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Corporate Parenting and Center Development on Indonesia Automotive Manufacturer to Improve Its Business Performance

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ABSTRACT

Purpose: This study identifies and analyzes the corporate parenting strategy for a private manufacturing firm in Indonesia with six different business units, that are focused on the automobile sector. XYZ Group is a manufacturing company that has six business units and partnering with overseas companies. XYZ, formerly a SME, has significant growth to become a medium-large industry. The objective of this study is to enhance the overall business performance in manufacturing company, through corporate-level strategy by considering external environment in related industry.

Design/methodology/approach: This research employs a case study design utilizing qualitative method. Primary data collection method was conducted through interviews, internal surveys, and utilizing focus group discussions as a data verification method. Secondary data from corporate reports to support the primary data. This research uses the parenting advantage framework, parenting strategy archetypes approach, and parenting fit matrix for corporate-level strategy and corporate center development.

Findings: The result analysis and identification according to the parenting fit matrix, five XYZ Group's subsidiaries are in "Heartland" area and one business unit in "Edge-of-Heartland" area. A complete corporate parenting approach is conducted, integrates the strategies of "Functional Leader" and "Strategic Guide", including synergy in sales, cost, and managerial across business units, with a unified corporate center encouraging the strategic approach.

Research limitations/implications: This analysis is limited to the main subsidiaries of XYZ Group. It proposes more investigation into the specific aspects of operational management and the complexities of organizational structures within corporate centers.

Originality/value: The study presents an identification and analysis of corporate-level strategy for companies engaged in the automotive manufacturing industry in Indonesia, through corporate parenting advantage and center development, particularly relevant to the professionals, practitioners, and academics in the automotive manufacturing industry, especially those who manage various diversified business units.

Keywords: Corporate parenting, Diversification, Business performance, Synergy, Corporate center

I. Introduction

From 2020 to 2023, Indonesia's economic growth

increased steadily, mainly driven by the manufacturing sector, which contributed 18.67% to GDP in 2023 (Badan Pusat Statistik, 2024) and grew by 4.64%. The sector's dominance is due to non-oil and gas manufacturing, contributing 16.75%. The automobile industry, a key player in manufacturing, supports the economy through a vast supply chain and extensive

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employment (Gabungan Industri Kendaraan Bermotor, 2023; Coordinating Ministry for Economic Affairs, 2023). This boosts local industrial growth and employment, especially benefiting SMEs in Java (Komisi Pengawas Persaingan Usaha, 2021). The sector's expansion aligns with national economic policy, adapting to market needs and technological advances.

In the dynamic global environment, the United Nations' 17 Sustainable Development Goals (SDGs) provide a framework for harmony and economic success for people and the environment. One key SDG focuses on affordable, clean energy and urgent climate action, prompting a shift from internal combustion engines (ICE) to electric vehicles (EVs). This transformation requires new workforce skills for EV component manufacturing (Mubarak & Kartini, 2023). Despite Indonesia's Presidential Regulation No. 55/2019 to boost EV manufacturing and adoption, competitive pricing, quality improvements, and human resource development are crucial for competitiveness (Fernando & Yan Ing, 2022). Interviews with Indonesian automotive associations GIAMM and GAIKINDO emphasize the need for industry preparation for EVs, hybrids, and hydrogen fuel technologies, while government support and incentives are vital for enhancing competitiveness. Especially the transition to EVs will significantly impact the current automotive supply chain (Jagani et al., 2024).

One of the private companies that focuses on this industry is XYZ Group. XYZ Group contributes to the manufacturing industry by specializing in mold manufacturing and high-precision components. Founded as an SME in 1999, XYZ has grown into a large enterprise with over 500 employees and six business units. Partnerships with Japanese and German firms enhance technology transfer. Automotive OEMs, XYZ's main customers, drive the company's modernization and new product development (Yoo, 2016). Six XYZ business units are in Yogyakarta, where the manufacturing industry in the province has the fifth most enormous regional GDP contribution of 9.43% (Badan Pusat Statistik Yogyakarta, 2024), making it a significant presence in the region. However, aside

from XYZ group's contribution to the industry, companies that start from the SME scale and pursue more growth often face managerial challenges related to structural aspects, decision-making, leadership (Kindström et al., 2024; Churchill & Lewis, 1983), advancement of technology and changes in customer needs (Singh et al., 2008) especially firms with multiple business models. Corporate mismanagement, strategic missteps, management failure, misprediction in the external environment, and operational inefficiency (Turner, 2005; Lakshan & Wijekoon, 2012; Cole et al., 2021), including the absence of a culture of innovation in the company (Bach et al., 2019) in managing business can potentially lead to company failure and unable to compete (Casadesus-Masanell & Tarziján, 2012; Harren et al., 2022).

Referring to the growth trend from 2021 to 2023 in Figure 1, automotive component sales have experienced dynamic movement. However, the rival group of XYZ was able to generate positive profit growth in 2023 when the sales growth of automotive components decreased, in contrast to the XYZ group experienced stagnation. XYZ group then realized that it should proactively realign its businesses in this industry to sustain the dynamic changes in the automotive sector.

Corporate strategy is crucial in multi-business companies, particularly in managing complicated operations across several divisions or subsidiaries (Pidun, 2019). This situation differs from a single

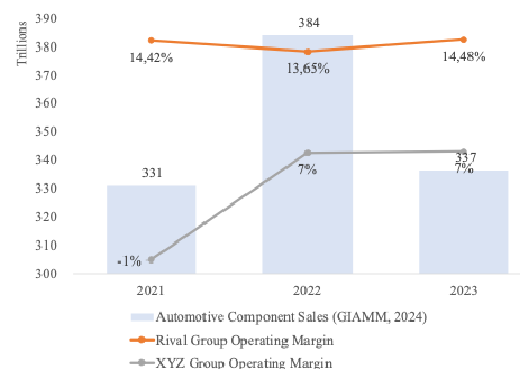


Figure 1. Operating profit growth comparison

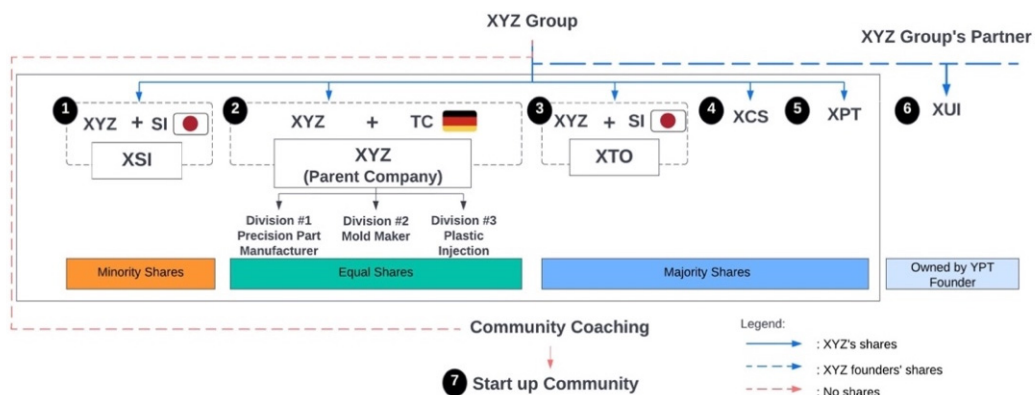


Figure 2. XYZ group organization

business corporation that oversees one business unit. Parenting strategy is the optimal solution for managing multi-business companies in considering the specific needs of each organization and its current industrial environment (Purwanto et al., 2021). Thus, the primary objective of this research is to analyze a corporate-level strategy that may provide recommendations to XYZ Group to maximize overall company success. The second objective is to explore the XYZ Group, which consists of six companies shown in Figure 2 and Table A1 (see Appendices) may enhance performance and governance by implementing a centralized corporate organization; both analyses are done through parenting advantage and strategy archetypes approach.

The results proposed a combination of parenting strategies, namely "Functional Leader" and "Strategic Guide," among its subsidiaries. These strategies promote synergies within business units, especially in cost, sales, and managerial synergies. Lastly, they enhance the corporate center (CC) to implement overall corporate strategies and synergies successfully.

II. Literature Review

Strategic management primarily focuses on providing organizations with guidance and flexibility for the

long term, particularly in dynamic and unpredictable environments. Environmental turbulence significantly impacts dynamic capabilities; therefore, organizations must establish and improve their ability to integrate, develop, and reconfigure internal and external competencies to adapt to a rapidly changing environment (Hamsal et al., 2022). The process is organized hierarchically, consisting of three levels: corporate, business, and functional strategies. Corporate strategy, the highest level of strategy development, provides comprehensive direction for formulating strategies across all business units, sometimes diversified. Diversification is becoming a favored approach to stimulate growth outside the main business, mitigate risks, and enable strategic renewal. The impact of diversification on performance is complex; as the company diversifies, it becomes harder for corporate executive management to monitor. The diversification can be related or unrelated, and its reasons can vary, ranging from value-creating, value-neutral, to value-reducing. However, the goal is to increase the company's value by improving its overall performance (Rumelt, 1974; Hitt et al., 2016). The key is maintaining strategic solid control, which may require focused diversification and occasional organizational restructuring to avoid overextension (Nippa et al., 2011; Pidun, 2019; Schommer et al., 2019; Hoskisson & Hitt, 1994).

Corporate-level strategy involves selecting and managing a portfolio of businesses to attain a

competitive edge and better performance. A successful corporate-level strategy guarantees that the companies in the portfolio together produce more value under the company's management than any other ownership (Goold, 1999; Nell & Ambos, 2013; Campbell et al., 1995; Su & Tsang, 2015). One approach or concept to formulate corporate strategy is through a corporate parenting approach; this approach focuses on how the parent company can create value for its business portfolio, and involves the design and execution of strategies by the corporate center to manage business units and improve their overall performance (Pidun, 2019). The corporate parenting strategy is crucial in overseeing and managing diverse business units, adding value as part of parenting advantage (Nilsson, 2000).

Several studies on parenting strategies in Indonesia have been conducted extensively. The evaluation of parenting strategies in State Owned Enterprise (SOE), PT Telkom Indonesia, indicates that the parenting strategy with portfolio alignment towards the parent company can be implemented effectively in subsidiary companies and improve performance (Mirza & Wahyuni, 2023; Purwanto et al., 2021). In their 2023 study, Mirza and Wahyuni concentrated on enhancing overall performance through the development of portfolio alignment, human capital management, synergy, organizational transformation, and a focus on core competencies. Purwanto et al. (2021) utilized the parenting strategy approach and parenting fit matrix to develop a corporate strategy that prioritizes optimizing procedures and coordination.

The mapping of business unit (BU) positions relative to the parent company is conducted to evaluate the suitability of SOE company management and seek the best recommendations to sustain its BUs even when in unfavorable positions (Rumampuk et al., 2023; Asikin et al., 2021). Rumampuk et al. (2023) used the parenting fit matrix approach and corporate parenting theory in their study to evaluate the company's strategy. They suggested improving the company's strategy using the parenting strategy approach, using the same approach, Asikin et al. (2021) used Analytic Hierarchy Process (AHP) tools to help the process

of prioritizing the strategy of each subsidiary.

An in-depth evaluation of a parent company can be achieved by integrating the parenting fit matrix and external factors using various analytical tools such as SWOT, PEST, GE business matrix (Kenny & Wandebori, 2013), as well as PESTEL, Porter's Five Forces, and SWOT analysis alongside with internal factors through resource identification and value chain activity (Tiffani & Wandebori, 2020). This approach enables the development of a more comprehensive corporate strategy in SOE.

This research uses the parenting advantage framework approach in analyzing corporate-level strategies, including improving synergy and governance by developing a centralized corporate organization through several stages. The first step is to identify external factors using the PESTEL framework to find out the aspects that affect the automotive component industry in Indonesia and analyze the movement of rival group of the XYZ group. Afterward, the task was to determine the compatibility between the parent firm and each of its business divisions using the Ashridge Parenting Fit Matrix. Finally, the strategy formulation, synergy, and governance of the parent company for each business unit using the theory of parenting strategy archetypes, synergy strategy, and corporate center design. The entire research series is then summarized in the "spin-off" framework, where the proposed strategy and corporate center organization are new activities that XYZ group has never carried out as a manufacturing company in Indonesia. This research contributes to analyzing a more comprehensive corporate-level strategy by considering the design of a corporate center to oversee the sustainability of the proposed strategy. This research uses qualitative methodology for primary data collection, including several phases of interviews and surveys with directors and managers from each business unit of XYZ group as well as founders and board of directors of XYZ. External interviews with automotive associations in Indonesia GIAMM and GAIKINDO were also conducted.

A. Parenting Advantage Framework

According to Goold et al. (1998), parenting advantage refers to the added value that a corporate parent provides to its subsidiaries through its distinct resources and capabilities. This advantage is based on five factors:

- a. Mental maps are essential ideas that shape parent managers' values, beliefs, methods, and norms.
- b. Structures, systems, and processes refer to the parent company's techniques to oversee its subsidiaries. These techniques encompass budgeting, planning, employment, investment authorization, transfer pricing, and performance review.
- c. Central functions, services, and resources refer to the corporate important assets that assist subsidiaries in creating value.
- d. Distinctive skills refer to the exceptional abilities held by individuals, particularly the CEO and functional or technical directors, which are highly valuable assets for the firm.
- e. The decentralization contract is an agreement that defines the specific areas of authority for the parent organization and the corresponding management responsibilities given to each business unit.

This framework facilitates the evaluation of the degree to which the parent company's characteristics align with its companies and identifies areas for enhancement and crucial variables for success.

B. Parenting Strategy Archetypes

Krühler et al. (2012) proposed a framework that identifies five mechanisms by which a corporate parent could improve value:

- a. Financing Advantage (FA) is achieved by optimizing tax payments, lowering interest rates, and improving access to capital through risk diversification.
- b. Strategy Development (SD) involves corporate

managers who increase value by directing business unit strategies and offering strategic direction.

- c. Company Function and Resources (CFR) strategically utilizes company expertise and shared services.
- d. Operational Engagement (OE) refers to the process of increasing value by fostering collaboration across different business divisions to achieve horizontal synergies.
- e. Business Synergies (BS) refers to the creation of value by fostering collaboration across different business units, resulting in the realization of economies of scope and scale.

Based on a study by Pidun (2019) empirically distinct six parenting strategies that are combined into company parenting generic types.

- a. Hands-off Owner: This type entails less central control over strategic and operational tasks and primarily focuses on broad financial objectives.
- b. Financial Sponsor: provides funds and financial expertise to enhance business performance while keeping a non-interventionist stance towards daily operations and strategy formulation.
- c. Family Builder: This approach entails little central interference in strategy and operations. It aligns closely with financial sponsors, but its main objective is to foster synergies and create a collaborative atmosphere where enterprises may exchange best practices.
- d. Strategic Guide provides a clear strategic direction and supports significant initiatives like mergers and acquisitions but does not involve extensive corporate operations or complex procedures.
- e. Functional Leader proactively improves business units by creating and improving core services and resources. This approach involves creating centers of excellence that standardize procedures, advocate for best practices, and oversee strategic activities like risk management and procurement.
- f. Hands-on manager: This role involves deep involvement in both strategic direction and daily operations of business units. This approach

includes direct oversight and control over budgeting, strategic planning, and operational decisions and centralizing decision-making power within the corporate center.

C. Synergy Strategy

Corporate parents can add value through business synergies, often complex and challenging to define and measure. These synergies depend on the relatedness of businesses and the corporate parent's goals and style. Pidun (2019) categorizes synergies into financial, sales, cost, and managerial.

- a. Financial synergies (FS) are advantages for the merged company's finances over the individual companies. These advantages can include flexible funding from the internal capital market, easier and less expensive access to external capital, or tax optimization.
- b. Sales synergies (SS) are an initial category of operational synergies in sales synergies. Product bundling, cross-selling, and the diversified firm's increased market dominance led to larger sales revenues.
- c. Cost synergies (CS) involve combining and sharing resources, investing jointly, using buildings, integrating operations across the value chain, and taking advantage of purchasing power, which results in cost reductions in operations and support functions.
- d. Managerial synergies (MS) are the potential to solve strategic, organizational, or operational difficulties that are comparable to those that another unit has previously faced by utilizing current talents, experiences, and knowledge.

D. Corporate Center Design

According to Pidun (2019), the corporate strategy center focuses on "strategic business units" (SBUs). The corporate center must align with the parenting

approach to successfully execute a corporate parenting strategy. Each strategy uses a distinct approach to three main governance components.

- a. Parental control mode is how the corporate center monitors activities and outcomes, including the main communication routes for reporting.
- b. Parental decision right is the authority to decide on the separation between the corporate center and business units.
- c. The parental function mandate defines the center's leadership position and the necessary resources, including the functional mandate assigned to business units.

E. Spin-Off Framework

Maldaner and Fiorin (2018) investigated factors influencing a traditional industrial company in Brazil to create a corporate "spin-off". They developed a framework examining the spin-off process, focusing on its characterization, decision-making variables, and internal and external processes. The study shows that spin-offs can renew stagnating resources and reduce market entry obstacles. While public policies have limited direct effects, they shape the innovation ecosystem and provide supportive infrastructure, influencing the spin-off process.

The key findings suggest that the "spin-off" was motivated mainly by strategic opportunities seen by the parent company, which utilized its resources and skills to improve its market position and foster innovation in its sector. The research emphasizes the relationship between internal and environmental factors that enable company spin-offs.

III. Methods

A. Data Collection

This research aims to improve the overall business performance of XYZ Group by developing suitable

parenting strategies and synergies. The study utilizes a case study approach, combining data from actual business units and comparative benchmarks from existing literature. Data is gathered using qualitative methods. The primary data was primarily gathered through interviews and surveys that involved giving weights and ranking. This data is verified through member checking in focus group discussions to the final findings (Creswell & Creswell, 2022), including key stakeholders from each business unit.

Studying corporate parenting strategies and synergies involved a multi-stage data-gathering process. The first data collection stage is a one-to-one internal interview with directors and managers from each business unit, delivered through semi-structured interviews. Parenting advantage framework, five major corporate value-added theories by Pidun (2019) are being employed, as well as the XYZ Key Success Factors. At the same time, external interviews with Indonesian automotive associations and rival groups are conducted as well using the PESTEL framework. Secondly, based on the data gathered in the previous stage, the parenting fit matrix is presented, and the respondents were requested to identify the critical factors that contribute to the success of their respective units and the necessary changes for parental opportunities. The participants were then requested to rank the significance and importance of the necessary parental opportunities and critical success factors. Output of this first and second stage of this activity is parenting fit matrix and identifying external factors that impact the automotive component industry. Third, the potential corporate synergy within the group is being identified by conducting one-to-one interviews with the same respondents; this activity is employed corporate parent synergy theory by Pidun (2019). The acquired data is thoroughly analyzed, resulting a proposal of a corporate-level strategy and the design of the corporate center. This idea was verified through a focus group discussion involving XYZ's directors, managers, shareholders, and board of directors.

B. Data Analysis

The research method starts by following Goold et al.'s framework (1998) to analyze the fit between XYZ Group's parenting characteristics and the key success factors of its business units. The study then develops an Ashridge parenting fit matrix, a tool that categorizes business units based on their alignment with parenting characteristics and potential for creating value, provides an overview of each business unit's position in five areas.

- a. Heartland Business Unit: This business unit aligns with the critical success factors and opportunities based on the parent company's skills, resources, and attributes. This type of business unit is the primary consideration for the company's future development.
- b. Edge of Heartland Business Unit: This firm is in a zone where the parent company's expertise and abilities may provide value, but a lack of alignment in crucial success factors could harm the business. This mismatch can cause the parent firm to generate and destroy value. Parent corporations must change their strategies, habits, or activities to turn these enterprises into "Heartland" businesses.
- c. Ballast Business Unit: The firm is well understood by the parent company, but it has little potential for adding value. This suggests that the business unit's domain is not well-aligned with the crucial success criteria and opportunities.
- d. Value Trap Business Unit: is when the parent company faces significant risks with this type of business unit due to the sharp disparity between the field of business and its capabilities, resources, and attributes. These business units may seem appealing based on their external appearance, but they typically fail to align effectively with the parent company's core competencies.
- e. The Alien Business Unit: This firm has a distinct disparity in skills, resources, and characteristics between the business unit and the parent corporation. This business unit makes a negligible,

no contribution of additional value to the parent corporation.

After the XYZ business units' already map and identified, the creation of developed parenting, synergy strategies, and corporate center design based on Pidun's archetypes (2019) will follow.

IV. Results

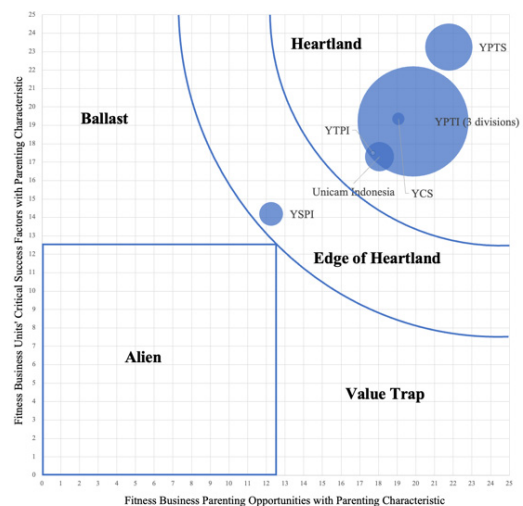
The study outlines the stages required to analyze the corporate portfolio of XYZ Group. The process begins with assessing the fit of XYZ as the parent company with its subsidiaries by employing the Parenting Advantage Framework. It represents these connections on the Parenting Fit Matrix by combining analysis of rival group and external trends using PESTEL. Indonesia's automotive sector analysis reveals critical external factors, political and economic considerations dominate, emphasizing government policies, laws, and incentives to boost the business. This is vital to revive automotive sales and promote green manufacturing. (GIAMM and GAIKINDO representatives, March 8th, 2024) Overall, the sector needs support from the government and developments in ecologically friendly technologies. These attributes enable the Indonesian automotive sector to develop strategies to succeed in a sustainable global market (Firmansyah et al., 2021). The last stage focuses on developing suited parenting and synergy strategies to improve the integration and performance of the business group with the corporate center to monitor the implementation.

A. Parenting Strategy Formulation

The management of corporate parent already defined eleven key success factors (see Table A2 in Appendices) that have currently been fostered to three main divisions exclusively, then become critical success factors that must be followed by each business

unit. According to those success factors and combined with possible parenting opportunities that can be created through financial advantage, strategy development, corporate function, operational engagement, and business synergies (Krühler et al., 2012), interviews are conducted with each business unit's representative to grasp business units' characteristics, parenting opportunities, and parenting characteristics. The interview inputs are gathered, organized, and assessed utilizing the Likert scale in the Parenting Fit Survey Matrix shown in Tables A3 and A4, visualized in Figure 3, and summarized in Table 1. This matrix is a tool employed to categorize business units according to their level of alignment with parent companies. This tool is based on the parenting advantage framework established by Campbell et al. (1995).

Five of XYZ's business units are classified in the "Heartland" zone, which implies that the business unit is in line with the essential factors for success and potential advantages, considering the skills, resources, and characteristics of the parent company. The current businesses that represent the "Heartland" area may not offer sustained expansion and affluence, but the option of growth is highly desirable,



Source: Research Analysis Result

Figure 3. XYZ group parenting fit matrix

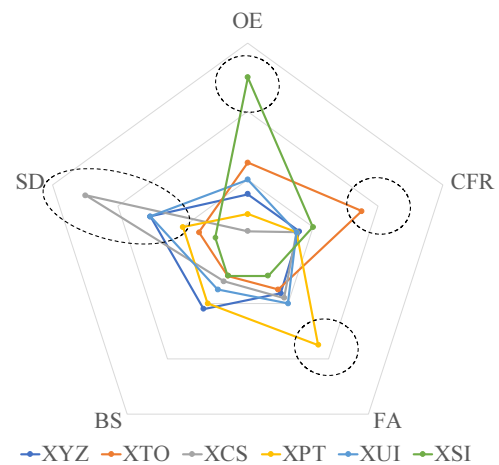
Table 1. Summary of parenting fit survey

Business Unit	Fitness of Business Units' Critical Success Factors with Parenting Characteristics (Y Axis)	Fitness of Business Parenting Opportunities with Parenting Characteristics (X Axis)	Revenue Contribution in 2023
XYZ with 3 divisions	19.8	19.2	76.39%
XTO	17.7	17.5	0.1%*
XCS	19.1	19.4	0.95%
XPT	21.8	23.3	13.86%
XUI	18.1	17.3	5.31%
XSI	12.3	14.2	3.49%

*Percentage only dummy number
Source: Research Analysis Result

particularly for managers who prioritize their career advancement (Campbell et al., 2014). The corporation must grow by maximizing added value and minimizing subtracted value. One of XYZ's businesses is in the "Edge-of-the-Heartland", where the parent company's skill and capabilities somewhat boost its value but might harm the firm owing to a lack of crucial success factors. XSI is vulnerable since its position on the "Edge-of-the-Heartland", the company will become a "Heartland" business if it can consistently add value without reducing value (Campbell et al., 2014). In the context of managing a business portfolio, Ansoff et al. (2019) suggest that corporate management should regularly assess the performance of their business units. Additionally, prior studies have identified that small and new organizations are more likely to fail than older and larger firms, which is called liability of newness and smallness (Aldrich & Auster, 1986). Thus, they should allocate more resources to the most promising businesses, reduce investment in average-performing businesses, and divest from business units that are projected to be unprofitable unless there are strong justifications for retaining them, this action must be taken to avoid the business units become a value trap, alien territory, or ballast.

Following a thorough interview, the shareholder mentioned, "XYZ itself was experienced with facilities, competencies, and markets for 20 years. XPT's financial contribution is significant because there are few competitors in Yogyakarta. While XSI, the tangible contribution is very low; but it has



Source: Research Analysis Result

Figure 4. Survey result of corporate parenting needs

intangible contributions, because we are partnering with Japanese companies, the value of this cooperation shall be maintained so that we can promote it as a portfolio, it can be a kind of legitimacy," (XYZ Board of Directors and founder, March 2nd 2024), XYZ intends to retain XSI as part of its business portfolio.

Through a weighted survey and semi-structured interview with representatives of each business unit, it is found that each unit has distinct parenting needs, from strategy development to operational engagement. Figure 4 illustrates the survey result, the XCS and XUI focus more to strategic developments, XTO requires significant corporate resource support, and

XPT requires more financial support for sustain growth; on the other hand, XSI requires the parent company to be involved in operational matters.

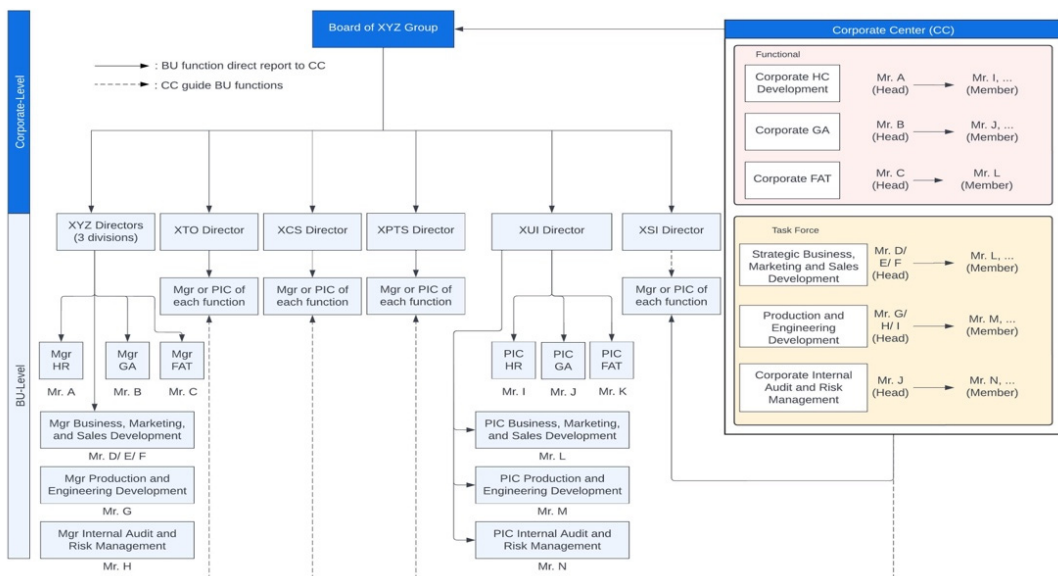
To successfully meet these diverse requirements, XYZ has used a combination of parenting strategies, namely the "Functional Leader" strategy for units that require operational supervision and the "Strategic Guide" strategy for units that require strategic direction. This method is strategically connected with each unit's position in the Parenting Fit Matrix. The parent company will adopt a "Functional Leader" strategy for XSI, otherwise a "Strategic Guide" approach.

Although several units rated the lowest priority on business synergy needs, it was essential to establish strategic alignment between corporate and BU to improve corporate performance. Case studies conducted in companies from developed countries highlight the numerous advantages of synergies, particularly in stimulating innovation in product, process, marketing, and organizational aspects (Lee et al., 2019). Synergies can lead to the consolidation of brand portfolios (Moore & Birtwistle, 2005), operational and commercial synergies can also enhance company performance by promoting the exchange of information, assimilation of knowledge, and fostering mutual support and trust among different business units (Ansari et al., 2006), study discovered that effective sharing knowledge and collaboration across different business units may affect business performance (Goold & Campbell, 1998). Synergy in business requires coordination to prevent risks and costs, with sales and cost synergies being crucial areas for collaboration. Business units with similar market fulfillment and production operations can facilitate joint operations, marketing, sales, and research and development.

Corporate-level strategy is required as XYZ Group oversees multiple businesses. The study by Kruehler and Pidun (2011) demonstrates that parental advantage is commonly acknowledged as highly important to company strategy. Employing proper parenting and synergy strategies can improve performance and move toward the "Heartland" area in the parenting fit matrix.

B. Corporate Center Development

The XYZ Group's strategic approach to corporate parenting involves understanding external factors and aligning corporate parenting strategies with the distinct requirements of its business units. The main objective of the corporate center is to generate value for the organization by providing strategic supervision, coordination, and assistance to the business units within the corporation. Corporate center (CC) aims to ensure that the overall corporate strategy aligns with the company's mission and objectives while enabling efficient governance, allocation of resources, and management of risks (Goold et al., 2001). To effectively implement these strategies and realize synergy, it is crucial to have a solid and comprehensive corporate-level strategy process (Roghé et al., 2013). A management control system in implementing parenting style is pivotal in balancing the need for corporate parent coordination with flexibility that is required by the business unit level to address operational needs; different parenting style requires different control designs (Nilsson, 2000). The parent company has implemented two main corporate strategies in this study: Functional Leader (FL) and Strategic Guide (SG). XYZ's CC plays a crucial role in facilitating these strategies. As shown in Figure 5, CC functions are built into two distinct sections in two separate roles: functional and task force. The functional form prioritizes vertical communication and collaboration to optimize organizational operations. The rationale behind separating functional roles in CC is strengthened by research findings suggesting that the degree of functional diversity within a company can have positive and negative effects. On one hand, it can promote innovation by facilitating integration. However, it can become a liability due to the challenges associated with coordinating and communicating effectively (Baik & Kang, 2020; Boone and Hendriks, 2009). Functional responsibilities are managed independently in CC to mitigate the risks caused by variations in knowledge and expertise across the six business units. In contrast, the task force structure emphasizes horizontal communication

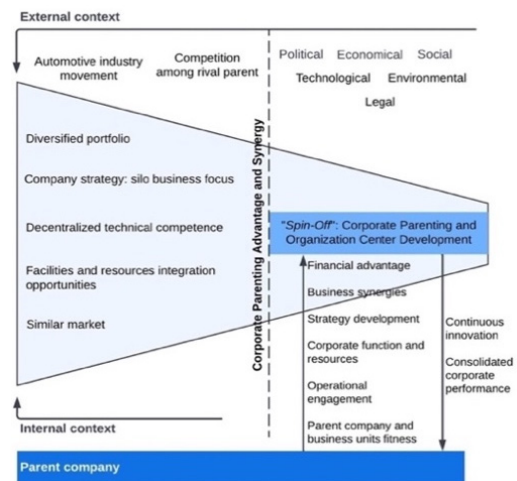


Source: Research Analysis Result

Figure 5. Illustration of proposed XYZ group corporate center design

across corporate divisions to tackle specific problems, promoting inter-departmental collaboration and minimizing bureaucratic delays (Daft, 2008). The formation of this task force aimed to support entrepreneurial orientation through innovation, decision-making, and encouraging proactive activities to improve company performance (Wijayanti et al., 2016).

The research conducted by Maldaner and Fiorin (2018) presents a concept called the "spin-off" approach, which aims to improve the parent company's performance by optimizing synergies and creating additional value while minimizing any disruption to its core operations. This study approach involves evaluating Indonesia's environment in the automotive manufacturing industry. The internal capabilities include the emphasis of corporate portfolios and silo companies, considering technical skill, facilities, market, and potential integration possibilities. The PESTEL is being used to identify the external environment while also considering the movement of competitors. This study is summarized in the "spin-off" framework shown in Figure 6.



Reference: Adapted based on compilation of Ndonzuau et al. (2002), Tübke (2004), Clarysse et al. (2005) in Maldaner and Fiorin (2018)

Figure 6. Corporate center "spin-off" applied to the framework

The methodology analyzes the XYZ Group's capability to support its subsidiaries and the potential enhancement it can offer. This includes encouraging transfer of knowledge, sharing business experiences,

and exchanging talent between businesses, as emphasized by Goold and Campbell (1998). This comprehensive study allows the development of a strategic organizational structure and corporate center plan for the XYZ Group, successfully matching the operations of its subsidiaries with the overall corporate goals.

V. Discussion and Conclusion

Managing diversified multi-business requires corporate-level strategy. In this study, the corporate-level strategy of XYZ group is analyzed through a corporate parenting approach, including the design of the corporate center. The series of identification, analysis, and development utilized several tools such as PESTEL, Parenting Advantage Framework, Ashridge Parenting Fit Matrix, and Parenting Strategy Archetypes theory; the primary data is gathered through interviews and surveys, verified by focus group discussion, while secondary data is gathered through corporate reports.

This study analyzes the corporate strategy of XYZ Group and its subsidiary companies. The analysis implies that the "Heartland" zone encompasses five out of six business units, indicating strong alignment with the parent company's characteristics and the critical success factors of business units. Nevertheless, XSI is in the "Edge-of-Heartland", indicating the potential for value to decrease due to misalignment with key success factors. The XYZ Group is advised to implement a combination of the SG and FL, creating a mixed strategy according to Pidun's (2019) theory. The CC is developed to align business units with the company's strategic objectives by exercising oversight and strategic control, particularly over five business units through the SG strategy, which involves setting targets and guidelines while allowing operational autonomy. For XSI, the FL strategy is applied, granting the CC control over financial, strategic, and functional matters and encouraging best

practices across units. The CC is divided into functional areas and a temporary task force area addressing various strategic functions. This structure follows Mintzberg's "divisionalized form" organization, balancing central oversight with business unit autonomy.

VI. Limitation and Future Research

This study has a theoretical impact by expanding the application of the Corporate Parenting Framework by Campbell et al. (1995) and Pidun (2019) to Indonesian manufacturing private multi-business companies, utilizing the Parenting Fit Matrix to optimize parent-subsidiary relationships for value creation. In practical, the study suggests that XYZ Group could improve its business performance by implementing an integrated SG and FL strategy. It underlines the significance of the CC in facilitating subsidiary autonomy, establishing objectives, and maintaining financial control, all while providing strategic oversight. The CC, which is dual-structured and consists of functional and task force areas, facilitates efficient operations and inter-departmental collaboration, thereby enhancing coordination, control, and the implementation of best practices across business entities.

An evaluation of the methodology revealed that extensive qualitative data gathered from interviews, focus groups, and surveys provided deep insights into the internal operations, values, and strategic direction of XYZ Group. However, the reliance on internal perspectives could introduce biases. These biases might be mitigated by incorporating more objective industry benchmarks and analyses of more competitors from similar sectors in Indonesia. Furthermore, future research needs to focus on recognizing intellectual capital, including human capital, structural capital, and financial condition, to comprehend CC organizations thoroughly. This is due to the close relationship between intellectual

capital, business performance, and organizational effectiveness (CUI & Jin, 2020).

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Appendices

Table A1. XYZ froup's business units operation

Business Unit	Business Operation	Product or Services	Location	Interviewee(s)
XYZ with 3 divisions	Manufacturer and regular mass production	Automotive plastic component, precision parts, and mould	Yogyakarta	President director, directors, and managers
XTO	Manufacturer	Jig and checking equipment	Yogyakarta	President director and manager
XCS	Machine service provider	Machine maintenance, machine assembling, and machine remanufacture	Yogyakarta	Commissioner and director
XPT	Regular mass production	Automotive plastic component	Yogyakarta	Director and manager
XUI	Training center and software distributor	Computer Aided Manufacturing (CAM) software and training provider	Yogyakarta	Director and manager
XSI	Manufacturer	Metal stamping dies and precision parts	Bekasi	Commissioner

Table A2. XYZ key success factors

(a) Strong and visionary leadership	(g) Strong financial support
(b) Reliable, progressive, caring, and loyal human resources	(h) Relevant and sustainable research and development
(c) Advanced technology and reliable products	(i) Continuous improvement and efficiency enhancement of processes
(d) Technical capabilities	(j) Ability to conduct market research
(e) Customer and supply chain relations	(k) Implementing the "Best QCDSME" (Quality, Cost, Delivery, Safety, Morale, and Environment) principles in every activity
(f) Synergy with government agencies	

Source: Corporate Internal Data

Table A3. XYZ's parenting fit survey result using Likert's scoring and weighted rank

		Parenting Characteristic					Amount	Weight	Total
		[A] Mental maps	[B] Structure, system and process	[C] People, experience and skill	[D] Decentralization contract	[E] Central function, service, and resource			
Critical Success Factors	(a) Strong and visionary leadership	5	4	3	5	3	19	17%	19.8
	(b) Reliable, progressive, caring, and loyal human resources	4	4	4	4	3	18	19%	
	(d) Technical capabilities	4	4	4	4	4	20	28%	
	(k) Implementing the "Best QCDSME" principles in every activity	4	5	4	5	4	21	20%	
	(i) Continuous improvement and efficiency enhancement of processes	4	4	5	4	4	21	16%	
Parenting Opportunities	Operational engagement (OE)	4	5	4	3	3	18	16%	19.2
	Corporate function & resources (CFR)	4	3	4	3	4	17	16%	
	Financial advantage (FA)	4	4	4	4	4	20	16%	
	Business synergies (BS)	4	3	3	4	4	17	22%	
	Strategy development (SD)	5	4	4	4	4	20	30%	

Source: Research Analysis Result

Table A4. XYZ group's parenting fit survey result

Description			Parenting Characteristic					Sub-total	Weight	Total
			[A]	[B]	[C]	[D]	[E]			
XTO	Critical Success Factor	(k)	3	2	4	3	3	15	10%	17.7
		(d)	4	3	5	3	4	19	50%	
		(b)	3	4	4	4	4	19	20%	
		(e)	3	3	3	3	3	15	15%	
		(a)	2	3	1	4	3	13	5%	
	Parenting Opportunities	(OE)	4	5	5	4	5	23	25%	17.5
		(CFR)	4	2	4	4	4	18	35%	
		(FA)	3	2	3	4	3	15	15%	
		(BS)	3	3	3	3	2	14	10%	
		(SD)	2	2	3	2	3	12	15%	
XCS	Critical Success Factor	(a)	5	3	4	3	4	19	10%	19.1
		(b)	5	3	4	4	4	20	17%	
		(d)	4	3	4	5	5	21	45%	
		(e)	4	5	4	2	2	17	13%	
		(g)	4	3	3	2	2	14	15%	
	Parenting Opportunities	(OE)	3	4	4	3	2	16	5%	19.4
		(CFR)	2	4	4	3	3	16	15%	
		(FA)	2	5	3	2	4	16	18%	
		(BS)	3	5	3	3	5	19	12%	
		(SD)	5	5	4	4	4	22	50%	
XPT	Critical Success Factor	(a)	5	4	3	4	4	20	25%	21.8
		(b)	3	3	3	3	3	15	15%	
		(d)	4	4	4	4	4	20	10%	
		(e)	5	5	5	5	5	25	30%	
		(k)	5	5	5	5	5	25	20%	
	Parenting Opportunities	(OE)	5	5	5	3	5	23	10%	23.3
		(CFR)	5	5	3	4	5	22	15%	
		(FA)	5	4	4	5	5	23	35%	
		(BS)	5	5	5	5	5	25	20%	
		(SD)	5	4	5	4	5	23	20%	
XUI	Critical Success Factor	(b)	4	4	4	2	3	17	30%	18.1
		(d)	4	4	4	3	3	18	15%	
		(c)	4	4	4	4	3	19	15%	
		(k)	4	4	4	3	4	19	20%	
		(i)	4	3	4	3	4	18	20%	
	Parenting Opportunities	(OE)	4	4	4	3	3	18	20%	17.3
		(CFR)	4	3	4	3	3	17	15%	
		(FA)	4	3	4	2	3	16	20%	
		(BS)	4	3	4	3	3	17	15%	
		(SD)	4	4	4	3	3	18	30%	

Table A4. Continued

Description		Parenting Characteristic					Sub-total	Weight	Total
		[A]	[B]	[C]	[D]	[E]			
XSI	Critical Success Factor	(a)	2	3	1	2	3	11	40%
		(b)	2	2	2	2	2	10	20%
		(k)	3	3	3	3	5	17	20%
		(j)	3	2	1	3	3	12	15%
		(g)	3	2	2	4	2	13	5%
	Parenting Opportunities	(OE)	3	3	1	3	3	13	50%
		(CFR)	3	3	3	3	3	15	20%
		(FA)	1	3	3	3	2	12	10%
		(BS)	3	5	3	4	3	18	10%
		(SD)	4	3	3	4	3	17	10%

Source: Research Analysis Result