FORMULATION TECHNIQUES OF ORGANIZATIONAL STRATEGIES IN JAKARTA (CASE STUDY: INSURANCE COMPANIES IN JAKARTA)

Ian Nurpatria Suryawan1)*, Yulisnada2), Denyus Mardony3), Jefri Lukito4)

1) Management Program, Trisakti School of Management, Jakarta, Indonesia
2) Strategic Management Doctoral Program, Universitas Trisakti, Jakarta, Indonesia
3) Management Program, Universitas Bung Karno, Jakarta, Indonesia

e-mail: ian.nurpatria@gmail.com
(Corresponding Author indicated by an asterisk *)

ABSTRACT

Strategy becomes important for every organization to win competition through changes in internal and external environmental factors. Strategy requires strength, effort and good analysis to anticipate each challenge. Pearce and Robinson explain the stages of strategy management that produce strategy formulation techniques so that the strategies made by the organization are directed and correct. The method used in this research is discussion of qualitative descriptive research through proof of research that has been carried out by previous researchers regarding strategy. The results is business competitions in insurance products nowadays need to be responded by providing the best possible service therefore the insurance products are increasingly demanded by customers in this globalization era which is marked by rapid positive and negative impact on the organization. Thus, it is necessary to be careful in managing every organizational resources, not only focusing on internal organizational factors, but also external factors by utilizing any opportunities or threats that affect the organization both directly and indirectly. The CEOs of insurance company require to make analysis and formulation techniques to apply strategies in the form of winning competition and creating competitive advantage.

Keywords: formulation strategy, environment, insurance

PREFACE

The beginning of globalization era was marked by the birth of various forms of discovery that could provide benefits for the welfare of human life. This also had an impact on the changing of industry and services fields, thus innovation, creation and products development were increasingly demanded with quality and not just stop here. Competition climate, changes in the environment are felt directly or indirectly due to changes in environmental demands, both internally and externally. Those changes are felt to have an effect on the lives of business organizations that are carried out. This is also needed to continue to improve the management of organizations professionally in the face of competition, which is also triggered by the information era that adds a new face in the era of globalization. Planning, availability of information, supportive resources and management of the organization which are viewed from various departments that support the activities of business organizations as well as how organizational elements contribute to policies, systems and procedures in business companies form the considerations for the organization to take concrete actions.

OBJECTIVES & BENEFITS

The objectives of the research:
1. Provide an understanding of good and correct concepts about strategies that can be utilized by the organization as an action in winning the competition.
2. Provide instructions which are explained in concept form so that they can be used and applied by organizations to take steps in the form of strategies to win the competition.

11
3. Encourage the conduct of further research, not only descriptively but also quantitatively and qualitatively by conducting research and using scientific approach in research methodologies which is validity tested.

The benefits of the research:
1. Start a discourse and understanding of the importance of strategies used by organization in order to win the competition.
2. Encourage the organizations to execute several correct steps based on correct concept in applying strategies to win the competition.
3. Promote the organizations to apply the strategies accurately to win the competition as well as urge to conduct further research.

RESEARCH METHODOLOGY

Whitemore & Knafl (2005) stated that qualitative descriptive discussion was intended for cross-check process through previous research. The common methods were problem identification, exact literature search, data evaluation and analysis, and also draw the conclusions. It is believed that the method could measurably describe through various perspectives of others, so it is not biased.

The method used in this research is qualitative descriptive research discussion. The descriptive research applies the problem analysis, process, and significance. Theory basis is utilized as a guidance to provide an overview about the research background as well as a discussion material of results of the research. As for qualitative research, the researchers start from data, utilizing the theory as an explanatory material, resulting in a theory or concept. This qualitative research is possible to issue a brand-new theory or concept if the results are contrary to the theory or concept applied as the previous research object. This research’s objects are 5 (five) insurance companies in Indonesia, in which bringing up the interview results with the CEOs as the acquired data. The interview consists of questions about formulation techniques of strategy in policy making to policy implementation process and was held on February 2018 to April 2018.

THE RELEVANT RESEARCHES WITH THE FORMULATION TECHNIQUES OF STRATEGY APPLICATION

1. Puspita (2012) conducted research about Strategic Management using Balanced Scorecard approach titled Strategic Management Analysis on PT Garuda Indonesia based on Balanced Scorecard. The purpose of the research was to find out the management performance of PT Garuda Indonesia (Persero), Tbk on 2010 to 2011 by using management strategic analysis based on Balanced Scorecard Approach. Secondary data and SWOT analysis were used to analyze the situation or organizational environment; thus the Balance Scorecard Strategy Map could be arranged. It is possible to see the connection of the four perspectives and use them to analyze the management strategy of PT Garuda Indonesia (Persero), Tbk, therefore the performance of the company was measurable. The results showed that on 2010 the performance of PT. Garuda Indonesia (Persero), Tbk was not very good, due to only the learning and development perspective could meet the target. And it was also still not good on 2011 since the financial perspectives and internal business process could not exceed the target. But in general, on 2010 to 2011 the target achievement was increased.
2. Pella, Sumarwan, Daryanto, & Kirbrandoko (2013) held a research about strategic management titled *Strategy Implementation Model as the Corporate Performance Determinant*. Its research focus was the transformation from strategy planning to strategy implementation. This research developed the influence of strategy implementation model and strategy implementation quality towards the corporate performance success. Survey was held to 60 (sixty) organizations across industry. The data was counted and analyzed using Structural Equation Modeling (SEM) Partial Least Square. The results showed the significant influence of 7 (seven) implementation phase factors and 9 (nine) strategy implementation supportive capability factors towards the success of strategy implementation. The success of strategy implementation indicated significant influence to organizational performance.

3. Irani Z., Murniati AR, & Khairuddin (2014) conducted a research about strategic management titled *The Strategic Management Implementation in Increasing the Education Quality of SMAN 10 Fajar Harapan*. The research showed that high quality education could be achieved if the school implements the correct strategic management. The data was collected by observation, interviews, and documentation studies. The results showed that the school performance and education quality was increased by using self-evaluation instrument of school, teacher, and benchmarking.

**THEORY & DISCUSSION**

Solihin (2012) defined strategy as ways to achieve ends. The generic or general concept of strategy mainly corresponded with the early development of strategy used in military. The war zone to win the competition is called tactic. Tactic was adopted in business in which there was no fatality, except material loss. While Besanko et al. (2007) stated that strategy involved goal setting and long-term business direction of the company. Based on that, Mintzberg (1991) explained the strategy as integrated and comprehensive planning, designed to ascertain the company main goals were achievable.

One of the insurance company directors in Indonesia, say PT XYZ, admitted that strategy has very important meaning therefore it requires special attention of the organizational management to formulate strategy to actions. The CEO of PT XYZ realized the role of leaders plays important roles to formulate, analyse, as well as consider the company resources and other internal stuffs for instance organizational climate, policies, procedures, rules, structure, culture, communications, information, etc. All of them affected the strategy process that would be implemented into actions to win the competition. Meanwhile, there were external factors that also took effect, namely competition, the factors of economic, social, culture, politic and legal, demography, and topography. Based on that, it is important to require an integrated concept of management in implementing strategy by applying management functions: planning, implementing, organizing, controlling that would be a concept with paradigm and developed into a science and art used in action taking to win the competition with consideration and analysis (David, 2012). The Management of PT XYZ applied the strategy management concept comprised of various new trends in business:

1. The transition from planning to competitive advantage. Strategy making in strategy management is more based on competitive advantage concept with four characteristics:
   - Special competency
The competitive advantage is a special thing owned or performed by the companies to give strength to confront the competitor. This competency can be in a form of a strongly perceived high quality brand or domination on distribution channel.

- Creating imperfect competition
  Competitive advantage can be gained from creating an imperfect competition, since every organization produces similar products in a perfect competition market, therefore no organization is able to easily come in and out of the market. This condition makes every organization earn a similar profit level. An organization can gain a competitive advantage by switching or avoiding perfect competition markets. It can be a product differentiation, offering superior quality or emphasizing branding aspect. By creating that competitiveness, it is difficult for other organizations to enter the market. Therefore, competitive advantage concept is contrary to the perfect competition economic model.

- Sustainable
  Competitive advantage is sustainable, not only temporary and not easily replicated by competitors

- External environment compatibility
  Competitive advantage can be achieved by fulfilling better market needs. External environment is an opportunity as well as a threat for organizations.

- Higher profit than industry average
  The final target of competitive advantage is to gain higher profit than any similar organization

2. Transition from elitism to egalitarianism
   Strategically thinking in strategic management is not only performed by the professional planning elitist, it is also socialized to every member of the organization. In strategic management, every organization member who initiates the planning is also the one who implements the plan.

3. Transition from calculation to creativity
   Strategy planning is more focused to quantitative and measurable factors, therefore in the strategy management, a more quantitative perspective also starts to be considered. Strategy depends more on aspects of senses to analysis, thus creativity is highly required in preparing business strategies.

4. Transition from rigid to flexible
   Strategy management is flexible since it is combining vision and action, balancing controlling and learning, as well as managing stability and change. Strategy built by strategy management is an adaptive and also flexible one in confronting change and unpredictable market condition.

   It is proven that marketing staffs/insurance agents need to persuasively approach prospective customers so they are willing to buy the intangible products. It also takes patience and product knowledge to sell the insurance.

   The CEO of PT XYZ insurance company stated that strategy management concept implemented by business organizations uses actions to win the competition and creating competitive advantage and is adaptive in every corporate or organizational change. This is the reason why it is necessary to have creativity, innovation, and new ways of thinking to be out of the box. Company needs to be flexible so it can handle any trend changing and competition.

   The benefits of applying strategy management:
   1. Provide long-term business direction
   2. Assist organization adapt with change
3. Make an organization more effective  
4. Identify the comparative advantage of an organization in a riskier environment  
5. Increase the ability of company in avoiding future problems  
6. Motivate the employee by involving them more in strategy making execution  
7. Lower the reluctance to change of old employee

**STRATEGY MODEL**

Strategy management is an effort in winning the competition by involving the management concept and function as well as performing process and analysis, observing every factor affects it. Therefore strategy management is often considered as a concept yet an art. It is necessary to have a correct understanding of strategy management. It is called an art as every organization owns different capabilities in implementing strategy management and resources; namely human resources, capital, technology application, methods, raw materials, information, thus they will generate different results as well. It is required to have strategy formulation techniques in implementing strategy management as a flow chart to ascertain the concept is applicable, since it has impact on:

- Change of one of component will affect some or all of other components  
- Strategy making, implementing, and evaluating process is a sequential order process  
- Feedback is required to make in every beginning of the process  
- Strategy management system is a dynamic system, in which the condition and situation periodically affect the connection amongst strategy management activity.

Based on the interview data above, the formulation techniques of Pearce & Robinson (2010) is the most suitable for the condition of those insurance companies.

![Figure 1. Strategy Management Phases](source: Pearce & Robinson (2010))

This model explains the strategy management phases which generate the strategy management concept in correct direction (Figure 1). The CEO of insurance companies stated that vision is required to discuss about industry or service organization or other forms of organization. Vision is often considered as decorative sentence, only displayed in office rooms. It actually has deeper meaning and philosophies for organization, and even plays important role as a driving force to direct the company objective. It is very important thus the organization needs...
to create it carefully since it represents future situation. The above explanation of the CEO is also supported by Nugroho (2010) who argued that vision is a statement of hopes, ambitions, wishes to be achieved by the organization. It is also a form of noble values and idealism of an organization, which also supported by Solihin (2012) who stated that vision is an achievement of an organization which has close connection with present and future, built by the process and accumulative actions. Definition of vision by Daft (2008):

- Vision is a number of important ways. Making the vision effective would present the connection between present and future, act to energize and motivate the employees to embrace the future, give meaning to the worker, set the standard and integrate to the internal of company.
- Vision connects the ways to act correctly which inspires the goal of the company. Every vision always talks about the future but has to start from today. Organization can take an action on behalf of a vision by combining data and information from across environment. It can provide services by creating products to meet people’s needs without ignoring certain vision. In organizations, pressure to meet the deadlines, making sales big, urgent needs to find solution of problems, and realize the whole specific programs are highly important.
- Vision creates and wants to feel the enthusiasm about the job. Some people are committed to their time and energy voluntarily on a planned project.
- Vision requires objective and meaning, when employees have the sense of big goal of their job, therefore they can execute every routine task bravely.
- Vision needs to be free from the habits of the organization as a challenge to give a better performance. Vision also presents a way to measure the contribution of its member to the organization. Vision can explain the future image of the organization and let people see how they can take action to reach it.

To realize the vision, organizations need a mission which is the essence of the vision to exist. It can be said that the vision is the ambition of the organization to reach the future, while the mission keeps the organization standing and to have a desire to become big.

Daft (2008) said the growth of vision and change, the mission continues in the face of technological changes, economic conditions, or other changes to the environment. Mission makes every member of organization commits together in time changes and instructions on selection of strategies and decisions about the future. Mission gives meaning to strong-spiritual DNA character-organization can use leaders as a means to help workers find their goals in work.

Hitt et al. (2010) stated that a clear organizational vision is the basis for developing the organization's business direction comprehensively. It is a common practice for every organization to evaluate the organization's mission every year. It is necessary to evaluate the vision and mission periodically since in time organization can find itself in a "wrong direction". This is very common if the founder of the organization or organization leader established a business only based on a seasonal business trend that has a very short life cycle or if the existence of an organization is no longer relevant in the current business.

**EXTERNAL ENVIRONMENT ANALYSIS**

It is necessary to know the definition of the environment prior to further discussing about the analysis of the external environment. Wahyudi (2003) stated that the organizational environment is a variety of elements or elements that can provide a relationship, influence,
linkages both directly and indirectly which can have an impact or cause-and-effect relationship to the activities and life of the organization. The understanding of the environment that affects the existence of an organization, such as the external environment and various elements are able to have a significant impact on the organization.

According to David (2012) the external environment which can provide cause-and-effect relationships and have an impact on parties outside the organization consists of a number of external factors, namely:

- Economic factors formed by elements of the level of economic growth, interest rate policy, monetary policy, exchange rate policy, income to spend, policies to overcome unemployment, taxation policies.
- Technological factors formed by elements of government expenditure costs for research, industry focus on technology, discovery and development of new technology, level of technology transfer, life cycle and level of technological obsolescence, level of energy use and energy costs, changes in information technology, development of internet and communication technology, increasing productivity through automation activities.
- Political factors which are formed by elements of political stability, state ideology, system of government, the incumbent political parties, government attitudes toward overseas and local (domestic) organizations.
- Legal factors formed by elements of tax laws, regulations, competition laws, international and national trade, labor law, copyright regulations.
- Social factors formed by elements of income distribution, population growth rates, changes in lifestyle, level of education, living conditions of the population, level of awareness towards welfare of the population and health, attitudes towards career and leisure time, labor mobility.
- Demographic and topographic factors formed by contour elements of natural and environmental conditions, level of environmental pollution, conditions of water, soil and air, climate, weather, urban space and environmental arrangement.
- Cultural factors formed by elements of customs, habits, language, religion, understanding, point of view, art, growing community conditions and system.
- Ethical factors formed by the awareness of the government and business stakeholders on the value of social responsibility, the development of protection against unhealthy business practices, reaction to piracy, copyright infringement.

The CEOs of insurance companies are always analyzing the external environment by paying attention to the aspect value of the structural analysis. This view is in accordance with the opinion of Porter (2008) quoted by Solihin (2012) "The underlying economic and technical characteristics of an industry", that the industrial structure is formed by the combination and characteristics of each industry in the group. Further stated in Solihin (2012) that there are many ways to categorize the industrial structure namely:

1. Fragmented industry is an industrial structure which consists of a large number of small and medium industries, and there are no organizations own dominant market share in the industry.
2. Emerging industry is newly created or re-created industry due to technological innovations, changes in demand, or because of the emergence of new consumer needs categories.
3. Mature industry is the industry, which was originally in the stage of emerging industry, over time it will meet a mature industry stage which is characterized by slowing industrial demand growth, growing rates of repurchase customers, declining production capacity increase, declining launch of new products or services, decreasing organizational profitability in one industry.
4. Declining industry is industries that experience absolute decline in sales in the long run. Analysis is based on the level of competition faced by identifying five forces based on Porter's five forces approach that influences the level of competition faced by the organization.

**INTERNAL ENVIRONMENT ANALYSIS**

Internal environment analysis explains the components or elements that affect the existence, activities, life of the organization directly which of course are within the organization itself (David, 2012). The internal environment is formed from several elements including: paying attention to financial factors, the organization needs to analyze its financial statements based on financial ratios (David, 2012).

The activities of insurance companies in producing a service product for their customers can be explained by David (2012). The production process is a decision concerning the design of the production system and the applied technology, the flow of the production process, layout, production lines, transportation/distribution analysis, control of the production process. The maximum output for the organization is adjusted to the resources (input) as well as aggregate planning, production scheduling, queuing analysis, forecasting, production capacity planning, also inventory regarding the determination of the number of raw materials, processed goods, finished goods, finished goods inventory in the warehouse, raw materials handling, ordering raw materials, storing raw materials, storing processed goods. Labor involves the distribution of tasks, responsibilities, expertise, abilities, experience of work standards, coordination. The quality of goods conformed to standards can be specified based on quality control, sampling, quality testing and cost control. David (2012) argued that it is necessary to perform market research through the activities of data collecting, recording, processing, as well as analyzing with various instruments, procedures, methods, concepts and techniques to provide useful information about consumer behavior in making product buying decisions. Product promotion through salespeople or marketing personnel known as personal selling by sales promotion girls, advertisements are either done in print or electronic media, promotion sales by giving discounts or discounted prices or gift items at the time of purchase of certain items.

*Direct marketing* is one of promotions performed by using information technology such as web, blogs, social networks, etc. *Public relations* is a promotional activity by carrying out a form of activity related to introducing a product by visiting a crowd center, agency, institution that is packaged in an event, sponsoring an event, making a certain program involving the community. Production process generates the best product by designing and researching the benefits of the product. Product design can be in the form of packaging, color, and shape. It also includes planning the after-sales service, warranty, spare parts at the same time considering the Product Life Cycle. *Pricing* is based on the principle of scarcity and psychological effects. *Placement* involves the place in marketing and also distributing the product, while *Sales* involve efforts to sell a product.

The human resources factor involves the allocation of human resources in based on their expertise, abilities and skills. It also involves human resource management functions and activities such as recruitment, selection, compensation, training, development, work performance assessment, career path, safety, health and job security, work productivity,
termination of employment. Research and development factor may involve innovation, product development, data collecting, recording, processing, and analyzing with various instruments, procedures, methods, concepts and techniques to provide useful information for the organization in terms of continuous improvement and product innovation and development. According to Wahyudi (2003) the entire internal environment can be analyzed using the value chain approach by Porter.

This value chain approach can be described as follows:

| Definition of Activities in Value Chain Analysis |
|--------------------------------------------------|
| **Primary Activities**                           |
| **Inbound Logistic**                             |
| Receive, store, manage and control the supply of raw materials, transportation and returns to suppliers. |
| **Operations**                                   |
| Transforming raw materials into final products (For example: providing and maintaining production machinery, providing production equipment and testing production results) |
| **Outbound Logistics**                           |
| Transport and store the final product and measure the order and transport schedule. |
| **Marketing and Sales**                          |
| Encourage, persuade and help consumers to buy (for example: advertising, promotion, distributor selection, and pricing) |
| **Service**                                      |
| Maintain and enhance the after sales product value (for example: installation, repair, training, and product adjustment) |
| **Secondary Activities**                         |
| **Procurement**                                  |
| Purchase of raw materials and supporting equipment including company assets. |
| **Technology Development**                       |
| Providing the need for the latest technology, procedures and techniques in each activity. |
| **Human Resources Management**                   |
| Selection, promotion, placement, assessment, rewarding, and development of employees and maintain relationships between employees. |
| **Company Infrastructure**                       |
| Manage the issues of planning, finance, general management, accounting, law, and government relations. |

Source: Wahyudi (2003)

**SWOT ANALYSIS**

After the CEOs of insurance companies recognize the external and internal environmental factors, it is common to analyze how much the impact and influence of them on the organization, namely the external and internal strengths of the organization, how big the internal weaknesses, opportunities owned by the organization by looking at the external factors, as well as threats faced by the organization are also seen from external factors. After that the organization is able to describe the TOWS matrix analysis which is explained as follows:

SO is a variety of strategies generated through a perspective that certain organizations or business units can use the strengths they possess to take advantage of various opportunities.

ST is a variety of strategies generated through a perspective that certain organizations or business units can use strengths to avoid weaknesses.

WO is a variety of strategies generated through a perspective that organizations or business units can take advantage of various
opportunities by overcoming various weaknesses they have. WT is a variety of strategies that are basically survival and aim to minimize various weaknesses and threats (Solihin, 2012).

SYNTHESIS

After the organization scans environmental factors, then it is able to identify a number of external and internal factors by using the EFAS (External Factor Analysis Summary) and IFAS (Internal Factor Analysis Summary) approaches developed by Wheelen and Hunger (2004). The approaches use a scale of 1 to 5 to assess the environment, in which value of 5 means very influential, while value of 1 means not affect, and by using a weighted value of 5.0 which is outstanding to 1.0 which means poor, and also an average value of 3.0.

Figure 2. Scale used in EFAS and IFAS

| 5 | 4 | 4 | 3 | 3 | 2 | 2 | 1 | 1 |
|---|---|---|---|---|---|---|---|---|
| Outs | Abov | Av | Below | Poor |

Source: Wheelen & Hunger (2004)

Multiply the value of 1-5 with the weight to generate the weighted score (Figure 2).

DETERMINATION OF OBJECTIVES, PROCEDURES, POLICIES, RULES AND BUDGET

The objective is the end result that the CEOs of insurance companies would like to achieve within a certain period and is expressed quantitatively (it is more the measure of things). Dess, Lumpkin and Taylor (2000) argued that good objectives own the following criteria:

- Measurable. Objectives must be measurable. Indicators are highly essential to measure the progress of objectives.
- Specific. It must be explained specifically what the organization wants to achieve, such as the objective of increasing sales, increasing market share or others.
- Compatible. The objectives to achieve must be in accordance with the vision and mission of the organization, in other words, the objectives are still within the scope of the organization's vision and mission.
- Realistic. The objectives must be achieved by using organizational resources owned by the organization.

The next step is to construct the procedure. The procedure is a standard method for executing certain work (Allen, 1990). Wheelen & Hunger (2004) argued that procedures are needed so that the work is performed according to certain methods in order to obtain uniform results.

Then set a policy. The policy can simply be understood as a guide to action. Policy is a general guide which directs the decision making process taken by decision makers in the
organization. The policy is a guideline that connects the strategy formulation performed by the organization.

In order to apply the policies that run well and can be obeyed by all members of the organization, it is necessary to make rules. Rules are a fixed decision to apply to problems that are always recurring and important for the organizational component (Allen, 1990).

To execute all of the above activities, a budget is required to finance it. The budget is the interpretation of programs in numerical units. The budget will not be prepared properly if the organization does not have a clear program. This is because every cost that will be spent in the budget must refer to the program that will be carried out by the organization. In general, the budget prepared by the organization can be categorized into the budget for the overall operational activities of the organization.

**STRATEGY & IMPLEMENTATION SELECTION**

Corporate strategy is a variety of actions taken by the organization to gain competitive advantage by running businesses in various markets or types of industries simultaneously (Barney & Herterly, 2008). The types of corporate strategies can be grouped into three categories of strategy orientation which are often referred to as grand strategy (Wheelen & Hunger, 2004).

The three grand strategies are: a growth strategy which is an organizational strategy that develops business activities both through focusing on inside the current organizational industry and diversification by entering new industries outside the dominant business activities.

The growth strategy is further divided into vertical integration strategies as well as horizontal integration strategies through the concentration of industrial fields carried out. Vertical integration strategies are applied if the organization expands the scope of its business by controlling the raw material supply chain or controlling the organization's product distribution chain. If the organization expands its scope of business to control the raw material supply chain, then it is called a backward integration strategy, while the organization chooses forward integration strategies when it expands its business scope by controlling the supply chain of product distribution to the market. Horizontal integration strategy is performed by expanding market segments to a wider geographical area of marketing or by increasing the range of product lines or services offered to markets currently served by the organization. In horizontal integration, the organization extends its activities sideways, but is still in one industrial value chain.

The growth strategy can also be carried out by the organization through the selection of a diversification strategy which is a process to add one or more new businesses to the organization's business portfolio, which is different from the current business field of the organization. Thus, the organization becomes diversified into two or more in different businesses. In implementing the strategy, organizations can diversify into industries related to the industry where the organization operates today with the aim of gaining synergies and strengthening the organization's position. While conglomeration strategy is a form of diversification carried out by the organization by entering new industries that are not related to the organization's ongoing industry.
The stability strategy is characterized by the continued operation of the organization with ongoing activities (Wheelen & Hunger, 2004) without being accompanied by a significant change in direction of organizational business management. This strategy will succeed in the short term, especially for organizations that serve niche markets well.

The shrinking strategy is carried out when the organization has various weaknesses in several products or all product lines so that the organization cannot gain competitive advantage which results in poor organizational performance, and it is reflected in the continued decline in sales and profits. Turnaround strategy requires the organization to make improvements to operational efficiency which is perceived as the main problem for the organization.

In this case the organization is trying to immediately stop the ongoing business process due to the inefficient operation of the organization so that the product is not competitive. Divestment strategy can be executed by selling one or more business units with the purpose to obtain a good selling price for the shareholders, therefore the employees are able to keep their job and avoid the decrease of the organization’s value.

The business unit strategy is a strategy created at the level of a business unit, division or at the level of an organization's product or service in a particular industry or market segment. This strategy is divided into:

- **Cost leadership** is a strategy chosen by organizations that have a wide range of competition. In this strategy, the organization strives to achieve lower costs than other organizations in the same industry. The advantages of low organizational costs can be obtained from various sources such as the advantages of economies of scale, the application of the correct production technology, having access to raw materials that are more profitable than competitors.

- **Differentiation** this strategy was chosen by the organization in the scope of wide competition. Organizations that choose this strategy are unique to certain dimensions of the products they sell, where the uniqueness is considered valuable by consumers.

- **Focus** the organization chooses to develop appropriate strategies for one or more groups of business units that cannot be served properly by other competitors who have a wider market coverage.

Functional strategies are strategies that exist in each organizational function, such as marketing, finance, production, human resources, research and development functions. Organizations are able to perform the strategies with promotion, innovation, discounts, training and development, using financial ratios, production control, six sigma, TQM, Kaizen, lean production, as well as conducting research on consumer behavior, consumer satisfaction towards the product, and others which aims to create organizational strength. These functional strategies can be assessed by using balance score card.

The organization needs to analyze the capabilities of each business unit it owns in determining the strategy to execute. This analysis applies the Boston Consulting Group (BCG) matrix. BCG describes each business portfolio value. When divisions within organizations compete in different industries, separate strategies often have to be developed so that they must be specifically designed to strengthen multidivision business.

BCG matrix is divided into four quadrants, namely quadrant 1 (symbolized by a question mark), quadrant 2 with a star symbol, quadrant 3 with the symbol of dairy cow, and quadrant 4 with a dog symbol. Question mark symbol means the business has relatively low market share position but competes in industry with high growth rates. In general, this business requires higher budget, with low results. Stars represent the best long-term opportunities for
growth and profitability. This condition with relatively high market share and high industrial growth needs to be supported by a very large investment to maintain or strengthen market dominance. Cash cow has a relatively high market share position but compete in slow growth industry. Cash cow means the business unit always provides positive cash flows, which can be allocated to other business units within an organization, or in other words, it subsidizes other business unit. On the contrary, dog symbol means the business unit has a relatively low or no growth market share position.

The implementation phase is the stage of how the strategy implemented by the organization becomes an action in winning the competition, creating advantages, bringing profit, providing added value to the organization. In implementing the strategy, the organization must adjust to its capabilities, environment, goals, policies, climate, and organizational culture.

EVALUATION

The final stage needs to be monitored by the CEOs of insurance companies is to measure the success of organizational performance, namely by conducting a thorough review to make sure the level of success is aligned with the expectations or desires the organization wants to achieve. The organization needs to pay attention to rates of sales, productivity, profitability, growth, asset value, competitiveness, expansion of the organization, adaptability and so on. The evaluation result is needed as feedback for the continuity and sustainability of the organization and to oversee the implementation of the strategy with the aim of creating effectiveness and efficiency.

CONCLUSION

Business competitions in insurance products nowadays need to be responded by providing the best possible service therefore the insurance products are increasingly demanded by customers in this globalization era which is marked by rapid positive and negative impact on the organization. Thus, it is necessary to be careful in managing every organizational resources, not only focusing on internal organizational factors, but also external factors by utilizing any opportunities or threats that affect the organization both directly and indirectly. The CEOs of insurance company require to make analysis and formulation techniques to apply strategies in the form of winning competition and creating competitive advantage.

REFERENCES

Allen, T. (1990). Concept of management strategy (3rd ed.). Pearson Education.

Barney, & Herterly. (2008). Strategic management competition and globalization. West Publishing Company

Besanko, Darma, & Putra (2007). Pentingnya manajemen strategi. Andika.

David, F. R. (2012). Management strategy (12th ed.). Pearson Education.
Dess, G. G., Lumpkin, G. T., & Taylor, M. L. (2000). *Management strategy*. West Publishing Company.

Hitt, M. A., Ireland, R. D., & Hoskisson, R. E. (2010). *Strategic management competition and globalization*. West Publishing Company.

Daft, R. L., & Lane, P. G. (2008). *The leadership experience* (5th ed.). South-Western.

Nugroho, R. (2010). *Perencanaan strategi in action*. PT Elex Media Computindo.

Pella, M. D. A., Sumarwan, U., Daryanto, A., & Kirbrandoko. (2013). Model implementasi strategi sebagai determinan kinerja perusahaan. *Jurnal Manajemen Teknologi, 12*(1), 56–74. [https://media.neliti.com/media/publications/117700-ID-model-implementasi-strategi-sebagai-dete.pdf](https://media.neliti.com/media/publications/117700-ID-model-implementasi-strategi-sebagai-dete.pdf)

Mintzberg, H. (1991). *Principle of management* (3rd ed.). McGraw Hill Companies.

Porter, M. E. (2008). *Competitive advantage*. West Publishing.

Pearce, J. A., & Robinson, R. B. (2010). *Strategic management: Formulation, implementation, and control* (10th ed.). McGraw-Hill Companies.

Puspita, E. (2012). *Analisa manajemen strategik pada PT. Garuda Indonesia berdasarkan balanced scorecard tahun 2010-2011*. [S1 Thesis, Universitas Atma Jaya Yogyakarta]. E-Journal Universitas Atma Jaya Yogyakarta. [http://e-journal.uajy.ac.id/215/](http://e-journal.uajy.ac.id/215/)

Solihin, I. (2012), *Manajemen strategik*. Erlangga.

Irani Z, U., Muniarti A. R. & Khairuddin. (2014). Implementasi Manajemen Strategik Dalam Upaya Peningkatan Mutu Pendidikan Pada SMAN 10 Fajar Harapan. *Jurnal Administrasi Pendidikan*, 4(2), 58–70. [http://jurnal.unsyiah.ac.id/JAP/article/view/2519](http://jurnal.unsyiah.ac.id/JAP/article/view/2519)

Wahyudi, S. A. (2003). *Manajemen strategik: Pengantar proses berpikir manajemen strategi*. Binarupa Aksara.

Wheelan, T. L., & Hunger, J. D. & (2004). *Strategic management* (5th ed.). Addison-Wesley Publishing Company.

Whittemore, R., & Knaffl, K. (2005). The integrative review: Updated methodology. *The Journal of Advanced Nursing, 5*(5), 546–553. [https://doi.org/10.1111/j.1365-2648.2005.03621.x](https://doi.org/10.1111/j.1365-2648.2005.03621.x)