

Evaluation of Dynamic Capabilities in Insurance Institutional Mergers: A Case Study of PT. Asuransi Bhakti Bhayangkara (ABB)'s Consolidation Strategy Under the Regulatory Pressure of POJK No. 23 of 2023

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ABSTRACT

This article uses a dynamic capability approach as the main framework to evaluate the institutional readiness of PT. Asuransi Bhakti Bhayangkara (ABB) in facing the regulatory pressure of POJK No. 23 of 2023, which requires a minimum equity of IDR 250 billion for general insurance companies. Considering two strategic partner candidates – Citra Insurance Underwriter (CIU) and Asuransi Bosowa (BOW) – the analysis was conducted through three dimensions of dynamic capabilities: sensing (the ability to read regulatory directions and market opportunities), seizing (the ability to develop synergy strategies and mobilize resources), and transforming (the ability to carry out institutional reorganization and cultural integration). The evaluation results show that although CIU excels in vertical synergy and technological readiness, BOW offers a more flexible semi-holding structure that is in line with ABB's managerial preferences, including a commitment to separate liability responsibilities. This article contributes to the development of regulatory pressure-based merger studies, which are still rarely discussed in Indonesian insurance industry literature, and provides direction for further research related to post-merger dynamic capability audits, the effectiveness of semi-holding structures, and the strengthening of institutional synergies in the financial services sector

INTRODUCTION

In facing regulatory pressure from Financial Services Authority Regulation (POJK) No. 23 of 2023, which requires a minimum equity of Rp 250 billion for general insurance companies, Asuransi Bhakti Bhayangkara (ABB) is faced with a strategic need to consolidate through a merger scheme (OJK, 2023). ABB's efforts to find new investors have so far failed to produce results that meet regulatory requirements. One of the main obstacles is that the capital offered by potential investors comes from bank credit ceilings, which according to regulations cannot be recognized as valid capital for fulfillment of institutional requirements (OJK, 2023). Therefore, the merger is seen as the only realistic and sustainable option for ABB in facing regulatory pressure and institutional risks. Furthermore, at a prudential meeting held by OJK on October 24, 2025, ABB received direct instructions from the Head of the General Insurance and Reinsurance Supervision Directorate, who emphasized that ABB must collaborate with companies that ABB considers to pose a significant risk in the future. but this step is considered the only feasible way to maintain operational sustainability and regulatory compliance.

Considering two strategic partner candidates – Citra Insurance Underwriter (CIU) and Asuransi Bosowa (BOW) – this paper aims to review and apply the Dynamic Capabilities Theory framework as the primary analytical tool in evaluating the readiness, synergy, and potential success of the merger process.

Basic Definition of Dynamic Capabilities

Dynamic Capabilities Theory is a strategic approach developed by Teece, Pisano, and Shuen (1997) as an extension of the Resources-Based View (RBV) framework. Unlike RBV, which emphasizes the ownership of competitive advantage resources, Dynamic Capabilities Theory emphasizes the importance of an organization's ability to actively respond to environmental changes through three main processes: Sensing (detecting opportunities and threats), Seizing (capturing and exploiting opportunities through strategy and resource allocation), and Transforming (reconfiguring internal assets and processes to maintain competitive advantage). In the context of the insurance industry, which is highly regulated by authorities such as the Financial Services Authority (OJK), this theory is increasingly relevant because organizations are required to be adaptive not only to the market but also to structural regulatory pressures. In merger and acquisition practices, Dynamic Capabilities serve as the foundation for assessing the readiness and success of integration between entities. The success of this process is also influenced by the role of leaders and working conditions in encouraging improved employee performance post-merger (Wulandari et al., 2025). Further research by Eisenhardt and Martin (2000) and Helfat et al. (2007) shows that successful mergers generally involve organizations that have strong sensing capabilities in selecting strategic partners, seizing capabilities in formulating strategies and mobilizing resources, and transforming capabilities in unifying cultures, systems, and institutional structures. These three dimensions are crucial in mergers triggered by regulatory pressure, such as those faced by ABB in order to meet minimum equity requirements in accordance with POJK No. 23 of 2023.

The development of Dynamic Capabilities Theory in an institutional context highlights the importance of institutional embeddedness, which is the ability of organizations to operate and transform within regulatory constraints and institutional norms. The development of Dynamic Capabilities Theory also emphasizes the importance of an organization's ability to operate and adapt in accordance with regulations and institutional norms, while encouraging innovation, building networks, and increasing the competitiveness of organizations (Hendayana et al., 2024). In the case of ABB, the merger was not merely a strategic choice, but a response to urgent and unavoidable external pressures. Therefore, a merger with a partner that has the capabilities to sense regulations, seize synergy opportunities, and transform institutional configurations is very important. Moreover, mergers between entities with significant differences in cultural scale and operational systems –such as ABB with CIU or BOW–require robust dynamic capabilities to avoid integration conflicts and ensure post- merger sustainability.

However, theoretical and empirical studies on dynamic capabilities in mergers triggered by regulatory pressure are still limited. Most merger studies focus on market expansion or operational efficiency, rather than institutional regulatory compliance. Furthermore, the interaction between dynamic capabilities and regulatory constraints has not been widely explored, especially in the context of the insurance industry in Indonesia. Therefore, this article aims to fill this gap by developing a dynamic capability-based conceptual framework to evaluate the readiness and potential success of the ABB merger, as well as to provide directions for further research that can strengthen institutional capacity and adaptive strategies post- merger.

LITERATURE REVIEW

In facing regulatory pressure and POJK No. 23 of 2023, which requires a minimum equity of IDR 250 billion for general insurance companies, ABB is faced with significant institutional risk. Efforts to increase capital through shareholders, in this case the Brata Bhakti Foundation, or through new investors have not been successful, mainly because the proposed funding sources come from bank credit lines that are not recognized as valid capital by regulators. In this situation, a merger is the only realistic and sustainable strategic option. To evaluate the readiness and potential success of a merger, this article proposes the use of the Dynamic Capabilities theory framework as the main analytical tool. This conceptual framework begins with regulatory pressures that have prompted ABB to seek institutional solutions through mergers with two strategic partner candidates, namely CIU, and BOW. The merger decision-making process is then analyzed through the three main dimensions of Dynamic Capabilities: sensing, seizing, and transforming. The sensing dimension covers the ability of ABB and its partners to read regulatory directions, conduct market analysis, and prepare valuation studies. The seizing dimension assesses the readiness of capital structure, management commitment, and operational systems to support synergy strategies. Meanwhile, the transforming dimension focuses on organizational cultural flexibility, experience in reorganization, and the potential for institutional innovation post- merger.

Through this framework, ABB can systematically assess the strengths and weaknesses of each partner and formulate merger decisions that not only comply with regulations but also ensure operational sustainability and long-term strategic excellence. Thus, the Dynamic Capabilities theory serves not only as an evaluation tool but also as a guide for institutional transformation in the face of complex and urgent external pressures.

On that basis, ABB's management has appointed a special team to conduct a comprehensive analysis and due diligence. This team is expected to carry out its duties with a high standard of professionalism, given that the merger decision will determine ABB's long-term strategic direction. The evaluation of both partners must be carried out not only from a financial and operational perspective, but also from the perspective of dynamic capabilities and institutional readiness for sustainable transformation.

In order to anticipate institutional risks and maintain flexibility in the merger strategy, ABB has signed a Non-Disclosure Agreement (NDA) with two potential insurance partners, CIU and BOW. The signing of this NDA is an important first step in the due diligence process, as it allows for the limited and secure exchange of sensitive information, in accordance with the principles of prudence and good governance. Exploratory meetings have been held separately with each partner, indicating that the exploration process has entered a serious and structured phase.

However, ABB's management strategically chose to keep the signing of the NDA confidential from each partner. This decision was made to maintain a conducive situation and avoid potential psychological or competitive disruptions that could hinder the negotiation process. By concealing the fact that partners are being evaluated in parallel, ABB seeks to maintain its bargaining position and avoid premature institutional exposure. This strategy also reflects a careful approach to reputation risk management, where strategic information is kept strictly confidential until a final merger decision can be made objectively and measurably.

In the context of Dynamic Capabilities theory, this step shows that ABB is simultaneously optimizing the dimensions of sensing and seizing. Sensing is reflected in efforts to read the dynamics of partners and regulations, while seizing is seen in the strategy of securing information and setting the pace of negotiations. The success of this strategy is highly dependent on the effectiveness of the appointed due diligence team, which is tasked with conducting a comprehensive evaluation of the risk profile, institutional readiness, and potential synergies of each partner. The results of this analysis will form the basis for management in determining the merger direction that best suits ABB's regulatory requirements and long-term sustainability.

METHODOLOGY

This study uses an exploratory case study approach to analyze ABB's merger strategy in response to the regulatory pressure of POJK No. 23 of 2023 regarding minimum equity requirements. This approach was chosen because it allows for an in-depth exploration of institutional dynamics, managerial strategies, and decision-making processes in a complex and not yet fully structured context.

The data used is qualitative and obtained from various secondary sources, including: OJK regulatory documentation and related legislation, financial reports from ABB and prospective partners, minutes and summaries of prudential meetings conducted separately with insurance partners and with regulators (OJK). This data was collected using triangulation to ensure the validity and depth of the analysis.

The analysis technique used in this article focuses on the Dynamic Capabilities approach, which is used to evaluate the readiness of each merger partner based on three main dimensions: sensing, seizing, and transforming. This approach enables the identification of institutional responses to regulatory changes, product repositioning, and potential operational synergies. By focusing on Dynamic Capabilities, this analysis provides an in-depth picture of the strategic resilience and adaptive flexibility of each entity in facing the pressures of mergers and restructuring in the insurance industry.

RESULTS AND DISCUSSION

In response to the regulatory pressures of POJK No. 23 of 2023 regarding minimum equity requirements, ABB has conducted an in-depth evaluation of two potential strategic partners using the Dynamic Capabilities framework, which includes the dimensions of sensing, seizing, and transforming. This evaluation was conducted through an exploratory case study based on regulatory documents, financial reports, and prudential meeting results.

In terms of sensing, CIU demonstrated superior ability in reading regulatory pressures and institutional synergy opportunities. CIU has a clear business direction, a good track record of compliance, and data transportation that supports the due diligence process. In contrast, BOW showed limitations in this aspect, particularly in terms of market segmentation clarity and information disclosure.

In terms of seizing, CIU is considered to have strong managerial commitment, a stable capital structure, and an operational system that is compatible with ABB. The potential for product and distribution network synergies is also more promising. Meanwhile, BOW faces challenges in terms of shareholder support and institutional integration readiness, which could potentially lead to post-merger operational risks.

In terms of transforming, CIU has restructuring experience and demonstrates flexibility in adjusting organizational structure and work culture. Its commitment to strengthening risk management and governance is also more consistent. Conversely, BOW has not demonstrated adequate institutional readiness to support post-merger transformation, particularly in terms of cultural integration and system adaptation.

Based on the strategic evaluation matrix, CIU obtained a higher dynamic capability score and was assessed as a more suitable merger partner. Strategic recommendations point to accelerating the negotiation and integration process with CIU, strengthening the risk management structure, internal communication, and institutional transformation plans.

The findings in this study are in line with the latest literature, which emphasizes that the success of a merger is not only determined by financial compatibility or regulatory compliance, but also by the dynamic capabilities of the organization in responding to environmental changes and managing internal transformation. Wahyudi (2023) asserts that the dimensions of sensing, seizing, and reconfiguration (transforming) are key determinants in maintaining firm survival amid external pressures and market dynamics.

Furthermore, the results of research by Apsari and Rofiaty (2023) show that dynamic capabilities combined with managerial capabilities can improve institutional performance and strategic innovation, especially in the context of organizations facing regulatory pressure or restructuring needs. This is relevant to ABB's situation, where the pressure of POJK No. 23 of 2023 has created a need to not only choose financially strong partners, but also those with transformational readiness.

Furthermore, Saputra (2025) emphasizes that the implementation of Dynamic Capabilities is fundamental in developing sustainable digital transformation strategies and processes. Although the context is digitalization, the principles outlined remain relevant in institutional mergers, as both require the organization's ability to adapt, restructure, and manage cultural change simultaneously.

Thus, the evaluation results for CIU and BOW not only reflect the current conditions but also reflect the readiness of each partner to manage ABB's institutional transformation in a sustainable manner. The integration of theory and empirical findings reinforces the recommendation that the selection of merger partners should consider dynamic capabilities as a key variable, not merely an administrative or financial complement.

Although the Dynamic Capabilities evaluation results show that CIU has superior institutional readiness and operational structure compared to BOW, the ongoing interaction process has created new dynamics that need to be critically observed. ABB has begun to feel uncomfortable with CIU's approach, which is considered aggressive and dominant. This discomfort raises concerns that CIU's motivation in exploring the merger is not solely to meet the minimum equity requirements in accordance with POJK No. 23 of 2023, but also to access ABB's strategic assets— particularly its flagship Driver Accident Insurance product, which is directly linked to driver's license holders. This product has significant institutional value and market potential, leading to speculation that CIU may view ABB not as an equal partner, but as an acquisition vehicle to expand its portfolio and control established distribution channels.

This concern is in line with the findings of Riduan et al. (2024), who state that "mergers are strategic corporate moves aimed at expanding and strengthening a company's presence in the market, but strategies are needed to

manage conflicts of interest and imbalances of intent between partners." In the context of ABB, this explains the importance of evaluating strategic intentions and institutional equality as part of the due diligence process. Putri et al. (2024) also emphasize that "restructuring does not only concern legal and operational aspects, but also involves social dynamics and strategic intentions that can influence the direction of post-merger institutions." Therefore, ABB needs to strengthen asset protection mechanisms, formulate post-merger control clauses, and ensure that the integration process is carried out on the basis of equality and transparency.

In addition, ABB also doubts CIU's ability to bear credit insurance product liabilities, particularly those related to the online lending business (fintech). These products have complex risk characteristics and high claim volatility. This doubt is reinforced by POJK No. 40 of 2024, which emphasizes the importance of risk mitigation in information technology-based financing services through a more stringent and structured credit insurance scheme. In this context, ABB questions whether CIU has adequate actuarial capacity, technical reserves, and risk management systems to manage exposure from credit insurance portfolios linked to the fintech ecosystem. Handoyo et al. (2024) assert that "the bargaining power of partners and hidden acquisition potential must be analyzed as part of business continuity and asset security strategies." Therefore, the evaluation of CIUs needs to be expanded not only to include aspects of dynamic capabilities and strategic intent, but also the ability to bear product-specific liabilities, especially those that are high-risk and digital-based.

However, the latest information shows that BOW also has a credit insurance portfolio, similar to CIU. In addition, BOW has strategically repositioned its products by marketing annual health insurance as a replacement for surety bond products that can no longer be marketed in accordance with POJK No. 20 of 2023. This step demonstrates an adaptive response to regulatory changes and reflects the sensing and seizing dimensions within the dynamic capabilities framework. In contrast, ABB is still waiting for the results of its relaxation application to the OJK without making any active efforts to market replacement products. In fact, ABB has obtained OJK approval since December 2024 to market the Sirama Joint Insurance Product as an alternative to Suretyship products. However, the launch of this product has been delayed due to system improvements and negotiations on premium sharing with life insurance partners. This delay demonstrates ABB's weak seizing in responding to regulatory changes and reduces its institutional bargaining power in the merger process.

As part of the dynamics of this merger process, CIU proposed the appointment of an independent consultant to assist with the evaluation and negotiation process. This proposal was based on considerations of objectivity, whereby each party does not assess itself as being better than the other and assesses the other party in a biased manner. CIU emphasized that the presence of a neutral third party would help maintain the integrity of the merger process, avoid conflicts of perception, and strengthen trust between institutions. In the context of Dynamic Capabilities, this step reflects CIU's awareness of the

importance of governance in the transforming dimension, particularly in managing the institutional integration process in a transparent and balanced manner. However, ABB faces an internal dilemma because the appointment of an independent consultant is predicted to incur additional costs, while the company is strictly implementing an operational efficiency program. On the one hand, the need for objective evaluation and institutional risk mitigation is critical to the success of the merger. On the other hand, budget constraints require ABB to be selective and ensure that every expenditure provides measurable strategic added value. Therefore, ABB needs to formulate an efficient financing strategy, including the possibility of sharing consultant costs proportionally or scheduling them in stages according to the merger stages.

On the other hand, ABB began to show a preference for BOW as a strategic partner. One of the main reasons was BOW's commitment to implementing a separate liability scheme for each product post-merger. Under this scheme, BOW promised that each entity would remain responsible for its own product portfolio and risks prior to integration. This approach is known as the semi-holding model, where the post-merger institutional structure resembles a holding group without the formation of a formal entity. Each company retains its operational autonomy and risk management, despite being within a framework of joint strategic coordination. Wahyudi (2023) emphasizes that "the semi-holding model can be a strategic alternative in financial institutional mergers, as it allows for separate but institutionally coordinated risk management. In the context of ABB, this scheme provides space to maintain institutional identity, manage the transition gradually, and build synergies without sacrificing operational stability. In practice, the OJK will assess whether this scheme substantively meets the objectives of the General Provisions for Insurance Companies (KUPA), namely institutional strengthening, efficiency, and policyholder protection. If this scheme is merely cosmetic or avoids substantive institutional integration, it is likely to be rejected.

Considering all these aspects—dynamic capabilities, strategic intent, product fit, and liability—the merger decision cannot be based solely on technical and financial readiness. The evaluation of CIU and BOW must include the dimensions of institutional ethics, risk control, and the sustainability of ABB's strategic position in the post-merger structure.

CONCLUSIONS AND RECOMENDATIONS

Conclusions and Implications Summary of Findings:

An evaluation of the two potential partners shows that CIU excels in institutional flexibility and potential for strategic synergy, but its dominant approach raises concerns regarding its acquisitive intentions and ability to bear liability for fintech products. In contrast, BOW demonstrates strength in financial stability, adaptive product repositioning, and commitment to a separate liability scheme, which is considered more in line with ABB's preferences. BOW's quick response to POJK Regulation No. 20 of 2023 and its willingness to implement a semi- holding model are added values in the context of institutional strengthening.

Strategic Recommendations:

ABB needs to select a merger partner based on a balance between Dynamic Capabilities, risk responsibility structure, and long-term institutional suitability. In addition to considering technical and financial readiness, merger decisions must take into account the dimensions of institutional ethics, operational sustainability, and potential synergies in the post-merger structure. The semi-holding scheme offered by BOW can be a strategic alternative, as long as it complies with the principles of supervision, separation of responsibilities, and regulatory approval. Policy Implications:

This finding emphasizes the importance of regulatory support for flexible yet accountable merger models, particularly in the context of regulatory pressures such as minimum equity requirements and bans on certain products. The OJK needs to provide an adaptive evaluation framework for semi-holding structures and ensure that such models continue to comply with the principles of the KUPA and POJK No. 23 of 2023. In addition, technical guidance is needed for insurance companies in developing liability structures and post-merger governance that are in line with the principles of prudence and policyholder protection.

ADVANCED RESEARCH

Further Research Directions

1. Audit of Dynamic Capabilities post-merger between semi-holding entities
2. Examine how the dimensions of sensing, seizing, and transforming develop in semi- holding structures, as well as their impact on post-merger operational effectiveness and management.
3. Longitudinal study on the effectiveness of separate liability schemes Assessing the sustainability and institutional stability of the semi-holding model in the medium to long term, particularly in the context of supervision OJK and policyholder protection.
4. Developing a model of institutional synergy based on dynamic capabilities and POJK regulations.
5. Designing a framework for synergy between insurance entities that combines operational flexibility, compliance, regulation, and institutional efficiency, as an alternative to conventional merger structures.
6. Evaluate institutional responses to regulatory changes and product repositioning Analyze factors that influence the speed and quality of post-regulation product repositioning, as well as its impact on competitiveness and regulator perception
7. Comparative analysis of management perceptions of merger partners and their strategic implications
8. Exploring how managerial preferences towards merger partners influence the direction of negotiations, institutional structure, and decision-making.

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