

## A Study on the Success Factors of Sinar Mas Group in Indonesia

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### Abstract

*With the acceleration of globalization and economic integration, multinational enterprises are becoming more and more important in the international market, and Sinar Mas Group, one of the largest integrated companies in Indonesia, has become one of the most influential overseas Chinese companies in Indonesia due to its outstanding performance and leadership position. This study aims to analyze the success factors of Sinar Mas Group and reveal its competitive advantages in the global market. Founded in 1962, Sinar Mas Group is an integrated multinational company headquartered in Indonesia, with significant presence in various fields such as paper, palm oil, real estate, finance and energy, with operations in Indonesia and many other countries and regions around the world. This study investigates the aspects of corporate history, corporate status, and corporate competitiveness. In addition, this study analyzes the reasons for Sinar Mas Group's success using the SWOT model. By comprehensively analyzing these key factors, this paper provides readers with an insight into the vitality and remarkable achievements of this Indonesian corporate giant in the global market. This study will help Korea enter Indonesia and contribute to Indonesian business research.*

**Keywords:** Sinar Mas Group, Indonesia, Overseas Chinese companies, SWOT analysis, Corporate competitiveness

## 1. INTRODUCTION

In the context of global economic integration, Chinese companies are of great value as a link between Eastern and Western business cultures. The work of overseas Chinese enterprises is an important part of the work of overseas Chinese affairs with Chinese characteristics, whether it is placed in the context of the international storm during its infancy or in the general trend of national reform and opening up today, it is an aspect that cannot be taken lightly [1]. Indonesia, as the largest economy in Southeast Asia, has excelled in recent years in terms of economic growth and business competition, attracting the attention and investment of many companies from around the world. It has a large Chinese community as well as many successful overseas Chinese businesses. The long history and large number of Chinese overseas Chinese founding enterprises overseas are rare in the world [2]. Among these enterprises, Sinar Mas Group is undoubtedly one of the most representative ones.

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This study selects Sinar Mas Group, an Indonesian Chinese enterprise, which is of great reference value for enterprises in other countries and regions to explore their successful experiences. The purpose of this paper is to study the success factors of Sinar Mas Group in Indonesia and to analyze the core competencies behind them. As a well-known company in Indonesia, Sinar Mas Group occupies a significant position in many industries with many subsidiaries in the fields of paper, palm oil, financial services, real estate development, energy and infrastructure. Since its establishment, Sinar Mas Group has continued to develop and grow, innovating and optimizing its business model. In the midst of fierce market competition, Sinar Mas Group has not only gained a foothold in Indonesia's local market, but has also actively explored international markets and achieved multinational operations.

This research will delve into the success factors of Sinar Mas Group in Indonesia. First, its historical background is reviewed, followed by an analysis of the company's current status, core competencies and success factors. The SWOT analysis is used to analyze the reasons for success in order to help readers gain a comprehensive understanding of this Indonesian corporate giant's performance and achievements in the global market. Through this study, we hope to help Korea enter Indonesia and contribute to corporate research in Indonesia.

## **2. SINAR MAS GROUP CORPORATE HISTORY**

### **2.1 Introduction to the company**

Sinar Mas Group is a large integrated Indonesian company founded in 1962 by Eka Tjipta Widjaja, a Chinese entrepreneur from Indonesia [3]. Headquartered in Jakarta, the Group is one of the most influential companies in Indonesia with a global presence. It has hundreds of legal entities and has been listed by the world's leading financial magazine Forbes, the world's leading financial magazine, ranked Indonesia's number one conglomerate [4]. The business scope includes various fields such as paper, palm oil, financial services, property development, energy and infrastructure. This article will provide a detailed analysis of Sinar Mas Group's corporate history, business areas, and SWOT analysis.

### **2.2 History of enterprise development**

#### **2.2.1 Early stage of creation (1962-1986)**

As shown in Figure 1, the birth of Sinar Mas Group was marked by the establishment of first palm oil mill in Sumatra, Indonesia, in 1968 by Oei Ek Tjhong. Initially, the company focused on palm oil business and gradually built up its market position. As the business grew, the Group began to venture into other areas such as pulp, paper and financial services.

#### **2.2.2 Continuous expansion (1986-1996)**

During this period, Sinar Mas Group increased its global market development, establishing Asia Pulp & Paper (APP) and setting up production bases in China, entering the financial services sector and creating institutions such as Bank Internasional Indonesia (BII). The Group expanded its business and gradually developed into a diversified corporate group.

#### **2.2.3 Financial crisis and recovery (1997-2000)**

In 1997, the Asian financial crisis broke out, BII Bank was sold due to the financial crisis, APP was branded as a deforestation company by environmental groups, and faced a crisis due to the global boycott movement [5]. Sinar Mas Group's business was severely affected. However, the group managed to survive the crisis by

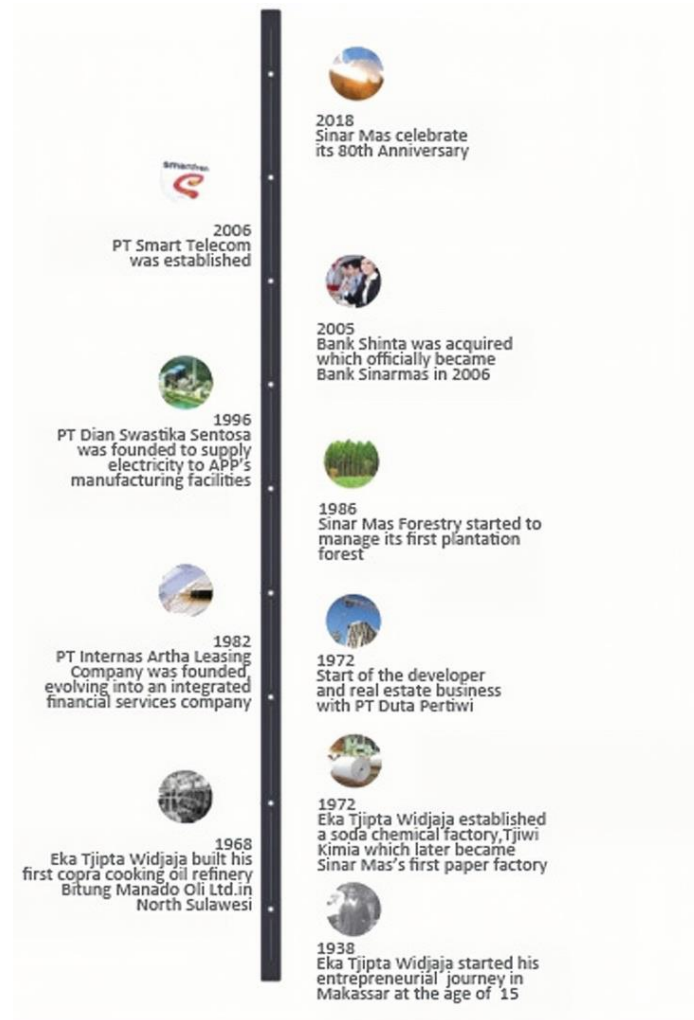
adjusting its strategy, strengthening its diversified business and optimizing its management. In the early 2000s, the business gradually regained momentum and regained its market position.

#### 2.2.4 Business diversification and globalization (2000-present)

Since the 21st century, Sinar Mas Group has been expanding its business and strengthening its global presence. The property business has grown rapidly in Indonesia and China, with the establishment of property subsidiaries such as Sinar Mas Land. At the same time, it entered the telecommunications and energy sectors, developing 4G networks and renewable energy. The Group continues to grow globally.

#### 2.2.5 Globalization and Sustainable Development (2010-present)

Sinar Mas Group started to globalize in the early 21st century, with operations in Asia, Europe and the Americas. They also began to actively promote sustainable development strategies, particularly in the palm oil industry, in an effort to reduce their environmental impact and to be actively involved in public service. Sinar Mas Group has experienced growth from a single industry to a diversified industry, gradually expanding its business to global markets. The company continues to innovate and adapt its strategies.



**Figure 1. Sinar Mas's history**

Source: Sinar Mas Company Homepage

### 3. ANALYSIS OF THE CURRENT SITUATION

In the agricultural sector, the agricultural division of Sinar Mas Group is mainly operated by Golden Agri-Resources (GAR), the largest palm oil grower in Asia. GAR is one of the world's largest palm oil companies with 30 widely recognized consumer brands and operations in 11 countries, with a global footprint of over 70 countries including the United States, Europe, India, China and the Middle East [6]. GAR has implemented a set of environmental policies to ensure zero-burn land preparation methods on its plantations and is committed to not developing areas with high carbon reserves. In addition, GAR has partnered with international environmental organizations to develop a responsible palm oil sourcing policy.

As shown in Figure 2, GAR has a higher share of business in the Asian market, with an overall share of 64.4%. Europe and other countries contributed 12.7% and 12.9% of the turnover respectively. GAR can focus on countries outside the Asian market to increase its global market share in the future development. In addition, we should develop targeted marketing strategies to attract more customers according to the market characteristics of different countries.

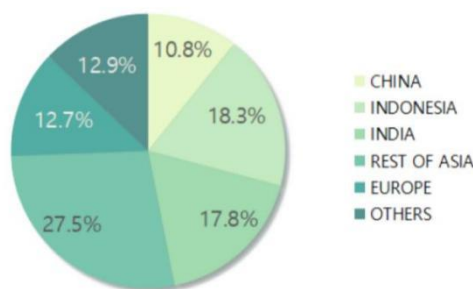


Figure 2. 2022 Turnover of Sinar Mas Group

Source: golden agri-resources annual repopt 2022

As shown in Figure 3, Total assets increased by \$294.0 million from \$9.61 billion at the end of 2021 to \$9.90 billion at the end of 2122. At December 31, 2022, total current assets increased by \$7. 26 billion to \$4. 16 billion.

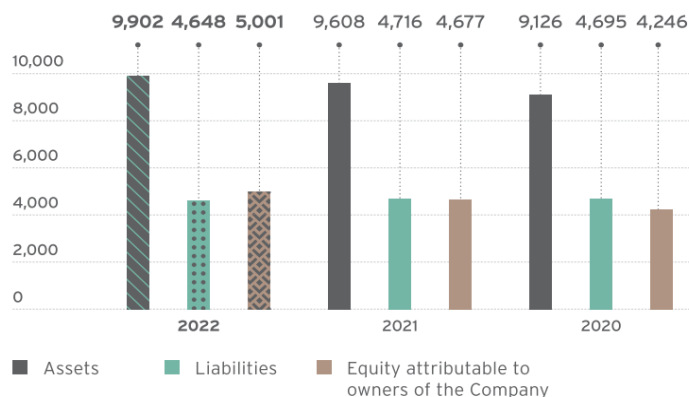


Figure 3. Assets, Liabilities and Equity attributable to owners

Source: golden agri-resources annual repopt 2022

Sinar Mas Group owns APP, an industry leader in the pulp and paper sector, and in recent years, as Asia Pulp & Paper's business has grown, the pressure on environmental issues has increased. APP has also continued to claim that in order to protect the environment, it has planted new seedlings on wasteland after cutting down trees in various areas [7]. In the real estate business, the subsidiary Sinar Mas Land is in charge of residential, commercial and industrial properties, investing in green building and smart city projects. The financial services business is provided by Bank Sinar Mas Syariah, which offers green financial products. The Energy and Infrastructure business includes oil, gas, coal and renewable energy, with subsidiaries dedicated to petrochemicals production and green energy projects.

All things considered, Sinar Mas Group has achieved significant success in a number of industries as a key player in Indonesia, and Sinar Mas Group has contributed both to its own long-term growth and to the positive impact it has had on Indonesia and the global market.

## **4. SINAR MAS GROUP COMPETITIVE ANALYSIS**

### **4.1 SWOT Analysis**

SWOT analysis is an effective tool to assess the competitive environment of a company. SWOT analysis, i.e. Strength, Weakness, Opportunity and Threat analysis, is fundamentally a decision-making process, first proposed by a management professor at the University of San Francisco in the early 1980s [8]. A successful business strategy can seize the opportunity in time, avoid threats, give full play to the company's own strengths and effectively overcome its own weaknesses, so SWOT analysis has become a fundamental part of business strategy decision-making [9]. In this paper, we will conduct a SWOT analysis of Sinar Mas Group in Indonesia to explore its strengths, weaknesses, opportunities and threats, and make some recommendations based on the analysis.

#### **4.1.1 Strength**

**Diversified business:** Sinar Mas Group's business covers many areas such as palm oil, pulp and paper, financial services, real estate, etc. This helps to reduce market risk and increase profitability. **Brand recognition:** Sinar Mas Group's brand has a high level of recognition in Indonesia and surrounding countries, which helps the company maintain a competitive advantage. **Family business background:** the family business background makes the decision-making and execution process more efficient, and its strong internal cohesion and high trust relationship among family members are fundamental characteristics that distinguish it from other productive organizations [10].

**Stable financial position:** Sinar Mas Group has strong financial strength and a stable financial position, which helps the company to remain flexible and respond to challenges in times of market changes. **Extensive market coverage:** Sinar Mas Group has expanded its market share with a global presence.

#### **4.1.2 Weakness**

**Environmental issues:** Sinar Mas Group has environmental issues in the palm oil and pulp industries, such as deforestation and land use, which could trigger government intervention and consumer boycotts. **Negative PR:** The company is exposed to negative public opinion and reputational risk due to environmental and social responsibility issues.

#### **4.1.3 Opportunity**

Sustainable projects: Sinar Mas Group can invest in sustainable projects to improve the company's reputation and competitiveness in the market. Digitalization and technology innovation: Optimize business processes, improve productivity and reduce costs with digitalization and technology innovation. Green and environmentally friendly products: Develop green and environmentally friendly products to meet market demand and increase the company's market share. Global market expansion: Sinar Mas Group can look to expand in global markets, especially emerging markets, increasing profitability and business diversification.

#### 4.1.4 Threats

Market Competition: There is intense market competition in many areas in which Sinar Mas Group is involved. The advantages of other companies in terms of product innovation, cost control and marketing may pose a threat to Sinar Mas Group, resulting in a decrease in market share. Unstable global economic environment: Instability in the global economic environment may have an impact on Sinar Mas Group's business, such as fluctuations in exchange rates, inflation and recession, which may affect the Company's revenues and profits.

The business model of an enterprise determines its competitive model, which may be reflected on the products supplied by the enterprise or in the services provided to the customers. In other words, the same industry is not the same as the enterprise production similar products, but also complete through the process of different rings to realize the difference of business activities, so as to create different services, improve the competitiveness of the industry[11]. In order for a company to consistently create a competitive advantage, they need to clarify their mission and vision so that they can implement the right strategy [12].

## 5. CONCLUSION

This paper reveals the company's strengths in diversification through an in-depth analysis of Sinar Mas Group's history, current corporate status, and success factors. Combining the full text, we conclude that this paper analyzes Sinar Mas Group's remarkable achievements in multiple areas. The company has successfully implemented a diversification strategy to integrate its resources and achieve cross-industry complementarity to support sustainable growth. The analysis of success factors reveals the company's diversification advantages that have helped it to achieve a dominant position in various markets and industries, reduce risks and achieve stable growth.

The main contribution of this study is threefold. Firstly, through an in-depth analysis of Sinar Mas Group, it provides useful lessons and insights for Korean companies to enter the Southeast Asian market. Secondly, this study explores the reasons for Sinar Mas Group's success from multiple perspectives, which helps to reveal the key factors for firms' success in different countries and regions. Finally, we highlight the important role of corporate strategy in corporate success, which provides a new perspective for the development of corporate management theory. Through an in-depth analysis of Sinar Mas Group, this study provides a theoretical basis for Korean companies to enter the Southeast Asian market from various perspectives, including corporate history, current situation, and reasons for success. It provides references and insights for Korean companies to enter the Southeast Asian market.

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