

## INTERNAL STRATEGY ANALYSIS OF THE COMPANY USING THE RESOURCE-BASED VIEW (RBV) AND VALUE CHAIN APPROACHES: A CASE STUDY OF PT INDUSTRI JAMU DAN FARMASI SIDO MUNCUL TBK.

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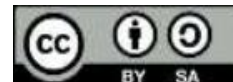
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### ABSTRACT

Intense competition in the modern herbal medicine industry requires companies to optimize internal capabilities to maintain their position as market leaders. This study aims to dissect the internal strategy of PT Industri Jamu dan Farmasi Sido Muncul Tbk. in identifying core competencies and building a sustainable competitive advantage. The method used is descriptive qualitative with a case study approach. Data sources obtained from secondary data (company's annual reports and literature reviews) were analyzed using the Resource-Based View (RBV/VRIO) framework and Value Chain Analysis. Value Chain analysis shows strong value creation in primary activities, particularly inbound logistics through local farmer partnerships and automated production operations. VRIO analysis proves that Tolak Angin's brand equity, modern R&D facilities, and pharmaceutical certifications (CPOB/CPOTB) are strategic resources that meet the criteria for a sustainable competitive advantage. However, an internal weakness was found regarding revenue dependence on a single dominant product. Sido Muncul's competitive advantage relies on pharmaceutical quality standardization and brand strength. The company is advised to aggressively implement product diversification to mitigate the risk of product dependency.

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## INTRODUCTION

The Indonesian herbal medicine and herbal medicine industry has undergone significant transformation in recent decades . The shift in global and domestic consumer preferences toward a healthy , nature - based lifestyle ( back to nature ) has triggered a surge in demand for herbal products , both in the form of functional foods and health supplements . The Indonesian government, through various regulations , also continues to encourage the downstreaming of local medicinal plant commodities to reduce dependence on imported synthetic pharmaceutical raw materials . In this dynamic competitive landscape , the herbal medicine industry is no longer viewed as a traditional, home - based business , but has evolved into a science- and high - tech manufacturing industry that contributes significantly to the national economy .

Among the major players in this industry , PT Industri Jamu dan Farmasi Sido Muncul Tbk . ( hereinafter referred to as Sido Muncul) stands as the most dominant market leader . Established in 1951 , Sido Muncul has succeeded in changing the stigma of herbal medicine which is synonymous with bitter and old-fashioned taste into modern products that are practical , hygienic , and standardized . Through its superior products such as Tolak Angin and Kuku Bima Ener-G, the company not only dominates the domestic market but also successfully penetrates export markets in various countries . Sido Muncul's success in maintaining its reputation and market share for decades has become an interesting business phenomenon in strategic management studies .

A company's external success is often the primary focus of public scrutiny . However , from a strategic management perspective , superior external performance reflects the effectiveness of the company's internal management . The greatest challenge for market leaders is not reaching the top , but rather maintaining that competitive advantage from imitation and pressure from new competitors . Many companies fail to survive because they focus too much on market opportunities without building a solid foundation of internal capabilities . Therefore , an in-depth internal evaluation is necessary to understand how an organization configures its assets , business processes , and core competencies to create added value that is difficult for competitors to replicate .

To comprehensively analyze these internal strengths , two highly relevant theoretical approaches are the Resource-Based View (RBV) and Value Chain Analysis. RBV theory views sustainable competitive advantage as stemming from the ownership of valuable, rare , inimitable , and well - organized assets , which are evaluated through the VRIO framework . Meanwhile , Value Chain Analysis maps all of a company 's operational activities into primary and support activities to identify crucial points contributing to the highest profit margins and cost efficiency . The combination of these two analytical tools provides a holistic view of Sido Muncul 's internal " driving engine . "

Although there have been many studies on the success of Sido Muncul's marketing strategy , research that specifically integrates the RBV/VRIO and Value Chain concepts to map the anatomy of the internal strategy of herbal pharmaceutical companies in Indonesia is still limited. Based on this background, this study aims to systematically analyze the internal strategy of PT Sido Muncul Tbk . in order to identify its core competencies and formulate recommendations for future managerial strategies . The results of this study are expected to provide theoretical contributions to the literature on strategic management in local wisdom - based industries , as well as become a practical reference for similar industry players in building sustainable competitive advantages in the modern era .

## **LITERATURE REVIEW**

### **Strategic Management and Internal Environmental Analysis**

Strategic management is defined as the art and science of formulating , implementing , and evaluating cross- functional decisions that enable an organization to achieve its goals (David & David, 2017). A comprehensive strategic management process requires a balanced environmental scan of external opportunities and threats , as well as internal strengths and weaknesses (Wheelen et al., 2015).

According to Wheelen and Hunger (2012), internal environmental analysis is the process of identifying and developing strengths and addressing a company's weaknesses within the functional areas of business, including management, marketing, finance / accounting, production / operations, and research and development (R&D). While external analysis focuses on " what a company might choose to do," internal analysis focuses on " what a company is capable of doing " ( Hitt et al ., 2020). Through a deep understanding of the internal environment, management can determine a realistic strategic direction and optimally exploit external opportunities .

### **Resource-Based View (RBV) Approach**

Before the popularity of the Resource-Based View (RBV) theory, strategic analysis was heavily dominated by the market positioning view popularized by Michael Porter, where a company's advantage is determined by the external industry structure. However, Barney (1991) shifted this paradigm through the RBV concept, which states that sustainable competitive advantage is essentially derived from the characteristics of the company's internal resources and capabilities.

The RBV theory is based on two main assumptions (Barney, 1991; Rothaermel, 2021):

1. Resource Heterogeneity : The assumption that companies in the same industry have different bundles of resources and capabilities from each other .
2. Resource Immobility : The assumption that differences in resources between firms can persist over time because some resources cannot be moved or traded easily in a free market.

Resources in the context of RBV are divided into two main categories, namely tangible assets such as factory buildings, production machines, and cash positions; and intangible assets such as brand reputation, organizational culture, intellectual property, and R & D team knowledge. In the RBV perspective, intangible assets generally have greater potential to generate competitive advantage because they are more difficult for competitors to identify and imitate .

### **VRIO Framework**

To evaluate whether a particular resource or capability can become the foundation for sustainable competitive advantage, Barney (1991) developed an analytical tool known by the acronym VRIO. The VRIO framework examines resources through four crucial questions (Rothaermel, 2021) :

- a. Value : Does the resource or capability enable the company to take advantage of external environmental opportunities or neutralize external threats ?
- b. Rarity : Is the resource or capability controlled by only a handful of existing or potential competing companies ?
- c. Inimitability: Do firms that do not possess the resource face significant cost barriers to acquiring or imitating it ? Determinants of inimitability typically include unique historical conditions, causal ambiguity, or social complexity .
- d. Organization : Are the company's structure, control systems, and compensation policies effectively designed to exploit the full potential of its valuable, rare, and difficult-to-imitate resources ?

Based on the combination of responses to these four indicators , a company's competitive position can be categorized as competitive disadvantage , competitive parity , temporary competitive advantage , or sustainable competitive advantage .

### **Value Chain Analysis**

While RBV / VRIO focuses on the types of resources owned , Value Chain Analysis , developed by Michael Porter (1985), focuses on how these resources are configured in daily business activities to create value for consumers . Value in this context is the amount buyers are willing to pay for products or services produced by the company . Porter (1985) divides a company's internal activities into two functional groups :

#### **1. Primary Activities**

Activities directly involved in the physical creation of the product , its sale , its transfer to the buyer , and its after -sales service . These activities include :

- a. Inbound Logistics: Receiving , storing , and distributing raw materials .
- b. Operations : Transformation of raw materials into finished products through manufacturing processes .
- c. Outbound Logistics : Collection , storage , and distribution of finished products to consumers .
- d. Marketing and Sales : Providing means for consumers to know and be able to buy products ( advertising , promotions , sales force ) .
- e. Service : Provision of services to maintain or increase product value ( after sales , warranty ) .

#### **2. Support Activities**

Activities that provide the infrastructure or inputs necessary for the primary activity to run continuously . These activities include :

- a. Procurement : The function of purchasing inputs used in the value chain ( not only raw materials , but also machinery and fixed assets ) .
- b. Technology Development : Research and development (R&D), process automation , and adaptation of new technologies .
- c. Human Resource Management : Recruitment , training , development , and compensation of employees .
- d. Firm Infrastructure: General management , planning , finance , accounting , legal , and government relations .

Through the integration of value chain analysis , companies can detect where cost inefficiencies occur or in which activities the greatest added value (margin) is successfully created for consumers .

## RESEARCH METHODS

This research uses a qualitative approach with a descriptive method through a case study strategy . The qualitative descriptive method was chosen to provide an in -depth , contextual , and systematic picture of the phenomenon of internal corporate strategic governance ( Sugiyono, 2018). The case study approach was applied because this research focuses on one specific contemporary object , namely PT Industri Jamu dan Farmasi Sido Muncul Tbk ., in order to comprehensively dissect its internal capabilities and core competency analysis units.

### Data source

The data used in this study is entirely secondary data. Secondary data is data obtained by researchers indirectly but through intermediary media or documents that have been collected and published by other parties (Sekaran & Bougie, 2016) . The main data sources in this study include :

1. Annual Report and Sustainability Report of PT Sido Muncul Tbk . for the latest period ( last 3 years ), downloaded from the information disclosure of the Indonesia Stock Exchange (IDX) and the company's official website .
2. Scientific Journal Articles , Strategic Management Textbooks , and Credible Business News that discuss the dynamics of the herbal and pharmaceutical industries , as well as Sido Muncul's operational performance .

### Data Collection Techniques

The data collection techniques applied in this study were documentation and library research . Researchers searched , recorded , and reviewed written documents and digital data relevant to the company's operational value chain and Sido Muncul's strategic assets . The data inclusion criteria used were official documents published by the corporation or peer -reviewed scientific works to ensure the validity of the information .

### Data Analysis Techniques

The data analysis process was carried out systematically, referring to the interactive analysis model (Miles, Huberman, & Saldaña, 2014), which was integrated with a formal strategic management framework . The data analysis stages are outlined as follows :

1. Data Reduction: Researchers filtered data from Sido Muncul's annual report, discarded irrelevant information , and focused attention on data related to operational activities , R & D budget , asset ownership , and production capacity .
2. Data Display: The reduced data is then grouped and presented into two internal strategy analysis instruments :
  - a. Value Chain Mapping: Categorizing Sido Muncul 's business activities into primary activities and support activities according to Michael Porter 's model.
  - b. VRIO Matrix : Testing each of Sido Muncul's core assets and capabilities based on four main indicators (Value, Rarity, Inimitability, Organization) to determine its competitive advantage position .
3. SWOT ( Strengths and Weaknesses ) Synthesis : The results of the value chain analysis and VRIO matrix are synthesized to formulate valid Strengths and Weaknesses components for the corporation .

4. Conclusion Drawing: Drawing final conclusions regarding what internal capabilities are the driving force behind Sido Muncul 's competitive advantage and formulating managerial strategy recommendations .

## **RESULTS AND DISCUSSION**

### **General Overview of PT Sido Muncul Herbal Medicine and Pharmaceutical Industry Tbk.**

PT Industri Jamu dan Farmasi Sido Muncul Tbk . is a leading herbal medicine and pharmaceutical manufacturing company in Indonesia that has been listed on the Indonesia Stock Exchange since 2013 with the issuer code SIDO. The company operates a modern production facility based in Klepu , Bergas District , Semarang, Central Java. Sido Muncul's business portfolio is divided into three main segments , namely : herbal medicine and supplements ( such as Tolak Angin), health food and drinks ( such as Kuku Bima Ener-G and Alangsari), and the pharmaceutical segment through its subsidiary , PT Berlico Mulia Farma. Sido Muncul's success in maintaining market dominance is driven by its commitment to transition from an empirically based traditional herbal medicine industry to a modern herbal industry based on scientific evidence (evidence-based medicine).

### **Sido Muncul Value Chain Analysis**

Value chain analysis is used to map how Sido Muncul configures its operational activities to create cost efficiency and high value added for consumers .

#### **Primary Activities**

1. Inbound Logistics: Sido Muncul implements an integrated upstream supply strategy through partnership programs with more than 100 farmer groups and local cooperatives across Indonesia . Through the "Mentored Village " scheme , Sido Muncul provides education on standardization of cultivation , harvest times , and drying of rhizome plants ( such as ginger , turmeric , and galangal ). This step minimizes the risk of contamination and price fluctuations , and ensures a stable supply of fresh, high- quality raw materials directly to the company's storage warehouses equipped with automatic temperature controls .
2. Operations : Sido Muncul's production process has implemented a fully automated (computerized) system on a pharmaceutical scale . The entire line of extraction , mixing , and packaging of liquid products ( medicinal fluids ) is carried out without human touch to maintain hygiene . This operational facility holds dual certification , namely Good Traditional Medicine Manufacturing Practices (CPOTB) and Good Medicine Manufacturing Practices (CPOB), making it one of the few herbal medicine factories recognized as equivalent to the medical pharmaceutical industry .
3. Outbound Logistics : Finished product distribution is managed exclusively by the company's subsidiary , PT Muncul Mekar . This distribution network is supported by more than 100 authorized distributors spread throughout Indonesia . The existence of this distribution subsidiary provides full control for Sido Muncul in monitoring stock turnover in the market , preventing product counterfeiting , and ensuring product availability from the wholesale level to the smallest retail ( kiosks and minimarkets ).
4. Marketing and Sales : Sido Muncul's marketing strategy focuses on trust -building and market education. The iconic slogan " Smart People Drink Tolak Angin " has

successfully shifted public perception , transforming the image of herbal medicine from a low -end traditional medicine to a rational choice for modern and educated people . Sido Muncul also utilizes brand ambassadors with high credibility ( athletes , academics , and public figures ) and actively integrates digital marketing campaigns to engage the younger generation (Gen Z and Millennials ).

5. Service : Sido Muncul maintains customer relations through active customer service (customer care line), fast handling of claims for defective products , and guarantees product transparency through Halal certification from MUI which is printed on each package .

**Support Activities**

1. Firm Infrastructure: Sido Muncul strictly implements the principles of Good Corporate Governance and is known to have a zero-debt policy ( minimizing long - term bank debt ), so that the company's capital structure is very healthy and immune to interest rate fluctuations .
2. Human Resource Management : The company invests in regular technical training for pharmacists , chemists , and laboratory quality reviewers . A performance - based compensation system is implemented to retain top talent in herbal research .
3. Technology Development : Sido Muncul has a KAN ( National Accreditation Committee ) -accredited R&D laboratory equipped with advanced equipment such as HPLC (High-Performance Liquid Chromatography). This technology is used to conduct stability and subchronic toxicity tests , ensuring the product is scientifically safe for long -term consumption .
4. Procurement : The procurement process for production machines and packaging materials is carried out through a centralized tender system to ensure cost efficiency (economies of scale).

**Analisis VRIO (Resource-Based View)**

To determine whether the resources and capabilities identified in the value chain are capable of becoming a source of long - term competitive advantage , testing is carried out using the VRIO framework as presented in Table 1.

Table 1. VRIO Analysis Matrix of PT Sido Muncul Tbk .

Internal Resources / Capabilities	Value	Rarity	Inimitability	Organization	Competitive Implications
Pharmaceutical Standard Factory Facilities (CPOB & CPOTB)	Of	Of	Of	Of	Sustainable Competitive Advantage
Brand Equity & Product Reputation	Of	Of	Of	Of	Sustainable Competiti

(Tolak Angin )					ve Advantage
Wide Distribution Network (PT Muncul Mekar )	Of	No	No	Of	Competitive Parity
Accredited Laboratory Center & R&D Team	Of	Of	Of	Of	Sustainable Competitive Advantage
Raw Material Farmer Partnership Program	Of	No	No	Of	Competitive Parity

**Narrative Discussion of VRIO Results:**

1. GMP & GMP Manufacturing Facilities : These resources are valuable because they guarantee the safety of medical products . This characteristic is rare in the traditional herbal medicine industry because the majority of competitors are still small and medium - sized enterprises (SMEs). The investment costs to build an automated pharmaceutical-standard factory are very high (high barrier to entry), making this asset difficult to imitate ( inimitable ) in the short term . Sido Muncul organizes these assets very well , resulting in Sustainable Competitive Advantage .
2. Tolak Angin Brand Equity : The "Tolak Angin" brand has a very strong top of mind in the minds of Indonesian consumers . This brand strength is highly valuable and rare . Competitors need massive financial capital and decades to build an equivalent social reputation . This makes it an intangible asset that generates Sustainable Competitive Advantage .
3. Extensive Distribution Network : While valuable in securing market share , mass distribution capabilities are no longer a rarity . Other large FMCG companies can build similar distribution networks , placing Sido Muncul at competitive parity .
4. Accredited Laboratory & R&D Center : The capability to conduct clinical trials and molecular standardization of herbal medicines is a key differentiation point for Sido Muncul. The combination of laboratory technology and the expertise of in-house researchers creates a strong barrier to imitation for competitors , resulting in a Sustainable Competitive Advantage .

**Internal Analysis Synthesis : Strengths and Weaknesses**

Based on the integration of Value Chain analysis and the VRIO framework , the internal aspects of PT Sido Muncul Tbk . can be synthesized into the following Strengths and Weaknesses :

**Strengths :**

1. High Level Medical Quality Standardization : Possession of CPOB/CPOTB certification and product clinical trials provide absolute superiority in the safety aspect of herbal products compared to competitors .

2. Market Dominating Brand Equity : Tolak Angin 's brand strength acts as an effective market protection shield against the onslaught of substitute products .
3. Upstream to Downstream Supply Chain Efficiency : Partnerships with local farmers ensure the quality of organic raw materials , while independent distribution governance reduces external logistics costs .
4. Independent Financial Health : A zero-debt policy provides companies with the financial flexibility to expand or innovate products without the pressure of interest expenses.

#### Weaknesses :

1. Exponential Revenue Dependence (Product Concentration Risk): Sido Muncul's revenue and profitability remain heavily dependent on the herbal medicine segment , particularly its Tolak Angin product . Negative news or a downturn in this product line could severely impact the company's overall financial performance .
2. Global Market Penetration Challenges : Despite its success in the domestic market , Sido Muncul products still face strict regulatory constraints and differences in cultural perceptions regarding herbal medicines when expanding into western or international markets , so that export market absorption is still relatively small compared to its potential production capacity .

## CONCLUSION AND SUGGESTIONS

### Conclusion

Based on the results of the internal strategy analysis at PT Industri Jamu dan Farmasi Sido Muncul Tbk . using the Resource -Based View (RBV/VRIO) and Value Chain approaches , the following conclusions can be drawn :

1. Superior Value Chain Configuration : Through Value Chain analysis , Sido Muncul has proven successful in creating high value- added margins in its core activities . This is achieved through upstream integration ( partnerships with local farmer groups ) that guarantees the supply of organic raw materials , as well as the digitalization and full automation of modern pharmaceutical - certified production operations .
2. Core Competency Ownership : The VRIO matrix test results show that Sido Muncul has a sustainable competitive advantage that is based on its three main strategic assets , namely ownership of a CPOB/CPOTB standard factory , strong Tolak Angin brand equity as top of mind, and an advanced research and development (R&D) laboratory . These three aspects are valuable , rare , and very difficult for competitors to replicate in the short term .
3. Internal Vulnerability : Despite its strong internal foundation , the company faces product concentration risk , where the company's revenue structure remains heavily reliant on a single product (Tolak Angin ). This poses a major weakness in terms of internal business portfolio management .

### Suggestion

Based on the conclusions above , the strategic recommendations that can be given are divided into two aspects , namely :

Practical /Managerial Advice for Companies:

- Aggressive Product Diversification Strategy : Sido Muncul needs to optimize the capacity of its R&D laboratory and pharmaceutical factory to develop new herbal product variants outside the cold medicine segment ( for example , herbs for stress management , diabetes, or natural skin care ). This step is crucial to diversify revenue sources and reduce extreme dependence on Tolak Angin products .
- International Market Penetration Through Strategic Alliances : To overcome regulatory and cultural barriers in export markets , companies are advised to form strategic alliances with local pharmaceutical distributors in the destination country , or adapt product packaging and formats ( such as capsules or herbal teas ) that are more friendly to global consumer preferences .

Suggestions for Further Research Further research is suggested to expand the scope of the analysis by combining this internal analysis with external environmental analysis ( using the PESTEL or Porter's Five Forces framework ) to produce a more comprehensive TOWS/SWOT Matrix for future corporate strategy formulation .

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