

# External-Internal Environmental Analysis: Prudential Life Assurance Indonesia Corporate Strategy

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**Abstract:** This research is important for insurance industry in province Riau Indonesia with this condition right now, problem of this research how corporation strategy Prudential Life Assurance Indonesia for growth and catching big opportunity in Province Riau. Aim this research to find suitable strategy to catch big opportunity insurance business in Province Riau. The method of this research use descriptive qualitative with data primer and secondary from 12 branch in province Riau and step of this research using management strategy tool there are EFAS (External Factors Analysis Summary), IFAS (Internal Factors Analysis Summary), SWOT-8K, and TWOS matrix. Result of this research show strategy corporate Prudential life assurance is growth strategy because strategic position Prudential Life Assurance in stable growth strategy quadrant IB, it means competitive advantage prudential life assurance was low then business opportunity, so prudential life assurance can grow (Aggressive Strategy) using with their capability. Prudential can using several strategy there are creating system control management, creating good agent and building good positioning using electronic media and print media.

**Keywords:** Strategy corporate, Assurance, Growth Strategy

## 1. Introduction

Insurance as one of the financial institutions engaged in the field of coverage is a modern institution of the findings of the western world born with the spirit of enlightenment. This institution, together with the bank's financial institutions, became the driving force of the economy in the modern and sustainable era of the present era. Riau Province has a promising economic potential with a population of 5,543,031 people it is a big prospect, while the economic growth rate of Riau province an average of 5.01 percent. While the plantation sector is oil palm and rubber with total production of coconut palm oil (CPO) of 3,386,800 tons per year other than the plantation sector of Riau province also has forest & fish, industries such as (Chevron Corporation, PT Indah Kiat Pulp & Paper Tbk and others (Ibis, Novotel, Cast, Ska Mal, Ciputra mall and others) The financial sector also continues to grow as more private banks and BPRs show Riau province as an area which will become the economic center of Sumatra.

Seeing the potential situation and potential of Riau province, the insurance industry companies in Indonesia also took part by establishing an insurance company in Riau province (Based on data from the Financial Services Authority (OJK) in 2015 the number of insurance in Indonesia is 91 insurance companies). While in Riau Province the number of insurance companies continue to be generally growing. According to the chairman of the Indonesian General Insurance Association (AAUI) of Pekanbaru branch, Budi HendroTjahjono, the number of insurers in Riau Province is 53, among others: Zurich, Astralife, Manulife, Sinarmas, Allianz, Generel, AOI, AxaMandiri, jiwasraya and others. With the increasing number of companies that will seize the market share is still wide and potential. Then it will lead to competition, the competition certainly has the goal of a victory and to be able to win in the competition required strategy. That the company's strategy is a comprehensive planning formula of how the company will achieve its mission and objectives. The corporate-level



strategy describes the overall corporate direction of the company's general attitude toward the direction of growth and management of various businesses and product lines to achieve a balanced portfolio of products and services. Corporate strategies that companies can do consist of Growth, Stabilization and Restructuring.

Corporate strategy focuses on long-term and broad questions about what is desired in the business. A way of how a company creates value and configuration and its multi-market activities. Every corporation should determine for the long term what business or industry should the company be located and what competencies will be developed to win the competition so that the company will be able to sustained. One of the important facts of Prudential Indonesia's corporate strategy (Based on December 31, 2014, Prudential Indonesia has its head office in Jakarta with 6 Marketing offices in Bandung, Semarang, Surabaya, Denpasar, Medan and Batam), and 380 Marketing Offices Mandiri (KPM) throughout Indonesia. But to be able to win the competition in the insurance industry in the province of Riau is not as easy even though at this time PT. Prudential Life Assurance is growing and growing. PT. Prudential Life Assurance in Riau Province also requires a strategy to compete. The ultimate objective of a competitive strategy is to tackle environmental forces for the benefit of the company and it takes tactics to win the competition and maintain market share position so that quality, price, promotion, product and service competition is inevitable which requires substantial investment. Further, he proposed corporate strategy for the development of small shoe industry CV. Mimosabi Handmade Shoes is quality and productivity improvement and continuous research & development. While research conducted Nurlaelasari, Yopita Corporate strategy that must be done on his research in PT. Ultrajaya is a product development and market development. Based on background above the problem of this research is how strategy corporate Prudential Life Assurance to growth in Riau Province based on the condition.

## **2. Method**

This research used qualitative method. According to (Sugiyono, 2012) Suggested that qualitative methods describe and understand the meaning behind visible data. Techniques in collecting research data using interview techniques, observation and literature study with 24 respondent there is Senior Unit Manager (SUM) and Unit Manager (UM). Methods of analyzing data using stages. External environment analysis (EFAS) PEST and Five Force Porter, Internal environmental analysis (IFAS), Resource Base view and VRIO, Determining Company Position (SWOT-8K Matrix), Strategy formulation using TWOS matrix.

## **3. Result and Discussion**

### *3.1 External Environmental Analysis*

In this section it have several topic to analysis external environment there is about Politic, Economic, Social Culture, Technology, and Five Force Porter. Politics is closely linked to government policies that govern how the company operates. This policy is made by the DPRD in the area. In Riau province according to data. The index value of the variable "Role of Government Bureaucracy" in Riau Province in 2015 was 29.78, significantly decreased by 70.22 points when compared to the achievement in 2014 that was 100.00. This significant decrease is due in 2015 there is a change of indicators that make up the variable. Economic per-capita GRDP of Riau Province shows an increase every year, along with the increase in nominal value of GRDP and population. This indicator shows that economically every resident of Riau on average able to create PDRB or (value added) by value per capita in each year. While from the revenue of regency / municipality governments throughout Riau Province (2014) has increased than the previous year, with total revenue 24.305 trillion.

Social culture in 2010-2015 and when viewed by district / city, Pelalawan District, Rokan Hulu Regency, and Siak Regency are the three districts / cities with the largest. Meanwhile, Indragiri Hilir and Meranti Islands are the two districts / cities with the smallest LPP. Of the 12 districts /

municipalities in Riau, there are 6 districts / municipalities with LPP above the provincial figure, and the remainder (6 districts / municipalities) below the province. TechnologyRiau Province has run electronic systems in government activities (E-Government). Through the development of E-Government done management system arrangement and work processes within the government environment by optimizing the utilization of information technology includes 2 activities of data management and management information. Five Force Porter Competition is already in the life insurance industry in Riau province. There is 45 life insurance in the province of the Global and National scale. While according to the toughest competitor of prudential based on the best insurance according to the magazine of the investor is JiwaSeraya, PT PaninDai-ichi Life, PT BNI Life Insurance, PT Asuransi JiwaAdisaranaWanaartha, and PT Asuransi JiwaInhealth Indonesia. Suppliers have influence. For suppliers do not have a great influence because to provide Prudential Indonesia needs in the field of investment is set up by. By overseeing suppliers from more insurance companies to the custodian bank. Ease of company for. Based on Indonesia's wide insurance market share with a ratio of 1% per cent of GDP compared to Singapore insurance can contribute 5% of GDP.

Then Indonesia is one of the good and lucrative market share for the next 5 years to be a very interesting data for investment to build new insurance company in Indonesia or from foreign investor or local investor to try to gain profit in insurance so opportunity for newcomer enough big. The effect of substitution on insurance, whether the consumer can obtain substitute goods easilyThe more and near the substitution goods, the customer can also switch easily.This force is influenced by several factors such as switching costs, the tendency to substitution, product differentiation, and others. Substitution of insurance in Indonesia is: Strict competition of banks that offer various products such as, deposits with high interest. Based on EFAS matrix after calculation and analysis above, it is known that the most influential opportunity factor for Prudential life Indonesia is population, expensive health cost, and level of knowledge about insurance. The total of opportunities after the calculation is 3.483. While the most prominent factor threat indicator against Prudential life Indonesia in Riau province is number of competitor in insurance industry and government policy about insurance. As for total number of threat after the calculation is 3.309. From both indicators of threat and probability of positive value is found that the indicator of opportunity greater than the threat of 0.174. This opportunity should be captured by PT. Prudential in Riau Province.

### *3.2 Internal Environment Analysis*

To identify resources that will provide advantages for Prudential Indonesia in Riau province we use Value Chain Analysis combined with Resource Based View of The Firm and VRIO Framework see Value chain drawings

To determine the strength and weakness factors of Prudential in Riau Province based on resource base view approach and VRIO (Value, Rarity, Imitability and Organization). The results of the VRIO analysis framework can be summed up in Prudential's strengths and weaknesses in Riau Province such as facilities, One day Seminar, HR Training with UI, Reward System, Career, Branch, Total Assets, PRUsales academy, and SFA (Sales Force Automation). Based on the IFAS table after the analysis and calculated, the most influential factors for Prudential in Riau Province are SyariahRevenue/income, Good Risk-based Capital (RBC), M3 (Monday Meeting), Human Resource Development, and Total Assets. The total of the total strength of Prudential in Riau Province is 3.242, While for the indicators for the most influential weaknesses are Reward System, Facilities, and Career path with the total overall weakness is 1.711.

Having known the number of each indicator. Then Internal Prudential the next is to determine the difference in value / score of the company's internal as for the value of the score is 1.531. So the strategic position of Prudential Life Assurance after analyzed using SWOT-8K matrix by looking at the difference value of the internal and internal environment. This study found that the strategic position of Prudential in Riau Province is in the IA quadrant is an aggressive growing strategy. Aggressive Strategy) is a logical, analytical and conceptualization of priority issues (in the long term, short and urgent), to be used as a reference in determining steps, actions, tips, and tactics that must be

done in an integrated manner so that the activities performed in accordance with the objectives, Objectives, and outcomes (outputs) that must be achieved based on predetermined policies. The Aggressive Strategy is focused on solving all obstacles faced with the strategy that has been formulated. Furthermore, after known position of Prudential Life Assurance strategy in Riau Province next step is strategy formulation using TWOS matrix arrangement can be seen in table 3 below.

In matrix TWOS we have four (4) strategy there is SO Strategy, WO Strategy, ST Strategy, and WT Strategy all of them can use for growth strategy such as strategy SO (Maximize insurance products concept of sharia, Offer more promising future guarantee products, Opening branches that have not yet established districts in Riau Province). With this SO Strategy it can make Prudential Life Assurance winning from competition assurance in Riau Province but Prudential must fix their problem there are WO Strategy (Maximize Reward system to agents, providing knowledge with trainings and motivation to HRD, Selecting a reliable candidate agent with a recruitment system).

#### 4. Conclusions and Recommendations

Based on the above results and discussions, it can be concluded that the prudential life assurance in Riau province has a strong enough strength to capture the opportunities in Riau province. This is evident from the data that prudential continues to add branches which previously have only a few now have 12 branches in Riau province. Prudential has a strategic position in the good competition that is in quadrant IA this means prudential can use all its power now to develop and advanced insurance industry in Riau Province. While corporate strategy that can be used to develop and capture opportunities is to continue to add prudential branches in Riau province such as Kuansing regency, Kampar regency, Rokan Hulu and Rokan Hilir regencies.

The next strategy is to maximize sharia products because almost 90% of Riau's population are Muslims. The advice on Prudential is to improve the reward system and career path because the agent is the spearhead of the insurance industry if the more sharp agent then the better the insurance company, then continue to maximize the development of human resources owned and evaluate each strategy that has been made.

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