

CHAPTER I INTRODUCTION

PT. Bakrie Swasakti Utama (BSU), a business unit of PT. Bakrieland Development Tbk, is a city property developer located in Taman Rasuna Jakarta. In the introduction, profile of PT. Bakrieland as a property holding company, corporate structure of Bakrieland, is written further. BSU company profile is also written explaining business units, corporate values and culture, corporate vision and mission, organization chart and employee profile and issues. Based on issues existing in BSU, then problem formulation, objective and limitation of final project are written.

1.1 Profile of Bakrieland Development Tbk.

PT. Bakrieland Development Tbk, holding company of PT. Bakrie Swasakti Utama, is an integrated property developer that engages in property and property-related development in Indonesia. At first the company was established under the name of PT. Purilestari Indah Pratama in June 1990, changing to Elang Realty in December 1994, before becoming Bakrieland Development Tbk in 1997. As the largest super block developer in the Central Business District in Jakarta, namely with the Rasuna Epicentrum Kuningan, Bakrieland has successfully developed a range of urban properties, residential estates, and world-class hotels and resorts at strategic and prestigious location in Indonesia. All of Bakrieland's project developments emphasize an eco-friendly concept and particularly considers the benefits for local community.

In addition to being a pioneer in the development of the largest superblock in Kuningan, which is the main business area of Jakarta, Bakrieland also has managed to become the largest residential developer in the city of Bogor, namely Bogor Nirwana Residence. The mega residential development area in Sentul strengthens the position of Bakrieland as the largest integrated property developer in the south of Jakarta. Several world-class hotels and resorts have also been successfully developed by Bakrieland, which reinforce and support Bakrieland's revenue growth. All of Bakrieland projects are developed with the concept of eco-friendly and provide benefits to the surrounding community. Bakrieland is also one of the biggest property companies in Indonesia based on assets and equity with the value reaching up to Rp15.2 trillion and Rp7.3 trillion on 31 December 2012. With diversified business portfolio and the extensive strategic

land bank, Bakrieland will continue to grow in line with the projects developments in the coming years.

Synergizing strengths and accelerating growth are Bakrieland's focus in 2012. Priority is given to activities that promote further synergy between the parent company and business units. Aside from reassessing the corporate vision and mission, Bakrieland has strengthened the organizational structure and improved the management system in order to boost operational management performance to be more market-oriented which in turn shall lead to more dynamic business operations. The business model, designed to attain stated vision and mission, has refocused on its core business in the development of integrated properties. By synchronizing all Company strengths and potentials, Bakrieland hopes that this will contribute to ensure the sustainable growth of the Company. With a sound financial profile, diversified business portfolio and large and strategically placed land bank, Bakrieland will continue to flourish in line with its project developments in the years to come PT. Bakrieland Development Tbk has 3 property business units i.e., City Property, Landed Residential and Hotel Resort .(bakrieland.com, 2013). City property profile will be explained detail below.

1.2.1 Landed Residential (PT. Graha Andrasentra Propertindo)

Landed Residential is the part of Bakrieland's business units specifically dedicated to the management of integrated residential projects. Consistently bringing its integrated concept to the fore, Bakrieland ensures that its Landed Residential projects are complemented with all the necessary supporting facilities that make these residential estates an inclusive and independent 'one-stop living destination'. Furthermore, Bakrieland's stands firm by its commitment to create a quality environment by adopting the eco-city concept, where its residential areas offer a comfortable and energy-efficient living environment that harmoniously blends with the natural surroundings.

Landed Residential to date has developed and manages 3 housing areas in Bogor, Batam and Sentul through PT Graha Andrasentra Propertindo (GAP) and 2 subsidiaries, PT Mutiara Permata Biru (MPB) and PT Bukit Jonggol Asri (BJA). All residential property projects are strategically located and easily accessible, thus products marketed by Landed Residential have consistently received positive responses from the public. In 2012, BJA managed to boost

operations through the development of the Sentul Nirwana (SeNa) project, bringing in a large income contribution for GAP. Enabling factors that supported this rise in income include heightened consumer trust towards SeNa, competitive pricing of SeNa products, substantive on-site progress, effective product promotion and optimal delivery of consumer services.



Figure I.1 Aston Hotel Bogor

Source : PT. Graha Andrasentra Propertindo, 2013

In addition, the Jungle Water Park in Bogor Nirwana Residence (BNR) in 2012 for the third time was honored with the ‘Top Brand Award 2012’ for the waterpark category, and earned recognition from the Ministry of Tourism and Creative Economy (national scale) for having the third ‘cleanest public restroom facilities’ for the waterpark category. Jungleland in SeNa which will begin operations in 2013 is expected to attract more than 3 million visitors each year. Furthermore, Aston Bogor in 2012 posted the highest revenue and profit among Aston hotels across Asia in the Archipelago International network.

1.2.2 Hotel and Resort (Bakrieland Hotel & Resort)

Bakrieland Hotels & Resorts (BHR), one of Bakrieland's business units, is a leading property company involved in the development and management of international-caliber hotels and resorts. BHR projects are dispersed in the most strategic locations across Bali, Lampung and East Kalimantan. Several hotels and resorts, owned and managed by BHR, include Pullman Bali Legian Nirwana in Kuta, Bali and Nirwana Bali Resort in Tanah Lot, Tabanan, Bali; Grand Elty Singgasana in Tenggara; and Grand Elty Krakatoa in Kalianda, Lampung. Consistent with Bakrieland's unswerving commitment to create quality environments, all hotels and resorts under BHR management are meticulously developed in keeping with the green architecture and green operation concept.



Figure I.2 Bali Nirwana Hotel - Tanah Lot

Source : PT. Bakrieland Hotel and Resorts, 2013

In 2012, tourist excursions have been an upward trend, both by domestic and international visitors. Destinations are also more dispersed, no longer are they centralized in Bali but have fanned out to other equally fascinating regions throughout Indonesia. Cognizant of this trend, in 2012 BHR not only paid attention to the development of hotels and resorts in Bali, but also concentrated on scaling up promotional efforts and upgrading the service quality of hotels and

resorts in East Kalimantan and Lampung. Furthermore, since 2010 BHR is responsible for the operation of the Al-Saraya Bakrie chain of hotels in Mecca and Medina through its subsidiary, PT Bakrie Bangun Persada (B2P).

1.2.3 Corporate Structure of Bakrieland Development tbk

From the below figure, Bakrieland Development tbk has majority ownership of some construction/property developer companies (light green color):

1. Bakrie Swasakti Utama (69,62% ownership). Under PT Bakrie Swasakti Utama, there are four business's units, i.e.: PT. Bakrie Pesona Rasuna, PT. Rasuna Residence Development, PT. Provinces Indonesia and PT. Graha Multi Insani. PT. Bakrie Pesona Rasuna operates Plaza Festival and Elite Club, PT. Rasuna Residence Development operates hotel under the name Aston Rasuna, PT. Provinces Indonesia is property management company and PT. Graha Multi Insani in developer company for Jogjakarta area.
2. Bakrie Nirwana Semesta, 99,99% ownership.
3. Graha Andrasentra Propertindo, 99,97% ownership
4. PT. Bakrie Pangripta Loka, 99,99 % ownership.

Other business units are:

1. General trading and services, property management (dark green color)
2. Construction and agriculture (blue color)
3. Hotel and tourism. (brown color)

As a holding company of property businesses, Bakrieland always review financial unit business performance monthly. Several programs businesses always align with holding company. CSR (corporate social responsibility) program, corporate branding and promotion, and risk management program. Annual budget of business units must be approved and reviewed by Bakrieland and usually holding gives guidelines of making annual budget. Business units operation is not interferred by holding company.

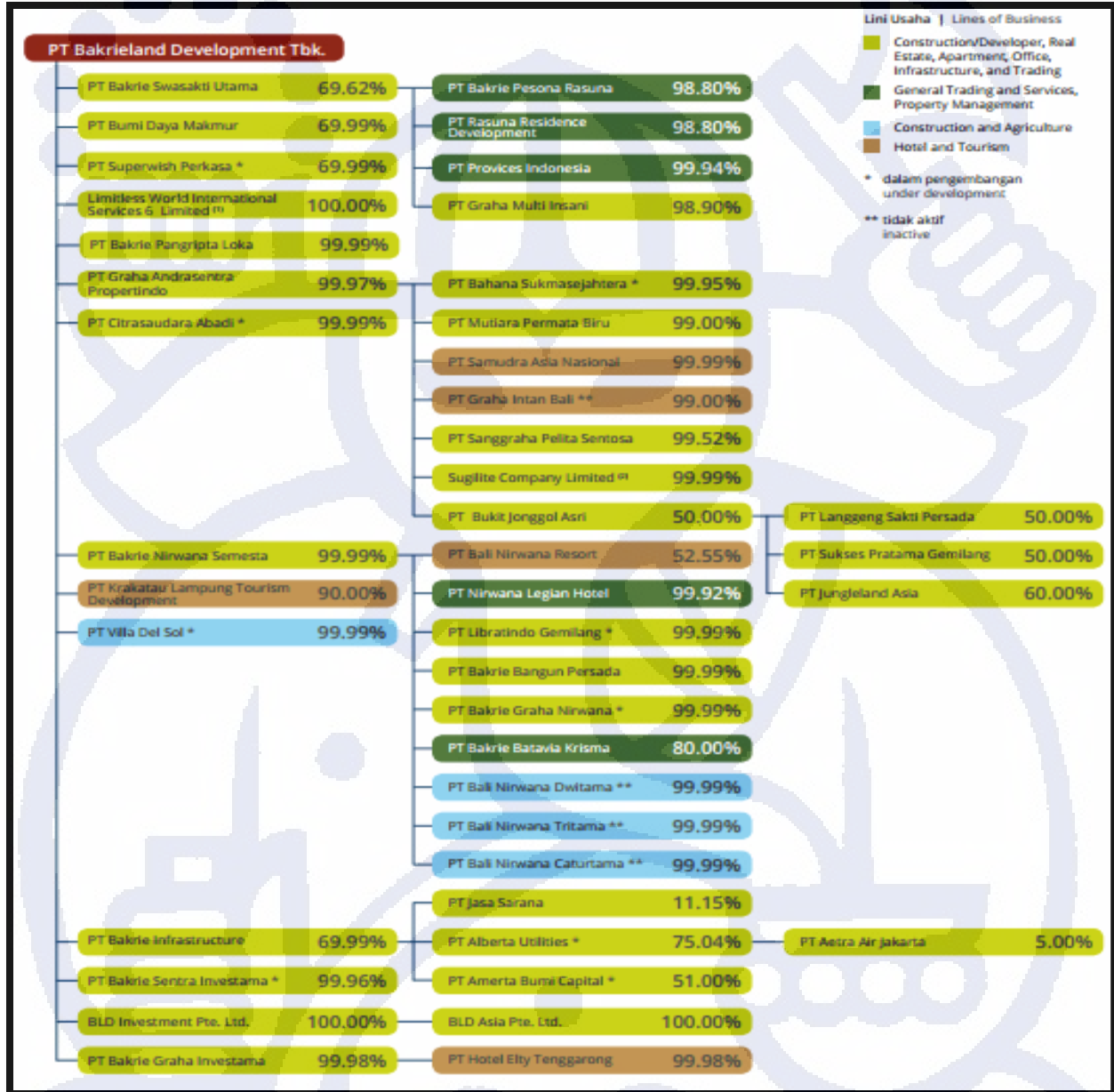


Figure I.3 Holding Corporate Structure

Source : PT. Bakrieland Development tbk, 2013

1.3 City Property - PT. Bakrie Swasakti Utama

City Property is Bakrieland business unit involved in the development of vertical residential properties that adopt the superblock concept. City Property merges its residential and commercial properties (office, hotel and shopping centers) in an integrated manner, complete with supporting facilities such as fitness centers, places of worship and educational institutions.

This business unit is managed by PT Bakrie Swasakti Utama (BSU) . BSU manages city property projects of which most are located at the Rasuna Epicentrum superblock, Kuningan, South Jakarta. With 53.5 hectares of land, City Property has captured a 22.4% market share of available apartments on offer in the CBD Jakarta.

1.3.1 City Property Business Units

City property has some business's units in Taman Rasuna area and Jogjakarta. The units are:

- **Rasuna Epicentrum**

The Rasuna Epicentrum project is managed by PT BSU and encompasses The Grove Suites and Condominium, The Wave condominium, Bakrie Tower, Epicentrum Walk and Plaza Festival. BSU made tremendous strides in 2012, including the completion of The Wave Coral apartment block and handing over of several apartment units, the ground breaking of The Wave Ocea Condotel construction and the topping off of The Grove Masterpiece & Empyrean. To anticipate growing competition among high rise building developers, BSU in managing the Rasuna Epicentrum project has employed diverse marketing strategies, including promotional events by organizing exhibitions at locations conducive for BSU's target market; launching of events at project locations to draw interest from prospective buyers; intensifying promotion through banners and billboards in strategic locations and through national and regional media outlets; improving the quality of sales force by providing various training courses; new product launchings according to market needs; and providing regular progress updates of projects to buyers and potential buyers. In addition, BSU's unfailing commitment to ensure timely construction completion and project delivery has undeniably brought about positive impact for Rasuna Epicentrum.

- **Bakrie Tower**

Bakrie Tower is the highest strata office building in Jakarta with 47 floors standing at a height of 215 m. Saleable area covers 41,786 sqm. This building has earned the OHSAS 18001:2007 and ISO 9001:2008 certifications, and is currently in the process of securing the ISO 14001:2004 certification. Bakrie Tower is also applying for the Green Building certification from GBCI (Green Building Council Indonesia) for the Existing Building category.



Figure I.4 Bakrie Tower at Rasuna Epicentrum

Source : PT. Bakrie Swasakti Utama, 2013

- **The Grove Condominium & Suites**

The Grove Suites is a premium five-star hotel whose construction planned to be completed in at the end of 2013. This twelve-storey condotel covers a total saleable area of 10,674 sqm and is scheduled to commence operation by middle of 2014 under the management of Aston International. The Grove Condominium accommodates 440 apartment units and adopts the ‘sanctuary in capital’ concept targeting the upper-middle class segment. The Grove Condominium comprises of 2 (two) towers – The Grove Emyreal and The Grove Masterpiece – consisting of 32 and 35 floors respectively.

- **Epicentrum Walk – Lifestyle and Entertainment Center**

This entertainment and office complex offers 28,183 sqm of saleable/leasable area. Epicentrum Walk applies a semi-outdoor concept ingeniously synchronized to support the overall concept that Rasuna Epicentrum embraces as a lifestyle and entertainment hub. This seven-storey

building consists of 3 floors for commercial/F&B purposes through a leasing scheme and 4 floors reserved for strata office suites. Its grand opening was launched in December 2011 and now has 92.8% occupancy rate. This building has also gained the OHSAS 18001:2007 and ISO 9001:2008 certifications.

- **The Wave at Rasuna Epicentrum**

The Wave features a nine-tower condominium complex built to serve the ‘spirit for a better living – greeneration’ concept intended for the middle market segment. With an eco-friendly architectural design, The Wave has a unique configuration erected on a 38,228 sqm plot of land. The condominium towers have a heights between 10 to 40 floors, offering a total of 2,621 units.

- **Wisma Bakrie 1**

Wisma Bakrie 1 managed by PT ProVices Indonesia, is an eight-storey office building with 11,410 sqm of leasable area located in Jakarta’s Kuningan business district. With an occupancy rate of 98% in 2012, the building has consistently contributed to Company revenues.

- **Wisma Bakrie 2**

Similar to Wisma Bakrie 1, Wisma Bakrie 2 is also managed by PT ProVices Indonesia. Wisma Bakrie 2 consists of 18 floors of office space located adjacent to Wisma Bakrie 1. It has 18,999 sqm available for lease and is operated through the Build, Operate and Transfer (BOT) scheme for 25 years in collaboration with the National Development Planning Agency (Bappenas). Three floors are reserved for use by Bappenas, while the remaining levels are mainly occupied by companies under Bakrie Group.

- **Aston Rasuna Hotel & Residential**

Aston Rasuna Residence has been established since 2004. Located within the Taman Rasuna apartment complex in Kuningan, the building consists of two towers serving distinct functions. Tower A accommodates 224 serviced apartment units and strata hotel, while Tower B offers 226 residential condominiums. In 2010, a function room was developed as an additional facility to serve residents in both towers. Aston Rasuna Hotel & Residential is under PT. Rasuna Residence Development.

- **Plaza Festival**

Plaza Festival is a transformation of the existing Pasar Festival, a shopping complex adjoining the Sumantri Brodjonegoro sports arena located in Kuningan, Jakarta. Established since 1995, total leasing space owned by Pasar Festival covers a total area of 13,332 sqm. Pasar Festival is operated through a joint management scheme with the DKI Jakarta provincial government for the duration of 48 years.

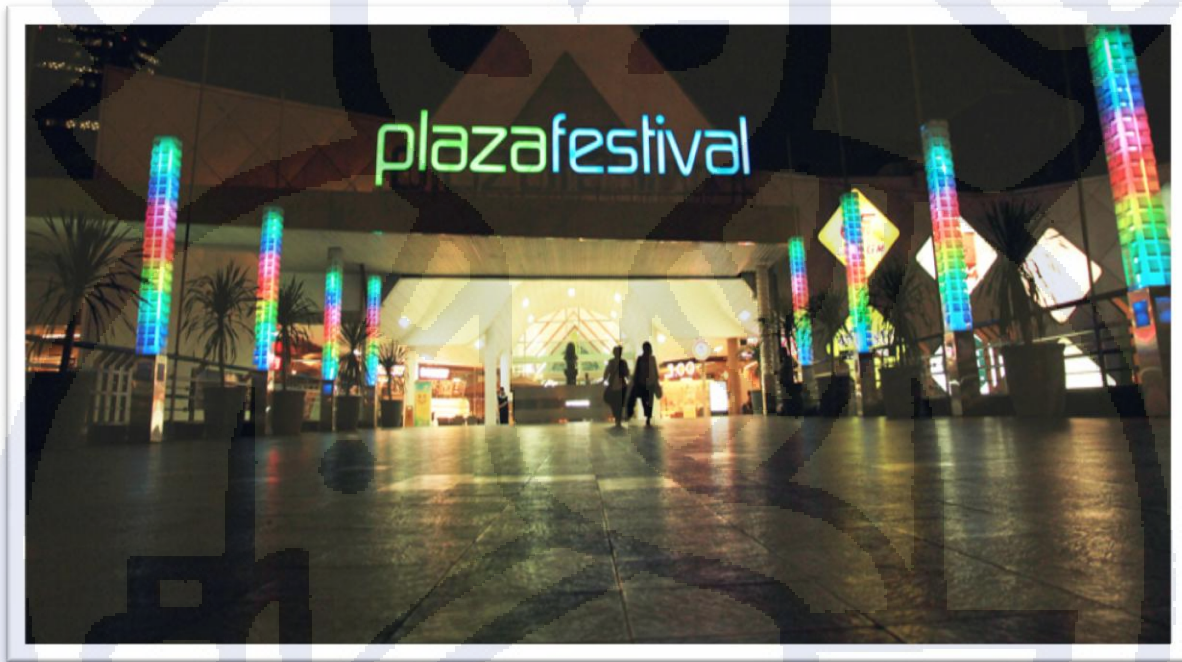


Figure I.5 Plaza Festival at Rasuna Epicentrum

Source : PT. Bakrie Swasakti Utama, 2013

- **Elite Club Epicentrum**

This fitness center was previously known as Gold's Gym Elite Rasuna operated by Gold's Gym International. It is now self-managed by the Rasuna Epicentrum management and consistently embraces the comprehensive fitness and wellness concept for all family members. The club currently occupies two floors covering 5,215 sqm and outfitted with a complete range of facilities, including tennis courts, futsal pitches, squash courts, swimming pool, gym area, children's play arena, lounge and restaurant. Augmenting the club with additional sports equipment and attractive programs has helped expand membership at Elite Club Epicentrum. By

December 2012, the club caters to 2,555 members, an downward trend compared to December 2011 with 2,912 members.

- **Rasuna Office Park**

The Rasuna Office Park (ROP) was developed in stages from the year 2005. Phases I and II of the construction process were completed in January and December 2006, while phase III was finalized in January 2008. Rasuna Office Park is under the management of PT ProVices Indonesia. Occupancy rate for ROP reached 100% (office and retail space) with leasing area 3,945.2 sqm.

- **The 18 th Residence Taman Rasuna**

The 18 th Residence Taman Rasuna is distinctively designed to meet the needs of the upper-middle class segment for quality residence in the heart of the city. Established on a 5,000 sqm piece of land within the Taman Rasuna complex, this residential compound houses 2 towers, each with 32 floors. The 750 available units consist of one or two-bedroom apartments. Facilities accessible to residents include a two-storey parking area, fitness facilities and commercial units. Under the management of PT ProVices Indonesia, the apartments were completed by the end of 2007 (bakrieland.com, 2013).

1.3.2 Corporate Values and Culture

BSU Corporate values and culture follows Bakrieland Development tbk values and cultures. Corporate values are:

- Integrity: Always upholding the value of honesty, loyalty and objective it.
- Innovative: Always proposing new ideas to win over business competition.
- Responsive: Sensitive to the customers' needs, reacting rapidly and properly.
- Discipline: Tenacious at work.
- Networking & Teamwork: Extending networks and strengthening collaboration.
- Adaptive: Able to follow developments in the business world.
- Respect each other: Following the values of humanity.

while corporate cultures are:

- Entrepreneurship, Togetherness, and Professionalism.

- Excellent Service Quality.
- Innovation.

1.3.3 Corporate Vision and Mission

Vision and mission PT. Bakrie Swasakti Utama always alligns with Bakrieland Development Tbk as a holding company. As stated in annual report, the corporate vision is to be a leading integrated property company in Indonesia. The vision can be described as follows:

- Leading means to reach a position as a leading company in Indonesia based on the size of the revenue, net profit, and assets.
- Integrated means seamless relationship between products that are cemented under a master plan.
- Property means company's core business is property.
- In Indonesia means the location of the company's business focus is Indonesia.

The corporate mission is delivering integrated quality living products for the nation that leverage our competencies and development partners in a way that upholds financial and environmental sustainability. The mission can be described as follows:

- Delivering: We deliver OTOBOS (on time, on budget, on specification) project.
- Integrated: Seamless relationship between products that are cemented under a master plan.
- Quality living products: company creates safe, vibrant, stimulating & eco-friendly places to live, work and play through quality of concept & product, quality of design, quality of execution, quality of financial management, and quality of estate management.
- For the nation: We make an active contribution to the achievement of the socio- economic development goals in Indonesia.
- Leverage our competencies: Utilize our distinctive competencies (people, process and technology) include trend spotting, city planning, and integrated project management optimally.
- Development partners: Together we are able to do more and better with our selected partners to enhance and expedite our development time table.
- Financial sustainability: The purpose of management value creation is to sustain the financial viability of the enterprise.

- Environmental sustainability: To be a green company and our projects will enhance the surrounding environment for future generations.

From the above vision and mission, several points are regarded as a guidance for sustainable corporation i.e. leverage corporate competencies, development partners and financial and environment sustainability.

1.3.4 Organization Structure

Organization structure of the company is shown below. At the present company has 3 directors and 6 chiefs level. Board of directors duties are spelt out in the corporations act and chiefs duties is to handle their of work depending on its position but are not spelt out in the corporation act. Chiefs report directly to board of director and supervise division heads.

In city property business, company requires some specific core competencies as drawn in the below organization chart. The Core competencies required are:

1. Business Development

This directorate is responsible for developing property products and financial calculation.

2. Building Construction

This directorate is responsible for building construction (schedule and quality) as designed by business development.

3. Property Management

This directorate is responsible for operation management of the property.

4. Sales and Marketing

This directorate is responsible for selling property, marketing and promotion programs.

While supporting competencies are:

1. Finance and Accounting

This directorate is responsible for financial and accounting of the company.

2. Human Resources and Support

This directorate is responsible for human resources and supporting (legal, IT, and risk management).



Figure 1.6 BSU Organization Structure

Source : PT. Bakrie Swasakti Utama, 2013

1.3.5 Employees Profile

Bakrie Swasakti Utama has 590 employees from staff level until board of directors with different education back ground. The composition of employees can be seen below. In Table I.1 shows that most of employees are in non staff level to supervisor level.

**Table I.1 BSU Employees Figure Based On
Level**

No.	Level	BSU	
		Number	%
1	BOC		
2	BOD	4	0.7%
3	Sr. Management	4	0.7%
4	Management	83	14.1%
5	Supervisor	106	18.0%
6	Staff	140	23.7%
7	Non-Staff	253	42.9%
Total		590	100.0%

Source : PT. Bakrie Swasakti Utama, 2013

In Table I.2 shows composition employees based on education background. Education composition are dominated from SMU (senior high school) and S1 graduates. Only a few from SD (elementary school) and S2 graduates.

**Table I.2 BSU Employees Figure Based On
Education Background**

No.	Education Background	BSU	
		Number	%
1	S3		
2	S2	8	1.4%
3	S1	229	38.8%
4	Diploma	105	17.8%
5	SMU/SMK	216	36.6%
6	SLTP	25	4.2%
7	SD	7	1.2%
Total		590	100.0%

Source : PT. Bakrie Swasakti Utama, 2013

1.3.6 Business Issue of City Property

During company operation from 2012 to August 2013, several corporate and business performances reported as follows:

1. Some land banks in Taman Rasuna have already been sold to third parties in 2012 and 2013 i.e.: 55,000 sqm was sold to PT. Sinarmas Land to be built for apartment. 30,000 sqm was sold to PT. Triyasa to be built for office tower. 51,000 sqm was sold to PT. Pertamina to be built for office tower 4,800 sqm was sold to Depkeu (LKPP) and 1,849 sqm was sold to BCA. Total land bank sold to third party is 142,649 sqm. This land sales influenced a lot to the performance of the company. Management PT. Bakrie Swasakti Utama was not able to hold those assets while it was mandatory action from holding company. Existing land bank and current project are:
 - 6,363 sqm located in Taman Rasuna Area. This area will be built as apartment, predicted sales IDR 1.2 trillion for 4 years sales plan.
 - And 3,857 sqm located on Jl. Sardjito Jogjakarta. This area will be built for apartment,, condotel and commercial with total predicted revenue IDR 160 billion.
2. Existing apartments inventory is 9,351 sqm (341 units) in Coral Sand Apartment in Taman Rasuna, 2,228.2 sqm (74 units) in Awana Condotel Jogjakarta and 540 sqm(6 units) in Awana Town House Jogjakarta . Room space available for rental is 5,441 sqm from total area 52,995 sqm located in several building in Kuningan Jakarta area.
3. Other company revenues are from: Office rental in Wisma Bakrie I, Wisma Bakrie II, Ransuna Office Park in Taman Rasuna, Business Unit (commercial rental in Plaza Festival, Epiwalk, Sport Center in Taman Rasuna Area) and service charge from property management . This revenue only contributes 15% of the total company sales and regarded as recurring income. This revenue is not sufficient to cover total corporate operation cost.
4. Financial Performance. With the existing profit doesn't guarantee cash flow performance. Revenue stream majority is still from apartment unit sales. Property management services contributes as recurring income for a small numbers. During 2013, BSU has sold some land banks and contributed dominantly to corporate revenue (73%).
5. Effect of Bakrie Groups. Bakrie Group consists of several business with different concentration e.g. Bumi Resources (coal mining), Energi Mega Persada (Oil and Gas Company), Bakrieland Development (property holding company of Bakrie Swasakti

Utama), Bakrie Telkom, Bakrie Sumatra Plantation, Bakrie Pipe. Those companies will be influenced one another. Figure Bpk. Nirwan Bakrie (owner) drives grand policy of all Bakrie groups.

6. Man Power. Bakrie Swasakti Utama employees consist of some engineers (architects and civil) that expert in high rise building construction. Employees are regarded as corporate asset. This asset is able to leverage other revenues.
7. Strong position in operation, building services and high rise building construction. Bakrie Swasakti Utama has expertise in city property developer especially in developing Taman Rasuna. Company has been building some high rise buildings in Jakarta and Jogjakarta. And also BSU has already received two (2) certificates from SGS : ISO 9001:2008 system of quality management focusing on customer satisfaction and OHSAS 18001:2007 for certification of health and safety management.

From the above evidences, it will cause some corporate effects i.e.:

1. Due to un sufficient land bank to develop, gross margin will not cover total operational cost, then company will go illiquid and bankrupt.
2. Tag line of high rise building developer (city property developer) will not match with the current condition.
3. BSU has to redefine corporate strategy in order to make company sustain by leveraging existing company resources and competencies.
4. The group effect sometimes disturbs financial policy and strategy that can have negative performance to vendors or third parties.

Based on property business climate, BSU current condition in which company has sold some land banks, lack of financial performance (liquidity), strong in property competencies and experience, human resources as one of company asset, and effect of Bakrie group as a whole corporate image then forces PT. Bakrie Swasakti Utama to formulate new strategy to search for competencies that lead to sustainable competitive advantage.

1.4 Problem Formulation

For finding solution due to business issues of the company, then the problem formulation are determined as follows:

1. How is the external and internal condition of PT. Bakrie Swasakti Utama affecting to company performance. External condition is viewed from macro economy condition and industry competition. Internal condition is viewed from existing resources of the company.
2. How can PT. Bakrie Swasakti Utama achieve positive economic value added (EVA). EVA is one of tools to measure financial performance.

1.5 Objective of Final Project

Referring to problems formulation existing in BSU, then the objective of the final project are:

1. To formulate business strategy to improve company performance.
2. To propose potential strategies to make EVA positive.

1.6 Limitation of Final Project

The limitation of the final project is business strategy proposed to PT. Bakrie Swasakti Utama as city property company. The data is taken from current condition of the company and was taken from June 2013 until November 2013. Research location was taken from several places in Jakarta, Bandung, Jogjakarta and Sidoardjo. All data has already validated to Chief Executive Officer, Chief Business Development Officer and Chief Human Resources and Support Officer of PT. BSU.