

ANALYSIS OF PT SIG CORPORATE STRATEGY IN THE GLOBALIZATION ERA

Aditya Gito¹, Fazah Zikri Soleha², Moh Abrori Akbar², Nabila Ghina Zahirah², Sulistiani Syafitri²

^{1,2} Master of Management University of Indonesia, Jakarta. Email: Email: adityagitop@ui.ac.id,

fazahzikris@ui.ac.id, abroriakbar@ui.ac.id.

Nabilaazahira@ui.ac.id. sulistianisyafitri@gmail.com

Abstract

This paper analyzes the corporate strategy and globalization of PT Semen Indonesia (SIG), the largest cement company in Indonesia. This case study aims to understand how SIG develops its business, the strategies used in global expansion, as well as the structure, control, and corporate culture that support these globalization efforts. In addition, this paper also discusses SIG's corporate governance, ethics, social responsibility and sustainability practices. This research uses qualitative analysis with case studies as the main approach. Data was collected through literature review, company annual reports, and other secondary sources. The analysis shows that SIG has successfully implemented diversification and integration strategies, both horizontally and vertically, to strengthen its market position and increase profitability. The company has also expanded into the global market through acquisitions and strategic alliances, with a focus on the Southeast Asian market. In conducting its business, SIG upholds the values of good corporate governance, business ethics, social responsibility and sustainability. The company has received numerous awards for its commitment to these practices. This case study provides valuable insights for stakeholders in the cement industry and other multinational companies looking to expand their business globally..

Keywords: Strategy, Globalization, Multi-national Company, Corporate Governance

A. INTRODUCTION

PT Semen Indonesia Group (SIG) is the largest cement company in Indonesia and Southeast Asia, with a market share of around 50% in Indonesia. The company has experienced rapid growth since its founding in 1957, and is now a major player in the regional cement industry. SIG plays an important role in infrastructure development in Indonesia, providing high-quality cement products for various construction projects. The company has also contributed significantly to national economic growth and job creation (Talitha, 2024).

SIG has implemented several strategies in its efforts to expand into the global market with the aim of creating opportunities for growth and business expansion (Kontan, 2024). Through strategic acquisitions and alliances, SIG demonstrates the company's ambition to become a global player in the cement industry. SIG's global expansion strategy is an interesting example to study, especially in the context of Indonesian state-owned companies that want to compete in the international market. SIG is committed to developing innovative, sustainable products and solutions (SIG, 2023). The company has invested in environmentally friendly technology and energy efficiency to reduce the environmental impact of its operations. SIG's efforts to combine innovation and sustainability are an example of responsible and forward-thinking business practices. SIG has a complex organizational structure, combining elements of functional and international structures. This structure is interesting to study because it reflects the challenges and opportunities faced by multinational companies in managing global operations.

SIG's commitment to good corporate governance has also been implemented in its operational principles. The company has an independent board of commissioners and directors, as well as an effective internal control system. SIG's commitment to GCG is an example of transparent and accountable business practices.

This study aims to understand how SIG has developed from a domestic cement company to a regional player, as well as to analyze the globalization strategy implemented by the company. This study will also examine the structure, control, and organizational culture of SIG in

supporting globalization efforts, as well as examine the corporate governance and ethics practices implemented. Thus, this study is expected to provide valuable insights for stakeholders, including investors, government, and the general public, regarding SIG's business strategies and practices in achieving success in the global market.

In line with the increasingly dynamic industrial development, SIG is increasingly faced with challenges to maintain its competitive advantage. The macroeconomic conditions in 2021 were marked by recovery from the recession caused by the COVID-19 pandemic. The Indonesian economy showed positive growth, although the pandemic continued to pose challenges, especially with the implementation of PPKM (Enforcement of Restrictions on Community Activities). The national economic recovery has led to a limited increase in domestic cement demand. However, the cement industry faces challenges such as excess production capacity and rising coal prices, which disrupt domestic coal supplies as an energy source. In addition, global attention to sustainability and climate change issues is increasing, requiring SIG to focus on sustainable practices.

In 2022, optimism emerged along with the increase in demand for cement due to economic recovery from the pandemic. However, the increase in demand did not last long. Since the second quarter until the end of the year, demand actually decreased due to a shift in the allocation of public consumption and high inflationary pressures due to the tightening of monetary policy. The increase in food and fuel prices has also caused a shift in people's spending priorities. This is exacerbated by the condition of the cement industry which is experiencing a high excess supply, because new players have started production, so that competition between players is getting tighter. In addition, the spike in energy commodity prices since the Russia-Ukraine conflict in early 2022 has also affected the condition of the cement industry.

The year 2023 continues the challenging situation and conditions for the cement industry in Indonesia. The recovery of national cement demand is still overshadowed by increasingly fierce competition and significant cost increases. This is due to the geopolitical conflict in Eastern Europe and the Middle East which has had an impact in the form of geopolitical tensions and disruptions to the supply chain of various commodities. In addition, the increase in the Fed's interest rate and the increase in the US Treasury yield have also encouraged investment flows out of developing countries, including Indonesia. SIG also supports the development project of the National Capital City (IKN) planned by the government until 2045 by opening a supply line for building material solutions including cement-based products, environmentally friendly cement, cement derivative products, and other building materials (Kontan, 2024).

B. DISCUSSION

Industry Structure

The cement industry in Indonesia experienced an oversupply in 2021, with total national cement production capacity increasing to 119.1 million tons at the end of 2021, while national consumption was 65.2 million tons. Although export volumes increased, domestic utilization rates remained low. Most cement producers in Indonesia adopted a low-price strategy, especially new players, to gain market share. This situation created price disparities in the market and challenged SIG to maintain its position as a market leader without engaging in a price war.

In 2022, the oversupply in the domestic cement market will continue, with national cement demand recorded to have decreased by 4.8% compared to 2021. This condition is exacerbated by the addition of new players playing in the second-tier segment which increases

the intensity of competition. Shrinking demand and increasing number of players make price sensitivity influential in consumer decisions to choose which cement brand to buy.

Furthermore, in 2023, the cement industry in Indonesia again showed signs of recovery, with domestic cement consumption growth reaching 3.5%. This growth was supported mainly by bulk cement consumption which increased by 12.8%, while bagged cement grew by 0.1%. Oversupply conditions still occur, as seen from the fairly large gap between installed capacity and realized cement sales. This year, SIG also controlled around 52% of the domestic market share and had a production capacity of around 116 million tons per year. This company plays a major role in major projects, including providing 80% of the cement needs for the construction of the National Capital City (IKN).

Current national production capacity exceeds demand, with the cement industry experiencing excess capacity of 51.8 million tons or around 45% of total installed capacity. To address this, the government through the Ministry of Industry (Kemenperin) has imposed a moratorium on new investment in this sector, except for areas that still require development such as Papua and Maluku.

Company Coordination

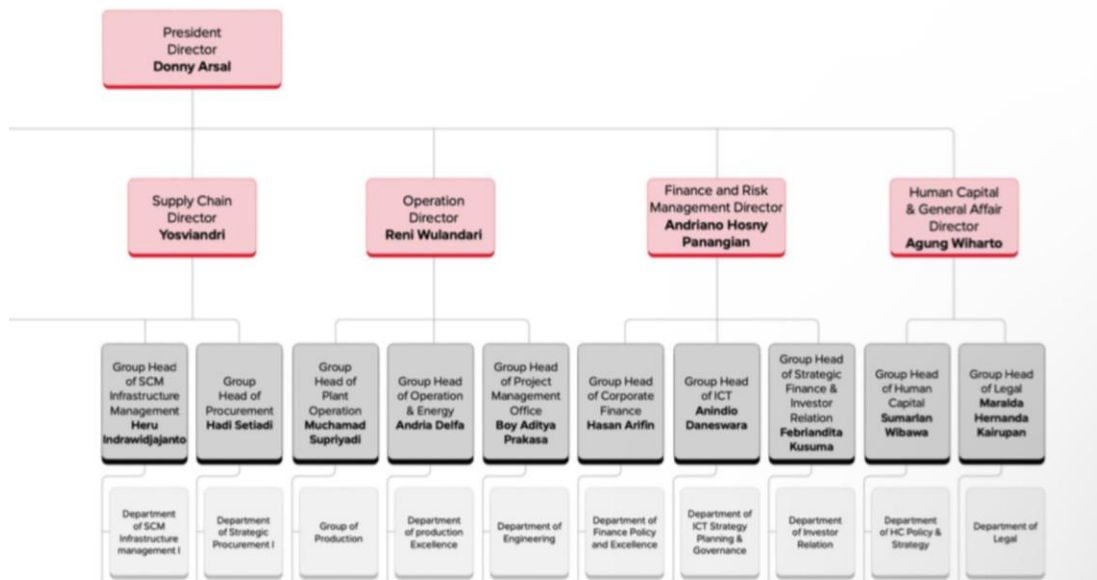
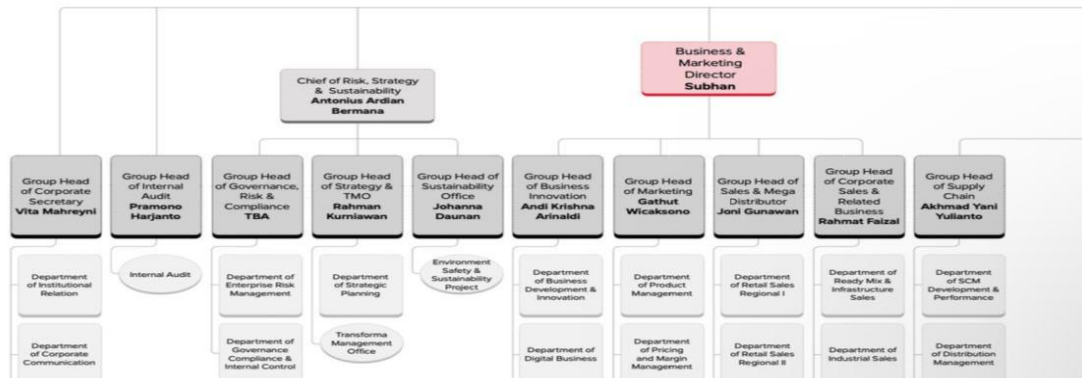
Centralized coordination: PT SIG has a head office that serves as a coordination and support center. The head office can set the overall strategic direction, establish company standards and guidelines, and share best practices and knowledge across regions. The head office can also manage the company's overall resources, including the allocation of financial, human, and technological resources to support operations in various countries.

Collaborative coordination: PT. SIG's organizational structure emphasizes effective communication and collaboration between local teams and headquarters. The company may have implemented sophisticated information and technology systems to share knowledge, market data, and best practices across the organization. Effective communication and collaboration ensure that the company can leverage local expertise and resources while maintaining brand consistency and product quality across its operating regions.

Organizational Design:

- a.** Specialization - an organizational element that describes the extent to which a task is divided into separate jobs (i.e., a rigid division of labor).
- b.** Formalization - an organizational element that captures the extent to which employee behavior is guided by explicit, coded rules and procedures. (Highly familiar with strict regulations, policies, and SOPs).
- c.** Centralization - an organizational element that refers to the extent to which decision making is concentrated at the top of the organization. (Top-down communication and centralized decision making).
- d.** Hierarchy - an organizational element that defines formal reporting lines based on position and thus determines who reports to whom. (Clear lines of authority, low spans of control, long structures).

Company Structure Chart



Group Structure Chart





Company profile

PT Semen Indonesia Tbk (SIG) is the largest cement company in Indonesia and Southeast Asia, with a market share of around 50% in Indonesia.

Vision : Becoming the Largest Building Material Solution Provider in the Region

Mission :

1. Oriented towards customer satisfaction in every business initiative.
2. Implementing the best standards to ensure quality.
3. Focus on creating sustainable environmental protection and social responsibility.
4. Providing the best added value for all stakeholders.
5. Making human resources the center of company development.

PT Semen Indonesia is a company that has a wide range of production and distribution facilities, including integrated factories, packaging plants, grinding plants, and ports spread across various locations in Indonesia and Vietnam. SIG's product portfolio not only includes various types of cement, both in packaging and bulk, but also includes building materials and other solutions. As a provider of building material solutions, SIG has supporting business lines such as transportation services, cement packaging providers, and additional services such as property and industrial land management, and industrial waste management. In addition, SIG is also active in providing positive contributions to the community through the provision of informatics solutions, workforce services, and health services. SIG is committed to providing the best service through sustainable technological innovation, quality building materials and solutions, and professional services.

The company began in 1951 with the establishment of NV Pabrik Semen Gresik by the Indonesian government, which was then inaugurated by President Soekarno in 1957. In 1961, the company's legal entity was changed to a state-owned company (PN) under the name PN Semen Gresik, then changed again to a limited liability company in 1969. In 1991, the company was listed on the Jakarta Stock Exchange and Surabaya Stock Exchange with an installed capacity of 1.8 million tons of cement per year. In 1995, they acquired Semen Padang and Semen Tonasa, increasing capacity to 8.5 million tons per year. CEMEX held shares in the company since 1995, and in 2006, Blue Valley bought the shares held by CEMEX. In 2012, the company

completed the construction of two cement plants and acquired Thang Long Cement from Vietnam. Gresik separated its cement production business in 2013. In 2016, they established a new subsidiary and completed the construction of two new cement plants. In 2019, they acquired a majority stake in Holcim Indonesia and changed its name to Solusi Bangun Indonesia. The company's trade name was changed to SIG in 2020, and in 2021, they entered into a strategic partnership with Taiheiyo Cement from Japan. The government handed over the majority stake in Semen Baturaja to this company in 2022.

C. THEORETICAL STUDY

Corporate Strategy

Based on the discussion presented by Rothaermel (2021), corporate strategy includes decisions made by leaders and actions they take in an effort to achieve competitive advantage in several industries and markets simultaneously. The term diversification is about the question of what products and services a company should offer. Vertical integration is a company's ownership of the production of required inputs or distribution channels for its outputs. Vertical integration can be measured by the company's added value. The industrial value chain (vertical value chains) describes the transformation of raw materials into finished goods and services along different vertical stages. Each stage usually represents a different industry in which a number of different companies compete. There are two types of vertical integration:

- 1) Backward Vertical Integration: Changes in an industry's value chain that involve moving ownership of activities upstream to the starting point (input) of the value chain.
- 2) Forward Vertical Integration: A change in an industry's value chain that involves moving ownership of activities closer to the end point (customer) of the value chain.

In contrast to vertical integration, horizontal integration is the process of merging with a competitor at the same stage of the industry value chain. Horizontal integration is a type of corporate strategy that can improve a company's strategic position within an industry. As a general rule, a company should pursue horizontal integration (i.e., acquiring a competitor) if the target company is more valuable within the acquiring company than as a stand-alone going concern. This implies that the net value creation of a horizontal acquisition must be positive to help in gaining and sustaining a competitive advantage.

Transaction cost economics provides a useful theoretical guide to explaining and predicting the boundaries of the firm. Insights from this theory help strategic leaders decide which activities to perform within the firm ("make") versus which goods and services to acquire from external markets ("buy"). These decisions help define the boundaries of the firm.

A strategic alliance is a voluntary arrangement between companies that involves sharing knowledge, resources, and capabilities for the purpose of developing processes, products, or services. The use of strategic alliances to implement corporate strategy has grown significantly in recent decades, with thousands of alliances formed each year. As the pace of technological change and innovation has increased, companies have responded by entering into more alliances. Globalization has also contributed to the increase in cross-border strategic alliances.

A merger describes the combination of two independent companies to form a combined entity. An acquisition describes the purchase or takeover of one company by another. This can be friendly or hostile. A hostile takeover occurs when the target company does not want to be acquired.

Globalization Strategy

In facing global competition, multinational companies are faced with two conflicting pressures, namely cost reduction and local responsiveness. Cost reduction pressures drive companies to achieve efficiency and economies of scale by standardizing products and services globally. Meanwhile, local responsiveness pressures require companies to adapt their products and services to the preferences and needs of local consumers in various countries. To overcome this dilemma, companies can choose one of the following four globalization strategies:

1. **International Strategy:** The company leverages core competencies developed in the domestic market to enter international markets. The products and services offered are relatively similar in both domestic and international markets, with little or no customization. This strategy is appropriate when pressures for local responsiveness and cost reduction are low.
2. **Multidomestic Strategy** Companies maximize local responsiveness by significantly customizing products and services for each country market they enter. This strategy is appropriate when pressures for local responsiveness are high and pressures for cost reduction are low. However, this strategy can result in duplication of business functions and higher costs.
3. **Global-Standardization Strategy:** The firm focuses on reducing costs by exploiting economies of scale and optimal location. Products and services are standardized globally, and the firm seeks cost advantages through global supply chains and international division of labor. This strategy is appropriate when pressures for cost reduction are high but pressures for local responsiveness are low.
4. **Transnational Strategy:** The company attempts to combine the benefits of a localization strategy (high local responsiveness) with a global-standardization strategy (cost reduction). The company attempts to achieve global efficiency while remaining responsive to local needs. This strategy is complex and difficult to implement because it must balance conflicting pressures. However, when successful, it can provide a sustainable competitive advantage.

Organizational structure

The company's organizational structure must be aligned with the chosen strategy so that the company can achieve superior performance. As a company's operations grow and become more complex, organizational structures tend to change in predictable patterns. Here are some types of organizational structures that are commonly used:

1. **Simple Structure:** Used by small companies with low complexity. The founder or CEO tends to make all strategic decisions and run day-to-day operations. This structure is characterized by a flat hierarchy, decentralized decision-making, and low levels of formalization and specialization.

2. **Functional Structure:** Grouping employees into different functional areas based on their expertise (e.g., R&D, marketing, finance). This structure allows for greater specialization and deeper expertise, but can hinder cross-departmental communication. Suitable for companies with a relatively narrow product or service focus and a small geographic reach.
3. **Multidivisional Structure (M-Form):** Consists of several distinct strategic business units (SBUs), each with its own profit and loss responsibility. Each SBU operates independently and is led by a CEO who is responsible for strategy and day-to-day operations. This structure allows a company to diversify into multiple product lines or geographic regions, but can create bureaucratic problems and competition between SBUs.
4. **Matrix Structure:** Combining the functional structure with the M-Form. Employees have two or more superiors, namely functional managers and product or project managers. This structure allows for greater flexibility and coordination, but can create confusion and role conflict for employees.
5. **The Shared Value Creation Framework** provides managers with guidance on how to align the economic imperative to gain and sustain competitive advantage with corporate social responsibility (CSR), thereby closing the AFI framework loop. The framework helps strategic leaders create a bigger pie that benefits shareholders and other stakeholders.

Corporate governance

Corporate Governance is concerned with the mechanisms for directing and controlling a company to ensure that it is successful and legal in achieving its strategic objectives. Corporate governance is about checks and balances and about asking the tough questions at the right time. The accounting scandals of the early 2000s and the global financial crisis of 2008 and beyond got out of hand because the companies involved did not implement effective corporate governance.

Corporate Strategy Analysis

Business Diversification and Parenting Strategy.

SIG implemented a business diversification strategy by developing non-cement downstream products to reduce dependence on the cement sector and expand its business portfolio. In 2021, the revenue contribution from the non-cement production segment increased compared to the previous year. This shows that SIG's efforts in its business diversification strategy have begun to show results. Corporate strategy is the decisions made by leaders and the goal-directed actions they take in an effort to achieve competitive advantage in several industries and markets simultaneously (Collins, 1995). In its parenting strategy, SIG acts as a parent company that provides direction and supervision to its subsidiaries. The company also seeks to create synergies between subsidiaries to increase efficiency and effectiveness in operations. SIG diversifies by providing a range of cement-based products and services that make it easier for consumers. SIG also carries out vertical integration both upstream and downstream, as well as horizontally to continue to strengthen its market position. According to the SIG Report (2023), the details of SIG's diversification strategy are explained as follows:

1. Vertical Integration

SIG carries out vertical integration upstream by ensuring a stable and quality supply of raw materials for cement production. This is done in several ways, including having its own limestone and clay mines to meet the raw material needs for cement production. This is done

through subsidiaries such as PT. United Tractor Semen Gresik (UTSG). In addition, SIG also collaborates with local suppliers to ensure a sustainable and environmentally friendly supply of alternative raw materials.

SIG also carries out vertical integration downstream by developing cement derivative products and expanding the distribution network. As one example, SIG develops various cement derivative products, such as ready-mix concrete, mortar, and precast products. This is done through subsidiaries such as PT. Semen Indonesia Beton (SIB) and PT. Solusi Bangun Indonesia Tbk (SBI). In addition, SIG continues to expand its distribution network to reach more customers. This is done by increasing the number of distributors, retail stores, and developing digital platforms such as AksesToko and SobatBangun which can be accessed directly by SIG customers.

2. Horizontal Integration

SIG carries out horizontal integration through acquisitions and mergers with other cement companies. This aims to strengthen market position, expand market share, and improve operational efficiency. Some examples of horizontal integration carried out by SIG are:

- a) Acquisition of PT Semen Padang and PT Semen Tonasa (1995): This move made SIG a major player in the cement industry in Indonesia.
- b) Thang Long Cement Acquisition (2012): This acquisition was part of SIG's expansion strategy into the Southeast Asian regional market.
- c) Acquisition of PT Solusi Bangun Indonesia Tbk (2019): This acquisition further strengthens SIG's position as a market leader in Indonesia.

By diversifying and integrating both horizontally and vertically, SIG can increase the company's profitability, further reduce costs, increase market power, reduce risks, and motivate management. Product diversification into non-cement downstream businesses, for example, ready-mix concrete, mortar, and precast, contributes to increased revenue. Revenue from the non-cement segment increased by 28.3% in 2023, and specifically mortar product revenue also increased by 74.1% (SIG, 2023). This increase shows that the product diversification strategy has succeeded in expanding SIG's revenue sources, reducing dependence on traditional cement products, and increasing overall profitability. Business diversification into the non-cement sector also helps reduce risks associated with fluctuations in cement demand and prices. By having a broader business portfolio, SIG can reduce dependence on one sector and reduce the negative impact of declining performance in one particular sector.

The acquisition of PT Solusi Bangun Indonesia Tbk (SBI) in 2021 also further strengthened SIG's position as the market leader in cement in Indonesia. In 2023, SIG's market share increased to 50.5%, up 0.6% from the previous year. This shows that horizontal integration through acquisition has succeeded in increasing SIG's market strength and expanding the reach of its products and services (SIG, 2023).

Successful diversification and integration strategies also provide positive results that can increase management motivation. Success in achieving performance targets, such as increasing revenue and market share, provides encouragement for management to continue to innovate and develop new strategies for future company growth. This is in accordance with the theory in behavioral economics research which states that companies must create a climate where company growth will benefit managers more than shareholders (Kahneman, 2011). This

will make managers serious and motivated to make the company grow as fast as possible (Ariely, 2009).

Entering Global Market through Strategic Alliances, Mergers, and Acquisitions.

SIG continues to grow by entering the global market through acquisitions and strategic alliances. SIG decided to go global because of the company's goal of increasing economic value creation and also increasing their competitive advantage. One important step was the acquisition of 80.64% of PT Holcim Indonesia Tbk shares in 2019 through its subsidiary, PT Semen Indonesia Industri Bangunan (SIIB). This step not only strengthened SIG's position as a market leader in Indonesia, but also became the foundation for wider global expansion. After the acquisition, PT Holcim Indonesia Tbk changed its name to PT Solusi Bangun Indonesia (SBI) and then conducted a mandatory tender offer, increasing SIG's share ownership in SBI to 98.3%. The change in brand name from Holcim to Dynamix is also part of the rebranding strategy to strengthen the company's identity in the global market (SIG, 2024).

SIG also forms strategic alliances with other global cement companies to expand market reach and access to new technologies. One example is the strategic partnership with Taiheiyo Cement Corporation (TCC) from Japan, which is a shareholder in SBI. This collaboration provides SIG with access to TCC's technology and expertise, enabling the development of new products and expansion of distribution networks in regional and global markets. In 2021, SIG also conducted a rights issue by issuing 820,020,089 shares, most of which were used to strengthen the integration of PT Semen Baturaja Tbk into SIG.

SIG also expanded into regional markets through the acquisition of cement companies in neighboring countries. The strategy implemented by SIG in expanding overseas is the company acquisition strategy by purchasing shares of Thang Long Cement Company (TLCC) in Vietnam in 2012. The main basis for the company to expand the market is due to the company's vision, which is the vision of PT Semen Indonesia (Persero) Tbk is to become a leading international cement company in Southeast Asia. The next reason is the company's desire to continue to develop and grow bigger.

Based on the type of strategy for expansion into the global market according to Rothaermel (2019) carried out by SIG through the acquisition strategy of the TLCC company in Vietnam in line with the international type of globalization strategy. There are several pieces of evidence to support this, including:

1. **Expatriate Dispatch:** SIG sends its best people such as several directors who are Indonesians and Indonesian experts who are placed in Vietnam. This indicates the need for experts from Indonesia to help manage operations and transfer knowledge to companies in Vietnam. The presence of these expatriates shows the centralization of expertise and knowledge from the head office.
2. **Regional and Local Performance Monitoring:** The annual report states that SIG continuously monitors the performance of its subsidiaries, including TLCC. This indicates that there are performance monitoring mechanisms at both the regional (Southeast Asia) and local (Vietnam) levels. This monitoring allows SIG to control and direct TLCC's business strategy to align with the company's overall objectives.
3. **Centralization and Decentralization:** The acquisition of TLCC by SIG indicates centralization in terms of ownership and strategic decision-making. However, the annual report does not provide information on the extent of operational decentralization implemented at TLCC.

However, it can be assumed that TLCC has some autonomy in running its day-to-day operations, given the need to adapt to local market conditions and regulations in Vietnam.

4. A Blend of “Home” and “Host Country”: SIG’s strategy of entering the global market through acquisitions of companies in other countries shows a blend of “home country” and “host country” approaches. SIG brings its expertise and experience from Indonesia (home country) to Vietnam (host country), but also tries to adapt to local conditions in Vietnam. This is evident from SIG’s efforts to understand the dynamics of the cement market in Vietnam and to establish cooperation with the local government.

Semen Indonesia's global expansion efforts have provided a number of significant benefits. By acquiring Thang Long, the company has succeeded in expanding its market reach to Vietnam, a country with high cement industry growth and large cement consumption. The plant located in Vietnam not only provides access to the local market, but also allows the supply of cement to neighboring countries such as Laos, Cambodia, Malaysia, and Singapore thanks to its strategic location.(Bareksa, 2014). In addition, this acquisition was made at a time when Vietnam was experiencing an economic crisis, so that Semen Indonesia could obtain input factors at low costs.(Kompasiana, 2017). Although Thang Long was experiencing operational limitations at that time, the situation provided an opportunity for Semen Indonesia to obtain relatively cheap prices and provide fresh funds to keep the company's operations running. Furthermore, this expansion also has the potential to increase foreign exchange through the repatriation of profits from factories abroad. In addition to financial benefits, this step is also an opportunity for Semen Indonesia to develop experience and knowledge in the global market, accelerating the company's learning curve. The successful acquisition of Thang Long Cement has also strengthened Semen Indonesia's position as a global company, becoming the first in Indonesia to be declared a multinational company by the Minister of SOEs Dahlan Iskan(Asmara, 2014). Thus, the move towards globalization has provided significant benefits for Semen Indonesia, both in terms of economy and reputation.

Although Semen Indonesia's efforts to penetrate the global market provide profitable opportunities, there are a number of obstacles that need to be overcome. First, the burden of alienation from the external environment such as the lack of suitability of Human Resources (HR) with foreign needs is a significant challenge. In addition, the lack of experience in acquiring foreign companies, especially since Semen Indonesia is the first BUMN to take this step, causes the possibility of strategic and operational errors. The licensing problem in Myanmar is another real example, where Semen Indonesia's expansion plan experienced difficulties in negotiations with local parties.(Wicaksono, 2014), shows that the process of globalization does not always run smoothly. The language barrier between Indonesia and Vietnam is also something that needs to be considered, given the importance of effective communication in managing operations. Finally, this strategy can be expensive and inefficient, as it requires large investments in infrastructure, technology, and workforce in each country targeted for expansion. Duplication of key business functions across countries can also lead to inefficiencies, as companies must adapt operations to local regulations and cultures in each different market.

The challenges faced by SIG in managing TLCC also include operational integration issues between the two, differences in work culture, and adaptation to different business environments. The Vietnamese cement market is also facing stiff competition from both local and international players. Therefore, although the move towards globalization offers great

growth opportunities, it is necessary to manage these challenges wisely so that SIG can achieve the key to success in international expansion.

Organizational Structure, Culture, and Control.

SIG has a well-defined organizational structure consisting of the General Meeting of Shareholders (GMS), Board of Commissioners, Board of Directors, and other supporting organs. The Board of Commissioners has formed functional committees to strengthen its supervisory role. The company also has work units and committees that support the Board of Directors in managing the company. SIG's corporate culture is based on the AKHLAK core values adopted in 2020. These values shape the corporate culture and serve as the foundation for developing employee character. SIG implements control through internal and external audits and has an internal control system to ensure operational effectiveness and efficiency.

SIG's organizational structure also emphasizes effective communication and collaboration between local teams and headquarters. The company has implemented advanced information and technology systems to share knowledge, market data, and best practices across the organization. This ensures that the company can leverage local expertise and resources while maintaining brand consistency and product quality across its operating regions.

SIG has a functional organizational structure, which can be seen from the division of labor based on functions such as Group Head of Corporate Sales, Group Head of Supply Chain, and Group Head of Human Resources. This structure allows for specialization and efficiency in each function. However, in the context of globalization, this functional structure also has international characteristics. This can be seen from several indications as follows:

1. Although not many, there is the use of expatriates, namely Indonesian employees assigned to Vietnam, either as managers or experts. This shows the need for the transfer of knowledge and skills from the head office to subsidiaries abroad.
2. The directors responsible for a region (for example, in TLCC, Vietnam) are selected based on their deep understanding of the region. This shows an adaptation to local conditions and specific market needs.
3. SIG monitors performance at both regional and local levels. This indicates a balance between centralization (decision making at the head office) and decentralization (granting autonomy to subsidiaries in certain regions).
4. Some responsibilities, such as marketing and sales, are decentralized. This allows subsidiaries to be more responsive to local market needs and make faster decisions.

Thus, it can be concluded that the organizational structure of SIG is international functional. This structure combines the efficiency and specialization of functional structures with the flexibility and adaptability of international structures. This allows SIG to operate effectively in various countries while maintaining control and coordination from the headquarters.

Ethics, Governance, Social Responsibility, and Sustainability Management

SIG is committed to implementing good corporate governance (GCG) in all its operational activities. This commitment to good GCG practices is reflected in several awards received by SIG in 2023. SIG received an award from the Indonesia Stock Exchange (IDX) for the Domestic Significantly Improved PLCs category. This award was given after the IDX and PT RSM Indonesia Konsultan conducted an assessment of the ASEAN Corporate Governance Scorecard

(ACGS) for the 2021 period. In addition, SIG also received the Most Prominent State-Owned Company in Operational Excellence & Financial Contribution to The Nation award at the 2023 Prominent Awards event organized by Solutee in collaboration with Metro TV. This award was given for consistent positive performance from the success in achieving operational excellence which resulted in regular contributions to state revenue through dividends.

SIG also demonstrated its commitment to social and environmental responsibility (TJSL). In 2023, SIG won the TOP CSR Awards 2023 #Star 5, the highest star award at the event. In addition, SIG President Director Donny Arsal also received the TOP Leader on CSR Commitment 2023 award. Then, SIG also won the Anugerah Utama award at the IDX Channel Anugerah Inovasi Indonesia (ICAI) 2023 event, thanks to the innovation of a digital technology-based mining monitoring system, Quarry Mining Command Center (QMCC) for Good Mining Practices Solution, which was implemented at the SIG Tuban Factory, East Java. SIG's commitment to TJSL is also evident from winning the Platinum award from the La Tofi School of Social Responsibility after winning ten categories of the National CSR SDGs Award at the Nusantara CSR Awards 2023. These awards show that SIG is not only focused on financial gain, but also pays serious attention to the social and environmental impacts of its operational activities. SIG is also committed to continuously improving and maintaining good GCG practices, as well as implementing sustainable CSR programs. This is in line with SIG's vision to become the largest regional building material solution provider that is responsible and sustainable.

SIG has a GCG policy that refers to applicable laws and best practices. SIG also prioritizes sustainability management by establishing a Sustainability Roadmap with targets to be achieved by 2030. The company has made various efforts to achieve these targets, including reducing the average clinker factor, increasing the use of alternative raw materials and fuels, and implementing solar panels to generate electricity. SIG also actively participates in corporate social responsibility programs in the fields of education, health, community empowerment, environment, and socio-economics. In addition, SIG has also received good assessments from the Ministry of SOEs and the ASEAN Corporate Governance Scorecard (ACGS) regarding its GCG implementation.

Law Number 40 of 2007 concerning Limited Liability Companies (UUPT) states that there are three organs in a limited liability company, namely the General Meeting of Shareholders (GMS), the Board of Directors, and the Board of Commissioners. Furthermore, Article 1 number 5 of the UUPT defines Good Corporate Governance (GCG) as a system that regulates and controls the company to achieve its goals by taking into account the interests of shareholders and other stakeholders.

Article 1 number 5 of the UUPT (2007) states that the Board of Directors is an organ of the Company that is authorized and fully responsible for managing the Company for the benefit of the Company, in accordance with the intent and purpose of the Company and represents the Company, both inside and outside the court in accordance with the provisions of the articles of association. In accordance with the Regulation of the Minister of SOEs No. PER-03/MBU/03/2023 concerning Organs and Human Resources of State-Owned Enterprises, there are three sources that can become candidates for directors, namely talents from the Ministry of SOEs, talents from SOEs and external talents. The current directors are talents from SOEs from PT SIG or its subsidiaries, which is also in line with the policy that encourages talent development through talent development programs and talent mobility between companies in the SIG environment. This is done to ensure the availability of quality talent and is able to meet the company's business needs as per Table XX. It can be seen that the current directors except

for the president director come from PT SIG or its subsidiaries. In addition, the educational history of the directors supports their duties in their work. Where according to Harymawan, et al (2024) that the educational background of a financial director will have a positive influence on the quality of financial reports. Wahab, et al (2024) also mentioned that having directors affiliated with the military would negatively affect the readability of the Notes to the Financial Statements (CALK). So the directors of PT SIG are indeed competent people in their respective fields.

Position	Career History	Educational background
President director	Director of Finance of PT Jasa Marga, Managing Director of PT Mandiri Securities (2016-2017)	Master of Business Administration IPMI International Business School (2021), Bachelor of Economics Management from University of Indonesia (1994)
Supply Chain Director	Director of Operations of PT Semen Indonesia (Persero) Tbk (2021-2023), President Director of PT Semen Padang (2018-2021)	Master of Management, Bina Nusantara University (2018), Bachelor of Mechanical Engineering, Andalas University (1993)
Director of HR and General Affairs	Director of Human Resources, Legal & General Affairs of PT Solusi Bangun Indonesia Tbk (2019 – 2021), Senior Vice President, Corporate Secretary of PT Semen Indonesia (Persero) Tbk (2018-2019), General Manager of Corporate Secretary of PT Semen Indonesia (Persero) Tbk (2012-2017)	Bachelor of Communication Science, Gadjah Mada University, Indonesia (1993)
Director of Business and Marketing	President Director of PT Semen Gresik (2021-2023), President Director of PT Semen Tonasa (2017-2020), Finance Director of PT Semen Tonasa (2012-2017)	Master of Strategic Management, Hasanuddin University, Makassar (2014), Bachelor of Accounting, Hasanuddin University, Makassar (1997)
Director of Finance and Portfolio Management	Director of Finance & Risk Management of PT Semen Indonesia (Persero) Tbk (2022-2023), SVP, Group Head of Finance of PT Semen Indonesia (Persero) Tbk (2019-2022)	Master of Finance, University of Denver, USA (2004), Bachelor of Civil Engineering, Bandung Institute of Technology (2001)

Director of Operations	Production Director, PT Semen Gresik (2022-2023), General Manager of Narogong Factory, PT Solusi Bangun Indonesia Tbk (2020-2022), General Manager of Tuban Factory, PT Solusi Bangun Indonesia Tbk (2018-2020)	Master of Business Administration, Swiss German University, Jakarta (2011), Bachelor of Chemical Engineering, Diponegoro University, Semarang (1997)
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In accordance with the UUPT, the task of the commissioner is to supervise and advise the board of directors to comply with applicable laws and regulations through the committees formed. There are three committees formed at PT SIG, namely the Audit Committee, the Nomination, Remuneration, and GCG Committee, and the Strategy, Risk Management, and Investment Committee. No different from the board of directors, the commissioners at PT SIG are also competent people in their fields.

Based on UUPT (2007), the GMS is the highest organ in a limited liability company with authority that is not given to the Board of Directors or Board of Commissioners within the limits specified in this Law and/or the articles of association. In 2024, PT SIG has held an annual GMS once, namely on Friday, May 3, 2024. PT SIG announced the holding of the GMS on March 27, 2024 through <https://www.sig.id/rups> and other channels. In addition, on April 11, 2024, PT SIG also provided agenda materials for the GMS to be held. With these agenda materials, shareholders can prepare how to determine their stance in the GMS later. In addition, PT SIG also discloses in detail the attendance list, questions or suggestions from shareholders, voting results, and meeting decisions in the annual report. This shows SIG's commitment to providing transparent information regarding important decision-making in the company to shareholders and stakeholders.

Optimal synergy between the three GCG organs (General Meeting of Shareholders, Board of Directors, and Board of Commissioners) at PT Semen Indonesia (SIG) has yielded significant results. This is evident from the various awards won by the company, such as "Best Right of Shareholders" and "Top 50 BigCap Issuers" at the 13th Corporate Governance Award 2022 (Wulandari and Ghazali, 2016) in his research found a positive relationship between the implementation of good GCG (based on the CGPI score from IICD) and the company's financial performance (in this case, lower debt costs).

D. DISCUSSION

Overall Analysis from a Multiple Point of View.

SIG, as the largest cement company in Indonesia, has demonstrated a strong commitment to sustainable growth and innovation. The company's strategic initiatives, such as strengthening market leadership, enhancing operational excellence, and focusing on sustainability, have yielded positive results. SIG's financial performance remains solid, and the company has successfully diversified its business portfolio. The adoption of digital technology has also improved operational efficiency and customer experience. However, challenges such as oversupply in the cement industry and rising energy prices require continued attention and adaptation from SIG.

SIG's aggressive acquisition and global expansion strategy with its acquisition of Thang Long Cement Company (TLCC) has provided significant benefits to SIG's stakeholders.

Shareholders benefit from increased profitability and strengthening of SIG's market position. Employees benefit from broader career opportunities and competency development in the international market. Customers gain access to more diverse and innovative products and services. The government benefits from increased tax revenue and foreign exchange. The community benefits from SIG's corporate social responsibility (CSR) programs. The environment benefits from SIG's efforts in reducing carbon emissions and implementing sustainable business practices.

However, this strategy also poses several challenges that need to be considered. Shareholders face risks related to high acquisition and integration costs, as well as the risk of failure to achieve expected synergies, especially at TLCC in Vietnam. Employees may also face challenges in adapting to a different work culture and increased competition. Customers may face the risk of price increases if the acquisition strategy leads to reduced competition in the market. The government needs to ensure that the acquisition strategy does not create a monopoly or oligopoly that is detrimental to consumers. The public needs to ensure that SIG remains committed to social and environmental responsibility amid its global expansion. The environment is maintained sustainably with supervision from the government and other institutions.

Overall, SIG's global acquisition and expansion strategy into the Vietnam and Southeast Asian markets has the potential to provide significant benefits to various stakeholders. However, it is important for SIG to effectively manage the risks and challenges associated with this strategy to ensure the company's long-term sustainability and success.

Compare and Contrast Analysis with the closest competitors.

SIG's closest competitor in the Indonesian cement market is PT Indocement Tunggal Prakarsa Tbk (Indocement). In 2023, SIG managed to maintain its position as the market leader with a market share of 50.5%, while Indocement had a market share of around 26.1%. This shows that SIG has a strong competitive advantage in the domestic market.

Source: Investor.id

No	Perbandingan	SIG	Indocement
1	Pendapatan (2023)	Rp38,65 Triliun	Rp18,03 Triliun
2	Laba Bersih (2023)	Rp2,17 Triliun	Rp2,12 Triliun
3	EBITDA Margin (2023)	20,10%	24,80%
4	Total Aset (2023)	Rp81,82 Triliun	Rp43,90 Triliun
5	Pangsa Pasar (2023)	50,50%	26,10%

In terms of strategy, SIG and Indocement have different approaches. SIG is more focused on strengthening its position as a market leader through innovation and sustainability, especially by developing non-cement downstream products and implementing digital technology. On the other hand, Indocement is more focused on operational efficiency and cost reduction, by optimizing the use of alternative fuels and increasing energy efficiency. This is evident from Indocement's higher EBITDA margin.

Overall, both companies have their own strengths and weaknesses. SIG has advantages in terms of market share and scale of operations, while Indocement has advantages in operational efficiency. Going forward, competition between the two companies is expected to

become increasingly tight, especially with the challenge of oversupply in the cement industry. Therefore, both companies need to continue to innovate and develop new strategies to maintain and improve their competitive advantage.

IMPLICATIONS

SIG's strategic management analysis provides several important business implications. First, SIG needs to accelerate the digital transformation of its business operations. Adopting digital technologies such as automation, data analytics, and artificial intelligence (AI) will help SIG improve efficiency, productivity, and decision-making. Automation can reduce operational costs and increase production speed, while data analytics allows SIG to better understand market trends and consumer preferences. Artificial intelligence can be applied in various aspects of business, from supply chain management to customer service, providing a significant competitive advantage.

Second, SIG needs to continue investing in research and development (R&D) to create innovative products and more efficient production processes. By innovating technology, SIG can increase its competitiveness and meet the needs of the ever-evolving market. R&D is not only important for developing new products but also for improving the quality of existing products, optimizing production processes, and finding sustainable solutions that can reduce environmental impacts. Continuous investment in R&D will ensure that SIG remains at the forefront of the industry and is able to face future challenges.

Third, in an effort to reduce dependence on the domestic cement market, SIG needs to continue to diversify its products and markets. Diversification can be done by developing cement derivative products, such as pre-cast concrete or other innovative building materials. In addition, entering other regional markets, especially in Southeast Asia, can open up new growth opportunities. The acquisition of Thang Long Cement Company (TLCC) in Vietnam has paved the way for SIG to expand its presence in the Southeast Asian market, which has high growth potential. Diversification of products and markets will help SIG reduce business risks and expand its market share.

Fourth, related to global demands for environmentally friendly Sustainable Development Goals (SDGs), SIG needs to continue to reduce carbon emissions in the cement production process. This can be done by using alternative fuels, increasing energy efficiency, and developing carbon capture and storage technology. Adopting cleaner and more efficient alternative fuels will reduce SIG's carbon footprint, while carbon capture and storage technology can help address the resulting emissions. These efforts are not only important to meet environmental regulations but also to maintain the company's reputation as a socially and environmentally responsible industry leader.

Fifth, the international strategy currently implemented by SIG is good enough to accommodate the cement industry abroad. SIG does not need to try to accommodate a transnational strategy because the implementation costs are very expensive and not necessarily better than the strategy currently implemented. SIG's international strategy that combines centralized management with local operations has provided strong control and the flexibility needed. By continuing to strengthen this strategy, SIG can maintain operational efficiency and market responsiveness without having to bear the high costs associated with a transnational strategy.

MANAGERIAL IMPLICATIONS

The implementation of SIG's corporate strategy highlights several important aspects of modern management. First, effective leadership and open communication between the Board of Directors and the Board of Commissioners are essential in coordinating and driving the success of strategic initiatives. This collaboration ensures that the company's vision is realized at all levels of the organization through regular meetings and effective feedback mechanisms. Second, in facing today's business complexity, an integrated risk management system is a crucial foundation. SIG has successfully implemented a proactive system in identifying and mitigating operational, financial, and climate risks. The use of real-time risk monitoring tools and regular training ensure readiness to face these risks.

Third, continuous innovation is a key driver of long-term business sustainability. SIG demonstrates its commitment to innovation by implementing the latest technologies to improve operational efficiency and competitiveness. They also focus on sustainability initiatives such as reducing carbon emissions and using environmentally friendly raw materials.

By combining these three aspects, SIG's strategic management demonstrates how strong leadership, effective risk management, and a commitment to innovation can create sustainable long-term value. This means that SIG continues to innovate, proactively monitors risks, and ensures effective communication to achieve corporate goals and support sustainable development in Indonesia.

E. CONCLUSION

SIG has demonstrated a strong commitment to sustainable growth and innovation in the Indonesian cement industry. The company's strategic initiatives, resources, and capabilities have enabled the company to maintain its market leadership and achieve solid financial performance. SIG's focus on innovation and sustainability has also strengthened its competitive advantage and opened up new business opportunities. However, challenges such as oversupply in the cement industry and rising energy prices require SIG's continued attention and adaptation. The following are the conclusions from the entire analysis on PT SIG, among others:

1. SIG has a vision to become the largest building material solutions provider in the region, with a dominant position in Indonesia. This vision emphasizes SIG's commitment to developing its operational capacity and reach, not only to meet domestic needs but also to expand its influence in the regional market. With a focus on innovation and quality, SIG strives to provide superior and market-leading building material solutions.
2. SIG implements an aggressive acquisition strategy. Acquisitions are made to strengthen SIG's position as a market leader while driving sustainable growth. Through these acquisitions, SIG not only expands its operational scale but also integrates various expertise and resources from the acquired companies. For example, the acquisition of PT Thang Long allows SIG to expand its network and operations in Vietnam, strengthening its market base in Southeast Asia.
3. The implementation of SIG's international strategy is demonstrated through the merging of organizational structures from the country of origin and the country of acquisition. By taking over PT Thang Long, SIG selected local directors to understand the regional context and adapt products such as PCB 50 cement to local preferences, while still following national standards from Indonesia. This reflects a combination of centralization and decentralization

in decision-making, where SIG maintains control over quality standards and overall strategy, but gives local units the freedom to adapt to local market needs.

4. SIG adopts a functional structure with an international strategy. Key business functions, such as marketing, finance, and research and development, are managed centrally at SIG's headquarters. Meanwhile, operations in each country where SIG operates are managed locally. This structure gives SIG strong control over its global operations, ensuring that all business units operate to consistent and integrated standards. On the other hand, flexibility in responding to local market needs is maintained, allowing SIG to adapt quickly to market changes and consumer preferences in each of its operational regions.

F. SUGGESTION

SIG is faced with the challenge of rapid technological growth, requiring accelerated digital transformation in its business operations to remain competitive and sustainable in the global market. Based on the analysis above, some suggestions that we can provide to PT SIG include:

1. SIG needs to accelerate the digital transformation of its business operations. Adopting digital technologies such as automation, data analytics, and artificial intelligence will help SIG improve efficiency, productivity, and decision-making. Automation can reduce operational costs and increase production speed, while data analytics allows SIG to better understand market trends and consumer preferences. Artificial intelligence can be applied in various aspects of business, from supply chain management to customer service, providing a significant competitive advantage.
2. SIG needs to continue investing in research and development (R&D) to create innovative products and more efficient production processes. By innovating technology, SIG can increase its competitiveness and meet the needs of the ever-evolving market. R&D is not only important for developing new products but also for improving the quality of existing products, optimizing production processes, and finding sustainable solutions that can reduce environmental impact. Continued investment in R&D will ensure that SIG remains at the forefront of the industry and is able to face future challenges.
3. In an effort to reduce dependence on the domestic cement market, SIG needs to continue to diversify its products and markets. Diversification can be done by developing cement derivative products, such as pre-cast concrete or other innovative building materials. In addition, entering other regional markets, especially in Southeast Asia, can open up new growth opportunities. The acquisition of TLCC paves the way for SIG to expand its presence in the Southeast Asian market, which has high growth potential. Diversification of products and markets will help SIG reduce business risks and expand its market share.
4. In line with global demands for environmentally friendly Sustainable Development Goals (SDGs), SIG needs to continue to reduce carbon emissions in the cement production process. This can be done by using alternative fuels, increasing energy efficiency, and developing carbon capture and storage technologies. Adopting cleaner and more efficient alternative fuels will reduce SIG's carbon footprint, while carbon capture and storage technologies can help address the resulting emissions. These efforts are not only important to meet environmental regulations but also to maintain the company's reputation as a socially and environmentally responsible industry leader.

5. The international strategy currently implemented by SIG is good enough to accommodate the cement industry abroad. SIG does not need to try to accommodate a transnational strategy because the implementation costs are very expensive and not necessarily better than the strategy currently implemented. SIG's international strategy that combines centralized management with local operations has provided strong control and the flexibility needed. By continuing to strengthen this strategy, SIG can maintain operational efficiency and market responsiveness without having to bear the high costs associated with a transnational strategy.

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