



## Turnaround Strategy of PT Indofarma Tbk

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### ABSTRACT

PT Indofarma Tbk experienced a decline in financial performance from 2016 to 2022 leading to corporate strategy implementation. This study aims to analyze the suitability of the strategy implemented by PT Indofarma to the theory of corporate alternative strategy. This study involved a case study method utilizing annual reports and financial statement data. BCG Matrix was applied as a portfolio analysis tool. PT Indofarma Tbk was identified in the BCG matrix in a low growth and market share quadrant. The strategy implemented by PT Indofarma to recover the company's performance was identified as a turnaround strategy which aligns with the recommended strategy for a company that experienced low growth and low market share in the BCG matrix. This study concluded that the implementation of the turnaround strategy at PT Indofarma Tbk aligns with the recommendations by researchers for effective turnaround strategy implementation

### INTRODUCTION

The pharmaceutical industry is strategic because it positively contributes to the national economy. In the second quarter of 2022, the chemical, pharmaceutical, and traditional medicine sectors, ranked 2nd out of the top five of the Non-oil and Gas Processing industries contributing to the National GDP (Kementerian Perindustrian Republik Indonesia, 2022).

Table 1. Top Five Non-oil and Gas Processing Industries

No	Sector	Contribution (%) in 2022		
		2021	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter
1	Food and Beverage Industry	6,61	6,55	6,14
2	Chemical, Pharmaceutical, and Traditional Medicine Industry	2,00	1,99	1,78
3	Metal Goods, Computer, Electronic, Optical and Electrical Equipment Industry	1,52	1,53	1,40
4	Transportation Equipment Industry	1,48	1,53	1,36
5	Textile and Apparel Industry	1,06	1,10	1,03

Source: Laporan Informasi Industri (Kementerian Perindustrian Republik Indonesia, 2022)

In 2020, the growth of the Chemical, Pharmaceutical, and Traditional Medicine Industry reached 9,39% (yoy). This growth is not only increased from the 2019 (yoy) growth of 8,48% but also the highest industry sector growth among other sectors (Kementerian Perindustrian Republik Indonesia, 2021).

The positive growth of the pharmaceutical industry did not occur in all companies engaged in the pharmaceutical sector. PT Indofarma Tbk was identified as experiencing a decline in financial performance from 2016 to 2022. The decline of PT Indofarma Tbk's financial performance is presented in Table 2.

**Table 2. Financial Data of PT Indofarma Tbk during the period of 2015-2022 (in million rupiah)**

Description	2022	2021	2020	2019	2018	2017	2016	2015
Current Ratio (Rasio Lancar)	87.65%	135.04 %	135.61 %	188.08 %	104.87 %	104.20 %	121.08 %	126.15 %
Cash Ratio	27.38%	36.43%	18.90%	34.34%	15.63%	20.33%	7.98%	37.02%
Leverage Ratio								
Description	2022	2021	2020	2019	2018	2017	2016	2015
Debt to Asset Ratio (DAR)	94.37%	74.73%	74.88%	63.51%	65.57%	65.70%	58.33%	61.35%
Debt to Equity Ratio (DER)	1676.51 %	295.80 %	298.15 %	174.08 %	190.42 %	191.55 %	139.97 %	158.76 %
Activity Ratio								
Description	2022	2021	2020	2019	2018	2017	2016	2015
Inventory turnover (x)	4.69	8.70	11.85	9.18	7.39	6.41	5.73	5.40
Total Assets Turnover (x)	0.75	1.44	1.00	0.98	1.10	-	-	1.06
Receivable Collectability (day)	55,2	47,7	119.11	59.19	39.11	40	48	44
Profitability Ratio								
Description	2022	2021	2020	2019	2018	2017	2016	2015
Gross Profit Margin	-9.62%	15.56%	23.35%	18.42%	17.84%	17.34%	20.12%	20.35%
Net Profit Margin	-37.45%	-1.29%	0.002%	0.59%	-2.06%	-2.84%	-1.04%	0.40%
Return On Assets (%)	-27.93%	-1.87%	0.002%	0.58%	-2.27%	-3.03%	-1.26%	0.43%
Return On Equity (%)	-496.23%	-7.39%	0.01%	1.58%	-6.59%	-8.79%	-3.02%	1.11%

Source: Annual Report of PT Indofarma Tbk

The financial ratio in Table 2 shows that in 2016-2022, there was instability in the company's financial performance with a declining tendency. The primary cause of the 2022 performance decline was a 543 billion rupiah drop in sales of medicinal products. The COVID-19 pandemic that began to recover in 2022 resulted in no more sales of vaccines and products for COVID-19

treatment. The accumulation of drug and medical device inventories was impacted by the turbulence in 2020 and 2021. Considering the outstanding payments from customers and the fact that inventory retains working capital, operating activity revenue has not been sufficient to generate profits. The condition ultimately impacts the availability of liquidity. Regardless of the decline affected by the accumulation of drug and medical device inventories, the financial decline during 2016-2022 shows the urgency of the recovery strategy.

Over more than a decade, PT Indofarma Tbk has produced pharmaceuticals and medical devices. PT Indofarma is committed to the product's efficacy, safety, and quality. PT Indofarma Tbk implements the ISO 9001 quality management system in the production and distribution processes. The production facilities have obtained Good Manufacturing Practices (CPOB) and Good Traditional Medicine Manufacturing Practices (CPOTB) certificates from The Indonesian Food and Drug Authority (BPOM). PT Indofarma also received several awards such as the implementation of Good Corporate Governance (GCG), dedication to the nation's recovery related to COVID-19 (Gatra Award), and an award for the implementation of BUMN core values (AKHLAK Award). PT Indofarma's commitment and dedication for more than 10 decades should be followed by the recovery of the company's profits. Therefore, an appropriate corporate strategy is needed to return PT Indofarma to a profitable state.

Since 2019, PT Indofarma Tbk has implemented strategic activities in response to the company's situation. This study aimed to analyze the suitability of the alternative strategy implemented by PT Indofarma Tbk to the theory of strategic alternatives. In this study, we applied the BCG matrix portfolio analysis technique. After carrying out the BCG matrix analysis, the study continued with a descriptive analysis of strategic activities at PT Indofarma Tbk with relevant theories.

## LITERATURE REVIEW

Corporate strategy is the direction that ensures the company's strategic business units operate optimally and provide benefits to the company (Rufaidah, 2014). Corporate strategy includes three main orientations, namely growth, stability (delay), and retrenchment (Wheelen & Hunger, 2010 in Rufaidah, 2014: 179). The three main orientations have specific strategies that can be selected after determining the main orientation. Before deciding on a main orientation, the company needs to conduct a strategic analysis of the company's situation.

The most widely used technique for strategic analysis is portfolio analysis (Nowak et al., 2020). Portfolio analysis aims to understand the position of the company before developing the right strategy (Tomczack et al., 2017; Nowak et al., 2020). A commonly used portfolio analysis technique is BCG matrix analysis. BCG matrix analysis (Boston Consulting Group Growth-Share Matrix) constitutes a portfolio analysis technique mapping the performance of a company's business units or product lines using the industry growth rate and relative market share (Wheelen et al., 2018). The BCG matrix represents business growth (on the vertical line) and relative market share (on the horizontal line). The BCG matrix is a prominent analysis technique that guides developing future business development strategies (Chen et al., 2015). The BCG matrix is applied in various fields. Table 3 shows studies using BCG matrix analysis.

**Table 3. Various Studies Using BCG Matrix Analysis**

No	Author	Sectors
1	Chang et al., 2019	Transportation, with a focus on airports that served connected flights, Asia Pacific and North America; Asia Pacific and Europe
2	Ha et al., 2021	Medical tourism, in South Korea
3	Ye, 2022	Food and Beverage Industry in Sichuan Province, China

4	Hoang Tien et al., 2022	Real estate, in Vietnam
5	Tirtayasa & Safina Hasibuan, 2023	Regional Development Banks in Indonesia
6	Yuliza et al., 2023	Automotive motorcycle, focus on one of Yamaha's motorcycle dealers in West Sumatra, Indonesia

The key benefits of conventional methods of strategic analysis, such as the BCG matrix, are their simplicity, attractiveness, and clear graphic presentation (Nowak et al., 2020). The BCG matrix consists of 4 quadrants, namely the Stars, Question Marks, Cash Cow, and Dogs quadrants. Each quadrant in the BCG matrix has a different alternative strategy (Hoffman et al., in Chang et al., 2019). The Stars quadrant has the main characteristics of high growth and high market share. Alternative strategies suggested for business units in this quadrant are product development and investment. The Cash Cows quadrant has the main characteristics of a low-growth market with a high market share, and the appropriate alternatives are product development, diversification, and retrenchment. High growth market and low market share characterize the question marks quadrant. The alternative strategies for question marks quadrant are market penetration, market development, and divestment. The main characteristics of Dog's quadrant are low growth and low market share. An alternative strategy for this quadrant is the retrenchment strategy. Retrenchment strategy is a regrouping strategy through reducing costs and assets to reverse the state of declining sales and profits (David, 2015). The retrenchment strategy can be implemented when the company is in a weak position against competition in an industry that reflects poor performance, declining sales, and profits turning into continuous losses (Wheelen et al., 2018). Ung et al., (2018) added that the retrenchment strategy is considered a strategy to reduce or downsize the scale of the company's operations to prevent a decrease in company value. The retrenchment approach includes the turnaround strategy.

The turnaround strategy is implemented by the company to review the business activities and analyze the areas of the business that are negatively affecting its overall business activities (Rufaidah, 2014). A turnaround strategy, also known as a transformation strategy, focuses on increasing operational efficiency and is most appropriate to be implemented when a company's issues are widespread but not necessarily critical (Wheelen et al., 2018). According to Wheelen et al., (2018), the company that implements a turnaround strategy has to manage three phases: *contraction*, *consolidation*, and *rebirth*. The *contraction phase* involves reducing a company's operations by cutting costs and downsizing. The *consolidation phase* involves size and cost reduction. The *outsourcing phase* focuses on purchasing products or services from others that were previously produced internally.

Former studies supported by recent studies provide several references of phases in the turnaround strategy. Even though they give different names for each phase, the core point remains the same, which involves cost efficiency and rearranging the strategy (*rebirth*). According to Robbins & Pearce (1992), the turnaround strategy includes two stages, namely *retrenchment* and *recovery*. These stages can produce a high average level of turnaround performance in industry groups with high severity (Restarani et al., 2023). At the retrenchment stage, the focus is on stabilizing the company through cost and asset reduction. The next stage is the recovery stage, where the company makes methodical investments to boost its financial performance. A recent study conducted by Mann & Byun (2017) aligns with the previous study conducted by Robbins & Pearce (1992). They concluded that the turnaround strategy encompasses two processes: *retrenchment* and *investment*. Schendel et al. in Robbins & Pearce (1992), categorize investment directions into two categories. The first category is *operating turnaround*, and it aims to improve operational efficiency across all of the current product lines by conducting new investments. The second category is *strategic turnaround*, where new investments are focused on new products and new target

markets. The view related to the recovery stage in the turnaround strategy is supported by Morrow et al., in Trahms et al., (2013) and Mann & Byun (2017). The implementation of a turnaround strategy through cost and asset efficiency needs to be completed with further strategic actions such as opening new markets, obtaining new resources, and investing in new products (Trahms et al., 2013). Companies that can effectively balance retrenchment and investment tend to succeed in coping with declines (Mann & Byun, 2017). The study conducted by Schoenberg et al., (2013) yielded six alternative turnaround strategies: *cost reduction or efficiencies, concentrating on the firm's core activities, asset retrenchment, future-focused planning, reinvigoration or revitalizing the firm leadership, and culture transformation*. *Cost efficiency* is generally the first phase in recovery because it can be swiftly adopted and yield faster returns. Cost-efficiency and asset-retrenchment strategies also carry risks. Studies indicate organizations that overly prioritize cost efficiency tend to fail in turnaround strategies (Schoenberg et al., 2013). In addition, according to some authors, merely focusing on cost-cutting can lower employee morale and dedication, which will increase staff turnover (Barker & Mone in Schoenberg et al., 2013). Typically, asset retrenchment and the strategy of concentrating on the company's core activities are applied concurrently (Schoenberg et al., 2013). The *reinvigoration of firm leadership strategy* is generally carried out at the beginning of the turnaround process. This is motivated by the consideration that a change in top leadership can bring new perspectives and ideas about the right turnaround strategy for the company (Schoenberg et al., 2013). The implementation of the recovery stage is not only to change leaders but also to improve the quality of company employees (Boyne & Meier in Schoenberg et al., 2013).

Since 2019, PT Indofarma Tbk has implemented strategic activities in response to the company's situation. This study aimed to analyze the suitability of the strategy implemented by PT Indofarma Tbk to the theory of alternatives strategy. In this study, the BCG matrix portfolio analysis technique was applied. After carrying out the BCG matrix analysis, the study continued with a descriptive analysis of strategic activities at PT Indofarma Tbk with relevant theories.

## **METHODS**

This study was conducted using qualitative research with a case study method. A case study is an in-depth description and examination of a bounded system (Merriam & Tisdell, 2015). A case study is identical to detailed investigations that aim to explain the case and theoretical issue under consideration (Prihatsanti et al., 2018). Implementing case studies in qualitative research enables scholars to gather comprehensive data related to a phenomenon or case (Hennink & Kaiser, 2022). In line with the definition of the case study method, this research focuses on turnaround strategies implementation at PT Indofarma Tbk. The data used were secondary. Data obtained from the company's annual report and financial statements within 8 years (2015-2022). The literature review was performed as a theory to support the analysis of implemented strategic activities at PT Indofarma Tbk. Aiming to provide a holistic view, this study also performed a product mix in PT Indofarma Tbk. The product mix was developed based on data provided on the company website and data available in the 2022 annual report.

BCG matrix analysis in this study was conducted to determine PT Indofarma's position in the pharmaceutical industry before deciding on an alternative strategy. BCG matrix was generated by mapping the performance of 12 manufacturing companies (Tbk) and three medical devices companies (Tbk) in the healthcare sector listed on the Idx (Indonesia Stock Exchange) website. Companies engaged in the field of medical devices were also included because PT Indofarma has a segmentation of medical device products (data presented in product mix, Figure 1). The BCG matrix in this study was constructed of industry growth (vertical line) and market share (horizontal line). Data was obtained based on the company's net sales data in 2021 and 2022. Industry growth is the percentage change in net sales from 2021 to 2022 compared to net sales in 2021. Market share described the percentage of net sales in 2022 compared to the total net sales of 15 listed companies in the pharmaceutical and medical device industry.

## RESULTS

Data related to net sales, industry growth, and market share of the 15 companies are presented in Table 4. The Figure 1 shows the result of the product mix at PT Indofarma Tbk. The total product represents the number of products in each segment. Due to the limitations of product details in the company's annual report and website, not all products are mentioned in the table of product mix. BCG matrix result is shown in Figure 2.

**Table 4. The Growth and Market Share Data of 15 Listed Companies in the Pharmaceutical & Medical Devices Industry**

Company	Net Sales (in million rupiah)		Market Share 2022	Growth (2021-2022)	Additional Information
	2022	2021			
PT Kalbe Farma Tbk	28,933,503	26,261,195	42.40%	10.18%	manufacture
PT Tempo Scan Pacific	12,254,369	11,234,443	17.96%	9.08%	manufacture
PT Kimia Farma Tbk	9,606,145	12,857,627	14.08%	-25.29%	manufacture
PT Industri Jamu Dan Farmasi Sido Muncul Tbk	3,865,523	4,020,980	5.66%	-3.87%	manufacture
PT Organon Pharma Indonesia Tbk	2,339,388	2,159,191	3.43%	8.35%	manufacture
PT Penta Valent Tbk	2,147,333	1,788,027	3.15%	20.10%	manufacture
PT Darya-Varia Laboratoria Tbk	1,917,041	1,900,894	2.81%	0.85%	manufacture
PT Jayamas Medika Industri Tbk	1,739,054	2,226,573	2.55%	-21.90%	medical device
PT Phapros Tbk	1,168,474	1,051,444	1.71%	11.13%	manufacture
PT Indofarma Tbk. Annual Report	1,144,108	2,901,987	1.68%	-60.57%	manufacture
PT Merck Tbk	1,124,600	1,064,395	1.65%	5.66%	manufacture
PT Itama Ranoraya Tbk	753,572	1,319,728	1.10%	-42.90%	medical device
PT Pyridam Farma Tbk	715,425	630,530	1.05%	13.46%	manufacture
PT Soho Global Health Tbk	357,015	551,091	0.52%	-35.22%	manufacture
PT Multi Medika Internasional Tbk	175,094	181,842	0.26%	-3.71%	medical device
<b>TOTAL</b>	<b>68,242,666</b>				

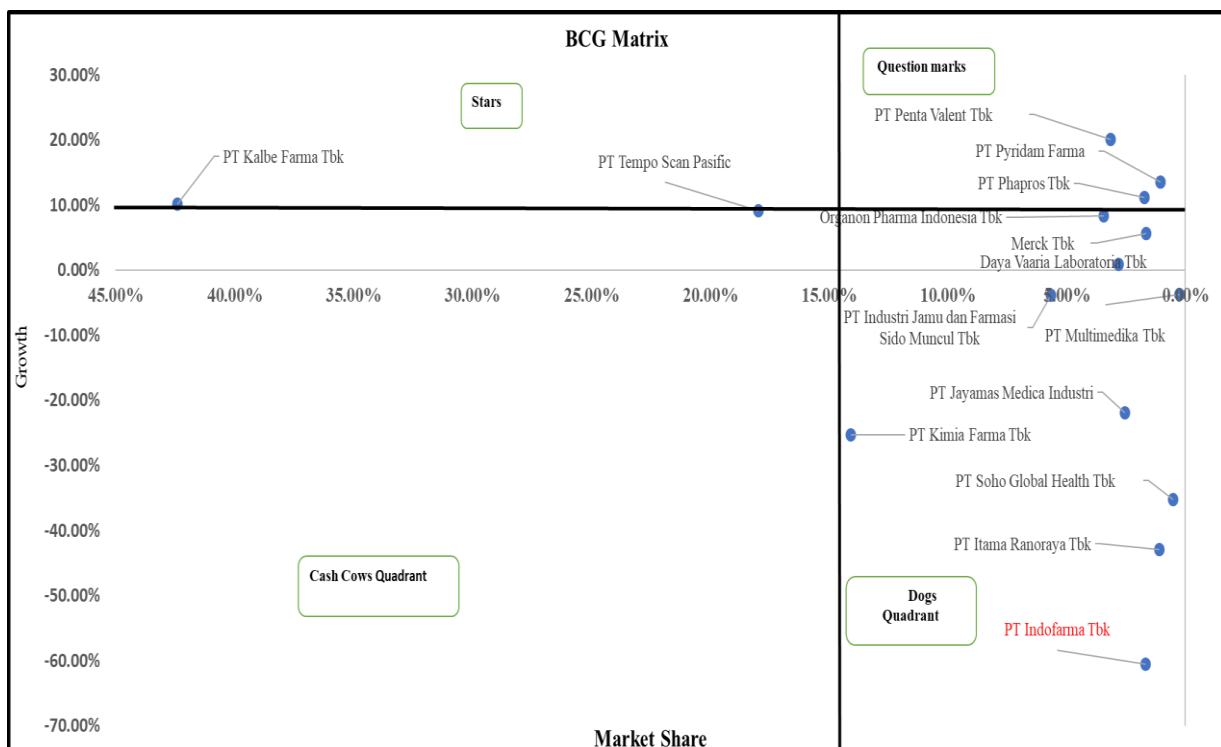
Source: Company's Annual Report (Data Processed by Author, 2023)

**Figure 1. Product Mix of PT Indofarma Tbk**

Product width				
Generic Drug Product (OGBs)	Ethical Branded	Over The Counter (OTC)	Diagnostic & Medical Devices, Household health products, non-medical devices	Services
Hydrocortisone Acetate Krim 2,5% Aciclovir Tablet Irbesartan	Cetaler, Cetirizine HC Damyacin Kapsul Incocyn Kapsul	Bioprost Biovision Biovision Kids	SMART Diagnostic One Step Malaria Test (Alkes) SMART Diagnostic One Step Troponin I Test SMART Diagnostic One Step Widal Test	Toll in Manufacturing Farmalab Jasa laboratorium uji ekuivalensi BA-BE dan Disolusi Terbanding (DT)
Glibenclamide	Inpirox Kapsul	ProRhoid	SMART Diagnostic Sensitive Measurable & Accurate	
Zinc Sulfate	Imetason Krim	ProLipid	SMART Diagnostic Sensitive Measurable & Accurate One Step Malaria Pf/Pv Cassete	
Aciclovir 5% Krim	Infungi Krim	Osontis	SMART Diagnostic One Step Cassete	
Co Amoxiclav	Valepsi Sirup	ProUtic	SM-3317-II (Hospital Bed)	
Lansoprazole	Valproic Acid Sirup	ProSlim (herbal)	SM-3217-II (Hospital Bed)	
Captopril	Biothin	<i>etc.</i>	Kamera pendeteksi dini kanker Serviks, merek: Smart Cerviscope	
Meloxicam	Infix		Clind Disinfectant, Aroma pine (Household product Health)	
Amlodipine Besylate	Inazol		Clind Hand Sanitizer, Liquid (Household Product Health)	
<i>etc.</i>	Inciclav Zinkid Incephin Indoran RifanNH IndoRalyte Ince tax Inse ntron <i>etc.</i>		INA Swab (Alkes)  <i>etc.</i>	
115	83	38	105	

Total product each segment obtaining Marketing Authorization Number (Nomor Izin Edar) in December 31, 2022

**Figure 2. BCG Matrix**



## DISCUSSION

PT Indofarma was positioned in the Dogs quadrant of the BCG matrix (Figure 2). Indofarma's market share in 2022 was relatively small (1,68%) with negative business growth (decreased by 60,57% from 2021). Low growth and a small market share are the major traits of the BCG matrix's Dogs quadrant (Rufaidah, 2014). The company was experiencing financial problems with low revenue due to a low market share and growth rate. The results of the BCG matrix analysis also signal the urgency of alternative strategies for recovery. The alternative corporate strategy for the Dogs quadrant is a retrenchment strategy. One of the specific strategies of the retrenchment strategy that can be implemented is the turnaround strategy. In high-severity industries, applying a turnaround strategy can improve firm performance (Restarani et al., 2023).

PT Indofarma Tbk began the implementation of cost-efficiency in 2019 as an effort to reduce operational expenses. The cost-efficiency was focused on operations and production activities, including raw material costs, packaging, electricity, and fuel consumption. Reducing energy consumption in the operational department was achieved by turning off the Air Handling Units (AHU) of an idle production. To prevent ducting and leaks, inspections at the AHU units are also strengthened. Efficiency in procurement was conducted by aligning production needs (supply) according to sales forecasts. In 2022, Holding of State-Owned Enterprises (BUMN) in Pharmaceuticals initiated cooperation in the procurement of goods/services (join procurement: PT Kimia Farma Tbk, PT Indofarma Tbk, PT Industri Nuklir Indonesia, PT Biofarma). The collaboration focuses on creating effective, efficient, accountable, and transparent procurement. This undoubtedly assists PT Indofarma Tbk in procurement efficiency because it enables the company to obtain more competitive raw material pricing. Related to asset management, PT Indofarma Tbk optimizes assets through business development plans. The cost-efficiency activities at PT Indofarma were identified as a *consolidation phase*.

Cost efficiency is generally the first step in recovery, as it can be implemented quickly with faster results (Schoenberg et al., 2013). Cost efficiencies also include reducing R&D, collecting receivables, cutting inventory, eliminating salary increases, and financial restructuring to reduce the pressures on debt payment. (Hambrick dan Schechter, 1983; Hofer, 1980; O'Neill, 1986a; Stopford & Baden-Fuller, 1990; Sudarsanam & Lai, 2001; in Schoenberg et al., 2013). In early November 2019, PT Indofarma Tbk implemented a debt restructuring to reduce interest expenses. This was related to the efforts of the Board of Directors to improve cash flow. The company also strives to improve the collection system for managing receivables by creating a special department in the company's finance department. The main task of the special department is to collect uncollected receivables so that the period for disbursement of receivables becomes faster. The R&D division of PT Indofarma did not experience any cost efficiency. PT Indofarma continues to use R&D as one of its capabilities to develop new products. R&D efficiency, which is typically the first aim in efficiency is not usually the key contributor to the turnaround plan (Hambrick and Schechter, 1983 in Schoenberg et al., 2013). This is because inappropriate and excessive efficiency in R&D can have an impact on weakening the company in the future. Manufacturers and businesses depend on R&D because it will provide a competitive edge (David, 2015). The concept is in line with how PT Indofarma has managed its R&D strategy.

Morrow in Trahms et al., (2013) argue that in addition to cost and asset efficiency, turnaround strategies also include recovery activities such as opening new markets, acquiring new resources, products repositioning, and investing in new products. Additionally, companies that can effectively balance retrenchment and investment tend to succeed in coping with declines (Mann & Byun, 2017). These opinions support the statement Robbins & Pearce, (1992) regarding the recovery stage as the second stage/phase of the turnaround strategy. Since 2019, PT Indofarma has planned a shift in its product segmentation. 85 % of PT Indofarma Tbk's drug segment was dominated by generic drugs, consisting of 115 branded generic drugs and 83 ethical branded



(Figure 1). Generic medicine products have low margins in terms of revenue. Therefore, PT Indofarma Tbk decided to optimize the production and marketing of Over-the-counter (OTC) drug segments such as herbal products (extract and natural medicine). Herbal products have also undergone repositioning into natural extracts to be able to enter the food and beverage industry. After the holding of Pharmaceutical was established on January 31, 2020, PT Indofarma Tbk organized its business under the direction of the holding, one of which is to become a leading company in the medical devices and natural extract market. In 2021, through its parent entity PT Bio Farma Tbk, the company received a State Capital Injection (PMN) worth IDR 199,86 billion (Saumi, 2021). Five production facility projects are scheduled for completion in the second quarter of 2023 utilizing the PMN fund. The five projects encompass an electromedical factory (Rp 74,98 billion), a medical furniture factory (Rp 16,53 billion), in vitro diagnostics and instruments (Rp 71,98 billion), natural extract (Rp 26,49 billion), and supporting function projects (Rp 10 billion).

In terms of the market segment portfolio, PT Indofarma Tbk attempts to improve the market segment portfolio by increasing the contribution of the regular segment and continuing to fulfill government needs from the tender sales segment. In 2022, the company plans to change its approach from Business to Consumer (B to C) to Business to Business (B to B) with partnerships in production and marketing. The shifting method aims to boost the business performance of the company in higher volumes. Investments in the development of herbal medicines and medical devices as well as efforts to improve the sales segment portfolio indicated that PT Indofarma Tbk is conducting recovery efforts as the second stage of the turnaround strategy. This is in line with the recommendations of (Robbins & Pearce, 1992), (Sudarsanam & Lai, 2001), (Morrow et al., in Trahms et al., 2013), and (Mann & Byun, 2017) to implement investment during the recovery stage.

PT Indofarma did not deduct employee salaries or terminate employees, but the company made efforts to strengthen human resources. Investments of IDR 267.4 million were allocated to employee competency development in 2022 as part of efforts to strengthen human resources (PT Indofarma annual report, 2022). This investment has increased compared to 2021 (IDR 230,02 million). The increase in employee competence carried out by PT Indofarma Tbk is in line with the results of research conducted by Boyne & Meier, (2009). The study revealed that in the recovery stage, not only a change in leaders is needed but also an increase in the quality or competence of company employees. The other study also mentioned that in turnaround strategies characterized by decline (*firm-based decline*), human resource strategy (HRS) can be a solution to cope with the company's strategic orientation (Santana et al., 2017). In this sense, training activities will enhance future skill requirements aligned with the company's strategic orientation (Santana et al., 2017).

In 2019, when PT Indofarma started implementing strategic activities, the implementation of the turnaround strategy gave positive results towards improving financial performance in 2019 and 2020 (*data presented in Table 2*). This shows that the implementation of the turnaround strategy (cost efficiency and recovery strategy) made by PT Indofarma Tbk is appropriate or well-implemented. However, in the following three years, external challenges from the COVID-19 pandemic affected the sustainability of the turnaround strategy implementation.

## CONCLUSION

An alternative strategy for companies with low growth and low market share is a retrenchment strategy. One of the specific strategies of the retrenchment strategy is the turnaround strategy. PT Indofarma Tbk was identified in the low growth and low market share quadrant on the BCG matrix. PT Indofarma implemented strategic activities to return the company to a profitable position. These strategic activities were identified as part of turnaround strategy implementation. The consolidation phase is carried out through cost efficiency in operations and production activities, including efficiency in raw material costs, packaging, electricity, and fuel consumption. In addition to cost efficiency, PT Indofarma Tbk also carried out a recovery or rebirth stage. The recovery stage is carried out by remapping product focus, realizing the absorption of

PMN funds in the medical device segment and natural extract products, and increasing the competence of the employees. The strategic activities conducted are in line with the recommendations by researchers for implementing an effective turnaround strategy. The drastic decline in financial performance in 2021 and 2022 is mainly due to turbulence related to the handling of the COVID-19 pandemic where PT Indofarma must support the national program for handling COVID-19. The outbreak of COVID-19 has an impact on the accumulation of drug and medical device inventories, thus affecting the company's financial performance.

The suggestion to PT Indofarma Tbk is that it is necessary to optimize control or supervision in the implementation of the turnaround strategy. In addition, PT Indofarma Tbk needs to consider further strategies related to organizational resilience. It is very important to prepare for external disruptions that cannot be predicted, such as the COVID-19 pandemic.

### LIMITATION

This study has limitations because the analysis was carried out based on secondary data obtained from financial reports, annual reports, and literature studies related to turnaround strategy. Suggestions for further research are to conduct direct observations and direct interviews with PT Indofarma Tbk to obtain holistic data about the implementation and accomplishment of the turnaround strategy. In addition, it can conduct quantitative analysis to see the impact of strategic alternatives on the company's financial performance indicators.

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