

Corporate Strategy for Emerging Defense Industry: The Case of PT Pindad's Market Entry into The Middle East

Strategi Korporat untuk Industri Pertahanan yang Sedang Berkembang: Kasus Masuknya PT. Pindad ke Pasar Timur Tengah

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Article Info	Abstract
<i>Article History :</i> Received: 30 May 2025 Accepted: 09 July 2025 Published: January 2026 <i>DOI Number :</i> 10.33059/jseb.v17i1.11937 <i>How to Cite :</i> Petherus, V., & Kristiyono, H. (2026). Corporate strategy for emerging defense industry: The case of PT Pindad's market entry into the Middle East. <i>Jurnal Samudra Ekonomi dan Bisnis</i>, 17(1), 234-248. DOI: 10.33059/jseb.v17i1.11937.	This research aims to formulate an effective corporate strategy for PT Pindad to penetrate the Middle East defense market. Using the AFI (Analyze–Formulate–Implement) framework as a foundation, the study applies PESTEL, Porter's five forces, VRIO, and SWOT analyses to comprehensively evaluate the current conditions. Data collection was conducted through in-depth interviews with key stakeholders. Findings indicate that the Middle East presents an extremely potential market but with a highly competitive landscape. Based on the Ansoff matrix, this research proposes a stage-based corporate strategy, beginning with market development, leveraging PT Pindad's existing product portfolio and diplomatic networks for short-term market access and transitioning toward Diversification through co-development of advanced defense technologies with regional partners. This two-phase strategy offers a balance between risk mitigation and long-term competitive advantage. Keywords: AFI Framework, Ansoff Matrix, Corporate Strategy, Defense & Security Industry, International Business.

Info Artikel	Abstrak
<i>Riwayat Artikel :</i> Diterima: 30 Mei 2025 Disetujui: 09 Juli 2025 Dipublikasikan: Januari 2026 <i>Nomor DOI :</i> 10.33059/jseb.v17i1.11937 <i>Cara Mensitasi :</i> Petherus, V., & Kristiyono, H. (2026). Corporate strategy for emerging defense industry: The case of PT Pindad's market entry into the Middle East. <i>Jurnal Samudra Ekonomi dan Bisnis</i>, 17(1), 234-248. DOI: 10.33059/jseb.v17i1.11937.	<i>Penelitian ini bertujuan untuk merumuskan strategi korporat yang efektif bagi PT. Pindad untuk menembus pasar pertahanan Timur Tengah. Dengan memakai kerangka AFI (Analyze–Formulate–Implement) sebagai landasan, penelitian ini menerapkan analisis PESTEL, Porter's five forces, VRIO, dan SWOT untuk mengevaluasi secara komprehensif kondisi saat ini. Pengumpulan data dilakukan melalui wawancara mendalam dengan para pemangku kepentingan utama. Temuan menunjukkan bahwa Timur Tengah menghadirkan pasar yang sangat potensial tetapi lanskapnya sangat kompetitif. Berdasarkan matriks Ansoff, penelitian ini mengusulkan strategi perusahaan berbasis tahapan, dimulai dengan pengembangan pasar, memanfaatkan portofolio produk PT. Pindad yang ada dan jaringan diplomatik untuk akses pasar jangka pendek dan transisi menuju diversifikasi melalui pengembangan bersama teknologi pertahanan canggih dengan mitra regional. Strategi dua fase ini menawarkan keseimbangan antara mitigasi risiko dan keunggulan kompetitif jangka panjang.</i> Kata kunci: Kerangka AFI, Matriks Ansoff, Strategi Korporasi, Industri Pertahanan & Keamanan, Bisnis Internasional.

INTRODUCTION

PT Pindad's dependence on the local market is very high, and the trend continues to increase. Meanwhile, competition in the Indonesian local market is intensifying with the presence of foreign companies offering advanced technologies. PT Pindad must compete, capture local market share, and create new revenue streams to remain sustainable and advance further. Another approach is to open new markets using existing products. This concept is part of the Ansoff Corporate Strategy, which will be discussed in more depth later.

On average, from 2019 to 2023, seventeen countries in the Middle East had a GDP to Military Expenditure ratio of 4.7 percent (Statisa, 2025; SIPRI, 2024). This figure is quite high compared to the global ratio of only 2.3 percent (Tian *et al.*, 2023). The top three countries with the highest ratios are Syria, Yemen, and Oman. This is due to the conflict conditions in these countries. Furthermore, other countries still have quite high ratios, such as Israel, Lebanon, Kuwait, Qatar, the UAE, Saudi Arabia, and Jordan, which are still above 4 percent. This market potential creates opportunities to enter the market. PT Pindad certainly needs to analyze the situation in the target region while also considering PT Pindad's own capabilities, then determine its competitive advantages.

LITERATURE REVIEW

To assist researchers in determining appropriate strategies, a framework is needed as a guide. Concepts and theories also need to be implemented in comprehensive research. In this study, researchers used the concepts and theories underlying the AFI Framework. This framework enables organizations to assess their external and internal environments (Analysis), develop strategic options (Formulation), and effectively execute strategies (Implementation) (Rothaermel, 2021). This integrated process ensures alignment between organizational resources, opportunities, and objectives, thus driving sustainable competitive advantage.

A fundamental tool for environmental scanning is the PESTEL Analysis, which helps organizations understand macro-environmental factors, namely Political, Economic, Social, Technological, Environmental, and Legal influences (Whittington *et al.*, 2020). By systematically examining each dimension, companies can better anticipate risks and opportunities within the broader context in which they operate. For example, changes in government regulations (Political) or shifts in consumer behavior (Social) can significantly impact strategic choices. Furthermore, technological innovations or ecological issues (such as sustainability pressures) often transform industries overnight.

While PESTEL looks at the broader environment, Porter's Five Forces focuses on the competitive dynamics within an industry. According to Porter (1980), an industry's profitability is influenced not only by direct competitors but also by a broader set of forces, that is: the threat of new entrants, the bargaining power of suppliers and buyers, the threat of substitute products, and the intensity of competition. For example, powerful suppliers can erode profits as effectively as aggressive competitors. Similarly, new technologies can create substitute products that undermine existing offerings. While there are also challenges to market entry, such as government regulations, these aspects overall remain conducive to new entrants (Taiwan News, 2025). Thus, the Five Forces method is useful for analyzing the competitive structure within an industry, assessing its attractiveness (profitability), and formulating effective business strategies to achieve competitive advantage and a favorable market position.

Table 1. Rank Countries that reach GDP to Military Expenditure Ratio above 4 percent

Rank	Country	GDP to Military Expenditure Ratio (percent)				
		2019	2020	2021	2022	2023
1	Syria	12.7	13.1	12.7	12.7	12.5
2	Yemen	7.0	7.2	7.0	7.1	8.5
3	Oman	7.6	8.7	7.7	8.6	7.1
4	Israel	5.2	5.2	4.9	5.3	6.6
5	Lebanon	1.9	2.7	4.3	4.4	5.0
6	Kuwait	6.1	7.1	7.2	4.2	4.8
7	Qatar	8.8	9.2	8.6	2.1	4.6
8	United Arab Emirates	4.8	5.1	4.9	4.0	4.3
9	Saudi Arabia	9.5	9.7	9.0	6.8	4.3
10	Jordan	4.2	4.1	4.2	4.2	4.1

Source: Statista (2025) & SIPRI (2024) (processed), 2025.

Not only understanding external forces is critical, but also the internal strengths an organization possesses is important to be analyzed. Therefore, the VRIO framework — which stands for Value, Rarity, Imitability, and Organization — provides a tool for evaluating internal resources and capabilities (Barney, 1991). Furthermore, without the right organizational structure and culture to support resource utilization, even rare and valuable assets may not be optimally utilized. A successful business strategy requires knowledge of the company's relevant assets and skills (Barney & Hesterly, 2019).

After performing detailed external and internal analyses, the next step is synthesis, often accomplished through a SWOT Analysis. SWOT standing for Strengths, Weaknesses, Opportunities, and Threats, offers a straightforward yet powerful framework for summarizing an organization's strategic position (Gürel & Tat, 2017). Strengths and weaknesses emerge from internal assessments like VRIO, while opportunities and threats are distilled from tools like PESTEL and Five Forces. However, despite its simplicity, SWOT can be highly effective if applied thoughtfully.

One of the most practical tools for corporate strategy is Ansoff Matrix, which provides four strategic options based on products and markets, i.e.: market penetration, market development, product development, and diversification (Ansoff, 1957). Ansoff matrix often builds up the way and clears out the obstacles to reach the goals set by the company (Clarissia & College, 2019). Strategy implementation is a complex process with many strategies failing when the implementation process, it shows challenges for both private and public company worldwide (Holm *et al.*, 2025). When implementing new or revised strategies, the success of an organization depends on its ability to execute decisions and key (Lee & Puranam, 2016).

The AFI Framework is the main foundation in this conceptual framework. In this research, the main focus is on the scope of the corporate strategy level, consequently there will be many aspects to consider. Therefore, the AFI Framework itself is supported by several other business frameworks. Researchers use several frameworks in analysis stage. First, PESTEL is used to systematically examine the macro environment of a business or project (Furuncu, 2025). It is used to determine political, economic, social, technological, environmental and legal factors. Then, Porter's 5 Forces Framework to observe the surrounding situation from suppliers, buyers, competitors (Porter, 1980) faced with the current condition of PT Pindad. Furthermore, this research uses the VRIO Framework

to indentify the uniqueness or competitiveness of PT Pindad in entering a particular market. These frameworks are also equipped with SWOT analysis by studying the strengths, weaknesses, opportunities and threats of PT Pindad to implement this strategy. These four frameworks are the materials in the Analysis phase in the AFI Framework. In the second stage, namely formulation, researchers use the Ansoff Matrix framework (Suzianti *et al.*, 2023).

In the scope of this research, the market has been determined, namely the new market for PT Pindad in the Middle East region. Thus, the independent variable is only in the product area. There are currently two options, namely using existing products or developing new products. Figure 1 presents the conceptual framework of this research.

METHOD

In the methodology of this research, there are two types of data that will be used and processed by the researcher, namely primary data and secondary data with the following details.

Primary data in this study is qualitative. This data was collected through in-depth interviews with experienced experts related to PT Pindad's business in the Middle East. Informants came from both internal and external parties at PT Pindad, all of whom were confirmed to have the appropriate skills and relevance for this study. This data was analyzed using thematic analysis. The purpose of this analysis is to interpret the collected data. The thematic analysis process involves a six-step approach, which is data identification, coding, generating themes, reviewing themes, defining and naming themes, and writing a report (Braun & Clarke, 2022).

In addition to primary data, researchers also collected secondary data (Kelly *et al.*, 2024). Secondary data was taken from internal sources, such as PT Pindad's Annual Report, and external sources, such as papers, journals, books, international reports, and news reports.

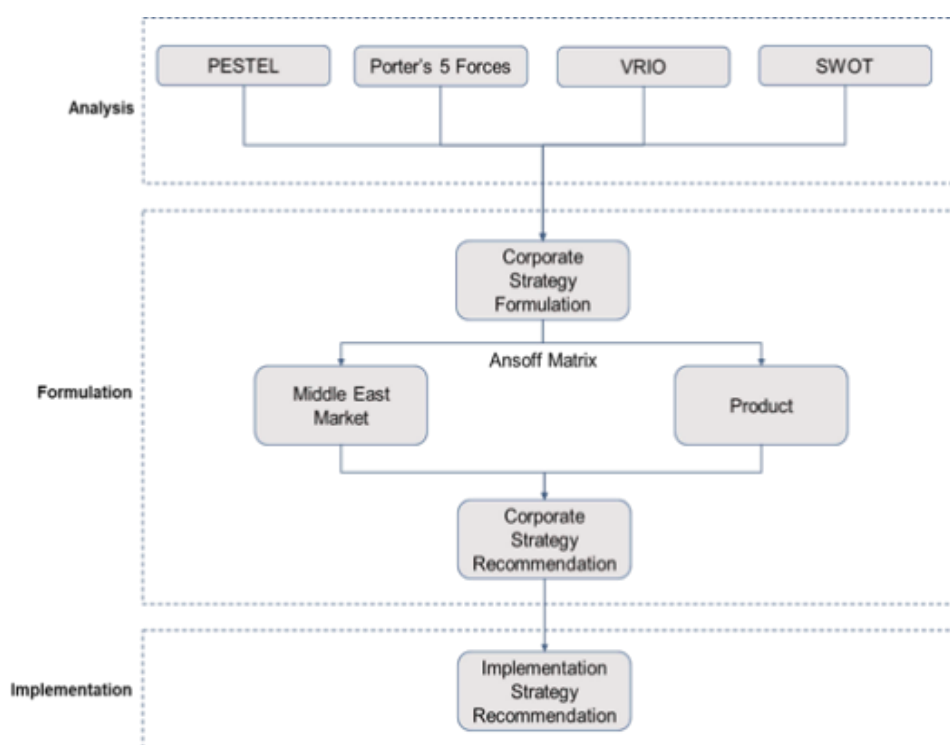


Figure 1. Conceptual Framework

Source: Primary data (processed), 2025.

RESULTS

From the result of the interviews that have been conducted, the intensity for the PESTEL code were obtained, which showed on Figure 2. Technological aspects identified are a primary concern in the PESTEL framework as all experts in the interview mentioned it. Emphasis also occurred when talking about advanced technology and technological readiness. In addition, the political aspect was also mentioned by all experts quite intensely. Topics related to defense & security are considered very related to political aspects such as bilateral relations between Indonesia and countries in the Middle East, the political conditions of the destination countries to the geopolitical alliances of these countries. While the legal, economic and social aspects were mentioned several times by experts, especially from internal experts. Several points were highlighted such as product standardization and cost to enter the Middle East market. External experts had similar views to each other where the Middle East economy continues to increase, and unique geographical conditions are a separate concern for this plan.

Based on Figure 3, in Porter's five forces analysis, the strength of industrial rivalry is something that is very frequently discussed by all experts during interviews. These experts see that there are quite a lot of rivals or competitors for PT Pindad in the Middle East, especially from European countries and the US. The CEO of PT Pindad mentioned that for combat or tactical vehicle products, many companies have tried to produce their own in the UAE. As for the bargaining power of buyer, the Defense Attache stated that the conditions of countries in the Middle East are mostly still monarchies, so that power is centralized in a few people; on the other hand, the options available from competitors also result in their bargaining power getting stronger. For PT Pindad, the CTO also highlighted the bargaining power of suppliers, noting that the company hadn't yet fully mastered advanced technology, leaving it dependent on suppliers. However, the threat of substitution and new entrants wasn't widely discussed by the informant.

Based on the VRIO analysis results presented in Figure 4, experts, particularly internal experts, stated that PT Pindad already possesses several key resources, most of which are valuable, rare, and unmatched. However, several key resources remain poorly organized. As stated by PT Pindad's Export Sales Manager, many products or components manufactured by PT Pindad are not yet NATO certified. This is despite the Saudi Arabian Defense Attaché stating that the Saudi Arabian government was very impressed with the capabilities of PT Pindad's machine guns during trials there. This situation requires an immediate response from the company concerned.



Figure 2. The Interview Result of PESTEL

Source: Primary data (processed), 2025.

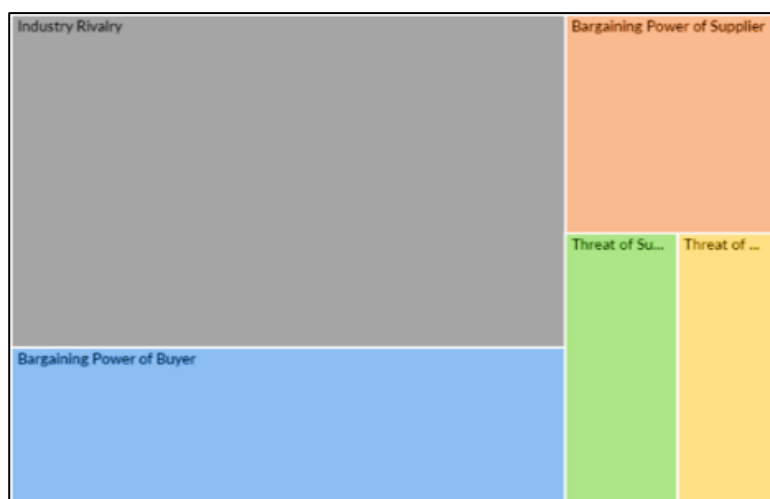


Figure 3. The Interview Result of Porter's Five Forces

Source: Primary data (processed), 2025.

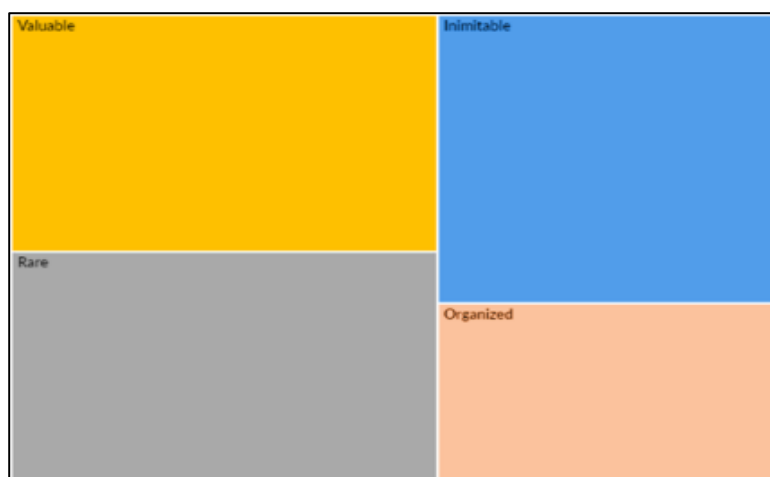


Figure 4. The Interview Result of VRIO

Source: Primary data (processed), 2025.

Based on the VRIO analysis results presented in Figure 4, experts, particularly internal experts, stated that PT Pindad already possesses several key resources, most of which are valuable, rare, and unmatched. However, several key resources remain poorly organized. As stated by PT Pindad's Export Sales Manager, many products or components manufactured by PT Pindad are not yet NATO certified. This is despite the Saudi Arabian Defense Attaché stating that the Saudi Arabian government was very impressed with the capabilities of PT Pindad's machine guns during trials there. This situation requires an immediate response from the company concerned.

In the SWOT analysis (Figure 5), all experts agree that there are very big opportunities in the Middle East market. Defense Attaches agree that the market in the Middle East is very large and PT Pindad has a great opportunity to take part in it, especially with the very good relations between Indonesia and countries in the Middle East. The closeness of Indonesian officials such as the Indonesian Minister of Defense, and even the current President of Indonesia with the leaders of countries in the Middle East, can also be a big opportunity at the moment, this was conveyed by the CEO of PT Pindad. Defense Attache for Saudi Arabia and Export Sales Manager of PT Pindad said that Indonesia as a country with the largest Muslim population in the world could also be a strength to enter the Middle East market which is predominantly Muslim.

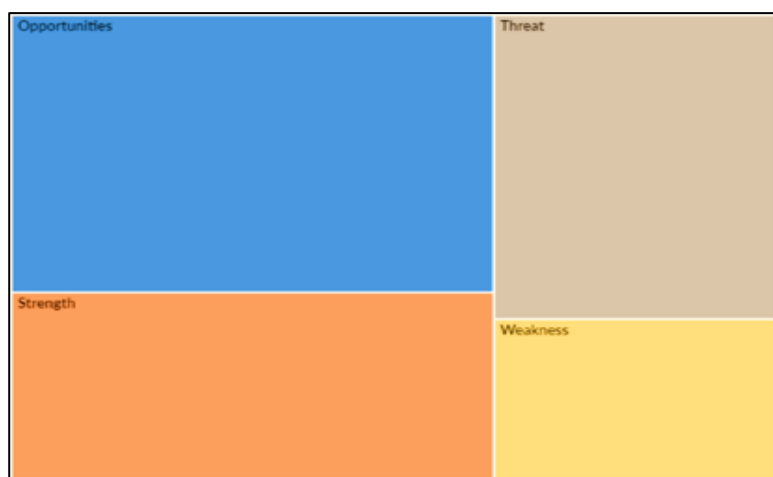


Figure 5. The Interview Result of SWOT

Source: Primary data (processed), 2025.

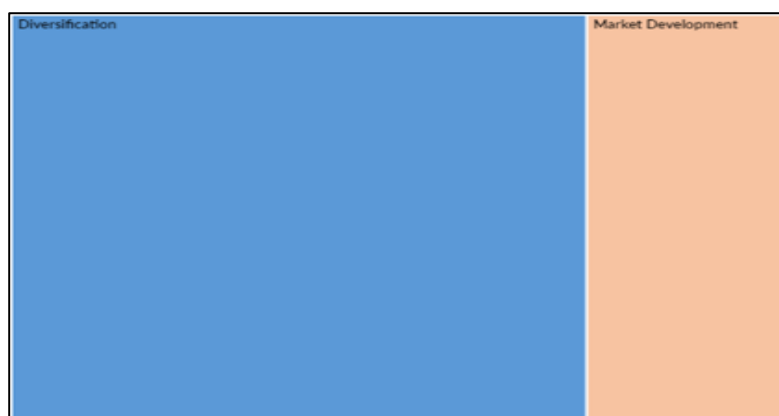


Figure 6. The Interview Result of Ansoff Matrix

Source: Primary data (processed), 2025.

Table 2. The Result of PESTEL Analysis

Aspect	Influence	Actual Condition
Political	Very High	Good Relationship
Economical	High	High Defense Budget
Social	Medium	Similar Socio-Religious
Technological	Very High	Need Improvement for Advance Technology
Environmental	Low	Different Geography
Legal	High	Need Improvement for International Certification Standard

Source: Primary data (processed), 2025.

Based on the results of the analysis using the Ansoff Matrix as shown in Figure 6, UAE Defense Attache stated that it would be better if PT Pindad's products could be collaborated with products from local industries, thus the products are manufactured in accordance with the needs of the UAE or Middle East market. In addition, external experts stated that currently countries in the Middle East are trying to build their domestic industries and improve the competence of their human resources. Therefore, the business scheme that enters the realm of diversification was often mentioned. While several experts also stated that the scheme in the market development strategy is better implemented for now. As stated by PT Pindad's Export Sales Manager, this option is considered more cost-effective and carries lower risks.

From all findings from both primary data taken from interviews and secondary data that have been prepared previously, researchers analyzed each framework based on the main aspects that greatly influence PT Pindad in entering the Middle East market. The analysis that emerged is as follows.

From the codes based on the PESTEL framework, it was found that the technological aspect is the most crucial aspect, as shown in the Table 2. Some points that are highlighted are how the technology offered to the Middle East market must be in accordance with the needs. The involvement of local industries in technology transfer was also often highlighted. With the current condition of PT Pindad which has not fully mastered advanced technology, PT Pindad needs to find alternatives to fill the gap. In the process, PT Pindad still needs to complete international standardization such as NATO Standard for its products to be more easily accepted by the market and secure Intellectual Property so that the technology that have mastered can be protected.

Related to political aspects of PESTEL framework, PT Pindad has a very good position at this moment. Indonesia's closeness to countries in the Middle East is quite good. Moreover, leaders in Indonesia and in the Middle East currently have very good relations. The neutral position of Indonesia in global politics also bring positive impact for PT Pindad. The Defense Agreement which is made on industry and business between countries can be an initial means to realize closeness into something that is legally based while maintaining good relations through Defense Attache.

Table 3 presents the interview data related to Porter's five forces framework. The industry rivalry aspect was the most frequently discussed, accordance with the primary data obtained that there are quite a lot of competitors from developed countries such as the USA and Europe. PT Pindad must try to turn local competitors into mutually beneficial partners. PT Pindad also needs to offer more cost-friendly products, providing customization and providing long-term services. PT Pindad also needs to offer more affordable products, offer customization, and provide long-term service. This strategy is considered crucial, as some European and American products are quite expensive and difficult to customize due to the industry's size and complexity.

The next often discussed aspect of five forces framework is the force of the bargaining power of buyer, due to the plenty product options for buyers, coming from both foreign and local industries. PT Pindad must be able to provide added value and mutually beneficial offers not only in terms of products, but also increasing the scale of industry and even the country's economy. In addition, the condition of the monarchy in Middle East countries also affects the bargaining power of buyer. This can be utilized by PT Pindad because currently the leaders in Middle East countries have a personal closeness to the leaders in Indonesia. This closeness must be leveraged into something that benefits both parties.

For the bargaining power of supplier aspect, the defense & security industry has uniqueness related to raw materials and technology. The equipment used often uses special raw materials to achieve military specifications. The technology used is often unique and not used in other commodities. This makes suppliers of raw materials and special technologies have quite high bargaining power. As obtained from primary data, Indonesia itself actually has a lot of raw materials that are often used in this industry. However, until now it has not been fully explored. The tier 2-3 industry for PT Pindad must be built. The other two aspects of Porter's five forces, namely the threat of substitutes and the threat of new entrants, were not often discussed.

Table 3. The Result of Porter's Five Forces Analysis

Aspect	Influence	Actual Condition
Bargaining Power of Buyer	High	Several Alternative Vendors
Bargaining Power of Supplier	High	Rare Raw Material
Threat of Substitutes	Low	Niche Product
Threat of New Entrants	Low	High Investment and Technology
Industry Rivalry	Very High	USA and European Dominance

Source: Primary data (processed), 2025.

Table 4. The Result of Porter's Five Forces Analysis

Key Resources	Valuable	Rare	Inimitable	Organized
Defense Technology Readiness	V	V	V	-
Raw Material & Production Availability	V	V	V	-
IP & International Certification	V	V	V	-
G to G & Diplomatic Relationship	V	V	V	V
Talent & Engineering Expertise	V	V	-	-

Source: Primary data (processed), 2025.

Table 4 presents the analysis for the VRIO Framework or competitive advantage framework. This framework adheres more internally so that both primary and secondary information comes from internal sources. From the assessment, there are several key factors for PT Pindad that have met the Valuable, Rare and Inimitable values. As in defense technology readiness aspect, this key factor provides value for customers, is rarely owned and is difficult to imitate because the products and technologies are quite unique and require high experience. However, this factor has not been well organized because there are still several technologies such as advanced technology that have not been fully mastered by PT Pindad. Raw material & production availability aspect also has the same level. PT Pindad is currently able to produce goods with good quality and reliability, but many have not received international certification such as NATO Standard. Not only for products, but many production lines have also not met the international standard. This causes IP & International Certification from PT Pindad to be considered not yet organized. Those three key resources are still in the level of Unused Competitive Advantage.

There are also key resources that have achieved sustained competitive advantage, namely G to G & Diplomatic Relationship aspect. Table 4 showed the good diplomatic relations, good personal relationships between leaders of both parties, combined with social religion conditions and relatively similar interests, make PT Pindad's position to become advantageous that are difficult to imitate by industries from other countries. In addition, the formation of several MoU and Agreements between Indonesia and countries in the Middle East prove that these resources have been organized quite well. However, there are still key resources that have achieved temporary competitive advantage. The key resource is the aspect of Talent & Engineering Expertise, where PT Pindad itself already has technical talent and expertise in the defense field. Even though they are experienced, if they are still at the standard level, and can still be imitated by competitors.

Based on the table 5, the opportunity aspect was the most frequently discussed by experts from the SWOT framework. This opportunity is amplified for PT Pindad when looking at the political, social and technological situations and conditions that support PT Pindad. The positive response related to the trial of PT Pindad's machine gun products in Saudi Arabia previously also opened up

opportunities for PT Pindad. Therefore, this is very appropriate timing for PT Pindad to enter the Middle East market. PT Pindad's strength in political support, recognition in the experience of producing defense and security equipment, and the potential of domestic raw material resources are aspects that can increase PT Pindad's confidence to enter the market. However, the threat from competitors and weakness in mastering advanced technology have the potential to be a stumbling block for PT Pindad. Other option is that the firm can cooperate with industries outside the Middle East but with an agreement that can maintain PT Pindad's market.

Based on Table 6, the often-discussed strategy in primary data collection was diversification. This is due to several factors, namely the need for unique specifications in Middle East countries according to geography or customer interest, where this can be met by creating new products that are tailored to demand. However, this strategy has a fairly high risk, because the investment is relatively large and the process will take a long time so that the certainty of political support cannot be fully guaranteed. Long-term cooperation with industry in the Middle East with the support of the country's political commitment under the auspices of a long-term G-to-G agreement must be secured by PT Pindad while implementing this strategy.

Table 5. The Result of SWOT Analysis

Aspect	Actual Condition
Strength	a. Political support
	b. Recognize as experienced industry
	c. Agile in customization
Weakness	a. Lack of experience in advance technology
	b. Lack of experience in export sales
	c. Investment
Opportunity	a. Huge market potential in Middle East
	b. Close relationship with Middle East countries
	c. Positive result from last trial not long ago
	d. Potential availability of raw materials from within Indonesia
Threat	a. Competition with US and European industries
	b. Business sustainability
	c. Illegal technology & design acquisition

Source: Primary data (processed), 2025.

Table 6. The Result of Ansoff Matrix Analysis

Criteria	Market Development	Diversification
Definition	Existing Product in New Market	New Product in New Market
Potential Product Offered	Small Weapon, Machine Gun, Ammunition, etc	Smart Ammunition, Integrated Drone System, Vehicles, etc
Risk Level	Low - Moderate	High
Investment	Moderate	High
Time to Market	Short to Medium (6-18 months)	Long Term (12-36 months)
Customer Expectation Fit	Transfer of Technology	Joint Development / Production
Sustainability	Medium	High
Revenue Potential	Medium	High

Source: Primary data (processed), 2025.

Table 7. Market Development Strategy's Pros & Cons

Pros	Cons
Low Risk	Price-Based Competition
Faster Market Access	Limited Value Creation
Lower Investment	Technology Stagnation
Diplomatic Readiness	Weak Customer Stickiness
Easier to Implement	Brand Positioning Remain as a Common Vendor

Source: Primary data (processed), 2025.

Table 8. Diversification Strategy's Pros & Cons

Pros	Cons
First-Mover Advantage in Emerging Technology	High Risk and Uncertainty
Stronger Strategic Fit with Local Policy	High Capital and R&D Cost
Higher Customer Stickiness	Longer Time to Revenue
Sustainable Competitive Advantage	Complex to Implement
Brand Transformation Become Innovator	Dependence on Strategic Partners

Source: Primary data (processed), 2025.

Table 6 also shows the proposing existing product or market development strategy for products such as light weapons or machine guns can be products that are pushed considering PT Pindad's high expertise and experience in these products. PT Pindad's machine guns have also been tested in Saudi Arabia, and have received very positive results, thus they can increase the value of Pindad's products and competitive advantage as well. This strategy can be rolled out as a short-term strategy to test the market and show PT Pindad's presence in the Middle East market.

All the two alternative solutions for PT Pindad to enter the Middle East market, both have advantages and disadvantages (Table 7 and Table 8). Based on all the analysis conducted, the Market Development strategy is still possible to be implemented as a solution when the investment-related constraints cannot be resolved. With relatively minimal risk, this strategy can also be used as a market test before entering the Diversification strategy as the next phase. The diversification strategy is the most ideal solution, since this strategy can meet customer needs completely and provide good positioning and competitive advantage for PT Pindad in the Middle East market. This strategy is also very appropriate for the long term. Diversifying into advanced technology products is also in line with PT Pindad's long-term R&D plan. Constraints in high capital and R&D costs can be faced with strategic partnerships with local Middle East industries which are known to have quite strong capital. Obviously, the risks faced will be greater and the implementation will be more complicated, but with great benefits and long-term nature, PT Pindad should consider this strategy as a solution.

In response to this situation, the solution that can be offered is to divide the strategy into two stages. The first stage is Market Development with one or two of PT Pindad's leading products. Machine guns can be the first option because trials have been conducted resulting in great impression using this product. In this stage, PT Pindad can demonstrate its presence and capabilities in the Middle East market while conducting tests and market observation in the Middle East more comprehensively. At this stage, PT Pindad can also study the business landscape in the Middle East region and map the countries or industries there.

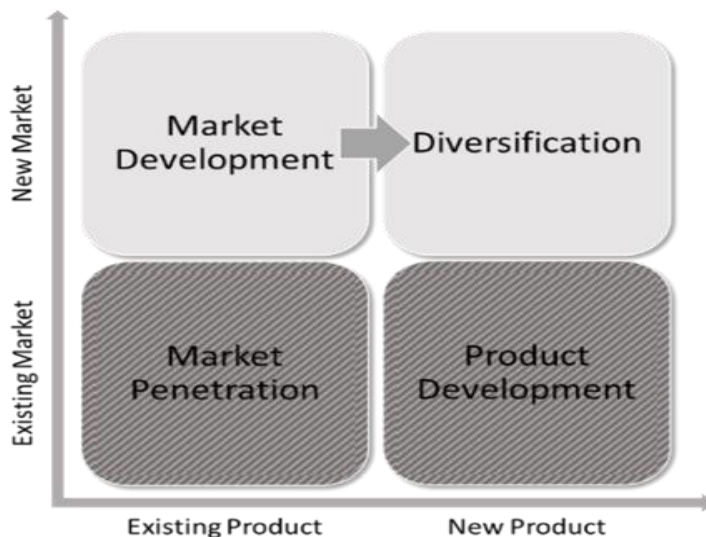


Figure 7. Recommended Corporate Strategy

Source: Primary data (processed), 2025.

However, PT Pindad should not stop there. The grand strategy is to build Diversification. Diversification will be an ideal strategy even though it has high risks and costs. By conducting comprehensive market tests and observation in the market, the risks and costs will automatically decrease. Diversification must remain the main goal in entering the Middle East market because this strategy is long-term, has a significant impact on PT Pindad and is in accordance with the direction of PT Pindad's product development roadmap.

Discussion

Throughout this research process, several points of discussion that researcher have found are as follows. The first discussion concerns the application of the Ansoff Matrix, which consists of replication, new markets and technologies, new customers (public/private), and diversification (Asef *et al.*, 2017). The market development strategy identified in this study is quite appropriate and can be implemented by PT Pindad to enter the current Middle Eastern market. This strategy is recommended considering PT Pindad's competitive advantages, which are not yet sufficiently superior, as well as the relatively lower risk and investment costs compared to a diversification strategy. PT Pindad needs to take steps to be able to establish and demonstrate its presence in the Middle Eastern market immediately. However, this strategy is only for the short term. In the long term, PT Pindad must still shift to a diversification strategy. Moreover, a greater level of diversification is not inconsistent with strong performance, nor is it seen as automatically causing a decline in the company's performance.

The second discussion concerns the large defense budgets in Middle Eastern countries, which represent a real opportunity. Furthermore, the political and social proximity between Indonesia and Middle Eastern countries also opens up opportunities for PT Pindad to do business there. However, PT Pindad will still face challenges such as intense competition from other industries, particularly from the US and Europe as major players in the defense and security equipment sector. In addition to US and European companies, there is increasing competition from countries such as Turkey, China, and South Korea, as well as traditional buyers developing their own capabilities (Czulda, 2025). Another significant challenge is market uncertainty, as it is heavily influenced by political situations (Lynch III, 2020), and the potential influence of illegal technology and design acquisitions.

Regarding this second discussion point, PT Pindad currently possesses sustainable competitive advantages, namely government-to-government (G-to-G) and diplomatic relations, which can be used as a primary means to enter the Middle East market. At the time of this research, the Indonesian Minister of Defense, Prabowo Subianto, and his counterpart from the United Arab Emirates (UAE), Mohammed Ahmed Al Bowardi, had signed a memorandum of understanding (MoU) to strengthen defense cooperation between the two countries (Matthews & Maharani, 2022). However, other key factors, namely defense technology readiness, availability of raw materials & production, and intellectual property & international certification, are still at the level of unused competitive advantages, so they need to be better organized to achieve sustainable competitive advantages. Furthermore, the talent & technical expertise factor is still at the level of temporary competitive advantages, so it needs to be further developed.

This stage-based research recommendation aligns with Garba's (2023) findings, which show that market development can significantly improve company performance compared to direct diversification strategies, especially in the early stages. Ondari et al. (2016) also argue that related diversification improves non-financial outcomes, but the method and timing are crucial. This strategy aims to reduce risk and high initial investment costs. PT Pindad can implement a market development strategy first to demonstrate its presence and capabilities and prepare itself by comprehensively understanding the real situation and conditions in the Middle Eastern market. Furthermore, internally, PT Pindad has the opportunity to increase its readiness to address other key factors.

In summary, the findings comprehensively address the objectives of this study. First, PT Pindad's current strategy, Market Development, is deemed suitable for a short-term approach to entering the Middle East market with lower risk and investment requirements. Through analysis using the VRIO framework, several areas of strength and areas requiring development were identified. Finally, this study recommends a stage-based corporate strategy that begins with Market Development and gradually shifts to Diversification as internal capabilities mature. Through these empirical findings, this study not only answers the research questions but also fulfills its objective of providing strategic guidance for PT Pindad's market expansion project into the Middle East.

CONCLUSION

From all the steps taken in this research, it can be concluded that the Middle East market is one that PT Pindad can currently target. However, implementing this market entry requires a phased strategy to ensure a smooth and long-term process. The process begins with a Market Development strategy that carries lower risks, while conducting market tests, establishing sales channels, and conducting a more realistic assessment of the situation in the Middle East, as well as analyzing the potential of local partners there. During this process, PT Pindad can also strengthen its competitive advantage and then shift to a Diversification strategy to ideally meet market needs, ultimately securing long-term contracts with countries in the Middle East.

A number of empirical results found in this study are considered to have answered the main problems that emerged. However, there are still several limitations to this research process. First, the topic of defense is quite sensitive and still contains a lot of classified data, especially data from other countries. Consequently, the lengthy data collection process and comprehensive data processing with understanding of the context are major challenges in this research. Experience in the defense sector is essential for a better and more in-depth understanding of the situation in this industry.

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