product System

Experience

Service

Channel

Brand

Customer Engagement

Source: Keeley et.al, 2013

Figure 4. The Ten Types of Innovations

The subsidiary typological framework explains the impact of a company on its multinational parent headquarters company according to two dimensions. The dimensions are resource dependency and network embeddedness. These dimensions are selected based on the proposition that the more independent a subsidiary with higher network embeddedness to its Holdco, the more its influence on the Holdco strategy. At last, all analyses define corporate and business-level strategies. A corporate methodology characterizes the choices and goal-directed activities to realize a competitive advantage in a few businesses and markets (Rothaermel, 2017). In the interim, business strategy subtle the goal-directed activities management takes to reach competitive advantages when competing in a market (Rothaermel, 2017).

RESULT AND DISCUSSION

The research begins with recognizing the internal environment of PT Semen Padang by utilizing the VRIO framework, as shown in Table 2. Upon the examinations, few tangible and intangible resources embroil PT Semen Padang. Resources examine based on the rarity, valuability, organizability, and imitability viewpoints. Each asset influences PT Semen Padang in one of four ways: competitive parity or CP, sustainable competitive advantage or SCA, competitive disadvantage or CD, and temporary competitive advantage or TCA. VRIO Analysis of PT Semen Padang is displayed in table 2.

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Ability to raise capital</td>
<td>Yes</td>
<td>No</td>
<td>-</td>
<td>-</td>
<td>CP</td>
</tr>
<tr>
<td>Ability to utilize waste</td>
<td>Yes</td>
<td>No</td>
<td>-</td>
<td>-</td>
<td>CP</td>
</tr>
<tr>
<td>Ability to produce new products</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>TCA</td>
</tr>
</tbody>
</table>

Table 2. VRIO Analysis of PT Semen Padang
T Semen Padang has five factories with an annual capacity of 8.9 million tons (PT Semen Padang, 2018). The plant supports PT Semen Padang to meet its cement needs, which is not uncommon. PT Indocement Tunggal Prakarsa claims a factory capacity of 24.9 million tons per year (PT Indocement Tunggal Prakarsa, 2018). On the other hand, internet infrastructure forces PT Semen Padang to improve employee coordination and the potential for IoT implementation. Internet infrastructure is invaluable. The internet has become a necessity for the industry itself. The distribution network of PT Semen Padang is coordinated by PTSI because it is authorized to ship products in Sumatra. The distribution network is unprecedented and not easy to copy.

In case, PT Conch Cement Indonesia does not massively distribute its products over Sumatera Island after inaccessible local distributors to the accomplice (PT Conch Cement Indonesia, 2019). Unfortunately, the distribution network needs synergism (A. Koto, 2019). PT Semen Padang, on the other hand, can mine raw materials more flexibly and at lower costs than its competitors due to the proximity of its mining zone to its factories. When PT Conch Cement Indonesia needed to exchange raw materials from Merak to Kalimantan due to the absence of a Kalimantan mining permit (Tradeship Publications Ltd, 2019; Lasmianti, 2014). The mining area is also uneasy secure following the high potency of public rejection before its opening (Ismanto, 2013).

The geographical vicinity to other countries grants PT Semen Padang effectivity and efficiency to export (A. Koto, 2019). Solely, PT Cemindo Gemilang has a similar geographical benefit as well (Tradeship Publications Ltd, 2019). This advantage is uncommon and exorbitant to mimic following enormous investment. In another case, raising capital ability is fundamental for every manufacturer. To date, Holdco favors the capital needs of its Holdco, including PT Semen Padang (A. Koto, 2019). But this ability is uncommon after the same capital-raising power of other manufacturers, particularly the private manufacturers (PT Conch Cement Indonesia is a subsidiary of Chinese Anhui Conch Cement).

Recycling waste is important to that transformation initiative. PT Semen Padang has the potential to reduce production costs by maximizing the energy obtained from waste. Waste can also be a source of income, but it can also be reused for operations. However, this capability is rare because competitors also use waste. For example, PT Indocement Tunggal Prakarsa uses iron slag.
biomass, copper slag, and other waste to produce products (PT Indocement Tunggal Prakarsa, 2017). On the other hand, the opportunity to develop new products can generate additional income for PT Semen. This ability is rare and forbidden. Companies need to invest more in research to create new ones. Unfortunately, the tested products manufactured by Holdco were developed in a reasonable time than they should be (T. Hendrawan, 2019). The engineering expert group allows PT Semen Padang to generate revenue from various services.

PT Semen Padang has the most excellent engineering capability compared to other Opco. This capability is uncommon and expensive to mimic. Building an advanced engineering capability needs investment. Be that as it may, its engineering group capability isn’t permitted to create innovative cement and clinker products, but the Holdco. In other cases, the human asset advancement capability is crucial to PT Semen Padang. PT Semen Padang plans its employees to be adaptive, compete in external competitions, and digitalize its human resources system. Although the BOD bolsters this activity, BOD focuses more on coordinating profitability subjects (T. Hendrawan, 2019). CHAMPS, a culture of PTSI, speaks to three corporate values: persistence, agility, and innovativeness (PT Semen Indonesia, 2018). Corporate culture is created and maintained, so it considers uncommon.

CHAMPS is hard to mimic after the nature of culture as a casual ambiguity. Unfortunately, PTSI disrupts the Opco culture by adding the values of militancy, synergy, and integrity without earlier understanding, which the corporate culture vague (T. Hendrawan, 2019). In another case, the oldest domestic company (PT Semen Padang, 2018) demonstrates its business sustainability. Industry knowledge does not suddenly gain without a long learning process. Another internal environment investigation will be the internal strategy identification since the Holdco technique is novel. Concurrning to Table 3, a few challenges confronted by PT Semen Padang amid the commercial centralization. On the strategy side, PT Semen Padang actualizes differentiation and cost leadership strategy in parallel by focusing on production efficiency, plant efficiency, clinker spec customization for export deals, and the utilization of alternative raw materials.

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Indications</th>
<th>Current Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial centralization to the Holdco restricting PT Semen Padang to re-enter the Java Island market since May 2018.</td>
<td>Decrement in Java Island sales in 2018.</td>
<td>PT Semen Padang is strengthening its export sales.</td>
</tr>
<tr>
<td>Silos were often full during 2018.</td>
<td>Ineffective sales performance in 2018.</td>
<td>BOD tightened supervision of cement supply and distribution.</td>
</tr>
</tbody>
</table>
Forfeit the corporation status. | Withdrawal of the strategic functions. | BOD focused on production control, cost management only, and alleviating community tension.  
---|---|---
Uncertain coal quality. | Affecting production volume during 2018 and often below the work plans and budgets (RKAP) and order fulfillment. | BOD supported the re-evaluation of coal vendors to supply at least a prerequisite coal standard.  
---|---|---
Tighten internal and external career competitions. | Marketing dept transfer to Holdco as a part of the grand strategy. | Inter-departmental and inter-plant employee rotation. Recruitment centralized to Holdco.  
---|---|---
Rely on cost transformation. | Cost transformation contributed to an increment in 2018 net profit (22.3% above target), or else resulted in a 4.67% below net profit target. | BOD renegotiated land and sea transportation tariffs and raw material pricing from suppliers.  
---|---|---
Production planning difficulty due to a sudden demand change. | Immature coordination to handle production and marketing occurs. | BOD to complete a marketing blueprint for studying and planning procurement, marketing, and supply chain aspects.  
---|---|---
Knowledge transfers complexity. | Holdco assigning outsiders for leading the withdrawn functions. | Place PT Semen Padang representatives under the command of the Holdco top coordinators.  
---|---|---
Price-sensitive customers. | Customers are shifting to cheaper products. | Alternative raw material findings, streamlined production processes, and product quality stabilities  
---|---|---
Commercial centralization to holding company restricting PT Semen Padang to re-enter the Java Island market since May 2018. | Decrement in Java Island sales in 2018. | PT Semen Padang is strengthening its export sales.  
---|---|---
Silos were often full during 2018. | Ineffective sales performance in 2018. | BOD tightened supervision of cement supply and distribution.  
---|---|---
Forfeiting full set corporation status. | Withdrawal of the strategic functions. | BOD focused on production control, cost management only, and alleviate community tension.  
---|---|---
Uncertain supplied coal quality (procurement function has been centralized as of January 2019). | Affecting production volume during 2018 and often below the company’s work plans and budgets (RKAP) as well as order fulfillment. | BOD supported the re-evaluation of coal vendors to supply at least a prerequisite coal standard.  
---|---|---


The external environment comprises the five forces model and PESTEL analysis. Concurring to Table 4, the five forces show distinguishes a medium force of new entrants to the industry, a high force of buyers, a low-medium force of the industrial suppliers, a low force of substitute products or services, and a medium-high competition in the domestic cement industry. The Five Forces Model Analysis is used in this research as displayed in table 4.

Table 4. Five Forces Model Analysis
### New Entrants Threat (M)
1. Rising setup cost
2. Alliencing distributors
3. Cement and clinker import permit
4. Low product differentiation
5. Ease in building the brand
6. Growth of overseas competitors

### Buyer’s Bargaining Powers (H)
1. Low switching cost
2. Bulk customer dominance
3. Distributors are relying on credits
4. Export-focused
5. Price-sensitive customers
6. Near-similar quality perception

### Suppliers Bargaining Powers (L-M)
1. Narrowed ship agents and freight forwarders channel
2. Dependable to coal suppliers
3. Narrowed machinery channel
4. Independent of external limestone and silica stone
5. Dependent on outsourced iron sand and gypsum

### Substitute Threats (L)
1. Prefab houses are still using cement and concrete
2. No cement substitutes in Indonesia

### Competitors (M-H)
1. New cement players disrupt the market
2. Consolidation of the first-tier manufacturers
3. Excess domestic capacity
4. Homogenous products are tensing the domestic competition

Source: Processed by the Author, 2019
Whereas the factors and impact in political, economic, sociocultural, technological, ecological and legal are displayed in figure 5.

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**FACTORS & IMPACT**

<table>
<thead>
<tr>
<th>POLITICAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Prompt infrastructure development in Indonesia.</td>
</tr>
<tr>
<td>2. Export intensification.</td>
</tr>
<tr>
<td>3. Infrastructure development focused on East Indonesia, resulting in a regional shift in demand.</td>
</tr>
<tr>
<td>4. Indonesia’s energy price decrement</td>
</tr>
</tbody>
</table>

**ECONOMIC**
1. Indonesia’s economic slowdown aligns with the year-over-year domestic cement sales slowdown.  
   Negative
2. Decrement in West Sumatra and the National open unemployment rate.  
   Positive
3. Unattractive crude oil price which reduces the demand for oil well cement.  
   Negative

SOCIOCULTURAL
1. Negative West Sumatra people’s perception of the current Holdco-Opco system.  
   Negative
2. Millennials’ preference to live in an apartment.  
   Negative

TECHNOLOGY
1. Massive tech development leads to the emergence of tech vendors.  
   Positive
2. The availability of supplementary cementitious materials cement derivatives, and cement substitutes.  
   Positive

ECOLOGICAL
1. Waste reutilization potential.  
   Positive
2. Environmental issues (natural and social) threatening the firm’s credibility.  
   Negative

LEGAL
1. Indonesia’s investment slowdown following investing legal uncertainty.  
   Negative
2. Cement and clinker import permit.  
   Negative

Source: Processed by the Author, 2019

Figure 5. PESTEL Analysis

According to Figure 5, the PESTEL identifies a positive impact from the political factors, negative implications from the economic factors, a negative impact from the sociocultural factors, a positive impact from the technological aspects, a neutral impact from the ecological factors, and a negative impact from the legal aspects. According to Figure 6, the internal and external environments combine as a SWOT, describing seven strengths to utilize, 13 weaknesses to overcome, ten opportunities to grab, and ten threats to be aware of.
1. Commercial centralization strategy cuts Opco transportation costs.
2. Ease in accessing bulk deals for Opco.
3. Guaranteed production continuity for fulfilling domestic and overseas demands, especially for bulk deals.
4. Strengthened export sales.
5. Owning mining area.
6. Geographic location near other Southeast Asian countries.

1. Wiped out its corporation status.
2. Limitation on the distribution area.
3. Competition avoidance among Opco restrains Opco potency.
4. Holdco’s profitability-centric without considering Opco’s strategy.
5. Uncertain supplied coal quality.
6. Tightened career opportunities.
7. Incomplete commercial blueprint.
8. Heavily relying on production efficiency.
9. Immature production and marketing coordination.
11. Complexity in knowledge transfers to Holdco.
12. High frequency of idled plants.
13. Stuck in between differentiation and cost leadership strategy.

### Opportunities

2. Domestic energy prices decrement.
3. Decrement in the domestic open unemployment rate.
4. Waste re-utilization potential.
5. The availability of supplementary cementitious materials, cement derivatives, and cement substitutes.
6. Massive tech development leads to the emergence of tech vendors.
7. Export intensification following the deficit balance of trade.
8. The medium threat of new entrants.
9. Low to medium power of suppliers.
10. Low threat of substitute.

### Threats

1. Domestic economic slowdown aligns with domestic cement sales slowdown.
2. Unattractive crude oil price reduces the demand for oil well cement.
3. Negative local perception of Holdco-Opco status.
4. Millennials prefer to rent an apartment than buy a house.
5. Environmental issues (natural and social) affect the credibility of Opco.
6. Indonesia’s sia investment slowdown following investing legal uncertainty.
7. Cement and clinker import permit.
8. Infrastructure development focused on East Indonesia. Resulting in a regional shift of demand.
9. High power of buyers.
10. Medium to high-level rivalry among competitors.

*Source: Processed by the Author, 2019*

**Figure 6. SWOT Analysis of PT Semen Padang**

From a value chain perspective, the division of roles between PT Semen Padang and PT Semen Indonesia is described. From overviewing the role division, the study can identify the opportunities amid limitations on post-commercial centralization strategy. According to Table 5, Binding means the division of roles is regulated. A dual function means that both units perform the same activity in parallel. From a value chain perspective, this study finds that PT Semen Padang can maximize the development of processes, non-cement
products, non-clinker products, and cement outer chains. A division outline between PTSP and PTSI analysis from a value chain viewpoint.

The overview recognizes opportunities during restrictions on post-commercial centralization. According to Table 5, binding implies the division of roles is regulated. Dual functions mean both entities are doing the same activities in parallel. From the value chain viewpoint, PT Semen Padang could maximize its non-cement products, process development, non-clinker products, and the non-cement business.

**Table 5. The Value Chain Viewpoint of PT Semen Padang**

<table>
<thead>
<tr>
<th>Value Chain</th>
<th>PT Semen Indonesia</th>
<th>PT Semen Padang</th>
<th>Binding?</th>
<th>Dual Functions?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inbound Materials</td>
<td>e-tender, Discount negotiation, purchase order release, long-term sourcing</td>
<td>Define needs, the supplier evaluation, invitation, internal price evaluation</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Cement and clinker Production</td>
<td>Production</td>
<td>All, except derivative products (produce by affiliates)</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Process Development</td>
<td>Internal findings</td>
<td>Internal findings</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Marketing</td>
<td>All products</td>
<td>Services and derivative products</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Transportation and distribution</td>
<td>Fully in-charge</td>
<td>-</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Product Development for downstream business</td>
<td>Enrichment through acquisition</td>
<td>Commercialization stage</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Outside cement chain</td>
<td>IT, real estate developer</td>
<td>Real estate developer (affiliate)</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

*Source: Processed by the Author, 2019*

The product development role of PT Semen Padang is displayed in figure 7.

**Figure 7. The Product Development Role of PT Semen Padang**

Holdco built up Universitas Internasional Semen Indonesia in 2015 and its corporate universities in 2017 (Thenu, 2014). A foundation of UISI is to create advancements for PTSI (Universitas Internasional Semen Indonesia, 2016). In the meantime, corporate universities have transformed from diminishing competencies crevices to solution providers (PT Semen Indonesia, 2018). Unfortunately, UISI and the corporate university’s contribution to creating advancements for Opco are inconsequential (A. Utami, 2019). Thus, PT Semen Padang is focusing on setting up new collaborations on its own by 2021 (PT
Concurring to Table 6, the solution is to adopt the UIC model with several key success factors on six evaluation parameters.

**Table 6. Parameters and Success Factors of the UIC**

<table>
<thead>
<tr>
<th>Evaluation Parameters</th>
<th>Key Success Factors</th>
</tr>
</thead>
</table>
| Collaboration         | 1. The number of relevant research done by academia and students.  
                        | 2. The number of patented research.  
                        | 3. The number of commercialized research. |
| Knowledge sharing     | 1. Academicals-industrials presentations.  
                        | 2. The exchange programs to the university research center and vice versa.  
                        | 3. Internal learning module development for the newly developed products and processes. |
| Culture               | 1. Innovation culture creation “innovation comes from anyone”.  
                        | 2. The number of exchanges of know-how with academia and students. |
| Financial Support     | Productive cash outflow through internal cost reduction from commercialized research. |
| Communication         | Scheduled progress and targets alignment “who does what and when”. |
| Barriers              | Cultural gaps (i.e., study vs solve, slow vs fast, constraint vs possibility), resources insufficiency, and trust issues. |

*Source: Processed by the Author, 2019*

Based on the explanation above, the current and proposed innovations of PT Semen Padang are displayed in table 7.

**Table 7. Current and Proposed Innovations of PT Semen Padang**

<table>
<thead>
<tr>
<th>Elements</th>
<th>Current Combination</th>
<th>Proposed Combination</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit Model</td>
<td>□</td>
<td>□</td>
<td>Penetrate online housing solutions and an online cement-related course platform.</td>
</tr>
<tr>
<td>Network</td>
<td>□</td>
<td>□</td>
<td>Adopt the University-Industry collaboration.</td>
</tr>
<tr>
<td>Structure</td>
<td>□</td>
<td>□</td>
<td>Non-Cement Business Incubation Unit should act as an intra-organization collaboration leader of change.</td>
</tr>
<tr>
<td>Process</td>
<td>□</td>
<td>□</td>
<td>Broaden internet accessibility and champion industrial 4.0.</td>
</tr>
<tr>
<td>Product Performance</td>
<td>□</td>
<td>□</td>
<td>The proposed digital products’ performance is yet to evaluate.</td>
</tr>
<tr>
<td>Product System</td>
<td>□</td>
<td>□</td>
<td>Proposed digital products’ systems are yet to evaluate.</td>
</tr>
<tr>
<td>Service</td>
<td>□</td>
<td>□</td>
<td>Maintain as is.</td>
</tr>
<tr>
<td>Channel</td>
<td>□</td>
<td>□</td>
<td>Intensify social media for the non-cement and non-clinker products that are allowed.</td>
</tr>
<tr>
<td>Brand</td>
<td>□</td>
<td>□</td>
<td>Brand extension.</td>
</tr>
<tr>
<td>Customer Engagement</td>
<td>□</td>
<td>□</td>
<td>Create web-based and mobile app interactive forums.</td>
</tr>
</tbody>
</table>

*Source: Processed by the Author, 2019*

According to Table 7, PT Semen Padang implements three out of seven possible innovation elements: the network, the process, and the service. PT Semen Padang could enforce other innovation elements to tackle post-commercial centralization strategy limitations: the profit model, the structure, the channel, and the customer engagement. The product performance and
system are yet to evaluate while no suggestion for a new brand element. This study proposed strategic activities of PT Semen Padang as displayed in Table 8.

Table 8. Proposed Strategic Activities of PT Semen Padang

<table>
<thead>
<tr>
<th>Strategic Activities</th>
<th>Upward Dimension</th>
<th>Horizontal Dimension</th>
<th>Downward Dimension</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1. Setting up and maintaining university collaboration to strengthen its mandated current value chain.</td>
<td>1. R&amp;D staffing (the mediator of the collaboration) across production and marketing-related departments.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. Setting up and maintaining the affiliation collaboration to develop the proposed digital products.</td>
<td>2. Learning module development.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3. Internal alignment through scheduled interactions.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>4. Emphasizing innovation culture.</td>
</tr>
<tr>
<td></td>
<td>1. Championing digitalization initiatives to grab new sources of income.</td>
<td>1. Setting up and maintaining university collaboration to strengthen its mandated current value chain.</td>
<td>1. R&amp;D staffing (the mediator of the collaboration) across production and marketing-related departments.</td>
</tr>
<tr>
<td></td>
<td>2. Championing cost transformation initiatives to maximize its role in the current value chain.</td>
<td>2. Setting up and maintaining the affiliation collaboration to develop the proposed digital products.</td>
<td>2. Learning module development.</td>
</tr>
<tr>
<td></td>
<td>3. Vocalizing the firm’s success.</td>
<td></td>
<td>3. Internal alignment through scheduled interactions.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>4. Emphasizing innovation culture.</td>
</tr>
</tbody>
</table>

Key External

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1. PT Semen Indonesia.</td>
<td>1. Academia and students for strategic activities no. 1.</td>
<td>None.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. PT Sinergi Informatika Semen Indonesia, overseas technology developers, broad communities (researchers, students, engineers, and public), and broad industries (as a customer) for strategic activities no. 2.</td>
<td></td>
</tr>
</tbody>
</table>

Key Internal

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Board of Commissionaires, Board of Directors, all Head Departments, and all R&amp;D staff.</td>
<td>All R&amp;D staff across production and marketing-related departments:</td>
<td>Board of Directors, all Head Departments, Head of Bureau, Head of Divisions, and Head of Functions.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1. Production Planning and Control.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3. Clinker Production.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>4. Cement Production.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>5. Maintenance.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>7. Non-Cement Business Incubation (Head Unit).</td>
<td></td>
</tr>
</tbody>
</table>

Source: Processed by the Author, 2019

Holdco’s choice to constrain PT Semen Padang’s part on its value chain, whereas it has the required assets to execute all activities, demonstrates PT Semen Padang’s role as an autonomous subsidiary with minor impact. Consequently, by implementing the vital strategic activities in Table 8, PT Semen Padang might increase its network embeddedness and maintain its resource dependence to gain global subsidiary status. On this status, Holdco treats its subsidiary more like a partner. Thus, the subsidiary status shifted from autonomous to a global subsidiary mandate, according to Figure 8.
Figure 8. Subsidiary Typological Analysis of PT Semen Padang

By the company’s strategy, PT Semen Padang must be vertically integrated by strengthening relationships with PT Sinergi Informatika Semen Indonesia, Universities, and PT Igasar. The objective of vertical integration is to objectify complete internet accessibility, increment production effectiveness, and avoid sudden breakdown through predictive maintenance. PT Semen Padang ought to set the IT plan and fortify its collaboration because, in the meantime, PT Sinergi Informatika Semen Indonesia proactively creates IoT products (PT Sinergi Informatika Semen Indonesia, 2019). PT Igasar, an affiliate, currently plays its part in creating cement-derivative products, which doesn’t carry out by PT Semen Padang. PT Semen Padang should strengthen its relationship with PT Igasar to develop more goods because the delivery of new products is currently behind schedule.

The Non-Cement Business Incubation Unit acts as an intermediary between the two units. Based on the UIC discussion, PT Semen Padang has the potential to gain many benefits by strengthening its relationship with the university. UIC not only avoids speculative investment in product development but also facilitates diversification (eg cement derivatives such as RUSPIN, RIKA, and ready mix concrete types). As shown in Figure 9, diversification according to the company’s different products. New digital products can solve short-term problems.

For instance, creating online housing solutions and online course apps potentially contribute at the slightest 30% to its income. In addition, PT Semen Padang has the potential to diversify its cement derivative products such as...
RIKA, RUSPIN, and ready-mix concrete, as shown in the company's proposed improvement in the figure below.

**Current Corporate Diversification**

- > 95% revenue from cement and clinker production

**Proposed Corporate Diversification**

- < 70% revenue from cement and clinker production

- Related-linked type

**Online housing solutions** (i.e., drafting services, consultation, budgeting)

**Online cement-related course platform creation** (i.e., tech, constructions, material science, productions, operations topics, etc.)

*Source: Processed by the Author, 2019*

**Figure 9. Proposed Diversification of PT Semen Padang**

Concurring with the business strategy point of view, PT Semen Padang ought to actualize cost leadership as a portion of its competitive strategy, such as making a complete standard formula for satisfying overseas clinker requests as early as conceivable. Per now, customizing the clinker is inclined to equipment trouble. PT Semen Padang ought to utilize cost-saving tech. To date, industrial 4.0, including the IoT, demonstrates the most reliable method of accomplishing high process efficiency.

There are also a few areas to be improved, such as the predictive maintenance area, predictive product quality area, and the predictive energy consumption area of the plants. At last, PT Semen Padang ought to build the UIC as its cooperative strategy. This strategy will grant benefits such as the plausibility of doing mass R&D to its process, products, and marketing. The UIC avoids mass-prerequisite investment speculation on developing its own.

**CONCLUSION**

Before commercial centralization, PT Semen Padang was responsible for upstream and downstream activities. Responsible for incoming materials, cement and clinker production, transportation, distribution, downstream operations, and non-cement operations. In post-commercialization centralization, PT Holdco limited Semen Padang by centralizing its functions. By creating an online housing solution and online platform for cement-related
courses, PT Semen Padang will be able to understand its proposition, expand its market segment and build a sophisticated knowledge system itself.

The role of the Non-Cement Business Incubation Unit could improve the R&D in several aspects: the physical and digital products development, championing industrial 4.0, social media escalation, and marketing digitization. From the corporate-level point of view, PT Semen Padang ought to reinforce its ties with PT Igasar and PT Sinergi Informatika Semen Indonesia. Strengthening the bond with PT Sinergi Informatika Semen Indonesia to smoothen the IoT execution and other digitization activities is necessary.

In another case, fortifying the bond with PT Igasar anticipates affixing its NPD. From the business-level viewpoint, PT Semen Padang ought to actualize cost leadership by standardizing its clinker specs and utilizing cost-saving tech. In the long run, PT Semen Padang ought to seek after the UIC to execute enormous improvement in its process development, product development, and marketing of non-cement and non-clinker products.

RECOMMENDATION

PT Semen Padang will focus on emphasizing cooperation between universities and industry, improving partnership coordination, avoiding pitfalls in the middle of the strategy, overcoming factories with ideal capacities, and developing non-cement business incubation units. Integrate your research and talent development. Promote and develop cultural progress through IT planning initiatives, regular updates of learning modules, and regular reporting of achievements to Holdco.

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