



# STRATEGY FORMULATION OF NPK FERTILIZER BUSINESS UNIT Case Study in PT Pupuk Kaltim

## FORMULASI STRATEGI UNIT BISNIS PUPUK MAJEMUK NPK Studi Kasus di PT. Pupuk Kaltim

Oleh : Edy Pratolo  
Program Studi : Master of Management  
Instansi Asal : PT Pupuk Kaltim  
Pembimbing : Dr. Agus Setiawan, M.Soc.Sc  
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### ABSTRACT

This thesis is to formulate three major strategies needed by NPK Fertilizer Business Unit of PT Pupuk Kaltim in order to be sustainable on production, more efficient on operation, more competitive on market, and more profitable on earning. Before this thesis was conducted, this NPK Business Unit, established since 2004, was unable to achieve break even volume. Since 2008 when these strategies applied, the NPK Business Unit begins to make profit and continue to compete in NPK fertilizer domestic market.

Three major strategies in this thesis consist of raw materials purchasing (procurement) strategy, distribution (operation) strategy, and competitive strategy. Qualitative and quantitative data collected from the NPK Business Unit Manual and Files (secondary data) and from some journals and literatures.

Procurement strategy was formulated using Kraljic Model (1983), which categorizes raw materials into a matrix based on profit impact (y-axis) and supply risk (x-axis). Distribution strategy of raw material was analyzed using center-of-gravity method and transportation model. Competitive strategy analyzed using Porter Generic Strategy Model (1980).

Using Kraljic Model, this thesis recommends urea procurement by transfer pricing; ammonium phosphate and potash procurement by strategic alliances among Indonesia Fertilizer Producer Association (APPI) to build ammonium phosphate plant and to build potash trading company; phosphate and magnesium filler procurement by outsourcing; and NPK bag procurement by tender among suppliers. Using center-of-gravity method and transportation model, this thesis recommends port Semarang as center of raw material import. Using Porter Generic Strategy, this thesis recommends focus differentiation competitive strategy.

**Keywords:** Kraljic model, center of gravity method, transportation model, Porter generic strategy, NPK fertilizer