

## **COMBINATION STRATEGY BY MARKET AND RESOURCE BASE VIEW (CASE STUDY: SOHO GROUP - A NEW GIANT IN PHARMACEUTICAL INDUSTRIAL)**

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### **Abstract**

*Today's business environment to encourage each industry players to do the competition is so tight to achieve significant profit growth. As well as what happens in the pharmaceutical industry, pharmaceuticals that can survive and grab market share is a pharmaceutical that can quickly respond to market demands as well as what needs to be supported by internal resources of the pharmaceutical. With a combination of these two things, it is not impossible if a pharmacy can be sped so fast as to be a new giant in the world. One pharmaceutical experience this is SOHO Group, where they combines between the external environment and internal strength of their human capital and leadership factors that provide motivation to work.*

**Keywords:** *ResourceBbase View, External Environment, Human Capital*

### **Introduction**

Every business should have generated a profit and growth its business unit or company. To do that each business unit strategy involves in creating a profitable competitive position for a business within a specific industry or market segment. Business level-strategy is integrated and coordinated set of commitments and actions the firm uses to gain a competitive advantage by exploiting core competencies in specific product markets. This strategy usually called competitive strategy. This strategy focus is on how a firm should compete in a given competitive setting. Optimal strategies depend on many factors, including the nature of industry, the company's mission, goals and objectives, its current position and core competencies.

### **Literature Review**

This discussion paper based on secondary data obtained from the magazine and website of the company. Besides that, to support the discussion, then conducted the literature review of resource-based view.

The resource-based view (RBV) is a business management tool used to determine the strategic resources available to a company. The fundamental principle of the RBV is that the basis for a competitive advantage of a firm lies primarily in the application of the bundle of valuable resources at the firm's disposal (Wernerfelt, 1984; Rumelt, 1984). Effectively, this translates into valuable resources that are neither perfectly imitable nor substitutable without great effort (Barney, 1991;). If these conditions hold, the firm's bundle of resources can assist the firm sustaining above average returns.

The resource-based view of the firm originates from Penrose (1959) work, where the firm is described as a bundle of resources. Penrose posits that the growth of the firm is both facilitated and limited by management search for the best usage of available resources. Barney (1991) provides a precise and formalized description of this perspective. Resources include



assets, capabilities, processes, attributes, knowledge and know-how that are by a firm, and that can be used to formulate and implement competitive strategies.

The resource-based view relies on two fundamental assertions, that of resource heterogeneity (resources and capabilities possessed by firms may differ), and of resource immobility (these differences may be long lasting) (Mata, Fuerst and Barney, 1995). If a resource possessed by a firm is also possessed by several of its competitors (no heterogeneity), this resource cannot contribute to competitive advantage. Heterogeneity is the required condition for obtaining at least temporary competitive advantage. Resource immobility is the required condition for sustained competitive advantage, since competitors would face cost disadvantage in obtaining, developing, and using it compared to the firm that already possesses it.

### **SOHO Group History**

Tan Tjhoen Lim, founder of the SOHO Group, he was born in a small village in Bangka. His strong entrepreneurial spirit gave birth to the pioneer ampoule manufacturer, PT. Ethica Industri Farmasi the first pharmaceutical manufacturer of SOHO Group. SOHO Group became a well-known

national pharmaceutical corporation under the fascinating leadership of Mr. Tan Tjhoen Lim. While the corporation was on the trail of remarkable growth, a challenge for success occurred. Inheriting the spirit of creation and involving effort from his father, Tan Eng Liang, the founder's successor was revealed as the next leader. Under the strong leadership of the second generation Tan, SOHO Group moved zealously and dynamically as a reputable national pharmaceutical corporation. After years of hard work, he finally succeeded in bringing SOHO Group to its tipping point. SOHO Group was already establishing a reputation as the fastest growing pharmaceutical company in Indonesia focusing on innovative products and services. That was the beginning of our journey.

### **Corporate Values**

#### **Vision**

To be one of the leading global corporations in the field of manufacturing, distributing and providing quality health care products and services.

#### **Mission**

To proudly serve our customers by continually providing quality health

care products and services, and to promote quality and longevity of life

### **Values**

1. Highly committed teamwork
2. Superior customer service
3. Initiating new ways of doing business
4. Dedicated and productive people
5. Fair treatment and reward for performance
6. Strive for achievement
7. Integrity, honesty and discipline

### **Business Units of SOHO Group**

SOHO Group is a trusted, leading pharmaceutical corporation in Asia Pacific region. SOHO Group core business activities include manufacturing and distribution. SOHO Group has a wide range of pharmaceutical and healthcare products in the group's market, and is registered in more than 5 countries outside Indonesia, such as Mongolia, Lebanon, Malaysia, Myanmar, and Nigeria.

Research & Development (R&D) plays a vital role in SOHO Group's growth. The division's work fuels the future portfolio of products for the market. The company's capacity to develop a wide range of products has been expanded further following the new construction of our facilities.

For more than 50 years, SOHO Group has been setting the standard for excellence in pharmaceutical manufacturing and distribution across Asia Pacific. Quality is a paramount importance of SOHO Group success. Quality audits are undertaken as well. SOHO Group herbal-sourced ingredients, technologies and advanced delivery systems have proven to add value and efficacy to SOHO Group products.

As SOHO Group grows together with Asia Pacific, SOHO Group continues their commitment to provide industry leadership with services and products that are trustworthy and reliable. SOHO Group aims to become a market leader in pharma-

ceutical manufacturing. Diversifying SOHO Group products and expanding into new segments are two key initiatives to achieve that goal. To expand their manufacturing capacity, SOHO Group is upgrading their facilities and infrastructure.

SOHO Group's distribution company, PT Parit Padang Global, is the first pharmaceutical and healthcare distributor with a highly sophisticated and online IT system in Indonesia. It has an expandable product line and innovative management workflow solutions to enhance speed, accuracy and safety. With 25 branches covering 90% of the major cities in Indonesia, PT. Parit Padang Global delivers to more than 129,000 retail pharmacies, hospitals, care centers, clinics, modern and traditional outlets.

As part of its natural progression, SOHO Group expand its business into the healthcare industry, by providing TCM (Traditional Chinese Medicine) and her bal-based treatment. Herbal and natural products are becoming popular as complementary and alternative medicines worldwide. According to a 2004 update on the health risks of herbal remedies in Clinical Pharmacology and Therapeutics, about one third of adults in the developed countries and more than 60% Asians use herbal and natural medicines for health promotion or treatment of various chronic diseases. SOHO Group has developed Curcuma Xanthorrhiza, and it has succeeded to be marketed with a wide range of therapeutic indication properties such as : Curcuma® & Curvit® (appetite stimulant), Curcuma® plus Emulsion & Curvit® CL Emulsion® (childrens growth), Curmax® & Curliv® (hepato protector), Curcuma Plus Milk (milk product for children), Curcuma plus Imuns (body immunity). SOHO Group is continuously developing and focusing on other natural products:

### **Standardized Herbal Medicine**

1. Diapet capsule
2. Lelap caplet

### **Supplement**

1. Imboost, Imboost Force
2. Oste, Oste Forte
3. Matovit, Matovit Fifty, Matovit AX, Matoflam
4. Asthin Force
5. Bonic DS
6. Triboost

### **SOHO Group Strategy:**

1. Develop a sophisticated IT infrastructure. SOHO Group became the first pharmaceutical company in Indonesia with an online distribution system that applies real-time.
2. Develop herbal products that have not been ogleed by many other pharmaceutical companies. By avoiding the competitive market-blooded bleeding creates a fresh category.
3. Implementation of Balanced Score Card is directly under the guidance of Robert S. Kaplan and David P. Norton as a consultant.
4. Maintaining and developing a corporate culture that relies on prudence and promote teamwork. SOHO Group wherever possible seeks pro-motion from within. Even if forced to be taken from the outside, well cho-sen by the executive team builder, which has long been known primarily. In addition, they also limit the family members who work in the SOHO Group.
5. Maximizing customer satisfaction by satisfying the internal satisfaction. "Our main task of motivating employees", said Andrew Halim Djamwari, CEO SOHO Group.

### **SOHO Group - Breakthrough Results**

1. Increase in profit before tax from 8% to 11% in 2 years

2. Doubled Market share from 4.6% to 7.9% (IMS)
3. Doubled customer satisfaction from 40-80% (physicians):
  - a) ICSA (Indonesian Customer Satisfaction Award) for Diapet (by Frontier & SWA) as the most satisfied brand among other diarrhea brand
  - b) Top Brand award for Diapet and Curcuma Plus (by Frontier & Marketing Magazine).
  - c) The Best marketing Team "Dream Team Award" - (by Mark Inc, SWA, IMA)
4. The Diapet production lead time is reduced from 25 days to 2 days per batch because of the production process streamlining and irradiation process elimination.
5. SOHO Group is recognized as Best Employer of Choice 2007 in Manufacturing Industries and top 3 for Non Manufacturing Industries (by Hay Group & SWA).
6. SOHO Group achieved an astonishing 700% return on investment on USD \$1 million invested in implementing Balanced Scorecard.

### **Discussion and Conclusion**

A firm has a competitive advantage when it is successful in designing and implementing a value creating strategy that competitors are not currently using. The competitive advantage is sustainable when current or new competitors are not able to imitate or supplant it. One of Business Group that successful to find out their competitive advantage is SOHO Group. Only in five years, SOHO Groups capable of surging from rank 13 to rank 3 in the pharmaceutical industry that we all know this industry is very tight competition. SOHO Group capable to see what competitor did not see. They can combine two strategy, external strategy and internal

strategy. For external strategy they see the lifestyle changing, nowadays people more care with natural product. Develop herbal products that have not been ogled by many other pharmaceutical companies. By avoiding the competitive market-blooded bleeding creates a fresh category. And from internal strategy, they develop a sophisticated information technology to support their distribution product. SOHO Group became the first pharmaceutical company in Indonesia with an online distribution system that applies real-time. For internal development and performance human capital, they implemented Balanced Scorecard. Last not least, the overall is leadership of CEO SOHO Group.

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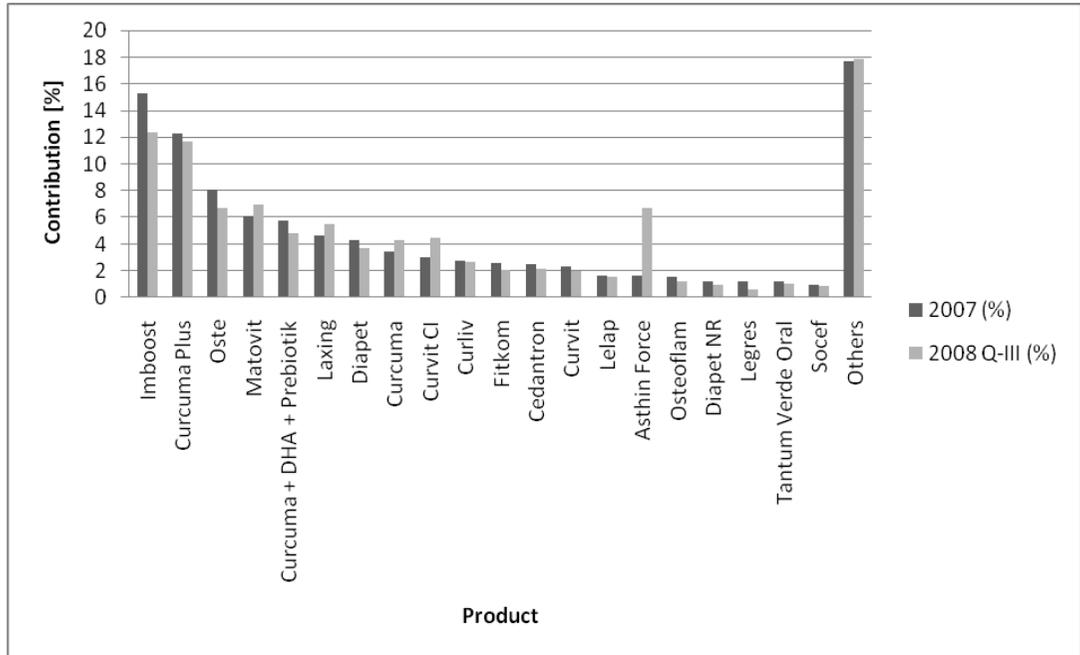
## Attachments:

Rangking	2002		2003		2004	
	Company	Market Share [%]	Company	Market Share [%]	Company	Market Share [%]
1	Sanbe	6.86	Sanbe	7.14	Sanbe	7.41
2	Kalbe Farma	5.64	Kalbe Farma	5.78	Kalbe Farma	5.69
3	Bintang Toedjoe	4.9	Dexa Medica	4.62	Dexa Medica	5.58
4	Tempo Scan Pacific	4.28	Bintang Toedjoe	4.59	Bintang Toedjoe	4.3
5	Pfizer	4.22	Tempo Scan Pacific	4.08	Tempo Scan Pacific	4.23
6	Dexa Medica	3.96	Pfizer	3.9	Pfizer	3.67
7	Indofarma	3.52	Kimia Farma	2.66	Kimia Farma	2.63
8	Kimia Farma	2.51	Konimex	2.34	Konimex	2.51
9	Sanofi Aventis	2.5	Indofarma	2.21	Bayer Indonesia	2.42
10	Konimex	2.08	Phapros	2.19	Indofarma	2.32
11	Bayer	1.93	Sanofi Aventis	2.14	SOHO	2.17
12	Pharos Indonesia	1.8	Bayer	2	Sanofi Aventis	1.99
13	Dankos	1.75	SOHO	1.84	Dankos	1.94
14	Phapros	1.73	Interbat	1.81	Interbat	1.8
15	Interbat	1.72	Dankos	1.76	Pharos Indonesia	1.74

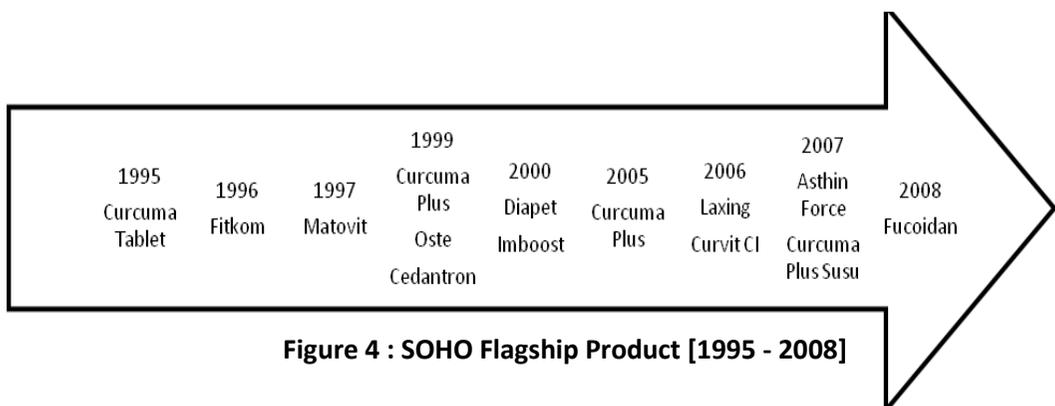
Rangking	2005		2006		2007	
	Company	Market Share [%]	Company	Market Share [%]	Company	Market Share [%]
1	Sanbe	7.75	Kalbe Farma	6.55	Kalbe Farma	7.09
2	Dexa Medica	6.33	Sanbe	5.69	Sanbe	5.38
3	Kalbe Farma	5.92	Bintang Toedjoe	4.72	Dexa Medica	4.07
4	Bintang Toedjoe	4.48	Dexa Medica	4.68	Tempo Scan Pacific	3.62
5	Tempo Scan Pacific	3.62	Pfizer	3.68	Bintang Toedjoe	3.5
6	Pfizer	3.39	Tempo Scan Pacific	3.54	SOHO	3.46
7	Bayer Indonesia	2.51	Bayer Indonesia	2.98	Pfizer	3.29
8	SOHO	2.51	SOHO	2.92	Bayer Indonesia	2.96
9	Kimia Farma	2.46	Kimia Farma	2.62	Kimia Farma	2.48
10	Konimex	2.4	Indofarma	2.31	Dankos	2.45
11	Indofarma	2.35	Dankos	2.18	Pharos Indonesia	2.3
12	Dankos	2.16	Sanofi Aventis	2.12	Indofarma	2.17
13	Sanofi Aventis	1.89	Konimex	1.97	Konimex	2.12
14	Pharos Indonesia	1.71	Fahrenheit	1.82	Sanofi Aventis	2
15	Interbat	1.65	Interbat	1.76	Interbat	1.92

2008 Q-III			2008 Q-III		
Rangking	Company	Market Share [%]	Rangking	Company	Market Share [%]
1	Kalbe Farma	6.93	13	Sanofi Aventis	1.96
2	Sanbe	5.54	14	Fahrenheit	1.9
3	SOHO	3.99	15	Konimex	1.83
4	Dexa Medica	3.9			
5	Tempo Scan Pacific	3.38			
6	Pfizer	3.27			
7	Bayer Indonesia	2.81			
8	Dankos	2.66			
9	Pharos Indonesia	2.62			
10	Kimia Farma	2.36			
11	Bintang Toedjoe	2.24			
12	Interbat	2.04			

**Figure 1: Ranking of 15 major Pharmaceutical Companies in 2002 - 2008.**  
 [Source : Research Team of Majalah SWA]



**Figure 3: SOHO Flagship Product Performance**  
 [Source : Research Team of Majalah SWA]



**Figure 4 : SOHO Flagship Product [1995 - 2008]**