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## Mapping Strategy and Strategy Initiation Using the Strategic Management System and Performance Execution Excellence (SPEX2)

### Abstract

As a strategic commodity, sugar is constantly monitored by the government to ensure its availability at affordable prices. Indonesia faces three main challenges in the sugar agribusiness sector: declining sugar productivity, increasing sugar imports, and price instability in the domestic market due to inefficient distribution. To address these issues, PTPN I has conducted a business mapping of the sugar sector and established targets aligned with the government's aspirations.

This study employs a qualitative descriptive method with primary data collected through in-depth interviews and observations related to the strategy and performance execution excellence management system (SPEX2). The findings indicate that PTPN I's development strategies include enhancing operational efficiency, improving employee skills, and modernizing technology to boost productivity and sugar quality. External strategies respond to opportunities and threats, supported by government policies aimed at developing the sugar industry. Moreover, PTPN I emphasizes financial, customer, internal business process, and learning and growth perspectives, with priorities centered on increasing revenue, business development, and enhancing human resource competencies.

**Keywords:** Strategy and performance execution excellence management system (SPEX2)

### Abstrak

Sebagai komoditas strategis, gula selalu diawasi oleh pemerintah untuk memastikan ketersediaannya dengan harga yang terjangkau. Indonesia menghadapi tiga masalah utama dalam agribisnis gula: penurunan produktivitas gula, meningkatnya impor gula, dan ketidakstabilan harga gula di pasar domestik akibat distribusi yang tidak efisien. Untuk mengatasi masalah ini, PTPN I telah melakukan pemetaan bisnis gula dan menetapkan target yang selaras dengan aspirasi pemerintah.

Penelitian ini menggunakan metode deskriptif kualitatif dengan pengambilan data primer melalui wawancara mendalam dan observasi terkait dengan strategy and performance execution excellence management system (SPEX2). Hasil penelitian menunjukkan bahwa strategi pengembangan PTPN I mencakup peningkatan efisiensi operasional, pengembangan keterampilan karyawan, dan modernisasi teknologi untuk meningkatkan produktivitas dan kualitas gula. Strategi eksternal menanggapi peluang dan ancaman, dengan kebijakan pemerintah yang mendukung pengembangan industri gula. Selain itu, PTPN I fokus pada perspektif keuangan, pelanggan, proses bisnis internal, dan pertumbuhan pembelajaran, dengan peningkatan pendapatan, pengembangan bisnis, dan peningkatan kompetensi SDM sebagai prioritas utama.

**Kata kunci:** Strategy and performance execution excellence management system (SPEX2)

## 1. Introduction

Food self-sufficiency is one of the main objectives of the Indonesian government, and sugar is one of the priority commodities in achieving this goal. In line with this, the Indonesian government has set several national targets for sugar commodities, including

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achieving self-sufficiency in both consumer sugar and industrial sugar by 2024 and 2029, respectively. In the effort to achieve sugar self-sufficiency, Indonesia's sugar industry is highly complex, involving numerous stakeholders with differing objectives. The sugar producers can be categorized into two main players: state-owned enterprises (SOEs) and private companies. The sugar commodity managed by state-owned enterprises falls under the management of PT Holding Perkebunan (Persero). Based on data from studies on Indonesia's food sector, the condition of the White Crystal Sugar (GKP) industry in Indonesia can be illustrated through the following graph:

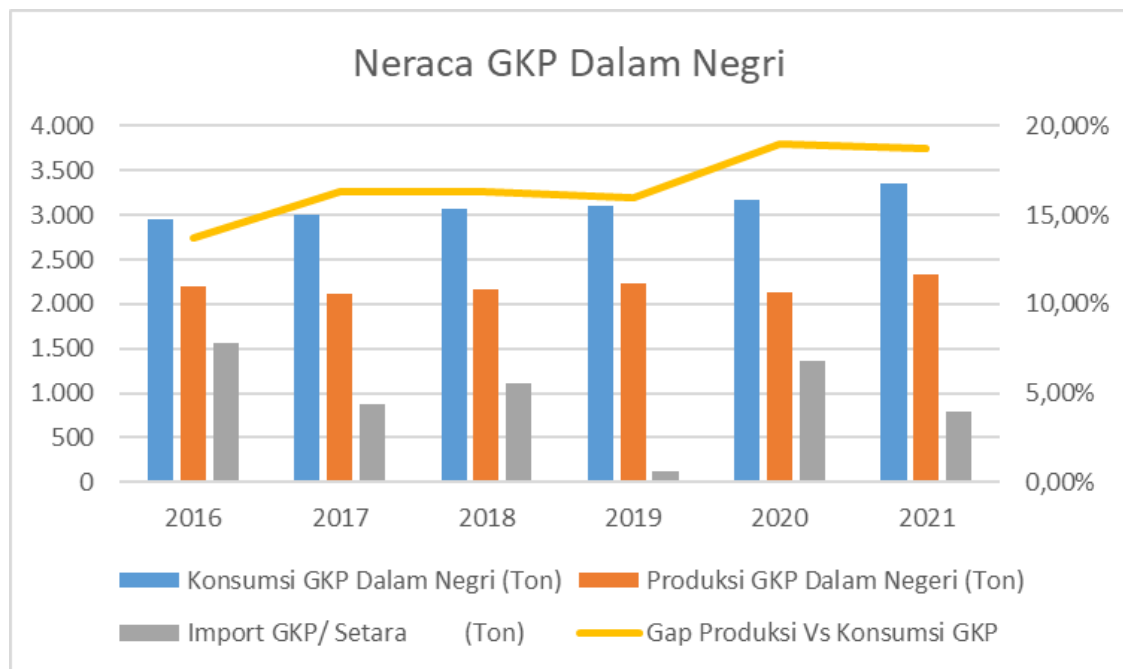


Figure 1. White Crystal Sugar (GKP) Balance in Indonesia  
Source: Sugar Journal - NSC, processed internally by the company

In 2018, Holding Perkebunan Nusantara established itself as one of the largest sugar producers in Indonesia, contributing 15% (335,000 tons) of the national sugar production (2.2 million tons). However, in the same year, Indonesia faced a sugar supply deficit (total White Crystal Sugar - GKP and Refined Crystal Sugar - GKR), leading to sugar imports of 4.3 million tons—approximately 0.9 million tons for household sugar (GKP) and ~3.4 million tons for industrial sugar (GKR). As the main business commodity of PTPN, sugar contributes 15-18% of PTPN's total revenue. In the following year, 2019, PTPN produced 0.8 million tons of White Crystal Sugar, fulfilling ~24% of Indonesia's White Crystal Sugar (GKP) consumption needs (3.3 million tons) or equivalent to 12% of total market sugar demand (6.5 million tons). This marked a decline from the previous year. The decline in performance was largely attributed to the strengthening of the private sector, which entered as new players in the sugar industry. From 2016 to 2018, Holding PT Perkebunan Nusantara managed to record a production performance of White Crystal Sugar (GKP) at 54%-55%, while the remaining share was produced by private companies, as illustrated in the following Figure 2.

Through the illustration in Figure 2, it is evident that the business dynamics of the two main entities in the sugar commodity industry have shifted, where, over the past two years, the private sector has begun to replace Holding PT Perkebunan Nusantara as the



market leader in the White Crystal Sugar (GKP) commodity. The market disruption caused by the private sector is a result of government policies aimed at meeting domestic GKP consumption needs while simultaneously reducing sugar import quotas. The government, through the Omnibus Law, has simplified the licensing process for the private sector to establish new sugar mills. As a result, from 2019 to 2021, 17 private sugar mills were established within the operational areas of the PTPN Group. Figure 3 illustrates the composition map of sugar mills across Indonesia.

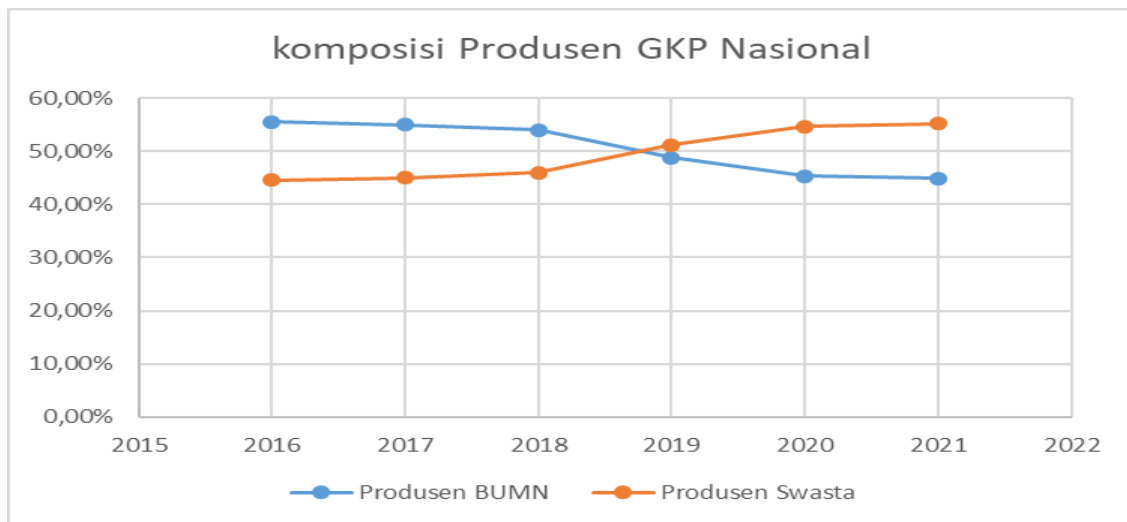


Figure 2. Composition of National White Crystal Sugar Producers  
Source: Sugar Journal - NSC, processed internally by the company



Figure 3. Map of the Distribution of Sugar Mills Across Indonesia

In response to the aforementioned challenges, PTPN I has conducted a sugar business mapping and set targets aligned with the government's aspirations to meet domestic sugar consumption needs. Below is an illustration of the aspirations that the PTPN Group aims to achieve, based on best practice benchmarks from various international and national plantation companies:



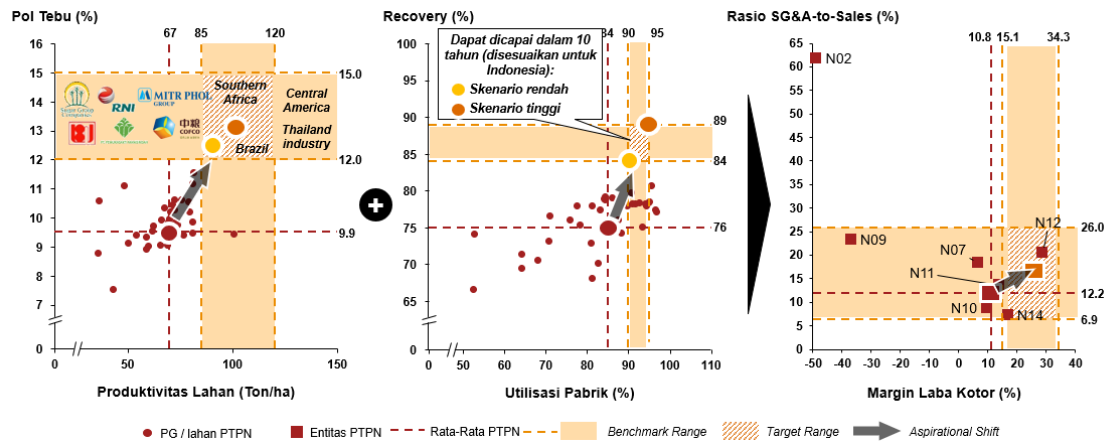


Figure 4. Benchmark of the Sugar Industry for the PTPN Group  
Source: Internal Company Study Data

Through this business mapping, it was found that the performance in On-Farm, Off-Farm, and financial aspects is still far below the average of similar industries both nationally and internationally. This situation prompted the management of Holding PT Perkebunan Nusantara to conduct an internal business mapping and focus on improving the sugar commodity to make it one of its main commodities. White sugar is considered to have a high strategic value due to its alignment with both the PTPN Group's and the government's goals of achieving sugar self-sufficiency. The management of PTPN Group recognizes that the sugar commodity requires strategies to enhance the company's competitiveness in the commodity market.

Based on this, the company decided to change its sugar business strategy to increase the appeal of the sugar commodity and make it a priority. Stakeholder guidance directed the company to focus on formulating business strategies as a key element to support business operations and improve competitive advantages in its business lines. As a result, the company created a breakthrough in business strategy development, aimed at maintaining the company's existence and survival in the sugar industry market.

The creation of a company strategy requires a process, specifically the formulation of the right strategy through evaluating the strategies previously implemented. Additionally, the strategy's application should address the current disruptive market situation in the sugar industry, characterized by intense competition.

Implementing the right strategy formulation allows the company to foster organizational agility, enabling it to build long-term strategies and translate these strategies into quick, tangible actions, both through innovation and other strategic efforts (Luis et al., 2011:6). The growth and value creation of a company depend on the interaction and combination of several factors, including management capabilities, development and use of intellectual capital, financial assets, investment in Research & Development (R&D), innovation, and its sector and geographic location (Hristov et al., 2019).

Thus, organizational agility in competition is not dependent on size but on the capabilities that can be built, regardless of the existing size. Organizations that can achieve this are called Strategy and Performance Execution Excellence (SPEx2) Organizations (Luis et al., 2011).

Based on the above issues, sugar, as a strategic commodity, is constantly monitored by the government to ensure its availability at affordable prices. Indonesia faces three



main challenges in the sugar agribusiness: declining sugar productivity, increasing sugar imports, and instability in sugar prices in the domestic market due to inefficient distribution. To address this issue, PTPN I carried out a mapping of the sugar business and set targets aligned with the government's aspirations. This research uses a qualitative descriptive method with primary data collected through in-depth interviews and observations related to the strategy and performance execution excellence management system (SPEX2). The research results show that PTPN I's development strategy includes increasing operational efficiency, developing employee skills, and modernizing technology to boost productivity and sugar quality. The external strategy addresses opportunities and threats through government policies supporting the development of the sugar industry. Additionally, PTPN I focuses on financial, customer, internal business process, and learning growth perspectives, with increasing revenue, business development, and HR competency as top priorities.

## 2. Literature review

### Strategic Management

Strategic management is a set of managerial decisions and actions involving long-term decision-making within a company. It includes environmental analysis (both external and internal environments), strategy formulation, strategy implementation, and evaluation and control (Wheelen and Hunger, 2012:53). As shown in the following Figure 5.

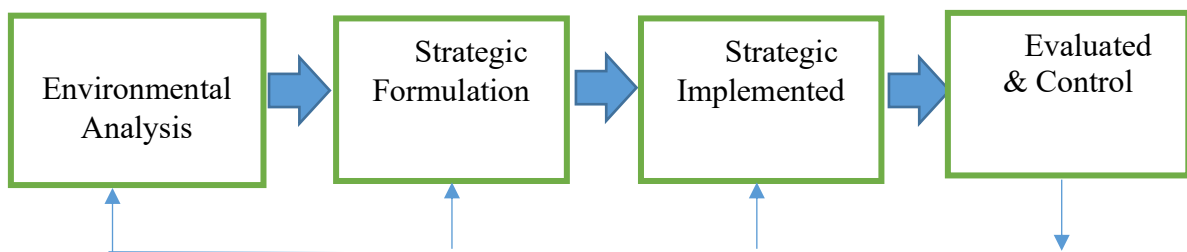


Figure 5. Strategic Management

From the stages of the strategic management process, it can be concluded that strategic management is a set of decisions and actions that lead to the formulation and implementation of plans designed to achieve the company's goals. Strategic management involves forward-looking and complex decision-making, requiring sufficient long-term resources, so top management participation is crucial (Pearce & Robinson, 2008:21). With the strategic management approach, managers at all levels of the company engage in planning and implementation. As a result, the consequences of strategic management behavior resemble participative decision-making. Therefore, an accurate assessment of the impact of strategy formulation on organizational performance requires not only financial evaluation criteria but also non-financial, behavior-based measurement impacts (Pearce & Robinson, 2008).



## SWOT & TOWS – Analysis

SWOT is an acronym used to describe the Strengths, Weaknesses, Opportunities, and Threats that are strategic factors for a particular company (Wheelen and Hunger, 2012: 224). Hubeis and Najib (2014) define each component that forms SWOT as follows:

- a) Strengths are organizational resources or capabilities that can be effectively utilized to achieve goals.
- b) Weaknesses are limitations, deficiencies, or flaws within an organization that may hinder goal achievement.
- c) Opportunities are favorable situations within an organization, often described by trends, changes, or similar perspectives that are needed to increase demand for a product or service and allow the organization to improve its position through offering activities.
- d) Threats are unfavorable situations (barriers, constraints, or various other external elements) within the organizational environment that could potentially undermine the prepared strategy, causing problems, damage, or errors.

## TOWS- Metric

The TOWS Matrix (TOWS is essentially the reverse or another expression of SWOT) illustrates how external opportunities and threats can be combined with the company's strengths and weaknesses, resulting in four sets of alternative strategies (Wheelen and Hunger, 2012:230). See Table 1 for a brief explanation of the TOWS Matrix.

**Table 1.** Matrix Tows

	Strength (S)	Weakness (W)
Opportunity (O)	Strategi S-O	Strategi W-O
Threads (T)	Strategi S-T	Strategi W-T

Source: Luis, et. all, (2011:64)

The TOWS Matrix essentially recommends four strategies: Strengths and Opportunities (SO), which involves using the company's internal strengths to capitalize on available opportunities; Weaknesses and Opportunities (WO), which focuses on leveraging internal weaknesses while seizing external opportunities; Strengths and Threats (ST), where internal strengths are used to mitigate potential threats; and Weaknesses and Threats (WT), where internal weaknesses are utilized to address external business threats. The process of developing the TOWS Matrix follows a structured approach. It begins with identifying all external opportunities and threats, followed by identifying internal strengths and weaknesses. Then, internal strengths are combined with external opportunities, and strategies are noted for potential use. Similarly, internal weaknesses are paired with external opportunities, and possible strategies are identified. Afterward, internal strengths are matched with external threats to generate relevant strategies, and lastly, internal weaknesses are aligned with external threats to come up with strategic responses.



## Balance Score Card (BSC)

The Balanced Scorecard was created by Robert S. Kaplan, a professor at Harvard Business School, and David P. Norton from the public accounting firm KPMG. The Balanced Scorecard is defined as a performance management tool that helps organizations translate their vision and strategy into action using a set of financial and non-financial indicators, all interconnected in a cause-and-effect relationship (Luis and Biromo, 2007: 16). The Balanced Scorecard is used to balance executive efforts and attention between financial and non-financial performance, as well as short-term and long-term performance (Mulyadi, 2007: 5).

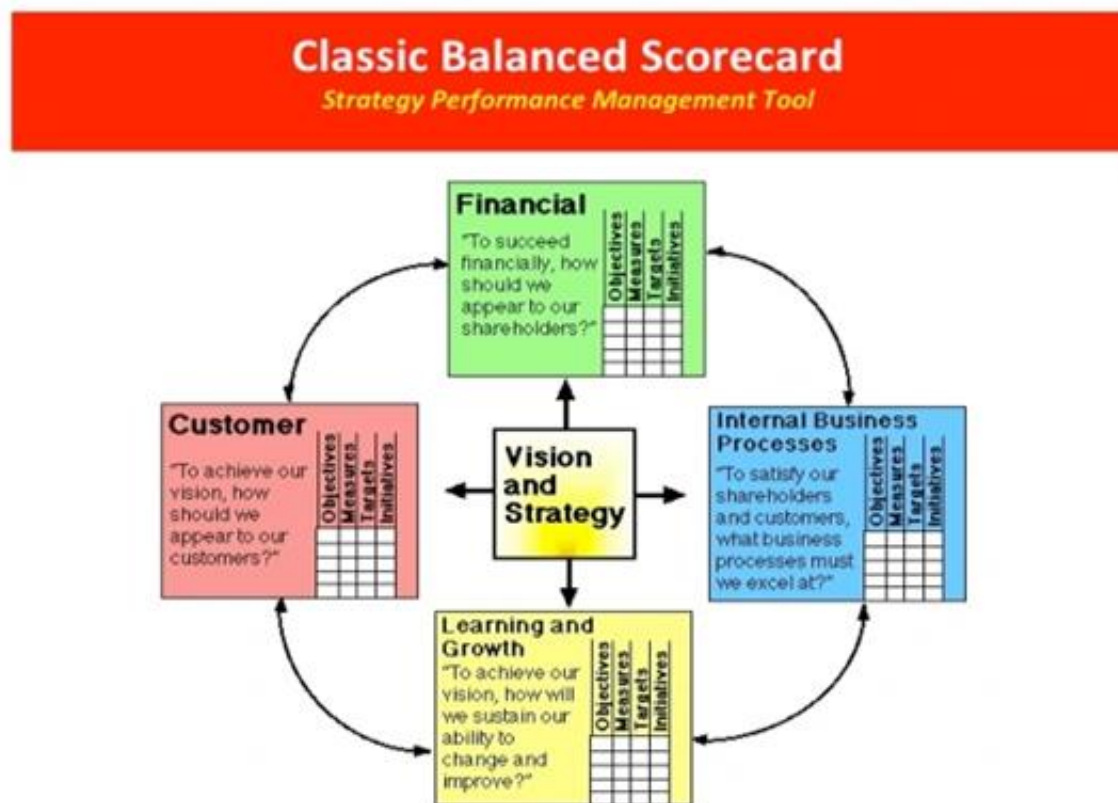


Figure 6. Balanced Scorecard Framework

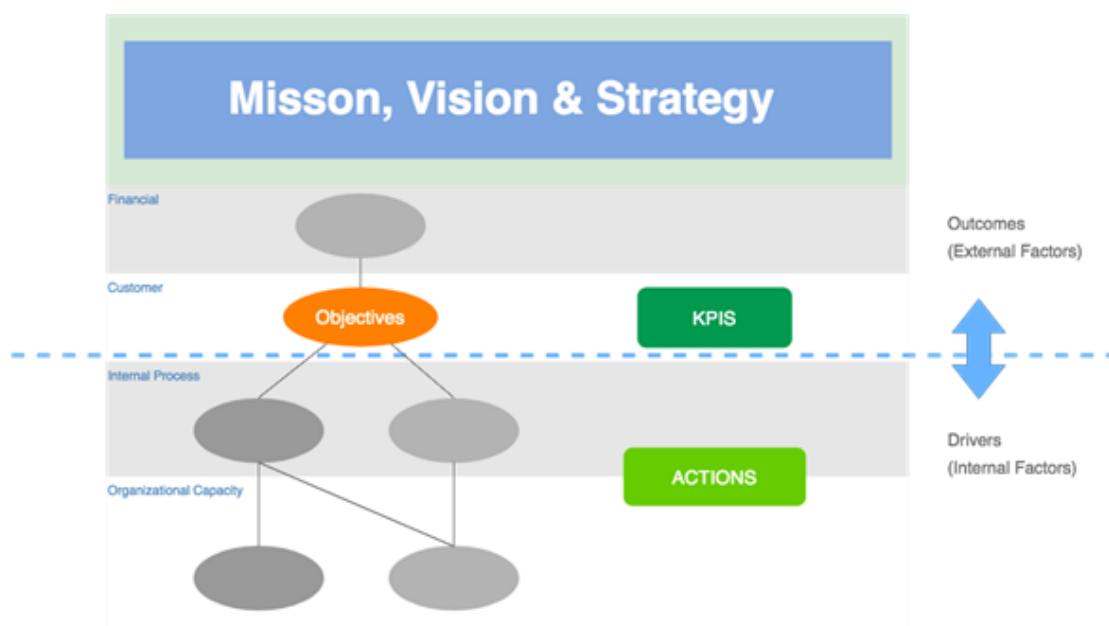
The Balanced Scorecard highlights the importance of balancing various external measures of stakeholders and customers with internal measures of critical business processes, innovation, and learning and growth (Kaplan and Norton, 2001). Based on these steps, the Balanced Scorecard is translated into four perspectives, as shown in Figure 6. The first is the Financial Perspective, where financial goals are typically related to profitability, measured by indicators such as operating profit, ROCE, or economic value added. Other financial objectives include rapid sales growth or cash flow generation. The second is the Customer Perspective, which typically includes key metrics that indicate whether strategies are formulated and implemented effectively, such as customer satisfaction, customer retention, acquisition of new customers, customer profitability, and market share in target segments. The third is the Internal Business Process Perspective, which focuses on various internal processes that significantly impact customer satisfaction and the achievement of the company's financial goals. Lastly, the



Learning and Growth Perspective identifies the infrastructure that the company must build to create growth and long-term performance improvement, which is linked to the company's human resources.

## Strategy Mapping

The Strategy Map, according to Robert S. Kaplan and David P. Norton in their book *Strategy Map: Converting Intangible Assets into Tangible Outcomes*, is a diagram that explains how to integrate cause-and-effect relationships with the four perspectives of the Balanced Scorecard, namely the Financial Perspective, Customer Perspective, Internal Business Process Perspective, and Learning & Growth Perspective, within an organization. This integration aims to create added value, as shown in Figure 7.



## Strategy and Performance Execution Excellence (SPEx2)

Strategy and Performance Execution Excellence (SPEx2) is a Close Loop management system with the ability to formulate the right strategy and execute it into superior performance (Luis et al., 2011:25). Thus, an organization that can realize organizational agility in competition, not dependent on size but on capabilities that can be developed regardless of the existing size, is referred to as Strategy and Performance Execution Excellence (SPEx2) (Luis et al., 2011:15).

As shown in Figure 8, the SPEx2 management system is a system and core management capability consisting of five stages. The first stage, Strategy Development, involves the formulation of the company's strategy through an external and internal assessment of the organization. The second stage, Strategy Mapping, is the process of developing strategic objectives that are integrated based on cause-and-effect logic through the four perspectives of the Balanced Scorecard. The third stage, Organizational Alignment, involves the development of organizational KPIs, which are cascaded down to individual KPIs based on the strategic objectives that have been determined. Additionally, for strategic objectives that are short-term projects, Strategic Initiatives are



also formulated to achieve targets during the project implementation period. The fourth stage, Operational Execution, focuses on the development of a Resourcing Plan, including manpower planning and budgeting/financial allocations. To monitor KPI achievements, a PMO (Project Management Office) team is established as a control function for tracking the organization's KPI progress. The fifth stage, Monitoring & Re-alignment, is the control phase for monitoring KPI achievements during the execution of the strategic objectives. If discrepancies arise between actual results and the set targets, re-alignment can be carried out through risk management functions in collaboration with the PMO team.



Figure 8. Blueprint - Spex2

### 3. Research methods

This research employs a descriptive qualitative research method, aimed at thoroughly describing events or conditions based on data observed directly in the field. The qualitative approach was selected because it is deemed more appropriate for addressing complex problems by gathering primary data through in-depth interviews with the company's management team and direct observations. The study focuses on PT Perkebunan Nusantara I and aims to explore its development strategy, particularly in the context of implementing the Strategy and Performance Management System (SPEX2) framework. The data collection process encompasses several methods: observation, structured interviews, and literature reviews to ensure comprehensive and reliable insights.

Data analysis is carried out using a descriptive approach with an interactive model, which involves several stages: data collection, data condensation, data presentation, and conclusion drawing. Each of these stages is crucial for systematically processing the data



to offer a clear understanding of the company's development strategy, starting from strategy mapping to strategy initiation within the SPEx2 framework. The validity of the data is rigorously tested through techniques such as prolonged observation, persistent engagement with the research site, and triangulation, which entails cross-referencing data gathered from multiple sources and methods. This triangulation ensures that the findings are well-supported and accurate.

The methodology employed in this study provides a solid foundation for understanding how PT Perkebunan Nusantara I's strategies are developed and executed, offering valuable insights into resource management and long-term performance. By employing these detailed and methodologically sound approaches, this research aims to contribute significantly to both theoretical knowledge and practical applications in the field of strategic management.

## **4. Results and Discussion**

### **Strategy Development**

Based on the findings of this research, it was revealed that in order to anticipate industry developments and business competition within the sugar industry, PTPN I recognizes the need to have a company strategy plan that can serve as a guide for improvement, enhancement, and development in the future. At the end of 2024 and entering 2025, PTPN I conducted an analysis, review, and reformulation of its strategic management.

According to the Strategy and Performance Execution Excellence (SPEx2), it is a closed-loop management system with the ability to formulate the right strategies and translate them into excellent performance (Luis et al, 2011: 25). Therefore, an organization that is able to manifest organizational agility in competition is not dependent on size, but on the capabilities that can be built regardless of the existing size, is referred to as Strategy and Performance Execution Excellence (SPEx2) (Luis et al, 2011:15).

Strategy development is the phase of formulating the company's strategy through both external and internal assessments. In the strategy development process, there are two targets: internal and external. The first step taken in Strategy and Performance Execution Excellence (SPEx2) is to analyze the internal (strengths and weaknesses) and external (opportunities and threats) factors at PTPN I, which have been aligned with the company's vision and mission.

From the interview with Mr. Ibnu, the coordinator of the Portfolio & Corporate Strategy Division at PTPN Holding Group, regarding "the current state of human resources in PTPN I, considering the need for competitive advantage in the national sugar market", he shared.

"....mmm...from the HR side, Alhamdulillah, we have competent human resources both in PTPN I and at the holding level...especially in the sugar sector. I think we are quite capable in every aspect. However, I have a few notes, namely that at PTPN Holding, there is a need for efficiency and standardization in HR, as well as policies related to HR within PTPN itself... so, that's roughly the situation... in the dynamics, we must move quickly, especially in Industry 4.0 and moving towards 5.0, which must be continuously accelerated..." (Interview, May 5, 2024).



Meanwhile, the external strategy development aims to examine further the external factors, including competitors in the plantation business, substitute products, and the downstream industry sector. Insights were gathered from external sources, specifically the sugar industry competitors.

In the interview with Mr. Ibnu regarding "What steps are currently being taken to address strategic competitors in the national sugar industry?", he shared the following:

".....mm...so there are four strategies that we are implementing...one of the strategies we are focusing on is enhancing the management of human capital and workforce competencies, as well as increasing employee engagement to support the standard and integrated management of business processes. The goal is to strengthen the company in both on-farm and off-farm operations...then, the next strategy is improving the quality and quantity of sugarcane and sugar production, strengthening and managing HR well, improving financing efficiency, and focusing on social and public aspects...so, what does that mean? With strong strategic management, as part of managerial decision-making for company success, it is carefully formulated...and of course, this strategy is adapted to the dynamic business environment, which is constantly evolving and progressive..." (Interview, May 5, 2024).

Based on these interviews, each informant highlighted that by implementing these strategic steps, PTPN I and other sugar companies can enhance their competitiveness in the national sugar industry, overcome challenges from both domestic and international competitors, and ensure sustainable growth. Given the competition in the market, sugar companies need to continuously innovate, improve efficiency, and adopt new technologies to stay competitive. PTPN I also needs to proactively collaborate with the government and other stakeholders to ensure the sustainability and growth of the sugar industry in Indonesia.

## Strategy mapping

Strategy mapping is a stage in the formulation of strategic objectives that is integrated based on a cause-and-effect logic through the four perspectives of the Balanced Scorecard. These perspectives position the establishment of objectives as part of the strategy map creation process. After the strategy development phase, the next step is to compile a strategy map to provide input to PTPN I, aligning and facilitating the achievement of the company's vision and mission through the established strategic goals. The strategy map is intentionally designed to highlight the relationships between strategic objectives across the different perspectives that drive and are driven by the company's vision and mission.

Based on the table above, provided by several informants regarding indicators across the four perspectives, the following are the results of the interviews:

1. Financial Perspective This perspective illustrates whether the organization achieves its financial goals and adds value to its shareholders, as follows:

- a. Net Profit and Return on Investment of PTPN I

Based on an interview with Mr. Ibnu, the Coordinator of the Portfolio & Corporate Strategy Division at PTPN I, regarding the current state of PTPN I's net profit and return on investment:



*"During this transition period, the net profit recorded has not yet made a positive contribution to the parent company, and the return on equity (ROE) and return on investment (ROI) are still undergoing reconciliation with the book value in the financial statements of PTPN I, both pre- and post-merger. Throughout 2021, management, supported by all staff at the Holding Plantation, made significant efforts to maximize performance, which resulted in a satisfactory outcome. Revenue, gross profit, operating profit, pre-tax income, and net income showed significant increases compared to the previous year. The culmination of this achievement was the company recording a net profit of Rp4.64 trillion after experiencing a loss of Rp1.14 trillion the previous year..." (Interview, May 5, 2024).*

Based on this interview, informants provided various perspectives, suggesting that PTPN I could make strategic decisions to improve its financial performance. These could include cost efficiency (e.g., reducing unnecessary operational costs), product diversification (e.g., developing sugar derivative products to boost revenue), and technology investment (e.g., adopting new technologies to improve productivity and efficiency).

#### b. Profit Margin of PTPN I

Profit margin reflects how effectively a company generates profit from its sales and is typically measured by financial ratios such as Gross Profit Margin (GPM), Operating Profit Margin (OPM), and Net Profit Margin (NPM). Based on an interview with Mr. Ibnu regarding the company's profit margins:

*"...In terms of GPM and NPM, cumulatively, they are still negative due to the unmet revenue targets post-merger. The target revenue for the 2024 RKAP is projected at 10.3 trillion, with a net profit projection of (0.6) trillion due to increased SG&A costs post-merger..." (Interview, May 5, 2024).*

Based on this interview, informants expressed varied views, emphasizing that PTPN I needs to evaluate its profit margins due to the company's struggle to generate net profit from sales. This implies that the profit margin from sales indicates the percentage of profit generated from the company's sales activities.

2. Customer Perspective In this perspective, PTPN I identifies its customers and market segments where its business units will compete, using various performance metrics for each unit's objectives. To achieve satisfactory long-term financial performance and remain competitive, companies must create and deliver products or services that provide value to consumers or customers.

#### a. Customer Satisfaction and Retention at PTPN I

Customer satisfaction reflects the users' perceptions of how well a platform meets their needs and expectations. Retention refers to the company's ability to retain customers over a period of time, measured by the percentage of customers who continue to purchase products or services over time. Based on an interview with Mr. Ibnu about customer satisfaction and retention at PTPN I:



*"Surveys show that PTPN I still maintains loyal customers, with long-term contracts (LTC) and inter-company trade (ICT) between entities within the PTPN Group... To ensure customer satisfaction, the company periodically conducts customer satisfaction surveys (CSI)... Several satisfaction aspects, such as product packaging, information on packaging, and product quality consistency, were assessed. Based on the 2022 survey, customer satisfaction on product aspects was recorded at 83.1%, up from 81.4% in 2021..." (Interview, May 5, 2024).*

Based on this interview, informants provided various perspectives, suggesting that PTPN I could further improve customer satisfaction and retention. Enhancing customer satisfaction could be achieved through a focus on product quality, responsive customer service, competitive pricing, timely deliveries, product innovation, and customer engagement. These efforts would improve the company's competitiveness in both the national and international sugar markets.

b. Market Share and Customer Growth at PTPN I in the National Sugar Industry

Based on an interview with Mr. Ibnu regarding PTPN I's market share and customer growth in the national sugar industry:

*"In the past three years, the significant increase in the price of sugar is evident, with GKP (White Crystal Sugar) rising from Rp 12,500 in 2020 to Rp 13,000 in 2023. In 2024, PTPN I will produce 1.8 million tons of sugar. While this is not an easy task, I believe with the dedication of the millennial generation at PTPN I and all employees, we can accomplish it..." (Interview, May 5, 2024).*

Based on this interview, informants expressed various views, highlighting that the national sugar market share reflects the relative position of various producers within the Indonesian sugar industry. To increase market share, PTPN I and other producers must focus on enhancing production, quality, operational efficiency, and implementing effective marketing strategies.

3. Internal Business Process Perspective Analysis from the internal business process perspective begins with PTPN I's ability to innovate and produce internationally standardized products. The company's capability to innovate is assessed based on breakthroughs that create added value for the company.

a. Strategic Goals in Sugar Production Efficiency

Sugar production efficiency refers to efforts to maximize sugar output from raw sugarcane while minimizing resource inputs, such as labor, energy, water, and chemicals, and reducing waste and production costs. Based on an interview with Mr. Ibnu regarding strategic goals in production efficiency:

*"...Sugarcane being an annual crop means that production is tied to the milling season. To anticipate cost fluctuations at the beginning of the year, when plantations are yet to harvest, we employ a partnership management strategy. This allows revenue from the previous year's production to be rolled*



*up into the following year... The El Nino phenomenon this year helped maximize sugarcane potential, and combined with our strategies such as the implementation of a profit-sharing system, quality improvements in sugarcane harvesting, regionalization systems, and factory efficiency, the 2023 performance was better compared to 2022..." (Interview, May 5, 2024).*

Based on this interview, informants indicated that sugar production efficiency within PTPN I's internal processes can be achieved through strategic goals focusing on productivity improvement, cost reduction, quality enhancement, and efficient resource utilization. By adopting modern technology, developing human resources, and optimizing supply chain management, PTPN I can achieve higher production efficiency and enhance its competitiveness both domestically and internationally.

#### b. Sugar Production Cycle Time and Efficiency

The sugar production cycle time refers to the period required to complete the entire sugar production process, from planting sugarcane to the final product ready for consumption. Based on an interview with Mr. Ibnu regarding the production cycle time and efficiency:

*"We generally have two periods: Outside the Milling Season (LMG) and During the Milling Season (DMG). The LMG period lasts from December to April, during which we maintain factory equipment according to Standard Maintenance Procedures (SMP) and make innovations to optimize processes in the next milling season. The DMG period lasts from May to November, and we try to achieve efficiency in sugar processing during this time..." (Interview, May 5, 2024).*

Based on this interview, informants highlighted that the sugar production cycle time consists of various stages, from planting to distribution. By focusing on efficiency at each stage, using modern technology, and applying effective management, companies like PTPN I can reduce production cycle time, increase productivity, and improve competitiveness in both domestic and international markets.

4. Growth and Learning Perspective In this perspective, PTPN I is tasked with paying attention to its employees. Employee well-being impacts their performance. Providing facilities and training can enhance employees' knowledge and skills, optimizing their ability to serve customers.

#### a. Product Innovation at PTPN I

Product innovation refers to the process of developing and improving sugar products by PTPN I and its holding to meet the evolving market needs, increase added value, and strengthen competitiveness in both national and international markets.

Based on an interview with Mr. Ibnu regarding product innovation at PTPN I:

*"...PTPN I continuously innovates in both on-farm and off-farm sectors, but*



*innovations in downstream products are limited. The new innovations we have made include converting molasses into ethanol and blotong into compost. As for sugar, we have innovated by introducing a retail sales system. In the future, there will be new sugar products, such as low glycemic index white crystal sugar and caramel liquid sugar..." (Interview, May 5, 2024).*

Based on this interview, informants highlighted that PTPN I's sugar product innovations could include product diversification, the development of functional products, packaging innovations, the adoption of modern production technologies, and sugar-based product development. By continuing to innovate sustainably, focusing on quality and sustainability, PTPN I can strengthen its position in both national and international sugar markets.

#### b. Employee Competence at PTPN I

Employee competence at PTPN I, as a state-owned plantation company in the sugar industry, encompasses various skills, knowledge, and behaviors necessary to support operations and corporate strategy. Based on an interview with Mr. Ibnu regarding the enhancement of employee competence:

*"...Employee competence is managed through Human Resource Management (HRM), with measurements based on Human Capital Maturity Levels and setting Key Performance Indicators (KPI) for Top Leaders among millennial employees, as well as measuring Employee Engagement Index (EEI)... We also conduct various training programs to enhance these competencies, such as digital mapping training to enrich employees' knowledge and skills in utilizing geospatial information technology for plantation management..." (Interview, May 5, 2024).*

Based on this interview, informants emphasized that employee competence at PTPN I includes technical, managerial, interpersonal, innovative, sustainability, digital, and industry-specific skills. Employees with these competencies can support the company's strategy to improve productivity, efficiency, and competitiveness in both national and international sugar markets. Continuous training and development are essential to ensure employees continuously develop competencies according to company and industry needs.

## Steps for Developing Strategy and Performance Execution Excellence Management System (SPEx2) at PT. Perkebunan Nusantara I

The development of the Strategy and Performance Execution Excellence Management System (SPEx<sup>2</sup>) at PT Perkebunan Nusantara I involves several crucial steps to ensure the successful implementation of the strategy and the achievement of optimal performance. Before outlining the steps for the Strategy and Performance Execution Excellence Management System (SPEx<sup>2</sup>), it is important to note that this research did not involve weighting or scoring due to directives from the company and recommendations from selected informants regarding the confidentiality and strategic importance of the national state-owned enterprise. Therefore, this study on the Strategy and Performance Execution



Excellence Management System (SPEx<sup>2</sup>) was conducted solely through interviews with informants at PTPN I who possess the relevant expertise in the field.

The following are the steps in developing the Strategy and Performance Execution Excellence Management System (SPEx<sup>2</sup>) at PTPN I:

1. Identifying the Organizational Foundation or Situation

The initial step in the development of the Strategy and Performance Execution Excellence Management System (SPEx<sup>2</sup>) is to identify the organizational foundation. This foundation can be identified through the company's vision, mission, strategic policy paradigm, corporate culture, strategic goals, and other factors. The business paradigm of PT Perkebunan Nusantara I serves as the framework that underpins how the company operates and interacts with its environment. This paradigm encompasses various aspects, including the vision and mission, strategy, corporate values, and approach to innovation and sustainability. The key elements of PTPN I's business paradigm are: Vision and Mission, Corporate Values Business Strategy, Sustainability and Social Responsibility, Innovation and Technology.

a) Step 1, namely, determining the vision and mission of PTPN I

**Vision:**

To become a resilient national agribusiness company with world-class competitiveness and contribute sustainably to the nation's progress.

**Mission:**

1. To produce high-quality products for customers.
  2. To establish superior work process capabilities through continuous improvement and innovation, with good corporate governance.
  3. To develop an excellent organization and culture, along with competent and prosperous human resources, in realizing the potential of every individual.
  4. To optimize asset utilization to provide the best returns.
  5. To actively contribute to improving community welfare and maintaining environmental sustainability for the benefit of future generations.
- b) The second step is, after establishing the company's vision, mission, core values, and paradigm, the next step is to conduct a SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis at PTPN I based on the SPEx<sup>2</sup> framework.

Table 2. Matrix SWOT PTPN I

Internal Factors	
Strengths (S)	Weaknesses (W)
PTPN has an independent research center for developing superior sugarcane varieties.	Strategy management is not aligned, and there is no specific unit dedicated to managing and monitoring it manually.
Over 20 years of experience in managing the sugarcane agro-industrial commodity.	Supply control is limited due to the dominance of smallholder sugarcane.
PTPN I is one of the entities with the largest sugarcane land asset ownership in Indonesia.	Business process management is still not integrated.



PTPN Group has a good IT maturity level (Cobit 5) with e-farming, SIPTL, open camera for land mapping, plant operations, and audit activities.	Business development is not integrated and comprehensive.
The company has a consistent track record in developing co-products from sugarcane.	Brand image for downstream products has not been formed due to a focus on commodity sales (B2B).
63% of PTPN I's partners, the sugar mills, can produce ICUMSA <200, and one mill produces ICUMSA <80.	Risk management has been implemented in the core business with relevant and up-to-date data.
PTPN I is a national best practice benchmarking destination in the sugarcane industry.	Asset management and development have no specific and optimal units.
Implementation of international standard Information Technology systems (SAP) has expedited decision-making.	Employee competency development programs are still not optimal.
<b>Opportunities (O)</b>	<b>Challenges (T)</b>
National sugar demand is still unmet (sugar self-sufficiency has not been achieved).	The price of sugar is determined by farmer auction and is sold exclusively through PT KPBN & PT. SGN.
The availability of labor – a demographic bonus in the next 5 years.	The decreasing area of sugarcane plantations in Indonesia (due to commodity shift).
Increasing demand for sugarcane derivative products (molasses, sugarcane tops, etc.).	The policy that each sugar mill must have its own land (which can be leased or in partnership).
Government support for the sugar industry through Government Regulation No. 40 of 2023 and the inclusion of sugar self-sufficiency as a National Strategic Project (PSN) for 2025-2029, with PMN funding to increase sugarcane land area.	Climate anomalies (e.g., prolonged droughts, wet seasons) and pest attacks lead to higher operational costs as a result of force majeure.
The sugar industry's obligation to meet 20% of sugarcane raw material needs.	Indonesia's sugar production cost is higher compared to other countries: Brazil, India, Thailand.
The global sugar price is predicted to increase by 2% annually.	The presence of substitute products that may replace sugarcane production/consumption.
No mature sugarcane agro-industry downstream industry at the national level.	Decline in land quality for sugarcane cultivation.
<b>External Factors</b>	

Source: Interview Results with Informants of the Division. Portfolio & Corporate Strategy of PTPN I, 2024.

- c) The third step is the interpretation of the SWOT analysis within the SPEx2 framework. The SWOT analysis within the Strategy And Performance Execution Excellence Management System (SPEx2) is used to evaluate the strategic position of



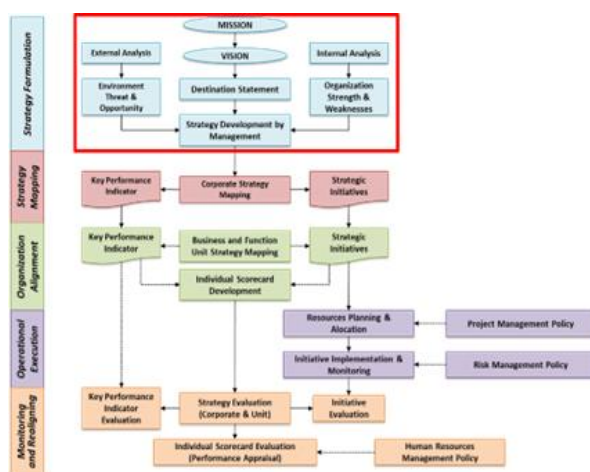
PT. Perkebunan Nusantara I (PTPN I) by identifying strengths, weaknesses, opportunities, and threats.

Table 3. Interpretation of SWOT Analysis in Determining the Destination Statement

Vision	Target (Destination Statement)
To become a resilient and world-class competitive national agribusiness company that continuously contributes to the nation's progress.	<b>EBITDA:</b> IDR 1 Trillion, with a margin of 10% <b>Sugar Market Share:</b> 30%
Mission	Target
<b>Mission 1:</b> Produce high-quality products for customers	<b>Target:</b> Achieve sugar production of 300,000 tons.
<b>Mission 2:</b> Build superior work process capabilities	<b>Target:</b> Establish operational excellence.
<b>Mission 3:</b> Develop an optimal organization and culture	<b>Target:</b> Establish Maturity Level and KPI targets for % Top Leaders from millennial employees, as well as measure the Employee Engagement Index (EEI).
<b>Mission 4:</b> Optimize asset utilization to generate the best returns	<b>Target:</b> Asset optimization through KSO cooperation – 3.1 trillion IDR in sugar.
<b>Mission 5:</b> Contribute to improving community welfare and preserving the environment for the benefit of future generations	<b>Target:</b> Fulfill TJSL (Corporate Social Responsibility) & Decarbonization Program in sugar plantations with Zero Emission (no land & forest fires).

Source: Interview Results with Informants of the Portfolio & Corporate Strategy Division of PTPN I, 2024.

- d) The fourth step involves developing the corporate strategy mapping for PT. Perkebunan Nusantara I, which includes the identification of strategic objectives, key initiatives, and performance indicators to achieve the company's vision and mission. These strategic objectives are then further elaborated into the four perspectives of the balanced scorecard, as shown in the following diagram:





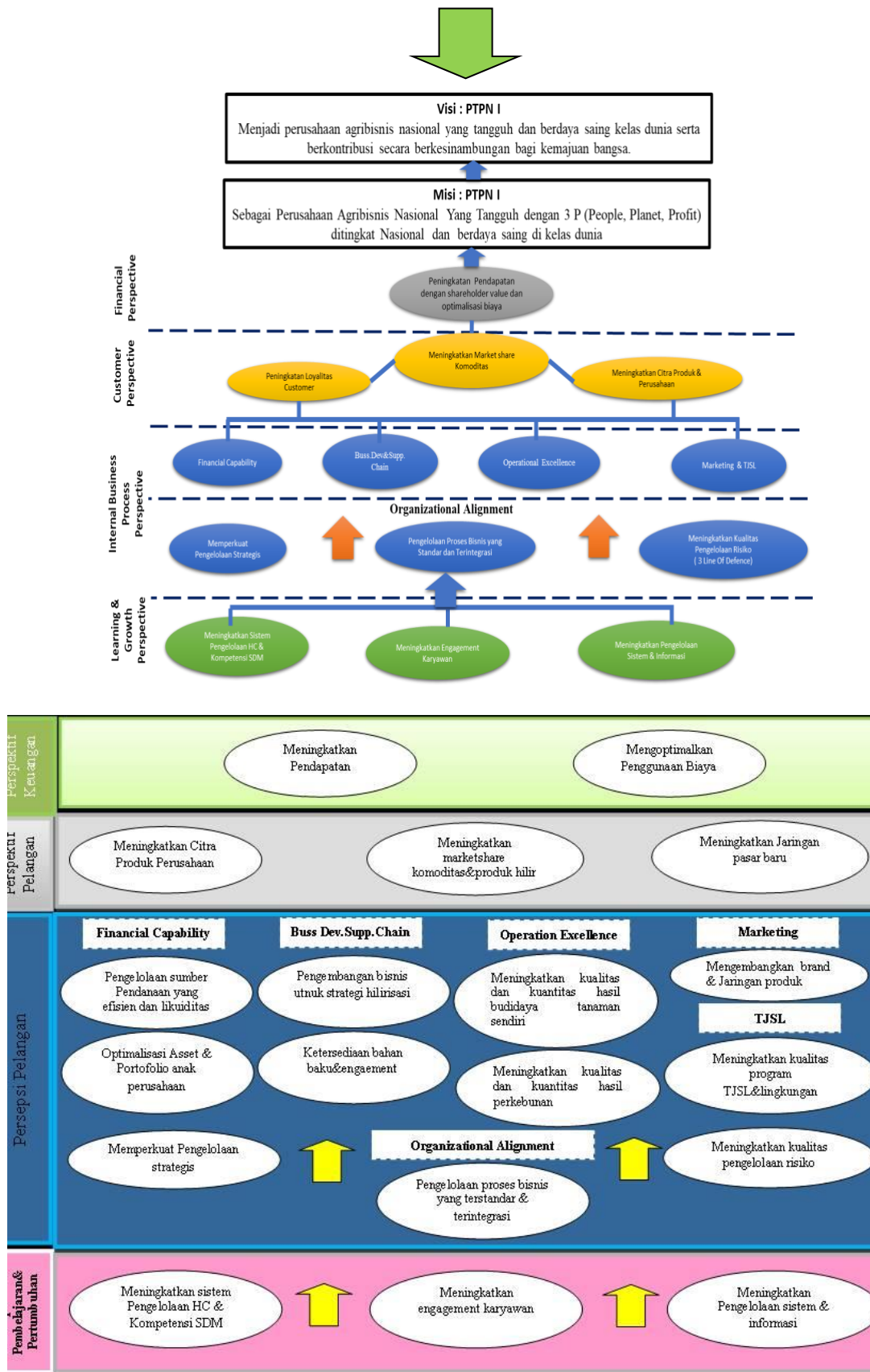


Figure 9. Corporate Strategy Map of PTPN I  
Source: PTPN I, data processed 2024



Figure 9 above illustrates the indicators that track progress and the predictive indicators for each strategic objective across the four perspectives of PT. Perkebunan Nusantara I's balanced scorecard. The use of these measures is expected to evaluate the achievement of strategic objectives within each perspective of the balanced scorecard. The formulation above is followed by the strategic initiatives, as outlined below:

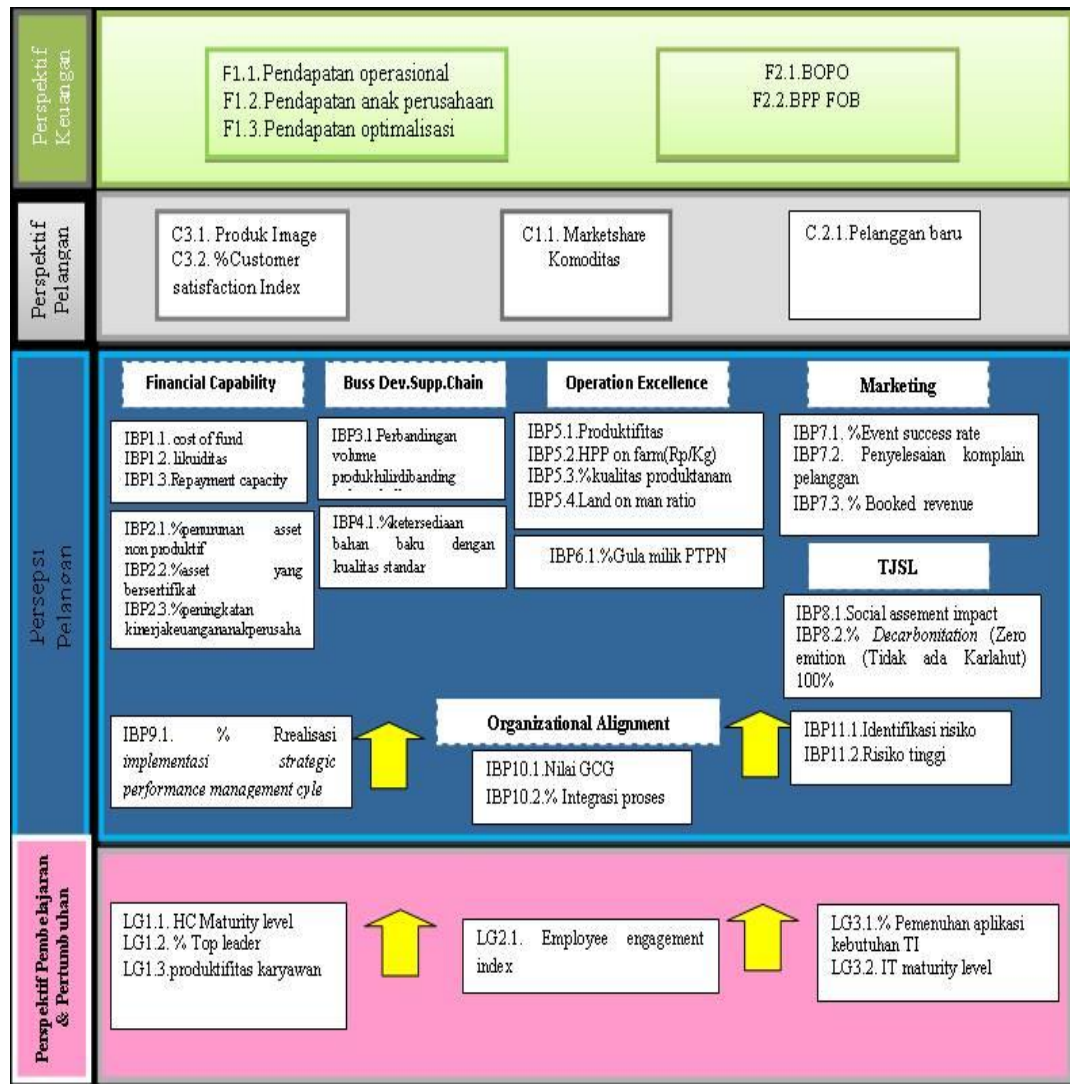


Figure 10. Strategic Initiative Targets of PTPN I

Source: Interview Results with Informants of the Portfolio & Corporate Strategy Division of PTPN I, 2024

Based on the table above, by implementing these strategic objectives and policies, PT. Perkebunan Nusantara I can achieve its vision of becoming a leading and sustainable agribusiness company in the plantation sector, while making a positive contribution to the environment and society.

e) The fifth step is to create a Strategy Map.

A Strategy Map allows an organization to clearly and commonly describe its goals, action plans, targets, and performance measures that are used to assess PT. Perkebunan Nusantara I's performance, along with the interrelationships that form the foundation for



strategic direction. The cause-and-effect relationships between the strategic objectives of PT. Perkebunan Nusantara I in the four perspectives of the balanced scorecard can be depicted in the form of a strategy map model, as shown in Figure 10.

In Figure 10, the design of the strategy map (Strategy Mapping) for PT. Perkebunan Nusantara I is shown. To carry out its mission and achieve its vision, PT. Perkebunan Nusantara I must cultivate a conducive organizational culture by obtaining a variety of ideas, cultural backgrounds, and mindsets from its community. With a strong organizational culture in place, the company's employees' character can also be shaped. Afterward, PT. Perkebunan Nusantara I must motivate its employees to perform well and strive to retain them by offering the best compensation. In this way, the company can foster development and learning to enhance employee loyalty and satisfaction.

High employee loyalty and satisfaction are essential in internal business processes, such as improving production quality, understanding and meeting market and customer needs, and driving innovation through annual events and business development. To meet customer expectations and increase their satisfaction, after carrying out internal business processes, PT. Perkebunan Nusantara I needs to accurately identify and define its market and customers, build good communication with them, and collect and understand their needs. Satisfied consumers will remain loyal to the company. Loyal customers will continue to choose PT. Perkebunan Nusantara I as the best provider for their needs. This will significantly impact PT. Perkebunan Nusantara I's production and sales levels. Increased production and sales, driven by high market demand, combined with cost control within the budget, will increase PT. Perkebunan Nusantara I's revenue and meet shareholder expectations.

- f) The sixth step is to establish targets and performance measures for the strategic objectives (Strategy Mapping).

Measurement is critical for advancing and driving change in a positive direction. The established strategic objectives will be measured using two types of measurement tools: (1) outcome (lagging) measurements, which reflect the results already achieved, and (2) performance driver measurements (leading indicators), which are measures that trigger future outcomes. The following table presents lag indicators and lead indicators for each strategic objective in the four perspectives of the balanced scorecard. The determination of these measures is expected to assess the success of each strategic objective within each balanced scorecard perspective.

## 5. Conclusion

From the research on strategy mapping and strategic initiation using SPEx2 at PT. Perkebunan Nusantara I, it can be concluded that the company has successfully formulated a comprehensive development strategy. Internally, PT. Perkebunan Nusantara I focuses on improving operational efficiency, developing employee skills, and enhancing management systems and information technology. This helps the company strengthen its competitive position in the sugar industry by maximizing its internal resources. Externally, PT. Perkebunan Nusantara I is responsive to opportunities and threats in the external environment, especially through government policies that support increasing sugar product productivity and quality, as well as effective product diversification and marketing.



The implementation of strategy mapping at PT. Perkebunan Nusantara I has successfully guided management in achieving strategic goals through the Balanced Scorecard, with a focus on financial improvement through revenue and shareholder value, as well as enhancements in customer aspects, internal business processes, and growth and learning. This demonstrates PT. Perkebunan Nusantara I's commitment to improving operational effectiveness and sustainability through better human resource management and optimization of internal business processes. This conclusion reaffirms that the strategy and implementation of SPEx2 consistently support PT. Perkebunan Nusantara I's efforts in strengthening its strategic position in the national sugar industry market.

## **6. Suggestion**

Based on the analysis conducted, several recommendations can be proposed for PT. Perkebunan Nusantara I and related stakeholders in the sugar industry. First, PT. Perkebunan Nusantara I is advised to regularly conduct performance evaluations of the organization and management in order to maintain balance with the dynamic, ever-evolving industry. This evaluation should encompass a review of operational efficiency, employee skills development, and improvements in management systems as well as information technology.

Second, there is a need to focus on policies that expand agricultural areas, increase productivity, and enhance sugarcane yield. Specific measures may include optimizing seed variety and breeding processes, as well as improvements in the management of Harvest-Transport-Load (HTL) in accordance with sugarcane maturation schedules. Furthermore, it is crucial to optimize milling times according to the harvest age of the sugarcane and improve the efficiency of sugar mills to maintain optimal yield. The implementation of these steps will help PT. Perkebunan Nusantara I address global challenges and ensure sustainability and balance within the sugar industry.

## **7. Theoretical and practical implications**

The research on strategy mapping and strategic initiation using SPEx2 at PT. Perkebunan Nusantara I contributes to the theoretical understanding of strategic management in state-owned enterprises, particularly in the agribusiness and sugar industries. By applying the Balanced Scorecard and SPEx2 framework, the study reinforces the importance of aligning organizational strategies with both internal capabilities and external market dynamics. It highlights the role of operational efficiency, human resource development, and technology integration in sustaining competitive advantage, which are key components of modern strategic management theories. Furthermore, the study enriches the theoretical literature on how organizations can effectively utilize government policies and external opportunities to enhance their long-term sustainability and market positioning.

From a practical perspective, the findings from this research offer valuable insights for PT. Perkebunan Nusantara I and other stakeholders in the sugar industry. The successful implementation of SPEx2 and strategy mapping shows how companies can structure and monitor their strategic goals through frameworks like the Balanced Scorecard to improve both financial performance and operational processes. Organizations can draw on the findings to implement more targeted initiatives that



enhance employee capabilities, streamline operations, and leverage technology for more efficient decision-making. Moreover, the research emphasizes the importance of adapting to external opportunities and threats, suggesting that businesses must remain responsive to governmental policies, market demands, and environmental challenges to ensure ongoing growth and sustainability. For practitioners, this research serves as a guide to adopting strategic management practices that lead to more effective performance monitoring and sustainable development in competitive industries.

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