IRJEMS International Research Journal of Economics and Management Studies
ISSN: 2583 – 5238 / Volume 5 Issue 6 June 2026 / Pg. No: 258-262
Paper Id: IRJEMS-V5I6P129, Doi: 10.56472/25835238/IRJEMS-V5I6P129

*Original Article*

# Business Turnaround Strategy through Asset Spin-Off to Enhance Cost Efficiency (Case Study: PT Semen Indonesia Beton, Indonesia)

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Received Date: 29 May 2026 Revised Date: 16 June 2026 Accepted Date: 20 June 2026 Published Date: 23 June 2026

***Abstract:*** *PT Semen Indonesia Beton has experienced a negative operating margin that has persisted for the past few years. The root of the problem stems from a heavy fixed cost structure due to internal ownership of a fleet of mixer trucks, while the fleet utilization rate is below 40% of standard capacity. This study designed a strategy to spin off fleet assets into a new entity, PT SIB Logistik. Then, it evaluated the impact on the parent company's cost efficiency and value creation for the recipient entity. A mixed-method approach was used with quantitative analysis for research questions 1 and 3 based on the company's operational data. Semi-structured interviews with four internal sources were used for the second research question. Simulation results show that the spin-off reduces the proportion of fixed costs, improves operating margins to positive, and reduces margin sensitivity to volume fluctuations. For the new entity, the spin-off opens additional revenue streams from external markets while increasing the utilization of the mixer truck fleet. These findings prove that the spin-off is not simply a cost transfer, but a restructuring step that results in value creation for the parent company and the group ecosystem.*

***Keywords:*** *Spin-Off Asset, Cost Efficiency, Operating Margin, Value Creation, Business Turnaround.*

## I. INTRODUCTION

The ready-mix concrete industry in Indonesia is highly dependent on the construction project cycle. When government infrastructure spending slows or private projects are delayed, demand for ready-mix concrete (RMX) experiences a sharp decline within a short period of time. This volatility puts RMX producers in a difficult position, especially those who manage their distribution fleets internally. PT Semen Indonesia Beton (SIB) is one of the major players facing this pressure. As a subsidiary of the largest cement group company in Indonesia, SIB operates hundreds of truck mixer units (TM) in various batching plants. But for many years now, the company has been generating negative operating margins while still delivering high sales growth. Reports suggest that SIB's troubles stem more from its cost structure, rather than revenues. Fleet ownership involves fixed costs such as depreciation, driver salaries, vehicle taxes, and inspection fees, which are incurred regardless of the volume shipped. The fixed costs become a burden when demand is lower, by squeezing margins further. This phenomenon of cost rigidity is not new in the literature. Aboody, Levi, and Weiss [1] explain that the choice of cost structure is closely related to managerial incentives and a firm's risk profile. Decker et al. [4] add that volatility shocks at the firm level are often amplified by slow responses to changes in demand, especially when the asset base is rigid.

One relevant restructuring option is to separate distribution assets into a new entity via a spin-off. Gaughan [6] defines a spin-off as a restructuring step that separates a portion of a company's assets into a new, standalone legal entity. Veld and Veld-Merkoulova [15] summarize empirical evidence indicating that spin-offs tend to increase internal efficiency and expand access to external funding for the new entity. This study answers three research questions. First, how does TM fleet ownership impact SIB's cost efficiency and profitability? Second, how can an asset spin-off strategy be designed to improve cost efficiency and operational flexibility? Third, to what extent does the spin-off generate financial and operational benefits for the recipient entity, designated as PT SIB Logistik? The primary objective of this research is to provide an empirical framework for cement industry practitioners in converting cost rigidity into operational flexibility through asset restructuring. The analysis focuses on operating margin as the primary indicator of profitability. The tax implications of the spin-off scheme are not part of the main calculations and are considered for implementation at the end of the study.

## II. LITERATURE REVIEW

### *A) Asset spin-off dan corporate restructuring*

Spin-offs fall within the broader family of corporate restructurings. Gaughan [6] places spin-offs alongside equity carve-outs and sell-offs as the three main forms of asset divestiture, each with a different signaling effect in the capital markets. Slovin et al. [14] found that the market reacts most positively to equity carve-outs because they involve a new capital injection, but spin-offs provide a clearer strategic focus for the parent company.

In a recent article, Veld and Veld-Merkoulova [15] performed an extensive review of the evidence on shareholder wealth effects from spin-offs. They found a positive abnormal return around the announcement of industry-related spin-offs for both the parent and the spun-off company, with even larger effects in cases where efficiency-seeking was an underlying motive. Bergh et al. They perform a detailed literature review of spin-offs and shareholder wealth effects [3]. They concluded that spin-offs, by having more transparency, can translate asymmetric information into dollars. More contemporary studies also confirm these findings. Pearce & Patel [12] found that well-designed spin-offs provide financial benefits to the parent company while also building strategic focus within each entity. Gupta et al. [8] used Indian market data and showed that cumulative abnormal returns during the spin-off announcement period were positive and statistically significant.

### *B) Cost Structure and Operating Leverage*

The discussion of cost structure in managerial decision-making stems from the classic debate between full costing and variable costing. Pong and Mitchell [13] concluded that both options are still relevant, especially when companies face demand volatility. In such situations, variable costing provides more responsive information for short-term decision-making.

Du et al. [5] introduced a cross-efficiency DEA framework to optimally allocate fixed costs among multiple operating units. This approach is relevant in the context of SIBs that have multiple batching plants with different utilization levels.

The concept of operating leverage explains how a high proportion of fixed costs will amplify the impact of volume changes on profit. In situations where profit approaches the break-even point, Jones [10] suggests the margin erosion approach as a more stable alternative to the degree of operating leverage. The DOL becomes inaccurate when operating profit is near zero, as the formula CM divided by OM produces highly volatile values.

### *C) Resource-based view and transaction cost economics*

Barney [2] formulated the VRIN (valuable, rare, inimitable, non-substitutable) criteria for identifying resources that generate sustainable competitive advantage. If a resource can be easily substituted through third-party services, the resource does not meet the VRIN criteria and is worth considering for outsourcing.

Williamson [16], through transaction cost economics, argued that make-or-buy decisions must consider internal transaction costs, including management overhead, idle capacity risk, and agency costs. If internal transaction costs are higher than market contract costs, contract mechanisms are a more efficient option. Nik Mat et al. [11] extended this framework to the Asian context and found that the relationship between organizational resources and environmental conditions also determines the effectiveness of strategic choices.

Jensen and Meckling [9] contribute an additional perspective through agency theory. Restructuring through spin-offs reduces the complexity of managerial accountability. The creation of a new entity with its own P&L makes decision-making more transparent and measurable.

## III. RESEARCH METHODOLOGY

This research uses a mixed-methods approach with a case study strategy at PT Semen Indonesia Beton. The first and third research questions are answered quantitatively using SIB's operational and financial data from 2023 to 2025. The data used includes income statements, fleet utilization dashboards, and sales reports per district. The second research question was addressed qualitatively using a case-based design supported by quantitative simulations for illustration. Semi-structured interviews were conducted with four internal sources representing the operational, finance, distribution, and supporting unit functions. The distribution sources were potential core management positions for SIB Logistics, while the supporting unit sources included procurement, legal, and tax.

The validity of the findings was maintained through two mechanisms. Triangulation was conducted between quantitative data, internal documents, and interview results. Member checking was conducted by sending a summary of the findings to the interviewees to confirm their accuracy. Furthermore, sensitivity simulations in low-, normal-, and high-volume scenarios were used to test the robustness of the conclusions. All figures in the results section are presented as percentages, ratios, or indexed values. This choice is made to maintain the confidentiality of the company's financial data while preserving analytical validity, as the core arguments rely on relative changes and structural ratios rather than absolute rupiah values.

## IV. RESULTS AND DISCUSSION

### *A) SIB cost structure: Root causes*

Table 1 summarizes the breakdown of operating costs for the period of 2023 to 2025. Fixed costs comprise 12.1% to 13.9% of total costs, while overall fleet costs are in the range of 14.2% to 15%. Although this ratio sounds mild, it doesn't affect the profitability much since this part needs to be paid out regardless of whether the volume of traffic is actually transported.

**Table 1: Cost Structure Composition PT SIB (% vs Revenue)**

| Cost Component (vs Revenue) | 2023 | 2024 | 2025 |
|---|---|---|---|
| Variable cost | 89.8% | 90.8% | 88.3% |
| Fixed cost (total) | 12.8% | 12.5% | 14.2% |
| Total fleet cost (all-in) | 14.6% | 14.2% | 14.6% |
| • TM Depreciation | 4.5% | 4.1% | 4.6% |
| • Driver salary & helper | 2.0% | 1.7% | 1.6% |
| • Routine maintenance | 1.1% | 0.7% | 0.8% |
| • Tax & KIR | 0.3% | 0.3% | 0.3% |

Interview results reinforced these quantitative findings. Operational sources explained that depreciation, taxes, and vehicle inspections (KIR), driver salaries, and fuel for engine warm-up remain routine expenses even when the fleet is idle. Finance sources added that the need for fleet investment every five years presents additional pressure, given that large project tenders often stipulate clauses regarding fleet age. This condition is consistent with the argument by Aboody et al. [1] that the choice of cost structure essentially reflects a company's long-term risk profile.

### *B) Low Fleet Utilization*

Table 2 shows that SIB's fleet utilization rate remains persistently low, ranging from 36.8% to 39.4% of the standard capacity of 950 cubic meters per mixer truck per month. This means that more than sixty percent of the fleet's capacity has not generated any revenue for three consecutive years.

**Table 2: Truck Mixer Fleet Utilization PT SIB, 2023-2025**

| Indicator | 2023 | 2024 | 2025 |
|---|---|---|---|
| Number of active TM (unit) | 172 | 172 | 173 |
| Capacity standard ($m^3$/TM/month) | 950 | 950 | 950 |
| Utilization rate | 36.8% | 37.7% | 39.4% |
| Idle capacity | 63.2% | 62.3% | 60.6% |

### *C) Margin Erosion and Volume Sensitivity*

A sensitivity analysis was conducted using the margin erosion coefficient as a derivative of the basic cost and margin formula. This choice was motivated by the inaccuracy of the degree of operating leverage when operating profit fluctuates around the break-even point, as noted by Jones [10]. In a scenario of a 20% volume decrease, the cost per m3 increases by approximately 3.6%, and the operating margin worsens to -6.1%, with margin erosion reaching 18.9%. With an equivalent volume increase, the cost per m3 only decreases by 2.4%, and the margin improves slightly to -0.1%.

This asymmetry reflects that SIB is relatively more defended against demand rises than declines. Consistency in the margin erosion coefficient over the three years of analysis, from a figure of 18.7% for 2023, down to 17.6% in 2024, before climbing back up slightly again to reach 18.9% by 2025. It validates the fact that this is a structural weakness and not just circumstantial.

### *D) Spin-off Strategy Design for PT SIB Logistik*

The strategy is to establish PT SIB Logistik as a new logistics subsidiary within the group, which will receive asset transfers in the form of mixer trucks from SIB. The commercial relationship between SIB and SIB Logistics is governed by a pay-per-use service-level agreement (SLA), with rates benchmarked against similar vendor contracts in the industry.

This mechanism directly converts the fixed costs of the fleet in SIB's books into variable costs, in the form of service fees per m3 delivered. The choice to form a new entity rather than transfer assets to an existing subsidiary was driven by three considerations, confirmed through interviews. First, the continuity of operational capabilities already in SIB's supply chain function. Second, strategic flexibility to capture external RMX demand. Third, clarity of risk and revenue ownership through separate P&L.

This way mirrors Williamson´s [16] logic: if the internal transaction costs are prohibitive, market contract mechanisms of structure become an efficient substitute. From the VRIN resource perspective, applied from an RBV [2], the TM fleet does not represent any type of VRIN resources for SIBs, as they can be substituted by visiting third-party services. The VRIN resources of SIBs are their expertise in producing quality RMX products, building customer relationships, and mix design.

### *E) Impact of Spin-off on SIB Cost Structure*

In Table 3, we provide a simulation of the pre- and post-spin-off fundamentals. Fixed Costs fell from 14.2% to 7.8% of revenue, but we saw a shift towards an increase in variable costs due to the variable component of logistic services. There was a 2.7% decrease in total fleet costs, showing the real efficiencies and not just cost engineering.

**Table 3: SIB Cost Structure Transformation: Before vs After Spin-Off**

| Metric (vs Revenue) | Before | After | Change (Δ) | Notes |
|---|---|---|---|---|
| Fixed Cost | 14.2% | 7.8% | -6.5% | Switch |
| Variable Cost | 88.3% | 92.0% | 3.8% | Switch |
| Total Fleet Cost | 14.6% | 11.9% | -2.7% | Better |
| Total Cost | 102.5% | 99.8% | -2.7% | Better |
| Operating Margin | -2.5% | 0.2% | 2.7% | Turnaround |
| BEP Volume | 100% | 80.4% | -19.6% | Better |
| Margin Erosion (case 80% volume) | 18.9% | 10.3% | -8.6% | Mitigate Vulnerability |

Operating margin improved by 2.7%, from -2.5% to 0.2%. This change indicates a turnaround in profitability. Break-even volume decreased by 19.6%, falling below SIB's actual throughput in 2025. The decrease in margin erosion indicates SIB's improvement in addressing business vulnerabilities.

### *F) Qualitative Validation of Interviews*

Interviews with four sources revealed three important pieces of information. First, all sources agreed that fleet fixed costs are a significant source of margin pressure. Second, the distribution source stated that SIB Logistics is ready to manage the fleet because this function is already in the SIB supply chain, so there is no capability gap that would hinder execution. Third, all sources agreed on the same critical success factor: the ability to capture logistics demand from other RMX players. As the distribution source emphasized, failure to increase utilization from external markets will pose financial challenges for the new entity due to the ongoing taxes and operational costs that must be paid.

### *G) Value Creation for PT SIB Logistik*

Evaluation of value creation for SIB Logistics was carried out with three utilization scenarios shown in Table 4. In the as-is scenario, which only serves SIB, SIB Logistics' operating margin is -22.6%, this requires the new entity to expand into external markets in order to increase utilization and survive.

**Table 4: SIB Logistik Potential Benefits in Three Scenarios (% vs revenue)**

| Metric | SIB only | Break-even Condition | Maximum Utilization |
|---|---|---|---|
| Fixed Cost SIB Log | 54.3% | 33.4% | 20.5% |
| Var Cost SIB Log | 68.3% | 66.6% | 65.6% |
| Total Cost SIB Log | 122.6% | 100.0% | 86.1% |
| Operating Margin | -22.6% | 0.0% | 13.9% |
| Volume RMX | 100% | 158.6% | 254.1% |
| TM Utilization | 39.4% | 62.4% | 100% |
| Incremental Revenue | 0% | 62.7% | 164.8% |

Fleet utilization reached 62.4% at BEP, with incremental revenue reaching 62.7%. Meanwhile, in the maximum utilization scenario, incremental revenue reached 164.8% and operating margin 13.9%. These results demonstrate that idle capacity, previously a burden, can be transformed into a new revenue stream, provided SIB Logistics collaborates with RMX producers other than SIB and buyers using the FOT method.

### *H) Genuine Value Creation, Not Cost Shifting*

The third, more controversial argument is built around three mechanisms that their spin-off would be a real value creation. One, the distribution cost of SIB came down by 2.7% because of optimal system efficiencies. Second, SIB Logistics also unlocked new revenue streams from parts of external demand they had previously been unable to address. Third, as for the fleet utilization increase, from 62.4% to 100%, converting idle capacity into revenue-generating operations

These three mechanisms show us how this spin-off is not just a loss transfer (from SIB to the new entity) but is instead a restructuring step that generates synergies between professions and extra revenue for the SIG Group ecosystem. The results are similar to those of Veld and Veld Merkoulova [15] and Pearce and Patel [12], who also reported financial or strategic gains from well-structured spin-offs.

## V. CONCLUSION

Internal ownership of the mixer truck fleet undermines SIB's cost efficiency and profitability through three mutually reinforcing mechanisms: significant fleet fixed cost blocks, persistently low fleet utilization, and a cost structure that is rigid to volume fluctuations.

The spin-off strategy to PT SIB Logistik successfully transformed SIB's cost structure from asset-heavy to service-based. Simulation results showed a turnaround in operating margin from -2.5% to 0.2%, reducing vulnerability to volume fluctuations as measured by a decrease in margin erosion from 18.9% to 10.3%. The resulting BEP volume decreased by 19.6%. For SIB Logistik, the spin-off created an entity with a potential operating margin of 13.9% at maximum utilization, supported by incremental revenue between 62.7% and 164.8% from external demand.

The managerial implications for SIB management include three aspects. To protect against this tax exposure, any bookkeeping that SIB Logistics does will need to be accompanied by an asset transfer mechanism at book value. Availability and cost should be the main metrics for SLA design, while risk allocation is centered on the principle of control ability. SIB Logistics must target its commercial strategy at RMX customers outside the SIB from day 1, given that capturing external demand will be a key driver of the new entity's sustainability.

The spin-off may also give rise to further tax issues concerning the transfer of assets, intercompany transactions, and, as a new company, acting as a "taxable corporation". Having SIB Logistik as a standalone organization could lead to additional corporate income tax exposure if logistics processes move from an internal expense to generating profits, dependent on group company structures. There is the risk of transfer pricing in case of supply between internal groups as well, which needs to be addressed through an arm's length basis for such transactions. The economic jolt must compensate for the tax pain resulting from the new arrangement.

This study is limited mainly in the scope of analysis, which is restricted to operational margins, and taxes are only taken into account as an implementation aspect, without a more detailed quantification. We recommend conducting more extensive research to properly assess the tax effects of this spin-off mechanism, through corporate income tax and transfer pricing, as well as VAT on logistics services. A legal and regulatory feasibility study on the optimal ownership structure of SIB Logistik is also a relevant area. Furthermore, a comparative study with spin-off practices in similar industries in Indonesia would enrich the existing empirical base.

### *Interest Conflicts*

The authors declare that they have no conflicts of interest to report regarding the present study. The data used was obtained with official permission from PT Semen Indonesia Beton.

### *Funding Statement*

The authors declare that this research received no specific grant from any funding agency in the public, commercial, or not-for-profit sectors.

### *Acknowledgments*

All authors contributed equally as the main contributors of this paper. All authors read and approved the final paper.

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