

# Global strategic alliance in Indonesian property industry : a case of joint venture and investment strategy at PT. Z

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## Abstrak

### **ABSTRAK**

Strategic Alliance is becoming more important in the globalization era, moreover in the rapid changing technology and greater complexity of process and services in the business world. Two or more companies with their different core competencies could establish a strategic alliance in order to achieve a synergy and to position themselves as a Competitive company in the market. A comprehensive understanding of Strategic Alliance is presented in Chapter 2.

Indonesia as one of the emerging countries in Asia has attracted many investors from different countries. This includes an attractive investment in the property industry which experienced booming in 1990 and 1994. The property market in Indonesia particularly in Jakarta has experienced a tremendous growth since the last five years. This is due to the rapid increase of foreign direct investment (FDI) inflow to Indonesia.

A Joint Venture as a form of Strategic Alliance is partnership between two parties or more. They may establish either fifty-fifty or unequal equity partnership. This study is to elaborate a 50-50 or an equally equity Joint Venture process between PT. Z and a foreign investor in property development which is often viewed as a problem in voting. The purpose of this study is to elaborate a 50-50 Joint Venture process between PT. Z, a local property developer and a foreign investor. As a guidelines a sequence process of joint venture is provided.

PT. Z is a medium sized property developer which prefers focusing on a niche market. PT. Z has operated a good quality and international standard rental apartment in South Jakarta. It is performing very well in terms of income and occupancy level. PT. Z has also acquired a parcel of land in the Jakarta's CBD area and keeps it for future development. The shareholders of PT. Z have realized that they have a limited capital resources to build the office building. Raising a new loan will not be possible as the company has already a very high leverage. Having considered all factors by using SWOT analysis, PT. Z will use high value of the apartment to seek foreign partner who can bring new equity to the company. PT. Z offers 50% equity partnership to the incoming foreign partner.

The HIC-SEA (Holding Investment Corporation for South East Asia) is a

subsidiary of a large prominent European-based multinational company. The HIC-.SEA is interested in investing in the property market in the region and will manage property portfolio in South East Asia countries including in Indonesia. The HIC-SEA is registered in Bermuda and has chosen Singapore as a regional base operation. <br><br>

A WIN-WiN negotiation could be implemented in achieving a joint venture agreement because both parties will work together for a long term period. Building a foundation for negotiation should be based on similarity of offer/requirements, then moving up to negotiate differences in order to achieve WiN-WiN situation.

There are several key issues in structuring a 50-50 JoInt Venture such as control and managent, buy-sell provisions In relating to a deadlock resolution in the Joint Venture Company. The Joint Venture Company should limit the number of Board of Commissioners and Board of Directors members in order to speed-up the decision making process. Business plan for the Joint Venture Company should be prepared carefully to avoid misunderstanding between the two parties. <br><br>

A summary of the joint venture process is as follows: <br><br>

1. Set-up the objective of doing joint venture <br><br>
2. Do valuation of the subject properties <br><br>
3. Arrange all legal documents such as land thle, building permit, artides of association. <br><br>
4. Do feasibility study for a proposed project and/or prepare property report including investment proposal (e.g. how many percent the shares participation is offered) <br><br>
5. Set-up criteria for the foreign partner(s) <br><br>
6. Prepare the agenda for a WiN-WIN negotiation <br><br>
7. Go through the due diligent process <br><br>
8. Legally binding agreement