Strategy Formulation of Patrakom's Business Portfolio Post-Acquisition by Telkom

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Abstract. *This study aims to provide a solution strategy formulation of portfolio management of Very Small Aperture Terminal (VSAT) product in the Telkom Group, particularly Patrakom. The research used qualitative model, conducted through statistic descriptive to processing the primary data. The value of the processing results are analyzed to find the meaning behind the value, seek connection with other data, and clearly reveals the relationship each other, to become a common understanding. Primary data through interviews of six experts. Secondary data from the financial statement documents, and consultant survey. The validity of the data through triangulation of different sources with the same technique. The result of six portfolio products research indicate "Current Product Position", for five products are superior and one product is mediocre. As for the "Estimated Product for the next 3 years", all are superior. There are two proposed strategies, namely: (1) Maintained strategy, maintaining the position of the product in the future in accordance with the position of the product at this time; and (2) Upgraded strategy, improve product positioning in the future to be better than the current one.*

Keywords. *mergers and acquisitions; product portfolio; VSAT; Strategy formulation.*

I. INTRODUCTION

Globalization and the ASEAN Economic Community (AEC) makes competition increasingly stringent and fierce in the ICT industry in Indonesia. To be able to compete in the global arena, the company seeks to achieve efficiency and increase market share, one of the strategies is through a merger or acquisition. Mergers and acquisitions in the telecommunications industry in particular satellite, occurred in the area of global and domestic. Examples in Indonesia is carried merger between Indosat, Satelindo, IM3, and Bimagraha 2003; Axis Telekom's acquisition by XL Axiata and acquisitions Patrakom by Telkom in 2013.

Mergers and acquisitions occured many in global arena and particularly for some of the telecommunication company engaged in the satellite industry, such as Panasonic Avionics, a leading provider of internet service flights (In-Flight Connectivity / IFC), acquired ITC Global of Houston, a provider of satellite communications for the energy, mining and maritime market [1], the acquisition occurred in 2015 and in the same year, SpeedCast International, service provider mobile satellite communication, buy SAIT communications, Greece and Cyprus, a provider of maritime communication with a customer base of as many as 2500 boats [2]. The motivation of corporate actions above, mostly to expand its customer base and satellite coverage acquirer. But there is also aiming to improve company operations.

This study aims to provide a solution for strategy formulation of VSAT product portfolio management in Telkom Group after acquisition, in particular with regard to Patrakom and Metrasat synergies. This business portfolio management strategy was in order to support corporate action activities in Telkom's strategic business development, both in Patrakom, Metrasat or a combination of both.

The primary data collection in this research was conducted through interviews with six experts who have at least five years of struggling competence in the satellite industry for six VSAT products. The secondary data collection was from financial report documents, consultant survey, and documents related to the satellite industry.

Data validation through triangulation of different sources with the same technique, supported by the secondary data. The collection of data, grouped into three criteria, external to quarry business opportunities, internal to quarry business strengths, and strategic compliance to alignment of market attractiveness and competitiveness of products with the vision, mission and strategic goals of the company.

II. LITERATURE STUDY

A. Strategy

The concept of strategy in the context of the business initiated by Andrews et al. cited by Heracleous [3], that strategy is “the pattern of objectives, purposes, or goals and major policies and plans for achieving these goals, stated in such a way as to define what business the company is in, or is to be in and the kind of company it is or is to be”

Ansoff [4] argues that “strategy is one of several sets of decision-making rules for guidance of organizational behaviour”. Size can be qualitative (target achieved, objectives) and quantitative (results to be achieved, goals). The strategy has four interrelated components, namely: (1) the direction and strength of growth areas (geographical growth vector); (2) competitive advantage; (3internally generated synergies; and (4) strategic flexibility [4]. Heracleous [3] adds an element that is still relevant (5) product-market scope; and explains the strategic flexibility as the decision to make or buy from the outside (make or buy decisions), the fifth being “red thread” for the company in determining the direction and type of their business to grow. This model is commonly known by Ansoff's product / mission matrix (Figure 1).

As for Hamel and Prahalad [5], the strategy described as something elastic (stretch) and utilizing existing (leverage). Elastic meant by finding a niche market that is untapped, compared to head to head with a market that has been tilled competitors, focus investment on a relatively small number of core competencies possessed are believed likely to be large, superior and forced to build a fabrication process slim with an emphasis on maximum results from minimal process (more with less). And take advantage of what the company had, not just allocate it alone, is in more creative ways. Resource utilization provide a far different approach when compared with streamlining and trimming measures organization, restructuring and savings are commonly used by business managers around the world.

From the above explanation, it can be said that the strategy has two basic meanings. First, Strategy has two fundamental meanings. First, it is forward looking. It is about deciding

market \ product	present	new
present	market penetration	product development
new	market development	diversification

Figure 1. Ansoff's product/mission matrix

where you want to go and how you mean to get there. Second, The second meaning of strategy is conveyed by the concept of strategic fit. The focus is upon the organization and the world around it. To maximize competitive advantage a firm must match its capabilities and resources to the opportunities available in the external environmen [6].

B. Strategic Approach and Product Portfolio

Ritson [7] split strategic management into three streams / doctrine or approach, namely: (1) “the planning school” by Andrew (1971) and Ansoff (1965), which tried to adjust its strategy to its environment; (2) “the positioning school” that formulate strategies analytically and rationally with the purpose of placing a company or product in a favorable environment, proposed by Porter (1980) with BCG Matrix output; and (3) “the resource based school”, based on “insideout”, proposed by Jay Barney (1991) and Robert Grant (1998) where the competitive advantage of organizations based on resources, capabilities and competences of the company but not owned by competitor. GE also pioneered a form of the approach known as GE Matrix. Analysis of the product portfolio is a combination of firm strength position ratings and product attractiveness ratings in the market [8].

C. Product Portfolio Management

The success of a company or organization is how they find ways to differentiate themselves from others. With portfolio management, can assist in making decisions that will differentiate them from competitors [9].

Portfolio Management is a dynamic decision-making process, where project planning on a business / new products (and the status of development) will always be up-to-date and revised. In this process, new projects are evaluated, selected and given a priority level; existing projects, accelerated, suspended or shut down; and resources are allocated and relocated to existing projects.

There are four major objectives in business, if it is related to portfolio management [10], namely: (1) Value maximization, by allocating resources, so as to maximize the value of the portfolio; (2) Balance, his main concern is to develop a balanced portfolio - to achieve the desired balance of the project with a number of parameters; (3) Strategic Direction is to ensure that, regardless of all other considerations, the portfolio end of the project truly reflects the business strategy - that a breakdown of spending the entire project, regions, markets, and others, are directly linked to the business strategy ; and (4) Number of Projects Right, because most companies have so many projects with limited resource availability. The ultimate goal is to ensure a balance between the resources required for the "GO" project and the resources available.

D. The Three Horizons of Growth Model

The Three Horizons of Growth Model was developed by McKinsey (Figure 2). Horizon 1 is an existing business enterprise that has a lifespan, growth rates and limited benefits. Horizon 2 is a newly developed business and will represent the company's business in the future to replace the business horizon 1. Horison 3 is a new business idea or business embryos that will grow into a business horizon 2 and later became the first business in the future horizon.

The product portfolio's analytical approach above aims to manage the product portfolio through the balance of the portfolio in the context of sustainable growth of business enterprises. The balance of the portfolio contributes to competitive advantage and reduce the risk and uncertainty [8].

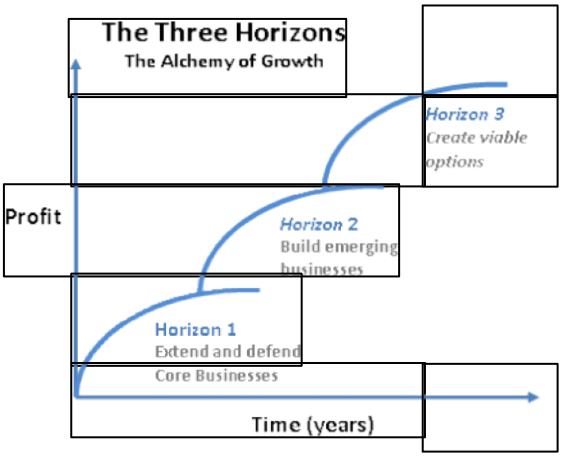
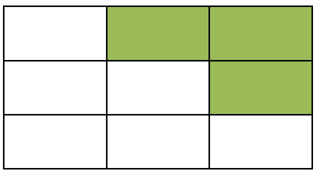


Figure 2. The Three Horizons of Growth Model.
(Source: Baghai, M., Coley, S., and White, D., 1999)

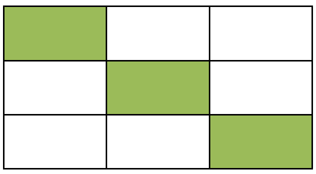
E.General Electric Matrix Position and Strategy

GE Matrix / McKinsey divided into nine cells - nine alternatives for positioning of each SBU or product offering. Based on business strength and market attractiveness of each SBU, it will have a different position in the matrix. Furthermore, the size of the market and the current sales will distinguish each SBU.

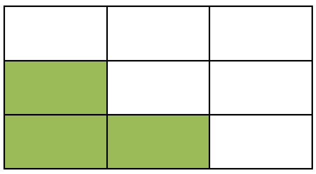
Based on a clear understanding of all the factors that decision makers are able to develop an effective strategy. Nine cells in the matrix can be grouped into three main segments:



Segmen 1



Segmen 2.



Segmen 3.

1) Segment-1: This is the best segment. Having a strong business and attractive market. The company's strategy with the need to allocate resources in this segment and focus on business growth and increase market Segmen-1 share.
2) Segment-2: Having a good business and strong, but the market is not attractive or otherwise, a strong market and business is not strong enough to pursue potential opportunities. The decision-makers have tomake strategic decisions about how to deal further with this SBU. Some of them might consume a lot of resources and does not promise while others may require additional resources and better strategies for growth.
3) Segment-3: This is the worst segment. Business in this segment of the market is weak and unattractive. The decision-makers should consider repositioning the SBU to the different market segments, offers cost-effective to develop a better, or get rid of this SBU and invest resources into more promising and exciting SBU.

F. Normative Strategies for Outstanding Product

The company's performance can be improved by formulating the right strategy for each product. The normative strategy is reference in formulating strategy which is divided into nine quadrant groups according to the matrix product positioning based on the level of attractiveness of the industry and the competitive position of the company / product. After mapping the existing product (current position), it can be seen normative reference to the formulation of strategies for managing the company's products.

Strategies proposed to shift the position of the product in accordance with the agreement the position of the product in the future, called the proposed product strategy. There are two types of proposed product strategy [8][11], as follow:

1) Upgraded strategy, which is a strategy to improve the positioning of products in the future to be better than the current one; and
2) Maintained strategy, the strategy to maintain the position of the product in the future in accordance with the position of the product at this time.

G. Theory of Constraints

Theory of constraints / TOC is a process improvement methodology oriented system, is based on the theory that the system has the sole purpose of making a profit and that the system consists of several related activities, with one of the activities can be an obstacle to the entire system. TOC is a methodology that focuses on how to eliminate and exploit constraints in order to optimize throughput. Identify constraints allow management to take the necessary steps to reduce obstacles in the future.

A constraint is anything that limits the system to achieve the goals or desired level of performance. Constraints can be seen as structural barriers that determine the maximum capacity of a system. Experience shows that many of the constraints of the organization are policy or procedural constraints rather than physical. In many cases, what limits or sometimes even reduce the organization performance are actually organizational management policies and operating procedures [12].

III.RESEARCH METHOD

A. Portfolio Management Framework

Quoted from Pramudiana & Rismayani [8], that for the business process of managing a portfolio of products, there are a series of work that needs to be done from start to collect data, analyze, interpret, make decisions, and formulate strategies. This series of work is mapped out in the framework of the management of the product portfolio.

Product portfolio management framework consists of several stages. The stages in managing the company's product portfolio multibisnis and multiproduct, are, as follows: (1) gathering empirical and historical data. Data were collected by conducting interviews, direct or written questions packed in the form of a questionnaire that can be filled by the respondents, and also discussions through social media; (2) Establish analytical tools and; (3) Conduct analysis and mapping process; (4) Mapping Products, the position product portfolio matrix, the picture of the position of products based on real data or historical to current (current position) and is based on estimated future position. From this stage, identified superior and non superior products; (5) Assess product superiority alignment with strategic product parameters, a parameter-setting strategic level product in the context of the company's overall strategy. These parameters include: strategic objectives, strategic constraints, strategic competence, and strategic interlocking; (6) Product Policy Analysis is the process of analyzing the position of the product within the framework of the company's overall strategy derived from the strategic level parameters of the product; (7) Product lntended Position is the process of identifying and establishing a superior product (seeded product) and the products are turned off (pruned product); and (8) Proposed Product Strategy is product strategy recommendation.

B. Analytical Instruments

The research used qualitative model, conducted through statistic descriptive in the processing of primary data to obtain the average value of the weights and scores of expert assessment which are subsequently applied into nine cells of GE Matrix / McKinsey. The value of the processing results are analyzed to find the meaning behind the value, seek connection with other data, and clearly reveals the relationship each other, to become a common understanding.

The primary data collection in this research was conducted through interviews with six experts who have at least five years of struggling competence in the satellite industry for six VSAT products, namely VSAT-IP (corporate internet broadband), IDR (2 Megabyte per second/Mbps leased circuit), DS3 (45 Mbps for lease circuit), STM-1 (155 Mbps leased circuit), MANGOESKY (retail internet broadband), and MARITIME (maritime internet broadband). The secondary data collection was from financial report documents, consultant survey, and documents related to the satellite industry. Data validation through triangulation of different sources with the same technique, supported by the secondary data.

The collection of data, grouped into three criteria: (1) external to quarry business opportunities; (2) internal to quarry business strengths; and (3) strategic compliance to alignment of market attractiveness and competitiveness of products with the vision, mission and strategic goals of the company. And with two conditions: (1) the current conditions (abbreviated as “current”); and (2) the condition of 3 years to come (abbreviated as “future”). External Factors include Regulatory, Technology, Economics, Demographics, Market and Industry Structure. Internal Factors include the ability Regulation, Funding and Finance, Industry Structure (inside-out), Marketing and Sales, Corporate Operations, Resources Organization, and Human Resources. While strategic compliance covers strategic objective, strategic constrains, strategic interlocking, and strategic competences.

C. Mapping Products

The results of primary data processing of external and internal factors in the form of the average value of the expert assessment’s weights and scores were mapped into GE Matrix.

For example Product P mapping of the average value of external and internal factors (Table 1).

Table 1. Total Valoe Of Product

FactorsAssessed	Current' s TotalValue	Future's TotalValue
(1) External(Y-Axis)	1.49	1.58
(2) Internal(X-Axis)	1.66	1.81

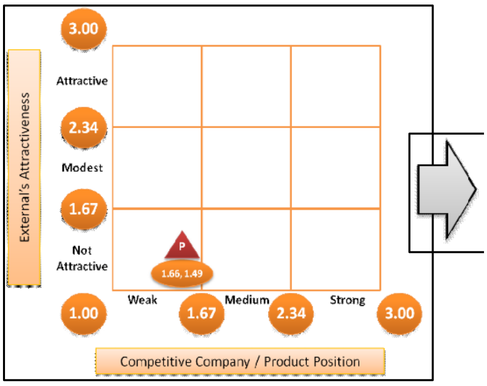


Figure 4. Current Product Mapping Positon

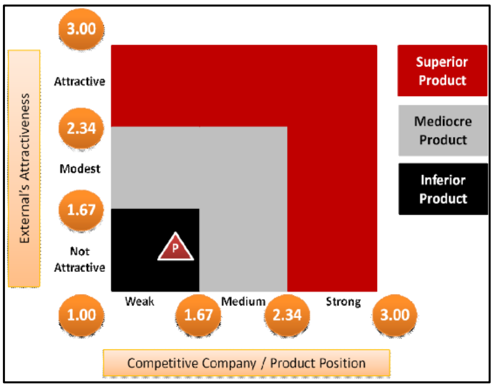


Figure 5. Superior and Non Superior ExistingProductsIdentification

Superior and Non Superior Existing Products Identification based on the reference value, as follows:

1) Superior Products is a product that has a value of internal and external value of more than 2:34.
2) Non Superior Products are classified into mediocre product and inferior product. Mediocre product is a product that has an internal and external value between 1.67 - 2:34. Inferior product is a product of external and internal value between 1.0 - 1.67.

The value of strategic compliance from data collection of product P can be seen in Table 2.

Table 2. Strategic Compliance of Product P

Strategic Compliance	Expert 1	Expert 2	Expert 3	Total
Strategic Objective	40.00%	40.00%	40.00%	
Strategic Constrains	20.00%	20.00%	10.00%	
Strategic Interlocking	20.00%	20.00%	20.00%	
Strategic Competences	20.00%	20.00%	20.00%	
Total Strategic	100.00%	100.00%	90.00%	96.67%

The calculation procedures of the adjustment score strategic compliance, is equal to 40% of the (amount % of sub parameter shared across the strategic objectives) + 20% of the (amount % sub parameter shared across the strategic constrains) + 20% of the (amount % sub parameter shared across the strategic interlocking) + 20% of the (amount % sub parameter shared across the strategic of competences).

From the calculation results will be obtained a score in three criteria scores, namely: strategic products (80-100%); semi strategic products (50-70%); and non strategic products (0-49%). Based the calculation above, the identification of strategic, P is worth a total of 96.67% (Table II), thus classifiable as strategic products (80100%).

Further step is to identification that the product is excellent products and prunned for current, based on prior identification, product P is an inferior product, so that the mapping into the Current Position vs Strategic Products Adjustment matrix, the product P is an Average product (Figure 6).

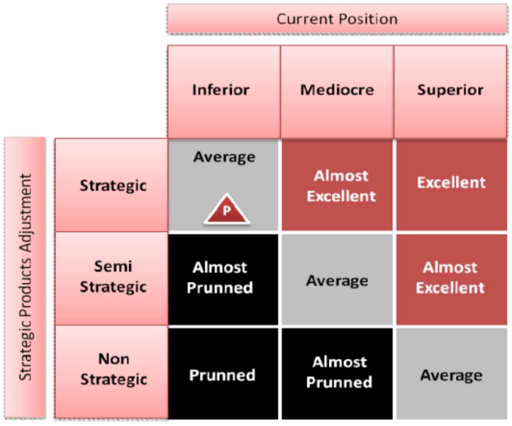
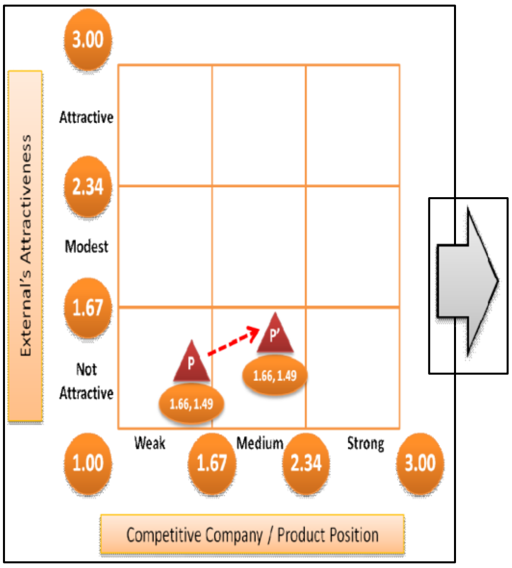


Figure 6. Current Position vs Strategic semi-strategic and non Products Adjustment Matrix strategic to the current state of product

By looking at the position of the product you want to jump in 3 years to come, mapping products like figure 7 and 8 below.



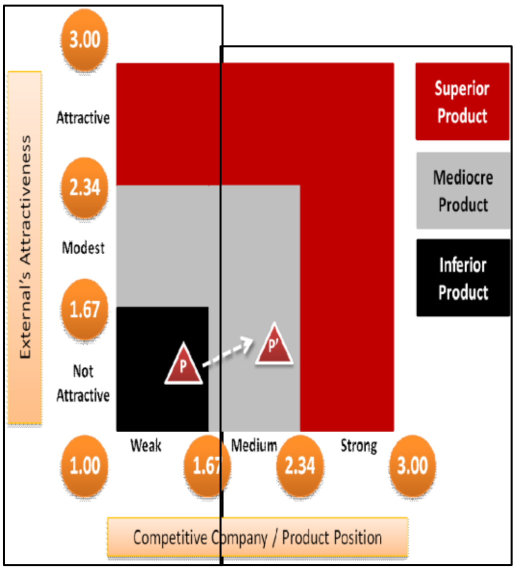


Figure 7. Intended Product Mapping Future Position (Product P')

Figure. 8. Superior and Non Superior Products Identification

Identification of strategic products, semi-strategic and non strategic to condition 3 years to come ("future"), product P' is still a strategic product for 3 years to come, assuming the total value of the current strategic compliance and next 3 years is fixed.

Further to the identification of excellent products and prunned for 3 years to come ("future"), based on the prior identification, product P' will be removed from the average product for current to become Almost Excellent products for the "Future" (Figure 9).

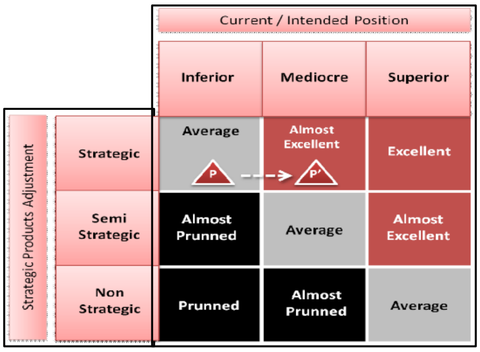


Figure 9. Intended Position vs Strategic product Products Adjustment Matrix

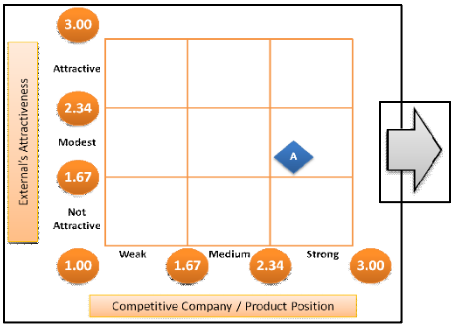
Proposed product strategy to shift the position of product P in accordance with the agreement the position of the product in the future of the product Average for today into products Almost Excellent for 3 years to come is upgraded strategy to improve the positioning of products in the future came to be better than the current position.

IV. RESULTS AND DISCUSSIONS

A. VSAT-IP, IDR, DS3, STM-1 dan MangoeSky

Product A represents products of VSAT-IP, IDR, DS3, STM-1 and MangoeSky because these five products having similar analysis results.

For mapping of current product position, based on the value of internal and external factors and based on product grouping of this existing product, identified and included into Superior products groups with the strong competitiveness and the intermediate opportunity for the company (Figure 10 and 11). And as strategic products with the total strategic compliance value is greater than 80%, Product A is an Excellent Product (Figure 12).



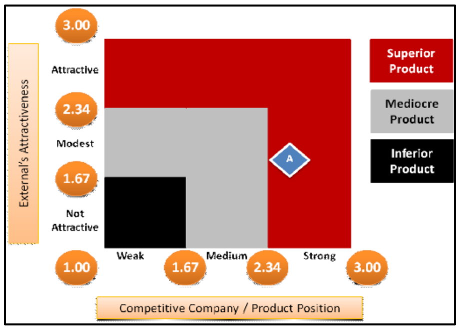


Figure 10. Current Product Mapping Superior Position (Product A)

Figure 11. Superior and Non Existing Products Identification

For mapping of estimated future position, based on the value of internal and external factors for the next 3 years. Superior and non superior product identification for 3 years to come indicate that the Product A' still in the position of Superior products with competitiveness and opportunity for the company are higher. And assuming that the total strategic value of the current and next 3 years still was fixed, then the Product A' is Still an Excellent Product for 3 years to come.

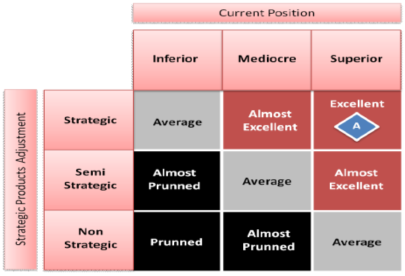


Figure 12 Current Position vs Strategic Products Adjustment Matrix

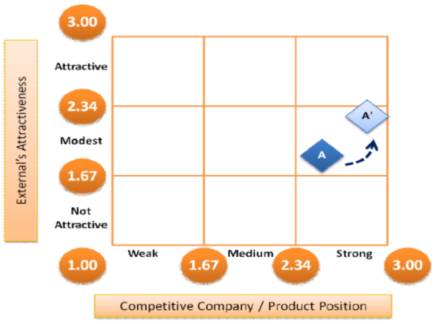


Figure 13. Estimated Future Product Mapping Position (Product A')

B. Maritime

Product M represent product Maritime itself, since only this product which the results of the analysis is different from other five products before. For mapping of current position product, based on the value of internal and external factors and based on product grouping of this existing product, identified and included into Mediocre products groups with the intermediate, both of competitiveness and opportunity for the company (Figure 14) And as strategic products with the total strategic value is greater than 80%, the Product M is an Almost Excellent Product (Figure 15).

For mapping of estimated future position, based on the value of internal and external factors for the next 3 years. Superior and non superior product identification the next 3 years indicate that the Product M' in the Superior product position as the position of the target (intended position) to become strong with competitiveness and opportunities product are increasing (between modest and attractive). And assuming that the total strategic value for the current and the next 3 years was still fixed, Product M' is still an Excellent Product for the next 3 years.

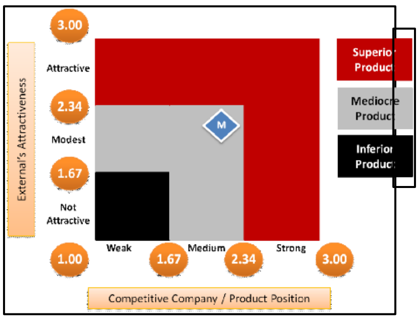


Figure 14. Superior and Non Superior Existing Products Identification (Product M)

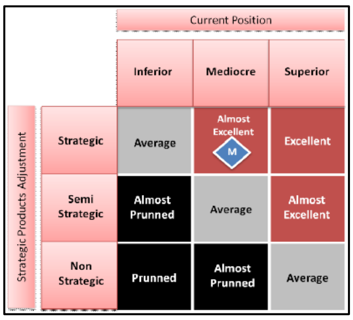


Figure 15 Current Position vs Strategic Products Adjustment Matrix

The six products above can be handled with two types of proposed product strategy: (1) Upgraded strategy; and 2) Maintained strategy. The following generic strategy :

1) Maintained Strategy :
   a) Increase Profits Through Productivity Growth, that is: Technology Alliance, the joint operation in the deployment of infrastructure facilities; (ii) Funding and Financing, by utilizing financing facilities in the form of Co-Borrowing; (iii) Industry Structure, needs to be re-evaluated for its capital structure (cost of capital); (iv) Marketing and Sales, by building a partnership of Bank-SME-Company and exploring opportunities in the maritime segment; and (v) Operating Company, with the concept of one-stop service registration or one gate shopping concept by establishing sales force in major cities.
   b) Building Ability To Fight Competition, this step can be done by increasing the capability of upgrading and adaptation of technology.
2) Upgraded Strategy

   Products for the current position and the next 3 years, they can be maximized by making both the company's competitiveness and opportunities, to be strong. This can be done by: 1) The maximum investment; and 2) Concentration to manage the power. Here are the things that can be suggested.

V. CONCLUSION

From the discussion above can be concluded, as follows:

Table 3. Conclusion

No	Portfolio Product	Existing	3 Tahun YAD
1.	VSAT-IP	Superior	Superior
2.	IDR	Superior	Superior
3.	STM-1	Superior	Superior
4.	DS3	Superior	Superior
5.	MangoeSky	Superior	Superior
6.	Maritime	Menengah	Superior

Generic strategies for superior products and to be a superior product, with strong competitiveness and intermediate opportunity company, are: 1) Increase profits through productivity growth; and 2) Developing the ability to fight off the competition. Both of these strategies also referred to as an Investment Challenge to Grow. Here's what to do, Based on product groupings, Current Position for all products (except Maritime) entered into the Superior Product groups with strong competitiveness and intermediate opportunity for the company, while the Maritime entered into the Mediocre Product group with both intermediate of competitiveness and opportunity for the company. For 3 years to come indicate that, all product in the position of Superior products with both of competitiveness and opportunity for the company are higher.

a) Maximum investment, it is in order to protect the market position and increase business growth and market share. And;

b) Concentration to manage strength (the order adjusted to the priority that must be done in advance): (i) Operations of the Company; (ii) Marketing and Sales; and (iii) Mastery of Technology.

IV. LIMITATION OF THE RESEARCH

The author realizes that this research still has limitations. This study used six experts, all from internal Telkom Group and also in this study has not yet touched the indicators of performance to be used as a measure of success in achieving the formulation of a product portfolio, it is suggested that if implemented research advanced:

1) Can combine expert Telkom Group's internal and external (Consultant Agent, Academics and Practitioners / Competitor); and

2) By entering the parameter indicators of success of a development portfolio of investigational product formulations;

the parameters indicators of success can be seen from several sides, for example: (i) marketing (brand, product awareness, new products, customer service); (ii) financial (revenue, EBITDA, net profit); (iii) human resources (corporate culture, productivity, innovation); (iv) organizational resources (organizational efficiency, bureaucracy in decision-making processes); (v) the company's operations (operational excellent, the chain of production, business processes); and (vi) the mastery of technology (technology adoption).

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