

From Growth to Fall : Analyzing Strategic Misalignment in Indonesia Agritech Startup

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Abstract. This research evaluates the causes of business strategy failure in PT X, an Indonesian agritech startup that experienced rapid growth followed by organizational decline and eventual operational shutdown. Using a strategic management lens, this study examines the misalignment between strategic formulation, implementation capacity, risk governance, financial sustainability, and the external market environment. The research employs a qualitative single case study approach, integrating primary data from in depth interviews with five former strategic level employees and secondary data from reports, industry publications, and company records. Findings show that PT X adopted an aggressive growth strategy inconsistent with its operational readiness, unit economics, and industry characteristics. Strategic failure emerged from weaknesses in internal capabilities, an overreliance on continuous investor funding, immature risk management systems, and inadequate corporate governance structures. Externally, declining venture capital funding, intensifying competition, and the structural inefficiencies of Indonesia's agricultural supply chain exacerbated the company's vulnerabilities. This study contributes to the literature by providing an empirical analysis of failure trajectory in agritech startups within emerging markets. It highlights the importance of strategic risk integration, adaptive execution, and realistic growth planning for technology driven supply chain businesses. The paper offers practical implications for startup founders, investors, and regulators seeking to strengthen the sustainability of the agritech ecosystem in Indonesia.

Keywords: Agritech; business strategy failure; startup sustainability; strategic risk management; Indonesia.

1. Introduction

The rise of digital startups over the past decade has dramatically reshaped global economic structures, creating new business models, accelerating innovation, and expanding technology driven ecosystems. As of 2023, more than 1,150 unicorn status startups exist worldwide, with a combined valuation exceeding US\$3.8 trillion[13]. This rapid expansion signals the growing importance of digital entrepreneurship in driving economic competitiveness and structural transformation.

In Southeast Asia, Indonesia stands out as one of the most dynamic digital markets, supported by a population surpassing 275 million and an internet penetration rate of 77.02% in 2023[2]. The e Economy Southeast Asia 2024 report by Google, Temasek, and Bain & Company highlights that Indonesia's digital economy reached US\$77 billion in 2022 and is projected to grow to US\$360 billion by 2030. This robust expansion has enabled the growth of fintech, edutech, healthtech, and agritech sectors.

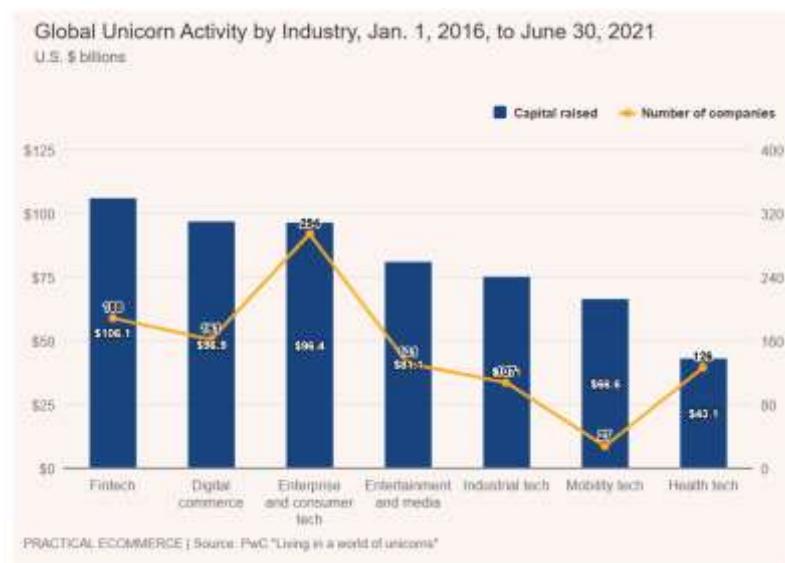


Figure 1.1 Aktivitas Startup Unicorn di Dunia periode 2016-2021
Sumber: PWC dalam PracticalEcommerce (2022)

However, despite this optimism, startup failure rates remain persistently high. In 2023 reports that 70% of startups fail within the first three years[3], and suggests that up to 90% fail within five years[10]. In Indonesia, venture funding dropped sharply by 58.7% in 2024[17], reducing liquidity for early stage and growth stage startups. The contraction in funding has triggered layoffs, business restructuring, and closures across multiple sectors. The agritech sector although crucial for improving agricultural productivity and national food supply chain efficiency is not immune to these challenges. Indonesia's agricultural sector is characterized by fragmented supply chains, high logistics costs, low digital adoption among smallholder farmers, and significant post harvest losses[9]. As a result, agritech startups face higher operational risk and thinner margins than typical digital startups.

PT X emerged in 2018 as a prominent agritech startup aiming to streamline the B2B fresh produce distribution chain by linking farmers with culinary businesses through digital platforms. Supported by total venture funding of up to US\$34.5 million, PT X grew over 60 fold in less than 40 months, expanding its sourcing centers and logistics network across Indonesia. Yet, by late 2023, the company encountered severe financial distress, conducted mass layoffs, and eventually halted operations[[17]]. This phenomenon suggests a strategic failure that goes beyond external pressures. According to Thompson et al.[19], a “winning strategy” must satisfy three criteria: environmental fit, competitive advantage, and performance contribution. PT X’s collapse indicates a misalignment across these dimensions. Prior research[6][20] emphasizes that strategy failure often arises from execution weaknesses, operational incapacity, and governance shortcomings rather than flawed strategy formulation alone.

Given this backdrop, evaluating PT X’s trajectory offers deep insight into how ambitious scaling, fragile unit economics, weak risk governance, and inadequate control systems interact to produce strategic failure in a high risk, operationally complex industry. This study contributes to the literature on startup failure, agritech business models, and strategic risk integration in emerging markets.

2. Methodology

This study employs a qualitative research design using a single case study approach to analyze the strategic failure trajectory of PT X. A case study method is appropriate for capturing the complex interplay between internal capabilities, strategic decisions, risk governance, and external environmental pressures in real-world organizational contexts. The research design enables an in-depth examination of how PT X formulated, implemented, and evaluated its strategies prior to its decline..

2.1. Research Design

A qualitative case study approach was selected to explore the strategic, operational, and risk-related factors that contributed to the failure of PT X. This case studies provide a structured method for investigating contemporary phenomena within their real-life context, especially when boundaries between phenomenon and context are not clearly defined[14]. PT X represents a relevant and information-rich case because it experienced rapid growth followed by operational decline, allowing for an exploration of strategic misalignment over time.

This study focuses on identifying how decision-making processes, organizational capabilities, and environmental conditions interacted to produce strategic failure. The design integrates multiple data sources to strengthen interpretive validity.*Memformat nama penulis*

2.2. Research Scope and Unit of Analysis

The unit of analysis is PT X as an organizational entity, including its strategic direction, business model evolution, operational processes, and governance mechanisms. The research timeframe spans 2018–2023, covering PT X's initial growth phase, aggressive expansion, financial deterioration, restructuring, and eventual cessation of operations.

The scope focuses on:

1. The formulation and execution of PT X's business strategy.
2. Internal factors such as capabilities, leadership behavior, and control systems.
3. External influences including market conditions, funding dynamics, and industry challenges.
4. The company's application (or lack) of strategic risk management and corporate governance principles.

Technical agricultural processes, product-level innovations, and external stakeholder evaluations outside the strategic domain are excluded.

2.3. Data Collection Methods

Data collection utilizes primary and secondary sources to achieve triangulation and enhance analytical reliability.

a. Primary Data: Semi Structured Interviews

Were gathered through semi-structured interviews with five individuals who previously held key strategic roles at PT X. The respondents were selected based on their direct involvement in strategic decision-making, operational oversight, and financial or supply chain management. Semi structured interviews allowed for flexibility in probing deeper into emerging themes related to strategy, execution challenges, and organizational dynamics. Interview topics included strategic planning and business model decisions, operational constraints and execution challenges, financial management and unit economics, leadership practices and organizational culture, risk identification, mitigation, and governance practices. Responses were transcribed, coded, and thematically analyzed.

b. Secondary Data

Secondary data sources include industry reports[8][18], media publications detailing PT X's restructuring and layoffs, internal company documents where accessible, academic literature on strategic management, risk governance, and startup failure. These sources provided contextual grounding and enriched the interpretation of primary insights.

2.4. Data Analysis Technique

The study applies thematic analysis to interpret qualitative data, This method consists of identifying, coding, categorizing, and synthesizing patterns across data sources. The analysis proceeded in three stages:

- a. Initial Coding: Transcripts and documents were reviewed line by line to identify relevant statements related to strategic decisions, operational challenges, and risk failures.

- b. Theme Development: Codes were grouped into conceptual categories such as “aggressive expansion,” “operational misalignment,” “financial vulnerability,” “risk governance weakness,” and “capability gaps.”
- c. Interpretation and Cross-Validation: Themes were compared against theoretical frameworks in the literature review to ensure analytical consistency and construct validity.

2.5. Validity, Reliability, and Research Ethics

To ensure credibility, the study employed triangulation by cross-referencing interview data with secondary sources. Member-checking techniques were applied informally by reviewing interpretations with two interview participants to avoid misrepresentation. Reliability was addressed through consistent coding procedures and documentation of analytic decisions. Ethical considerations included maintaining respondent anonymity, securing informed consent, and ensuring confidentiality of internal information that could identify individuals or proprietary processes.

3. Result/Finding

The findings of this study reveal a complex interaction between strategic formulation, operational execution, financial structure, and environmental dynamics that collectively shaped the failure trajectory of PT X. The results are presented in four categories: (1) external environment and market dynamics, (2) internal capability assessment, (3) strategic formulation and execution gaps, and (4) risk management and governance weaknesses. These findings were synthesized from interview data and secondary documents.

3.1. External Environment and Market Dynamics

a. Funding Contraction and Investor Sentiment

The Indonesian startup ecosystem experienced a significant decline in venture capital funding beginning in 2023, with total investment value decreasing by 58.7% year-on-year[17]. This contraction had a direct impact on PT X, whose business model relied heavily on continuous funding to support aggressive geographical expansion, subsidized logistics, and fixed operational costs. Interview respondents consistently reported that investor expectations shifted sharply from “growth at all costs” to “profitability and sustainability,” creating immediate pressure on PT X to reduce burn rate. Several respondents noted that “the company was not structurally prepared for a sudden tightening of financial resources,” indicating vulnerability due to overdependence on external capital.

b. Agritech Industry Structural Challenges

PT X’s operating environment was constrained by sector-specific characteristics high logistics costs, perishable product risk, fragmented farmer networks, low digital literacy, inconsistent product quality. Respondents highlighted that “unit economics were fundamentally difficult to optimize in fresh produce distribution,” confirming that the agritech sector’s inherent cost structure limited scalability. These environmental constraints required strong operational foundations, which PT X lacked as it continued expanding.

c. Intensifying Competition and Market Saturation

The rise of multiple B2B fresh-produce platforms intensified competitive pressure. Competitors adopted similar models with heavy discounting and rapid warehouse expansion, reducing margins across the sector. Respondents explained that “competition forced PT X to maintain unsustainable pricing schemes,” eroding profitability and operational flexibility.

3.2. Internal Capabilities and Organizational Readiness

a. Operational Overextension

PT X expanded from a single operational hub into multiple sourcing centers and distribution nodes within a short timeframe. Interviewees emphasized that the operational expansion outpaced the company’s maturity, warehouse processes were inconsistent across regions, demand forecasting accuracy was low, supply chain coordination was uneven, field teams

lacked sufficient training. One respondent described the expansion as “building the plane while flying it,” highlighting misalignment between strategy and operational readiness.

b. Human Resource and Leadership Constraints

PT X grew its workforce rapidly but did not invest proportionally in developing mid-level management. Respondents reported unclear role definitions, siloed decision-making, limited leadership bandwidth, lack of cross-functional coordination. The leadership team was described as “visionary but overwhelmed,” with insufficient managerial systems to maintain control during expansion.

c. Weakness in Financial Management and Unit Economics

PT X’s revenue grew in absolute terms but failed to translate into improving unit economics. High logistics costs, spoilage rates, and inconsistent demand meant the company struggled to achieve positive contribution margins. Interview data showed that financial dashboards and KPIs were underdeveloped. One finance respondent noted. “We were measuring topline, but not profitability per product or route. Decisions were made blind to actual cost to serve.”

3.3. Strategic Formulation and Execution Gaps

a. Misalignment Between Strategy and Industry Reality

PT X adopted an aggressive scale-first strategic posture, assuming that volume growth would naturally lead to cost efficiency and bargaining power in procurement. However, the agritech sector does not behave like typical digital markets such as economies of scale do not reduce spoilage risk, volume increases require proportional increases in handling and manpower, geographic diversity complicates standardization. This mismatch meant the strategy failed Thompson’s “Fit Test,” as it did not align with the operational constraints of the agricultural supply chain.

b. Premature Scaling and Geographic Expansion

The company expanded into multiple cities before validating profitability in earlier regions. Respondents identified recurring issues such as expansion driven by growth targets, not by proven economics, duplicated warehouse costs, increased coordination burdens, fragmentation of managerial focus. One respondent reflected “We scaled the model before it was even stable. Every city had different problems, and solutions were not repeatable.”

c. Technology Use Not Fully Integrated

Although PT X positioned itself as a tech enabled agritech startup, interviews show that technology usage lagged behind strategic intent like demand forecasting tools were underutilized, data quality was inconsistent, field teams still relied heavily on manual processes. Thus, technology did not deliver the promised efficiency gains, weakening the differentiation strategy.

3.4. Strategic Risk Management and Governance Weaknesses

a. Absence of a Formal Risk Management Framework.

PT X lacked structured risk identification and mitigation processes. Interviewees confirmed the absence of enterprise risk registers, scenario analysis, early-warning indicators, systematic monitoring of financial exposure. Risks related to climate variability, commodity supply fluctuations, and logistics were not formally assessed, despite being central to agritech operations.

b. Overcentralized Decision-Making and Limited Governance Oversight.

The company’s governance systems were immature of strategic decisions were highly centralized, board oversight was limited, internal control systems were weak, KPI dashboards did not align with strategic priorities. As a result, strategic blind spots accumulated without timely correction. Respondents acknowledged that “problems were known, but not escalated formally,” indicating governance gaps.

c. Inadequate Monitoring of Financial Health.

The company monitored burn rate but did not maintain visibility on unit-level profitability. When investor expectations shifted, PT X lacked the financial discipline and reporting infrastructure to pivot quickly. Combined with heavy fixed costs, this led to a liquidity crunch that accelerated operational shutdown.

3.5. Summary of Discussion

Across all findings, four dominant patterns emerged:

- a. Strategy capability misalignment: PT X's ambitions outpaced its operational and managerial maturity.
- b. Unit economics fragility: high service costs, spoilage, and price pressures undermined long-term viability.
- c. Governance and risk failures: absence of structured oversight allowed weaknesses to escalate.
- d. External shocks amplified internal weaknesses: declining funding and sector-wide competition accelerated strategic collapse.

These findings form the empirical basis for the Discussion section, where the results are interpreted through strategic management and failure trajectory frameworks.

4. Discussion

The findings of this study reveal that the failure of PT X was not the result of a single event, but rather the accumulation of strategic, operational, financial, and governance misalignments over time. This section interprets the results through established theories of strategic management, startup failure, and risk governance to develop a coherent explanation of PT X's failure trajectory.

4.1. Misalignment Between Strategy Formulation and Operational Capability

The findings of this study indicate that the failure of PT X resulted from a multidimensional misalignment between strategic intent, operational capabilities, financial resilience, and environmental realities. This section interprets these findings through the theoretical frameworks discussed earlier.

4.2. Misalignment Between Strategy Formulation and Industry Characteristics

PT X's strategic formulation reflected a scale-driven growth orientation, consistent with many digital startups seeking rapid market share[20][11]. However, the assumptions underlying this strategy were incompatible with the agritech industry's structural conditions.

a. Fit Test Failure

Fit Test posits that strategy must align with both external conditions and internal capabilities. PT X failed this criterion in two ways[19]. Externally, the agritech sector requires high operational precision due to perishable products, fragmented farmer networks, and logistics complexity. PT X's strategy underestimated these challenges. Internally, the company lacked mature processes, trained human capital, and strong managerial systems to support rapid geographical expansion. Unlike software or platform startups where scale reduces marginal costs, agritech expansion increases operational intensity. The misinterpretation of scalability assuming digital startup logic applies to physical supply chains was a foundational strategic flaw.

b. Premature Scaling and Failure Trajectory

According to Ooghe & De Prijcker's[15], PT X fits the pattern of an Ambitious Growth Company, where aggressive expansion accelerates the accumulation of structural weaknesses. The company expanded to multiple regions before achieving operational stabilization, creating like duplicated fixed costs, management overstretch, inconsistent operating standards, weak cost visibility, rigid logistical structures. Startup Genome[16] describes this phenomenon as premature scaling, the leading cause of global startup failure. PT X's trajectory reflects this precisely.

4.3. Operational Capability Gaps and Strategy Execution Failure

The findings show that PT X struggled to convert its strategic plan into effective execution. This aligns with the argument by David[6] that execution failure is more common than formulation failure.

a. Organizational Immaturity and Leadership Constraints

PT X's rapid workforce growth was not accompanied by structured capability development, leadership pipelines, or cross-functional alignment. This resulted in siloed operations, unclear accountability, reliance on top-level leaders for day to day decisions, inconsistent regional performance. Schoemaker et al. (2013) emphasize the need for strategic leadership that can interpret complexity, build systems, and adapt to change. PT X's leadership was visionary but lacked the managerial depth to sustain high operational complexity.

b. Weak Management Control Systems (MCS)

The absence of robust KPIs, contribution margin tracking, and cost-to-serve analysis indicates an immature control infrastructure. According to Anthony & Govindarajan[1], effective MCS translates strategy into measurable behaviors and operational adjustments. PT X's control weaknesses meant strategy was not monitored, deviations were not detected early, financial decisions lacked empirical grounding. This aligns with literature showing that governance and control deficiencies accelerate organizational decline [5].

4.4. Fragile Unit Economics and Financial Overdependence

a. Negative Unit Economics in Agritech Models

Unit economics were consistently negative due to high logistics costs, spoilage, and subsidized pricing conditions widely documented in agritech research[21]. PT X relied on volume growth to eventually reduce average costs, cost reductions do not scale linearly, product perishability imposes irreversible loss, regional variability creates operational heterogeneity. This contradicts the digital scaling models that PT X partially adopted.

b. Dependence on External Capital and Liquidity Shock

The contraction of Indonesian startup funding[17] exposed PT X's dependence on investor capital. Literature on startup finance warns that growth strategies relying on sustained funding inflows create fragility[11]. When investor sentiment shifted toward profitability, PT X's burn-driven model collapsed. Li et al[14] note that worsening liquidity, negative margins, and rising fixed costs represent early warning indicators in the business failure process symptoms clearly present in PT X from 2022 onwards.

4.5. Weak Strategic Risk Management and Governance

The study shows that PT X lacked systematic risk identification, assessment, and mitigation processes. This finding supports the assertion by ISO 31000[12] and COSO ERM[4] that risk governance must be embedded in strategic planning, not treated as a separate compliance function.

a. Lack of Enterprise Risk Management (ERM)

PT X did not maintain risk registers, scenario analyses, or structured risk assessments. As a result, climate-related disruptions were not anticipated, supply fluctuations were not mitigated, financial stress indicators were not escalated. This gap contributed directly to strategic failure.

b. Governance Gaps and Overcentralization

PT X exhibited characteristics of weak governance as identified[5] including limited board oversight, highly centralized decision-making, insufficient internal controls, limited transparency in operational metrics. Poor governance amplified the effects of external shocks and internal inefficiencies, placing PT X firmly within the failure trajectory described in corporate governance literature[7].

4.6. External Shocks as Accelerators, Not Root Causes

Although venture capital contraction and competitive intensity contributed to PT X's decline, these were accelerators rather than root causes. Thompson[19] argue that robust strategies anticipate environmental volatility. PT X lacked the adaptability and resilience required to withstand such external shifts. The company's strategic vulnerability stemmed primarily from internal weakness, inadequate validation, fragile financial structure, absence of integrated risk governance. External shocks merely exposed these underlying structural deficiencies.

4.7. Integrated Interpretation: Why PT X Failed

Synthesizing the findings and theoretical insights, PT X failed because, strategic assumptions were incompatible with industry realities. capabilities did not support the aggressive growth strategy. unit economics could not achieve sustainability under current scale. risk governance and financial discipline were insufficient. environmental volatility amplified internal weaknesses.

These elements interacted dynamically, forming a failure trajectory consistent with the models proposed[15][14]. PT X did not experience a sudden collapse; rather, it deteriorated progressively as strategic misalignments compounded over time.

5. Conclusion & Recommendation

This study evaluated the business strategy failure of PT X, an Indonesian agritech startup that experienced rapid expansion followed by operational decline. The findings reveal that PT X's collapse stemmed from misalignment between strategic formulation, capability readiness, unit economics, and risk governance. The company adopted an aggressive scale-first model despite operating in a logically intensive industry with high spoilage risk, fragmented supply networks, and inconsistent product quality. Internal capabilities particularly operational systems, leadership bandwidth, financial controls, and technology utilization were insufficient to support rapid geographical expansion.

Financially, PT X's reliance on continuous venture capital funding exposed structural vulnerability. When Indonesia's funding environment contracted sharply, liquidity pressure intensified, accelerating organizational deterioration. The absence of enterprise risk management, weak governance mechanisms, and limited oversight contributed to unmonitored risk accumulation. External factors such as intensified competition and declining investor sentiment acted as accelerators but were not the fundamental causes of failure.

Recommendations from this study include the importance of validating unit economics before scaling, investing in operational maturity and management control systems, improving governance and risk oversight, and adopting disciplined growth strategies tailored to agritech's structural constraints. For investors, deeper due diligence on supply-chain feasibility, cost-to-serve models, and risk governance is essential. Future research may explore comparative case studies across Southeast Asian agritech ecosystems to better understand sector-wide failure patterns.

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