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Strategy Formulation for Improving the Business Performance on Property Family Company: A Case Study of PT XYZ, Bogor City, Indonesia

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Abstract:

PT XYZ is a family owned company with a business focus in construction contractor. PT XYZ transformed into housing developer company in 2007. Business transformation occurs when the leadership is run by the second generation of families, which is the eldest son. Together with his friends and his younger sister, they managed the company and are able to increase the growth of its assets. Ownership of the company's land bank reaches 150 hectares, assumed to be managed in the form of housing project, will result in a value of Rp. 2 trillion. The second generation of this family is very expansive. In the last 10 years, company has managed 21 projects from subsidized housing, real estate or commercial housing until managed the traditional market in Bogor. But the assets growth is not matched with the profit that can be accepted by the company. Until 2016, debt to equity ratio (DER) reached 4,79. The revenue from sales will always be used to fulfill the liabilities. The family often make short-term moves by making loans to banks and colleagues. The brave decision of the eldest son who served as CEO for issuing bonds in 2015, which will be used to acquire 92 hectares land in Bogor, became the major contributor to DER rising. Adequacy of liquidity becomes the main issue of the company, and it depends on the company's business performance. PT XYZ must immediately improve its business performance, and to improve business performance, is not just from the marketing and sales. Successful conversion of marketing and sales into revenue, is the success of the business process that connects every part of the company. Improving the business performance is also improving the company organically. This research seeks to analyze the causes of business performance decline in PT XYZ. This research will use the analysis of corporate strategy by first using strategic audit tools to get a description about the whole condition of the company. The TOWS analysis will be used to analyze the opportunities and threats also strengths and weaknesses of the company, so that from the business level can be formulated various strategies to improve the business performance.

Keywords: *improvement, business performance, DER, corporate strategy, business strategy*

1. Introduction

1.1. Background of the Study

Company as an organization, is an entity which is a part of business dynamic. Company must response to every change with high level adaptation, also with the family-owned company, was not exception, they must adaptive with changes. There are around 195.000 companies in Indonesia which 95% is family-owned company (Susanto *et al*, 2008). The family-owned company was a phenomenon in a business environment. According to Susanto (2005) and also Schwass (2013), family-owned company gives significant contribution to the state revenue, and in many countries, especially in Asia, family business became the economy backbone and contribute in providing employment.

A company categorized as a family-owned company if there is a minimum involvement of two generations in the ownership and management (Hadinugroho and Mustamu, 2013). No exception, the dynamics of the business environment requires family-owned company adaptive to change. The biggest challenge in managing the family-owned company is facing the conflict of interest and also the difficulty in changing the family member mindset which involved in management (Srisomburanont 2004). Managing the family-owned company is not easy, that is why Carlock and Ward (2001) argues that the heaviest job in the world is maintaining the survival of family-owned company.

PT. XYZ is a family-owned company. This company started the business from a construction contractor company. As a contractor, PT. XYZ strongly depends on the government projects and few others projects from private parties. Considering many aspects, in order to not depending on the employers, either government of private parties, when the second generation led the company, business transformation is executed. PT. XYZ change the core business from contractor became a housing developer. The decision has proven

to raise the company, for the last 10 years, PT. XYZ is able to have property assets, if assumed to be managed in the form of housing project, will result in a value of Rp. 2 trillion on the 150 hectares landbank. Focus on the existing core business, PT XYZ become independently. As a developer, PT XYZ can create independence through long term projects, because house demand in Indonesia have always increase every year. According to the Ministry of Public Works and Housing of Republic of Indonesia through the Directorate General of House Provision (DJPP), the house ownership backlog in Indonesia become 13,5 million of units or equals to 13,5 million of families that have not home (DJPP, 2015).

PT XYZ started its transformation with developing subsidized house for middle and low segment. Basically, this is a large profitable market, provided that developers must be able to get deal with the business operations especially in cost management. Subsidized house is a mass product business. If developers can achieve more on sales, then they can be able to enjoy the profit. The subsidized house, becomes attractive when Minister of House, issued the FLPP policy or housing financing liquidity facility in 2010 (BTN, 2010). FLPP is a breakthrough way to solve the purchasing power problem. The government collaborated with several banks to disburse subsidized house mortgage. Bank Tabungan Negara (BTN) is the bank that takes the most proportion in the distribution of the subsidized mortgage. With ages between 21 until 50 years old, everyone in Indonesia is entitled to get a FLPP facility, as long as it is proven not to have a home yet. The government also limits the income rate entitled to obtain the FLPP facility, those with a maximum income of Rp. 4 million per month. FLPP has an installment tenor of 5 to 20 years, with a flat installment scheme (DJPP, 2015). The government provides subsidies to interest payment through the state budget, so FLPP interest is lower than the regular mortgage interest rate or equals to 5% per year (BTN, 2016).

The large business potential, cannot be enjoyed optimally by PT XYZ. The revenue from sales will be used to meet the liabilities. The exit way that taken by the family is to apply loan both to the bank and to the colleagues. The CEO of the company, who is the eldest son of the family, took a very bold step to issue bonds for acquiring 92 hectares land in Bogor. The amount issued was not small, reaching Rp. 230 billion, which eventually increased the DER to 4,79. This is an overheat condition for the company. According to Syafrri (2010), Debt to Equity Ratio or DER is a ratio which showing the coverage of capital against the debts from outside parties. The smaller ratio of DER, the better for the company. Very high DER number, can only be reduced with the improvement of business performance. To improve business performance, not just from marketing and sales, but must supported by the organization improvement. The change in the company must be done, and this is the biggest challenge from family-owned company. In implementing change, the toughest opponent to face is the status quo. Many organizations want to change, unfortunately as much as 70 percent of change programs that run did not work (Barnard & Stoll 2010). In this case, Darsono (2002), Maheswari and Vohra (2015), also Yeung and Brockband (1996) reinforces the reasons the transformation failure of the organization, namely the change resistance to maintain the status quo, either from an employee or management. The reason for the fear of change, apparently influenced by individual cultural factors that has given a comfort zone to everyone.

The family must take rapid steps to make changes in PT XYZ. The business performance improvements, must be immediately started from organizational improvement to marketing and sales system. The family must dare to change the existing team, and replace it with employee who has integrity and capability. Loyal employees should be mapped and maintained, as they are the people who very understand the company operational technically. With the improvement of business performance, it is expected to gradually and surely the DER value can be reduced, and PT XYZ can return to be healthy company.

1.2. Problem Statement

PT XYZ which is a family owned property company, has been managed expansively in the last 10 years, by the leadership of the eldest son who is the second generation. Starting the business from subsidized house development, now PT XYZ is the one of property company which has large land bank in Bogor City. Unfortunately, the business performance decline, causes various problems in the company mainly liquidity, that is why, the family apply loans to other parties such as banks. The bonds issued with a value of Rp. 230 billion, became the largest contributor to the DER value increase. The company is in overheat condition because DER has reached 4,79. Adequacy of liquidity in very critical condition for PT XYZ, and the best way to solve is through productivity.

1.3. Research Questions

There are several questions that must be explained by this research:

1. What are the factors that affect the decline in business performance of PT XYZ as a family-owned property company?
2. How is the strategy to improve the business performance of PT XYZ as a family-owned property company?

1.4. Research Purposes

The purpose of this research is to answer the research questions:

1. Analyzing the factors that cause the decline in business performance of PT XYZ as a family-owned property company
2. Formulating the strategy to improve business performance of PT XYZ as a family-owned property company

1.5. Scope of Research

This research, will not examine the aspects of leadership succession in family-owned company, as many have pointed out in research on similar topics. The succession process from the first generation to the second generation in PT XYZ has been running and succeeding. The eldest son who is the second generation of the family, successfully run the business transformation of the company, from the beginning as a contractor company of government projects, became a developer company in 2007. Currently, PT XYZ is

experiencing problems in its business performance. This research will examine the problems of the company that causes the decline in business performance and make a strategy formulation to improve it by considering the time constraints.

2. Research Method

This is a qualitative research in form of case study which is supported by the data from the research object including literature study. The primary data source obtained from filling questionnaire and focus group discussion (FGD) with all experts respondent which comes from internal and external company. This research also supported by the secondary data in the form of company documents and other data. Various data which are obtained, will be the basis for implementation of the strategic audit which is part of the stages in this research.

In strategic management, audit is a part of evaluation process after decision making (Buchele, 1962). An audit process gives some questions based on area or issues, to provide systematic analysis of various activities in company (Wheelen and Hunger 1987). External and internal factors will be analyzed to recognize various strategic which influence company development including opportunities, threats, strengths and weakness. First step analysis is done on a corporate scale to know the whole previous situation of PT XYZ. Experts will analyze and formulate the business decision ahead through the three strategy analysis stages: directional strategy, portfolio strategy which use GE Business Screen and parenting strategy. The decision from this corporate strategy will be adjusted with business unit level analysis. To strengthen the analysis of business performance, also performed financial ratio analysis to describe the condition of the company in numbers.

The business unit analysis will classify various strategic issues with External Factors Analysis Summary (EFAS) matrix and Internal Factors Analysis Summary (IFAS) matrix. According to Wheelen and Hunger (2012), EFAS and IFAS becomes summary of the selection and assessment of the experts of various strategic issues from external and also internal of company. Through EFAS and IFAS matrix, the classified strategic issues will be weighted and rated. The goal is getting the score from the multiplication of weight and rating.

The result of EFAS dan IFAS will be the points that make up the TOWS matrix (*Threats, Opportunities, Weakness, dan Strengths*). TOWS matrix will be an analysis tools to get the strategy synthesis through elaborating the opportunities, threats, weakness and strengths factors.

3. Discussion

3.1. The Existing Company Condition

PT XYZ is a family-owned property company. Currently, the management of PT XYZ is already in the second generation. It is the eldest son of the first generation who currently leads the company. Under his leadership, the company is able to increase its ownership of assets, so it can have 14 property projects. PT XYZ also became the developer with the largest contribution of mortgage distribution in the Bank Tabungan Negara Branch Bogor, with a portion of 50 percent of the total mortgages channeled in 2015 ago. Unfortunately, the owner family of PT XYZ has a weakness in managing the company. For example, in decision-making, often the family does not involve managers in deciding strategic matters. This often cause the company being trapped in problems that should have been avoided. The positions of the board of directors and commissioners are entirely occupied by the family, meanwhile, no family member has a professional background. This is especially important in the process of making a policy. Professional experience, can enrich consideration in decision making, so as to anticipate errors or mistakes when making a decision.

The owner of PT XYZ is often wrong in making policies. The most crucial thing is, when deciding to give a huge return on investors. The owner of PT XYZ runs the policy by managing many projects, until finally PT XYZ has 14 projects, all run simultaneously. This is what eventually absorbs the company's liquidity, coupled with the operating expenses of the office, especially the salaries of employees which are fixed costs. The owner of PT XYZ also made a mistake in the management of human resources by not prioritizing human resources investment such as putting aside training and capacity building of employees. For the family, cash flow is a priority over other things, so as far as possible the things that cause costs are set aside. While they forget, that when the company decides to manage its land bank at once, it takes a tough and intelligent human resources, because it will have an impact on the achievement of productivity. Thus, since 2011, PT XYZ is no longer able to achieve houses sales targets. In 2013, the company experienced a deficit in the balance sheet. In 2013, the company experienced a deficit in the balance sheet, and this is what makes the company a lot of debt to both banks, as well as non-bank financial institutions. Until 2017, the company has not been able to achieve productivity as expected.

Figure 1 shows the comparison between equity, debt, and DER figures, where in the last 3 years, corporate debt increased significantly. This is evidence of the inability of human resources in PT XYZ in managing the project to achieve productivity, as well as the form of wrong decision making by the company owner.

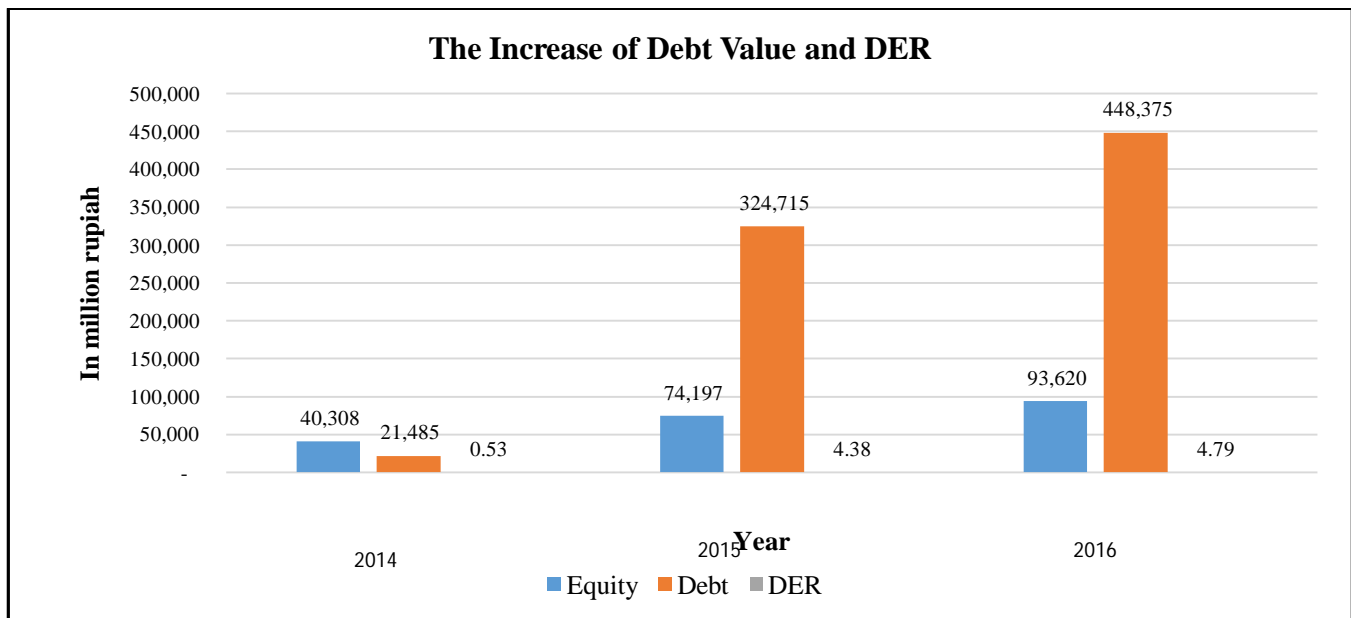


Figure 1: The Increase of Debt Value and DER in PT XYZ

Source: Financial Data of PT XYZ (2017)

The biggest mistake made by the owner of PT XYZ is to issue debt through Mutual Fund, with a very large amount reaching Rp 230 billion. The goal is to acquire the shares of a foreign company located in Bogor, which has a land bank of up to 92 hectares. The company with such attractive assets are finally successfully acquired, by absorbing very large corporate liquidity as well as funds from the issuance of Mutual Funds. The experts that involved as resource persons in this research judge that the decision of the owner of PT XYZ is too bold with the conditions in which the productivity of the organization is not equal to the burden it bears. Assets in large areas successfully owned, but deplete the company's liquidity. This is what causes the company is currently caught in the problem of losing cash flow. The company must ultimately use the allocation of funds intended for infrastructure and certificate resolution. Finally, because the owner is accustomed to not discipline, PT XYZ's obligation to many house buyers are delayed.

The trapping of PT XYZ in a lot of debt, resulting in commitment to the quality of house construction which not implemented. Many house buyers complain, some even put this into the legal domain. Furthermore, they dare not to pay mortgage payments to the bank, so PT XYZ is faced with the bank to settle its obligations. On the basis of this problem, the bank finally decided to stop the entire process of PT XYZ home buyer credit contract. The condition is getting overheated, and the owner of PT XYZ must be realistic. To give up some of its assets for sale, especially with prices below the market, in order to maintain credibility is the right choice to take.

3.2. Financial Ratio Analysis

From the financial aspect, the experts involved as respondents in this research judge, that the financial management strategy of PT XYZ has not been good, and even this. The level of audited corporate financial statements to date has not met the accounting standards in Indonesia. Family interventions on financial management policies are also very high, and often conflict with family interests. From various analysis that is liquidity, solvability and also profitability, it can be concluded that the company's financial performance must be improved. The following table summarizes the financial analysis that is an indicator of the company's business performance.

No	Financial Indicator	Value	Information
1	<i>Current ratio</i>	1,19	The Company is capable enough to pay its obligations with its assets (> 1)
2	<i>Quick ratio</i>	0,88	Current assets other than inventories, can not adequately guarantee payment of obligations (<1)
3	<i>Debt to equity ratio (DER)</i>	4,79	Own capital owned by PT XYZ shareholders must reach 4.79 times, so it can pay the obligation (standard used by many banks in Indonesia to analyze the filing of property loans <2)
4	<i>Debt to assets ratio</i>	0,83	83% of PT XYZ's assets come from debt
5	<i>Return on assets (ROA)</i>	0,01	From the total asset value recorded only able to bring profit 1%
6	<i>Return on equity (ROE)</i>	0,079	Capital invested by shareholders, able to give return 7.90%
7	<i>Net profit margin (NPM)</i>	0,05	Profit obtained by PT XYZ is only 5% of the sales volume
8	<i>Assets turn over (ATO)</i>	0,22	PT XYZ is only able to generate sales of 22% from total assets owned

Table 1: Summary of business performance from several financial ratios

Source : PT XYZ Financial Document (2017)

3.3. Directional Strategy Analysis

The expert respondents considered that with the business performance condition, which is indicated by the financial performance of the company, PT XYZ should focus on internal improvement. Inadequate business performance in 2016 amid huge asset, it gives warns, that the company is too expansive and forgets the most fundamental aspect of building a solid business organization and capable to support every business expansion. Faced with a precarious situation, where the company experienced liquidity problems, coupled with the amount of assets pledged to the bank, so that 150 hectares of land owned will be meaningless, the experts suggest that the family of PT XYZ owners to retrenchment strategy or release some of the assets or shares.

When one of them, whether by selling assets or stocks, there is one that successfully achieved, with the entry of liquidity, preferably PT XYZ streamline the number of employees and conduct organizational resizing. If necessary, selling the current office is the right choice, if the maintenance cost is very high. The experts worries of the threat of a bankruptcy lawsuit from PT XYZ creditors, which would harm the credibility of the company and its management personnel listed in the company's deed.

Growth	Stability	Retrenchment
Concentration Vertical Growth Horizontal Growth Diversification Concentric Conglomerate	Pause/Proceed with caution No change Profit	Turnaround Captive Company Sell-Out/Divestment Bankruptcy/Liquidation

Figure 2: Directional Strategy Alternative
 Source: Wheelen dan Hunger (2012)

3.4. Portfolio Analysis

Portfolio analysis is done to see how far its contribution to company performance. The analysis is done by using GE Business Screen or Mckinsey Matrix. This analysis is very important to be done considering with many business units (in case all company's business units are housing projects), must be ensured that each business unit, is able to contribute to the company growth both now and in the future. Here are the result of portfolio analysis using GE Business Screen as shown in Figure 3.

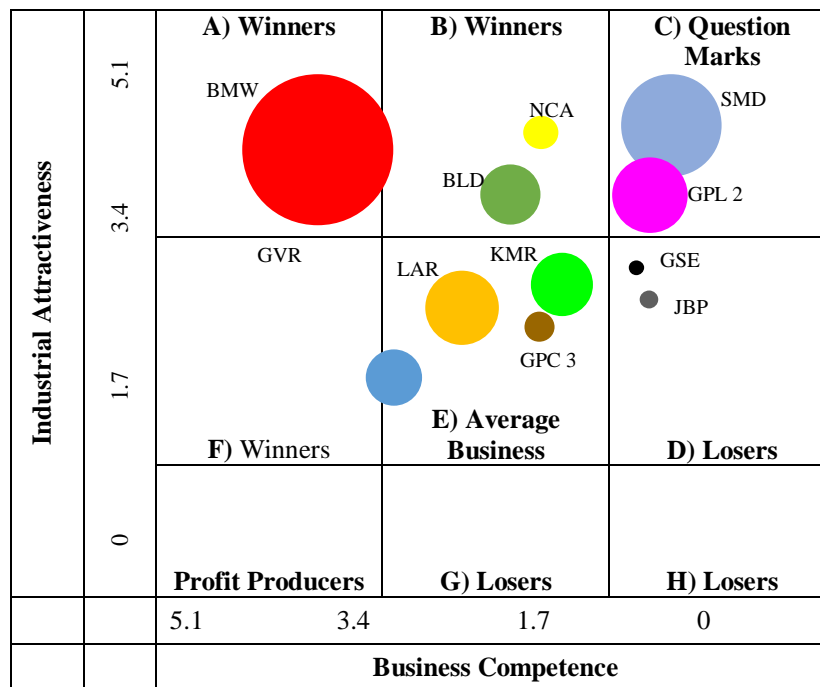


Figure 3: GE Business Screen for PT XYZ
 Source: The Expert FGD in this Research (2017)

The circle size, showing how much the project contributes to the company's business based on revenue (revenue potential). Each circle represents the project symbol managed by PT XYZ and named in the initials of the project. Placement of each circle, based on the assessment of the experts. The BMW project has the largest circle size. This indicates that BMW project contributes the most to the company's revenue. The experts judge that for the BMW project, company is able to show project management capabilities well, that is why the experts provide a high score for business competence factor. Similarly, the industrial attractiveness, the experts judge that with the target market of BMW project for the middle-low class, where the current market segment is a segment that requires house. PT XYZ gives an affordable pricing for the middle-low market segments, and this can attract them in large numbers. The experts give the high score to industrial attractiveness factor.

The GVR project is PT XYZ first real estate project. PT XYZ is very experienced in developing cheap commercial housing and also subsidized housing. As the first experience, the company tries to enter the target market that can afford to buy with price between Rp. 600 million to Rp. 800 million. The price range is determined by PT XYZ with a number of considerations, including the slowing economic conditions that affecting the purchasing power of real estate house. Although included in the real estate category, the company must precisely determine the selling price. The company avoid direct competition with other developers, which are experienced in developing real estate housing. Many developers in Bogor are already providing real estate prices above Rp. 1 billion, especially for houses with two floors. As a new player in real estate, PT XYZ must learn many things from their competitors, especially developers which has long worked on real estate. Many things must be improved by the company, in the middle of industrial attractiveness which is pretty good. PT XYZ is greatly helped by the determination of their selling price. So that is why, the experts judge this project and put it on the business average.

There are also SMD and GPL 2 projects, which are classified in question marks. Despite having great potential in terms of revenue size, both SMD and GPL 2, have not been able to continue its management, because it is constrained many things, such as disputes with business partnership. Actually, the market attractiveness is quite high, however PT XYZ still has to wait for the construction of new arterial road. In terms of project management, the company experienced a number of technical constraints so it cannot run optimally. That is why, the experts give small scores on both these projects.

KMR, LAR and GPC 3, are placed on the business average by the experts. They judged these projects as having good market attractiveness but moderately managed. This causes the contribution to revenue to be insignificant. Viewed from location, in fact these three projects, are in strategic location and just waiting for infrastructure development, a new arterial road from government. For example, LAR project, which is not far from project location is being built Bogor-Ciawi-Sukabumi (Bocimi) toll road.

GSE and JBP projects, in terms of industrial attractiveness, those projects are good enough for subsidized house, unfortunately from the management side which is an indicator of business competence, is considered poor. The expert judges, the company can release its ownership in the projects. Finally, this project can be alternative to be released or cooperated with other parties. These projects actually have still good market attractiveness, just looking for a competent operator.

3.5. Corporate Parenting Analysis

There are several stages in preparing the analysis of corporate parenting strategy. First, it should be analyzed whether the business should be maintained by the owner of PT XYZ for now and in the future. The expert respondents judge, based on the long establishment of PT XYZ and compare with the ability of the company in managing each business unit, should PT XYZ understate the scale of the property under its management. As long as family involvement is still dominant in the management of the company, it will lead to professional difficult to explore their capabilities.

The character of PT XYZ owner that judged by the experts, is very suitable to form an investment company. Expert respondents suggested that the owner was encouraged to release most of the assets owned even if needed to release shares not only in subsidiaries but in holding companies. Parent uses too many resources from subsidiaries in the form of intercompany loans. Based on the financial statements as of December 2016, intercompany loan in the form of affiliated debt reached Rp. 66.53 billion. On the one hand, the subsidiaries need funds to settle their obligations, especially to meet payments to investors, but the parent company also needs funds to expand.

3.6. Strategic Factors Analysis

Strategic factors analysis is done by using EFAS and IFAS matrix. EFAS matrix is the result of elaboration of external factors that affect the company's business including threats and opportunities. Table 1 shows External Factor Analysis Summary (EFAS) based on the assessment of the expert. Various strategic external factors are given weight and rating, resulting in an assessment for each strategic factor.

In the opportunity factor, there are two factors that have the same score that is the competitive selling price in Bogor area, and many alternatives to access Jakarta. Both of these factors are given equal weight and rating by the experts, because they are related. The selling price of a house in a region will be affected by how strategic the area is. Strategic or not a region will be seen from the accessibility to business centers and community activity centers. Bogor in this case has progressed more slowly than Bekasi and Depok, but with various government infrastructure development such as new toll road and also new inner ring road, indicates that the momentum of regional development is now in Bogor. Bekasi and Depok are already crowded and have already experienced physical development. Regional development opportunities are now arriving in Bogor.

There are two factors that have the same value in the threat factor, where the strict subsidy house policy factor and market purchasing power have a value of 0.24. The experts also consider that these two factors have the same weight of 0.08. Threats faced by PT XYZ regarding the vulnerable government policy to change as well as decreased market purchasing power of the property. Both of these

have an equally large degree of importance. In terms of priority, the expert's tendency puts the market purchasing power first, next is a tight home subsidy policy. The market purchasing power that is affected by the economic situation becomes a condition in which the company's dependence on external factors is enormous.

External Factors	Weight	Rating	Weighted Score	Information
Opportunities:				
1. The potential of the property market in the middle-low segment	0.10	5.00	0.50	<ul style="list-style-type: none"> ▪ A market segment that requires house, not an investor ▪ Decrease of credit ceiling percentage ▪ Encourage the growth of property business ▪ Property is an attractive investment instrument ▪ Jabodetabek train, online transportation, etc. ▪ Sentul area and south Bogor for example
2. Loan to value policy from the central bank	0.08	3.00	0.24	
3. The development progress in Bogor area	0.08	4.00	0.32	
4. The competitive houses selling price in Bogor	0.07	2.00	0.14	
5. Many alternatives to access Jakarta from Bogor	0.07	2.00	0.14	
6. Many potential lands can be acquired	0.10	3.00	0.30	
Threats:				
1. Strict house subsidy policy	0.08	3.00	0.24	<ul style="list-style-type: none"> ▪ Go into commercial house development ▪ The rapid development led to an increase in land price ▪ Unpredictable mechanism ▪ Property prices above Rp 500 million have decreased sales ▪ Investors need liquidity ▪ Increase the operational cost
2. The expensive of land price	0.07	2.50	0.175	
3. Complicated bureaucracy house licensing	0.10	4.00	0.40	
4. Weakening market purchasing power	0.08	3.00	0.24	
5. Investors who want to be refunded in cash despite the loss of the company	0.10	4.00	0.40	
6. The increase of minimum wage every year	0.07	1.50	0.105	
Total	1.00		3.20	

Table 2: External Factors Analysis Summary Matrix

Source: The Expert Judgements (2017)

Due to the tight subsidized house policy, companies can work around this by developing affordable commercial housing. Means, the threat factor from the aspect of government policy in the field of housing, does not have the effect of decreasing purchasing power due to economic slowdown. Decrease in purchasing power will be felt by all market layers, including middle and low segment. This condition occurs along with the slowing world economy which is also caused by the fall of world oil prices. Commodity businesses such as mining, especially coal, have fallen in price in recent years, while those involved in this business are following all of its derivatives, becoming property buyers.

PT XYZ is also facing the biggest threat, namely the demands of investors who want the funds returned in cash. The company that is experiencing liquidity problems, should seek a variety of things in order to return investors' funds. For several years, PT XYZ used the power of private investors (retail) to obtain an injection of funds used as working capital. The weakness of retail investment is the high cost of fund, where investors generally want a high return on investment (ROI) that is above 40% per year. Under normal business conditions, this may be fulfilled by the company, although in the end, it will reduce net profit, but in conditions where the company suffers a lot of losses, the fact that these retail investors are not prepared to jointly bear the losses. The challenge for PT XYZ to educate investors to understand the principles of profit sharing business, as well as a challenge for companies to educate the public about property investment based on this concept.

One of the biggest mistakes made by the owner of PT XYZ is too spoil investors by giving high returns, and it is also guaranteed by the company that will not lose. This is a very burdensome company, because in the condition of decreasing in business performance anyway, the company still must meet the high payment return. The company owner realized this when in the last two years the company's financial condition was in trouble. Many investors cannot understand the current situation faced by the company. The experts advise the owners of PT XYZ to renegotiate all of investors to be paid by converting cash to land (assets). This can help reduce the company's cost, so it can save liquidity.

After an assessment of external factors, the next step is to analyze internal factors and give weight and rating. Table 2 will describe the various internal factors analyzed.

Internal Factors	Weight	Rating	Weighted Score	Information
Strengths:				
1. Strong corporate brand	0.10	5.00	0.50	<ul style="list-style-type: none"> ▪ Positioning as an affordable housing
2. The ability of land acquisition by doing financial engineering	0.10	5.00	0.50	<ul style="list-style-type: none"> ▪ Seeks many ways to acquire land in strategic locations
3. Land banks are largely owned (± 150 hectares)	0.07	4.00	0.28	<ul style="list-style-type: none"> ▪ Large land bank can be used to settle the loans.
4. Experts in constructing the affordable housing	0.07	3.00	0.24	<ul style="list-style-type: none"> ▪ Years of experience in developing affordable housing
5. Reliable team in taking care of housing permit in Bogor	0.08	4.50	0.36	<ul style="list-style-type: none"> ▪ The average permissions time required is a maximum of 6 months
6. Good relationship with the local Manpower Office	0.07	3.00	0.21	<ul style="list-style-type: none"> ▪ Able to anticipate various issues of employment
Weakness:				
1. Weak marketing and sales	0.09	4.50	0.405	<ul style="list-style-type: none"> ▪ Has not met the cashflow target
2. High DER (> 4.00)	0.10	5.00	0.50	<ul style="list-style-type: none"> ▪ Made many loans to cover the operational expenses
3. Weak internal control	0.10	5.00	0.50	<ul style="list-style-type: none"> ▪ Opening the gap of fraud
4. Many contracts weaken the company's position	0.08	4.00	0.32	<ul style="list-style-type: none"> ▪ Requires a reliable corporate legal
5. Leadership escalation that has not run	0.07	4.00	0.28	<ul style="list-style-type: none"> ▪ In the middle management level
6. Weak RnD and business development	0.07	3.00	0.21	<ul style="list-style-type: none"> ▪ Decision-making is often not supported by adequate information
Total	1.00		3.20	

Table 3: Internal Factors Analysis Summary Matrix
Source: The Experts Judgement (2017)

PT XYZ has each two strategic factors that get the same value both in strength and weakness. On the strength factor, both from the strength of corporate brands and the ability of land acquisition, become a mainstay factor for the progress of the company to date. The corporate brand of PT XYZ, very strongly known by the community as an affordable housing developer. That is why, until now, the company remains focused on the middle-low segments, which is a large and relatively surviving market segment amid the economic slowdown, as has happened in recent years, especially in Indonesia.

In terms of land acquisition ability, PT XYZ has the advantage to obtain land in strategic location, and able to obtain funding source for land acquisition. In this case, PT XYZ is also greatly helped by a well-known company brand. On some projects, PT XYZ does not need to spend a large amount of fund, in the beginning to acquire the land. Operational cooperation is often easy to do between PT XYZ and landholders. PT XYZ is also able to find ways of payment to acquire land, without cooperating with investors or issuing loans.

On the weakness factor, high DER numbers and weak internal controls have the same weighted score of 0.50. A very high increase of DER, occurred when PT XYZ dared to issue bonds, to acquire a company with assets of tens of hectares of land in Bogor. In addition to the acquisition, the bonds issued are also to take over other loans such as in several banks, to be concentrated into one point. The experts argue that corporate actions undertaken by the company is less precise with productivity conditions that have not supported the cash flow. Before issuing the bonds, PT XYZ has been preoccupied with bank loans. In fact, often revenue from sales, runs out to meet operational needs and repay bank loans installment. Why, the company have many loans, because the productivity is not achieved, while the company's budget needs is very high, but not supported by a productive organization. The experts argue that the company often fail to meet targets due to weak internal control. Many divisions are not disciplined with the time line and targets are proclaimed. As is often the case in family firms, when employees are protected by family members, the mechanism for imposing sanctions due to target failure will not be effective.

3.7. TOWS Analysis

The function of SWOT analysis is to analyze the strengths and weaknesses of the company conducted through a review of the company's internal conditions, as well as analysis of the opportunities and threats faced by companies conducted through a review of the external conditions of the company. All strategic factors within the EFAS and IFAS matrices are elaborated in the TOWS (Threats, Opportunities, Weakness and Strengths) matrix, which is a tool for finding strategy alternatives, combining external and internal factors.

There are 24 strategic factors that are grouped into 4 sections representing the threats, opportunities, weaknesses and strengths as shown in Table 3. There are 13 alternative strategies generated through formulation using the TOWS matrix. Experts conduct FGDs and simultaneously map out what alternative strategies can be generated. From a combination of external and internal factors is obtained:

1. Opportunities – Strengths

How to exploit the existing opportunities by utilizing the strengths owned, so that will generate alternative strategies are:

- a. Revitalize marketing activities and also activate company website and social media to disseminate information about housing projects of PT XYZ. The company briefly suspended the operational activities of most projects for several months due to the need to focus on organizational restructuring. The experts judge, corporate brand of PT XYZ as an affordable housing developer is still quite strong and known. All elements of the company must restore optimism that internal problems that occur, can be gradually resolved and reappear in public is the best step at the same time indicates that the company remains responsible for settling various obligations to all parties who had been delayed due to inadequate financial condition.
- b. Consistent with the middle-low market, the selling price of the house is below Rp 500 million. Public purchasing power is declining amid sluggish economic conditions. In the property business, house with prices under Rp 500 million are still in great demand, especially by the middle-low market segment, where they are mostly young families or people who are new to home.
- c. Rearrange the assets that have not been guaranteed in banks, so they can be used for refinancing and takeover of some other debt, with lower cost of fund. The profit in the property business is the ownership of assets whose value will rise in the future. PT XYZ can move its debt from one scheme to another with a refinancing or takeover strategy. Assets become the main underlying to execute the strategy.

2. Opportunities – Weaknesses

How the opportunities are able to be utilized with the condition, the weaknesses that exist in the company must be improved, so the resulting alternative strategy is:

- a. Invite other parties who can be strategic partners, who want to help companies continue to manage existing housing projects. Team building takes time, while PT XYZ has a large of landbank, on the other hand, many developers find it difficult to find land. This condition can be met by building strategic cooperation. For PT XYZ, strategic cooperation, is the faster way to transfer knowledge.
- b. Looking for another bank or other financing institution. During this time, PT XYZ is very dependent on the BTN, but there are many banks that provide mortgage facilities. The experts argued, the company should try to get out of the comfort zone in cooperation with BTN. There are many other banks, which offer mortgage product, with faster processing time and lower interest/margin installment.
- c. Debt restructuring that can be pursued with two alternatives. First, extend the tenor and second, renegotiate the creditor related to the interest / margin amount if the debt is related to the banking party. DER cannot be derived instantaneously, it takes both process and time. The experts judge, as long as the debt is well managed, then the company will be able to survive while seeking the entry of liquidity from sales.
- d. Revitalize the corporate brand by improving the quality of house products that will be produced in the future. Weak internal control led to the construction of homes in many projects against the specifications, while PT XYZ did a lot of work on its own. Whether by outsourcing or by self-done, strict supervision is absolutely necessary to ensure the quality of the house building is maintained in accordance with the planned specifications.

3. Threats – Strength

How the existing threats can be anticipated with the strength of the company, so the resulting alternative strategies are:

- a. Filtration of all prospective house buyers, so obtained a qualified prospective buyer. The quality of prospective buyers will be visible from the ability to pay. The sales price scheme applied by PT XYZ to prospective buyers must be changed. The experts judge, too many promos are provided by freeing many expenses, including Value Added Tax that should be the burden of prospective buyers. Finally, the company must subsidize those costs, and that is one of the factors that incriminates cash flow. With the imposition of a fee such as an advance, or a tax paid by a prospective buyer, it should at least be the initial filtration to obtain a qualified buyer who has the ability to pay. The filtration process is also very useful in assisting banks in ensuring they get good customers and away from potential mortgage repayments, thus minimizing the risk of non-performing loans (NPLs).
- b. Provide a gimmick or organize an event promo to increase sales, so the house can be sold quickly and bring liquidity to the company. Increasing promos to accelerate sales such as by utilizing the momentum of national holidays can be an effective strategy alternative. Amidst the purchasing power of sluggish people due to the economic slowdown, selling house for less than Rp 400 million could be a solution to keep the sales going.
- c. Negotiate the return of investment funds to investors with assets. Investors become a challenge for PT XYZ, because amid the many problems that must be solved, coupled with the economic slowdown that also affects the level of house sales, impact on the decrease in revenue. Most of PT XYZ's investors are eager to return their investment in cash. The experts recommend, it

4. Summary, Conclusion and Recommendation

4.1. Summary of this Research

The company was first established and managed by minimal human resources with experience in professional organizations. Over the years, the benchmark has been based on learning by doing, rather than mimicking similar established companies. When the second generation takes over leadership, corporate governance is overhauled. With the background of management education, the eldest son assumed the position of President Director and led the transformation of the company from the contractor of government projects, became an affordable housing developer. The second generation has a great vision to grow the business, unfortunately has no priority to also develop human resources in the company that he leads. The problem that is common in family companies is the existence of trust people who become the referral in every decision making. Various internal problems that occur in PT XYZ, there is a large contribution from the many suggestions given to the owners of companies derived from their trusted people. Many suggestions are given, it leads to problems later on.

Many family companies in Indonesia can grow as big conglomerates, because there is a clear boundary between the role and function of family members in the management of the company. Many family-owned property companies, successfully raising their business, and also go public, because they managed to get the right composition and placement between family members and professionals. They also do not hesitate to release some of its shares, in order to invite the entry of strategic partners who are expected to bring a better change in the management of the company. If not, they are able to place family members who have professional background, and the company is run by upholding good corporate governance.

In this case, PT XYZ must dare to make organizational change. The owners of PT XYZ must also dare to release their shares to invite strategic partners to join, so that it can bring changes in the management of the company. Placement of family members in the management of the company does not matter, as long as promoting professionalism, and not just the interests of kinship alone. In PT XYZ, many family members as well as those who have kinship with the owner are involved in the management of the company, but often do not consider professionalism. The experts judge that the placement of family members in the company's operations is not a problem as long as it does not confuse personal or family tendencies with work professionalism. In PT XYZ, personal and family interests still often overlap with the interests of the company. Things like this is the cause of the many family companies cannot survive more than two generations.

The owner of PT XYZ should immediately realize that the cause of the problems that occurred during this time in the company is not a debt. Debt is just a result. Family owners of companies have a habit to recruit people who judged trusted to provide advice, although often these suggestions even put the company into trouble. Not only that, the experts judge, the personal figure of the company's president director who is the eldest son of the first generation of company founders, gives the dominant color in the leadership of the company. His character is insistent and not easily open with criticism resulted in the company carried on his personal ambition. Massive expansion, which ultimately leads companies to owe, since productivity does not become the main pedestal, is the cause of the current problems. The high debt to equity ratio, up to 4.79, is enough to inform that the company is in critical condition due to lack of liquidity.

The experts judge that the key to effective change in PT XYZ relies heavily on company owners. The owner of the company should be encouraged to restructure the organization and provide the widest opportunity for those who want to contribute to the change of the company. During this time, many professionals are eager to help PT XYZ, but the family often does not provide enough time and opportunity to provide a way of change with the help of professional or strategic partners. Many professionals and strategic partners are resigned because it is difficult to understand the wishes of the company owner.

The next step that must be done by PT XYZ is to run financial restructure, especially debt restructuring. It is important and urgent that short-term debt be negotiated into long-term debt or at least medium term. PT XYZ should not add new debt, if it requires a fresh fund injection, it would be nice to do by releasing shares or selling assets. Even if they have to borrow, then companies should seek debt with a lower cost of funds.

The experts also recommend PT XYZ primarily to its owners, to delay the expansion of new projects. PT XYZ should optimize the existing assets in order to obtain liquidity. PT XYZ gets benefit with the ownership of large assets, but this requires the willingness of the company owner to relinquish some ownership of those assets in order to settle its pending obligations. It is also possible to continue productivity spur with house sales, but in order to sell the house quickly, it takes the conditioning of projects such as infrastructure that has been built, adequate promo budget, because it must be supported by massive promotion, and able to obtain quickly collective buyers, with the notes that most collective buyers will be targeting at the level of workers or employees, where they have a relatively small salary. This means that in the middle of this condition, the owner of the company must consider the most realistic opportunities to run, if they want to save the company from various debts that accumulate.

4.2. Conclusion

From the research that has been done, it can be concluded several things. Managing a family company is much more challenging than a company founded by professionals. At PT XYZ itself, for many years, the leadership of the organization is dominated by father and eldest son of the company owner, even up to technical affairs, including the decision to expand the project, increase the debt and hire the employees. The company's main priority is to keep cash flow, but has not prioritized the development of human resources capacity. That is why, it is not surprising that during the last 5 years, the company failed to achieve its productivity targets, especially from the sales side.

Speaking of house sales, not only on the aspect of sales alone, but also must be seen in terms of quality of house products, good relationships with banks and also the supporting power of employees in the back office related to administrative. Human resources at PT XYZ are still weak in this regard. That is, the productivity decline in the company due to elements that support the achievement of the target is not able to achieve that target, due to insufficient capacity. In other words, the target that settled by the company owner against their organization is too high. Productivity that does not reach the target, causing the company must file debt in order to meet its operational needs. For several years this condition repeatedly and resulted in PT XYZ having dependence on debt. Finally, the decision to issue bonds became the culmination of PT XYZ's problem, which resulted in the absorption of large amounts of liquidity to pay the coupon installment from the bonds. Debt to Equity Ratio or DER increased to 4.79.

From this research, the experts who became the speakers recommended several things. First, that the owner of PT XYZ withholds not to expand the new project. Second, PT XYZ must be ready to release its strategic assets such as land that located at near of city center, in order to obtain liquidity, or it could be the owner of PT XYZ releases most of its ownership in the company. When PT XYZ succeeds in obtaining the funds, the most important step that must be done is to restructure the organization. An effective step to improve business performance is to restructure the organization. The owner of the company must be realistic and able to measure the capacity of the organization to work on large projects. Third, the owner of the company must be able to give clear restrictions on the role of family within the company, so as to avoid conflicts of interest. Involvement of family members who are too dominant in the company, potentially resulting in deviations from the procedure. Confirmation of the boundaries of family authority within the company, will provide optimum space for professional employees to manage the company well. If these three things can be applied in PT XYZ, starting from the owners, then this will drive business performance improvement

4.3. Recommendation for Further Studies

From this research, can be developed various topics like the leadership of the company by the young generation. This is very interesting to be raised into a study, because often there are differences in leadership style between parents and children. Generally, children will be more aggressive than parents. How successful is the company when managed by young people, it can be one of the topics of interest.

The study also recommends that a future study should be made of a study comparing successful family companies to grow into large enterprises, with traditional family enterprises that run limited business scales. Professional composition with family members in the company needs to be studied because it will determine how much professionalism degree can be applied, so the company will avoid conflict of interest.

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