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## **INORGANIC BUSINESS STRATEGY AT PT ANGKASA PURA PROPERTINDO AS SUBSIDIARY PT ANGKASA PURA II (PERSERO)**

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### **Abstract**

Angkasa Pura II as Airport operator has done strategic planning and efforts to ensure success on the achievement of the set targets with its growth strategy and one of its strategy drives from its subsidiary. PT Angkasa Pura II(Persero) as parent company of PT Angkasa Pura Propertindo gave a mandate of developing its business to support the parent company which has a corporate profit decline in 2018. In running its business development, PT APP must consider the synergy value of the AP 2 group, with its business portfolio property management and property development. How is the implementation of the strategy that must be done, from the results of external and internal analysis quantified from the SWOT analysis of the company's position in the fourth quadrant (diversification) with the criteria for achieving optimal results with minimum time or as fast as possible (quick yield). PT APP will perform an inorganic strategy in a way acquisition is well operated in the hotel business near the airport with criteria; ownership, company's business size, in-line with existing business portfolio, group synergy and complexity. Quick win of this acquisition is a short-term objective followed by integration with existing business that has been run in order to become a sustainable business and provide profit for the company.

**Keywords:** Strategic Planning, Subsidiary, Synergy Value, Business Portfolio, Inorganic Strategy & Acquisition.

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### **1. Introduction**

The responsibility of PT Angkasa Pura II (APII), as a state-owned enterprise are operating and managing western airports including Soekarno-Hatta, recently completed construction of a third terminal at the facility. The Rp4.7 trillion (\$354.3 million) project added 422,804 square meters of space to the airport's existing operations, and offers 10 international gates, 18 domestic gates, a sky train to shuttle passengers between terminals, and new retail and hotel space. Known as Terminal 3 Ultimate, the facility opened in August 2016 and can handle an additional 12 million passenger per year, with capacity slated to rise to 25 million upon completion of later stages of construction. Improved national economic growth has a positive impact on the company. Based on the condition, Angkasa Pura II has done strategic planning and efforts to ensure success on the achievement of the set targets with its growth strategy and one of its strategy drives from its subsidiary. Angkasa Pura II previously was a public company by the name of Perum Pelabuhan Udara Jakarta Cengkareng founded through Government Regulation No. 20 year 1984, and then on May 19, 1986 through Government Regulation No. 26 year 1986 was amended to Perum Angkasa Pura II. Afterwards, through Government, Angkasa Pura II (AP2) became a state-owned enterprise (SOEs) which operates 15 airports mostly in the western region of Indonesia on March 17, 1992. Angkasa Pura II track records over 32 years has

shown remarkable business progress and improvement in the airport service business through the addition of various facilities and infrastructure as well as improvement of service quality of the airports under its management. In line with the establishment of subsidiaries is to sustain the growth of the parent company or Angkasa Pura II group. Based on the results of the comparison between the realization of AP II year 2017 and 2018, there was a decrease in the net profit target of 5,4% or negative correction from Rp 2.01 Trillion to Rp. 1.9 trillion in 2018. To increase the revenue projection in 2019, a potential new source of income is needed from the development of aero and non-aero businesses that can be a positive catalyst for the increase in the company's net profit the following year, one of which is through an inorganic business run by a subsidiary. PT Angkasa Pura Propertindo as subsidiary PT AP2 received an assignment from the parent company to manage the hotel, both around the airport which PT Angkasa Pura II is managing it and hotels that are outside the Airport area.

Based on the problem described above the basis research are, what the PT Angkasa Pura Propertindo inorganic business strategy that can be implemented to enter hospitality industry around the airport especially in Soekarno-Hatta Airport to reach the target of the company and how to execute the strategy that can add business portfolio and could gain revenue/ boost revenue to make the target achieve as a whole of Angkasa Pura II Group. The scheme of inorganic business strategy that can be implemented to obtain the objective of the corporate very crucial, so from this study the kind of inorganic business strategy such as acquisition, merger or strategic partnership have to be chosen the appropriate one, the step of implementing the strategy and integration phase after execution the strategy.

## **2. Conceptual Framework**

Formulating the activities and strategy for the company, it is required to know about the external environment factors that show its competitive position and internal environment factors that show its competitive strength, then align them with company's vision and mission. Based on the conceptual framework, strategy formulation process is started with the analysis of company external environment using General Environment, Industry Analysis, and Competitor Analysis. General environment is used to identify the general condition that consists of demographic segment, economic segment, political/legal segment, sociocultural segment, technological segment, global segment and physical environment segment that provide challenge and opportunity that can affect the company's performance. Besides that, Porter Five's Forces is used to identify the competition level of a company in the industries or we could say it Industry analysis and in the last of external environment analysis is competitor analysis.

After the analysis of the external environment, we then proceed with internal environment analysis which will focus on finding and exploring the strength and weakness of the company.

## **3. Methodology**

The qualitative methodology is used in this journal by using interview with senior leader and related business function in PT Angkasa Pura Propertindo and PT Angkasa Pura II as the parent company. The purpose of qualitative method is to understand the phenomena that want to be analyzed. Qualitative methods facilitate study of issue in depth and detail, approaching fieldwork without constrained by predetermined categories of analysis contributes to the depth, open and detail of qualitative inquiry (Patton, 2011, p. 14).

## **4. Data Collection and Analysis**

This analysis will be conducted by using resources capabilities and value chain analysis, and to know about this internal condition by interviewed with senior leader of PT Angkasa Pura Propertindo. The result of the analysis from company external and internal environment will be summarized using SWOT analysis. The central purpose of the SWOT analysis is to identify

strategies that align, fit or match an organization's resources and capabilities to the demand of the environment in which the organization competes.

The study then continued with business formulation stage, that have been made from the identification strategy from the step before and the next step will be conducted test of the strategy to explore and analyze the strategy will be aligned with company vision and mission and appropriate to be implemented.

The last stage of this study is the conclusion and implementation plan. The details of the implementation plan, step of action and who would be in-charge or related parties that will be ensured in this strategy well implemented in the next step.

### **Analysis of Business Situation**

The initial step of this study as described in conceptual framework is the analysis of the company business condition both through external and internal environment analysis, used as a basis in describing the current condition of the Company. Internal conditions can explain the strengths and weaknesses of the company while the analysis of external conditions illustrates the opportunities and threats faced by the company. The next sub section will describe external environment analysis and then followed by internal environment analysis in PT Angkasa Pura Propertindo.

### **External Environment Analysis**

External analysis will examine all the factors that exist outside the company but these factors which will directly or indirectly affect the company's performance, external factors consist of opportunities that can be taken by the company to develop or expand the business on the other side also external analysis consists of competitors, technological also be another factor to consider or even a political situation. This factor will affect the optional strategic steps that will be taken by the company.

### **General Environment Segments Analysis**

**The demographic segment** is concerned with a population's size, age structure, geographic distribution, ethnic mix, and income distribution. Demographic segments are commonly analyzed on a global basis because of their potential effect a cross countries borders and because many firms compete in global market. (Hitt, et al, 2016, p.45).

Soekarno Hatta Airport is in the city of Tangerang and this area is also close to the national capital, Jakarta. The population of Tangerang City continues to experience increase every year with growth rates amounting to 2.48%, based on data from the Central Bureau of Statistics, the population City of Tangerang in 2017 was in 2,139,891 people, consisting of 1,091,787 men and 1,048,104 women. Total of 100,059 inhabitants of the city of Tangerang are located at Benda Subdistrict, representing approximately 4.7% of total population. From the data above, the location of Soekarno Hatta Airport is very strategic for business property development and from the total population surrounding this area make this as potential market both from work force and market share.

**The economic factors** include the external analysis from macroeconomic indicators that can affect the company's business strategy. As the subsidiary of State Owned Enterprise company PT Angkasa Pura Propertindo. Some of the factors are inflation rate, growth rate, and interest rate. Based on data from Bank Indonesia, GDP growth in Indonesia has experienced a steady growth in 2011 and 2012 at around 6% before economic downturn from 2013 to 2015 drop from 5,6% to just below 5%. Indonesia's gross domestic product (GDP) expanded by 5.18 percent year-on-year (yoy) in the fourth quarter of last year, Statistics Indonesia (BPS) announced on Monday, bringing the overall growth for last year to 5.17 percent, the highest annual expansion since 2013, when the economy grew by 5.56 percent, Government spending, meanwhile, was booked

at 4.56 percent yoy in the fourth quarter of 2018, higher than the 3.8 percent recorded over the same period in 2017. From economic segment this can be issued as threat, but also can be as opportunity, we could say it as threat about the global instability but also opportunity in the other side about consumer confidence.

**Political/ Legal Segment** factors include political policies, including the extent to which a government intervenes in the economy. In Indonesia the political situation relative conducive although in April 2019 has been held General Election to choose President and legislative member but as we know PT Angkasa Pura II is SOE's company it means the government's role is very close to the direction of company policy while PT Angkasa Pura Propertindo itself is a subsidiary of PT Angkasa Pura II (Persero). The optimism in political situation evidenced by the lack of demonstrations that signaled public confidence in the government's ability to undergo general elections. The legal environment captures the official outcomes of the political processes as manifested in laws, mandates, regulations and court decisions, here are the legal factors in property business industry around the airport area:

There are restrictions on the height of buildings around the airport (Ministry of Transportation Regulation KM 44 of 2005).

Restrictions on the use of state-owned assets (SOE's assets in the form of land only for rent):

- The liberalization of the aviation industry with the 2015 AEC and ASEAN Open Sky can increase competition;
- Opportunities for changing regulations regarding outsourcing can affect the company's security business;
- The need for special licensing for the development of the company's business (gas stations, special construction).

**Socio-Cultural Segment** will also affect the company's performance and decisions, sometimes this aspect creates an unstable condition for the company. Sociocultural related to the culture of society, norm, values and also the economic level of society. PT Angkasa Pura Propertindo needs to close with this aspect to ensure that the operation activities will run smoothly without any interruption because it has several implications for company strategy.

Some of the social factors that have to be considered:

- The growth of the middle class and increasing public purchasing power are driving the growth of the airport and property industry;
- The growth of the tourism industry is driving the growth of the airport and hospitality industry and regional development;
- Potential conflicts with surrounding communities in construction and property development need to be addressed with effective cooperation and coordination;
- Uneven quantity & quality of human resources in each region is a challenge for the supply of local labour.

**In the Technological Segment**, staying abreast of the latest technological developments will help company create competitive advantage. Technology continues to be a catalyst for change in all areas of business and industry, and the real estate market is no exception. Today's worker is more mobile and more connected than ever before, which means that businesses can operate anywhere.

Some of technological factors that can influence the development of property business:

- Precast buildings and developments in the full use of prefab technology/ methodology can accelerate and cheapen the construction and property development process;
- Usage of supporting technology (CCTV, high speed elevators, parking systems) to improve the standard of building management services provided;

- The growth of the internet and social media can be used for promotion, expanding networks and increasing customer convenience.

The global segment include relevant new global market, existing market that are changing, studying global segment, a company should recognize that globalization of business market may create opportunities to enter new market as well as threats that new competitors from other economies may also enter their market. As we know, property business and hospitality business have become businesses that become a unity and complement each other so those are the two core competencies owned by PT Angkasa Pura Propertindo.

**The Environment** becomes an issue that arises. All companies must consider the environment in carrying out business activities. Ecological factors concern broad environmental issues such as the natural environment, global warming and sustainable economic growth, some of the issue related to environment such as:

- Increasing environmental issues encourage the development and management of property and real estate that are environmentally oriented (green building);
- Global climate change, weather, volcanic eruptions, smoke from forest fires can affect the number of visitors;
- Natural disaster such as flood, tsunami, earthquake that impact to the shape of the building and the level of security used to prevent casualties.

### **Industry Environment Analysis**

Compared to the general environment, the industrial environment (measured mainly in terms of its characteristics) has a more direct effect on the competitive actions and responses the company takes to succeed. Using the five forces model to determine the nature and strength of competitive pressures in a given industry, as a rule of thumb, the stronger the five forces, the lower the industry's profit potential-making the industry less attractive to competitors. The factors in hospitality industry include:

- High regulated but it still can be fulfilled by industry player;
- High investment but there are some scheme to collect fund;
- Government policy that driven new player to enter this industry;
- Long term investment.

From some factors above could resume barrier to entrant of this industry medium and low to entrance this industry.

Bargaining power of suppliers in this industry considered to be medium this because of the price of material to build some property with relatively the same price and because there are some suppliers provide same quality with different brand. This factor namely:

- The suppliers are not very specialist;
- Switching to another (competitive) product very easy;
- The product very important to buyer.

The bargaining power of buyer tend to high and medium, this can be explained because the microeconomic theory said the supply and demand that the demand reflected the need of buyer or consumer so the price of the property business very dependent to buyer, this costumer that have power:

- Purchase large volumes;
- Switching to another competitive buyer very easy;
- Price becomes more sensitive to customer.

In this business, the threat of substitute product tend to be high because so many choices in property product. The factor includes:



- So many offerings from player in property business;
- Quality of services and quality of product

The intensity of rivalry among competing sellers within an industry tend to high because of so many sellers in this property industry, here are the factors:

- Some players of about the same size; there is no dominant firm;
- Property/hospitality business is a mature industry;
- Companies can grow by taking customers from competitor.

### **Competitor Analysis**

In the hospitality industry, as describe before, which PT Angkasa Pura Propertindo engage in it, focus is in the area of JABODETABEK (Jakarta, Bogor, Depok, Tangerang, and Bekasi) In quarter II-2018 there was an overall supply of rooms the hotel in JABODETABEK is 42,777 rooms with addition of 547 room supplies in the second quarter of the year 2018. High demand for hotel transit in the region Soekarno-Hatta Airport encouraged the emergence development of new hotels with capsule hotel concepts which currently operates at Airport Terminal 3 Soekarno Hatta. Based on the analysis above could identify that hotel market demand in the competition area comes from 3 sources, namely;

First and the most important request is requests from flight transit, where this request gives revenue significant development of hotels in and around the airport.

The two came from the Hajj and Umrah groups identified quite large, for Haij groups and Umrah with lower middle segmentation usually choose 1 to 2 stars hotels as their accommodation, while the middle class on choosing stars 3 to 4.

The third request came from the institution of the government and the private sector with good form for meetings and conferences.

### **Internal Environment Analysis**

Resources, capabilities, and core competencies are the foundation of competitive advantage. Resources are bundled to create organizational capabilities. In turn, capabilities are the source of a firm's core competencies, which are the basis of establishing competitive advantages. The analysis for each category from tangible; financial Resources, the firm capacity to borrow; as subsidiary of PT Angkasa Pura II (Persero), make PT APP easier to get soft loan or short-term loan from parent company, the firm ability to generate fund through internal operations; PT Angkasa Pura Propertindo has been doing its business process and generate revenue business could be an offering to external to invest in it. Organizational Resources, with slim organization structure made PT Angkasa Pura Propertindo restructure its organization to make development of demands to obtain the increase in revenue set out in the company's budget work plan approved by the parent company. The sense of belonging to employees of the company needs to be improved so that it is effective in increasing the performance and growth of the company's business. Physical Resources, the sophistication of a firm's plant and equipment and the attractiveness of its location, this is an advantage for PT Angkasa Pura Propertindo with a portfolio set by the parent company engaged in property management and property development located around the airport environment, especially airports managed by PT Angkasa Pura II. Distribution facilities, the location close to the airport allows the use of cargo facilities by air freight and also accessibility that is easy to reach. Technological Resources, availability of technology-related resources; in the current digital era, the use of technology in all fields is crucial to the development and sustainability of the industry, PT Angkasa Pura Propertindo by using the network owned by PT Angkasa Pura II as the holding company can

offset and even become a force in the use of IT resources. The three primary categories of intangible resources are human, innovation, and reputational.

Capabilities, an integrated & effective employee competency development program is needed to face the challenges and growth of the company, mastery of core competencies and supporters is good enough to improve company performance and growth, based on this in recruiting employees based on competencies needed and carried out continuous evaluation. With the support of company assets with a business process run by PT APP, it creates a pattern of recruitment using the professional hire method for a particular project.

Core Competencies, analysis four criteria sustainable competitive advantage; valuable capabilities, property management and development are a very valuable capability of PT APP, besides building PT APP can also run what has been made, such as the ability to build hotels in physical construction. Rare Capabilities, abilities above are owned by many other companies but in one package, this capability is rarely found in one company, for example; The Adhi Karya construction company is only engaged in the development sector while in the use of the hotel built, it is run by the subsidiary company it formed, Costly to imitate Capabilities; in the merger of these two capabilities, it requires considerable funding and effort, so far PT APP is still building these 2 competencies in order to become the core competence of what really can bring PT APP into a productive company. Non-substitutable Capabilities, substitute products, it is still easy to make because the hospitality industry is an open industry that has many market shares. Value chain analysis of PT APP consists of the primary activities from supply chain management, operation, distribution, sales and marketing, and then service. In supporting its main activities, PT APP created a pattern or system to simplify the operation process such as the procurement of goods by making an MoU with a company providing construction raw materials so that it does not require a long time in providing the required raw materials. For operational hotels using the VHP system in financial statements that can produce data quickly and in accordance with the conditions of the rooms occupied.

### **SWOT Analysis**

From external and internal analysis that has been explained, the simplest and most easily applied tool for conducting in evaluating a company's overall situation is widely known as SWOT,

**Strength**, full support from PT Angkasa Pura II (Persero) as a parent company (direct appointment to take some project in PT AP II, land use of PT Angkasa Pura II, and capital injection from parent company).

**Subsidiaries** of PT Angkasa Pura II (Persero), as an Airport Operator in Indonesia with having scope of work majority in west area of Indonesia (Operate 15 Airport in Indonesia).

**Strong commitment** from top management of PT APP to develop the company as the company will have a lot of current asset cash equivalent for funding based on financial report 2017. -Weakness, high dependency with PT Angkasa Pura II (Persero) as parent company (including the change of policy), lack of competitive advantage (experience, asset, business competency) especially in construction and hospitality industry, limited quality and quantity of HR for business growth, lack of systems, processes and technology to support business development, lack of high-performance cultures and organization.

**Opportunities**, the condition of macro-economic quite good (high economic growth, with inflation tend to decrease, and exchange rate quite stable) those could encourage the business growth. The high traffic of airport passengers can increase the growth of the surrounding hospitality industry. This shows potential as an airport city developer at the airport of PT Angkasa Pura II (Persero), the growth potential of the tourism industry and tourists both

domestic and foreign. **Threat**, instability (crisis) of the world economy can affect the national economy including the property and hospitality industry, threat of competition with local and international hotel operators who have operated around the airport, the increasingly limited availability of land, complicates business development outside of PT APII land, limitation of experts and quality HR in labour market, restriction on the use of state-owned assets (may only rent).

## 6. Result and Discussion

From SWOT analysis PT Angkasa Pura Propertindo coordinate (0,9 ; -0,450, translated to cartesian graph and result showed that the company in quadrant IV, as below.

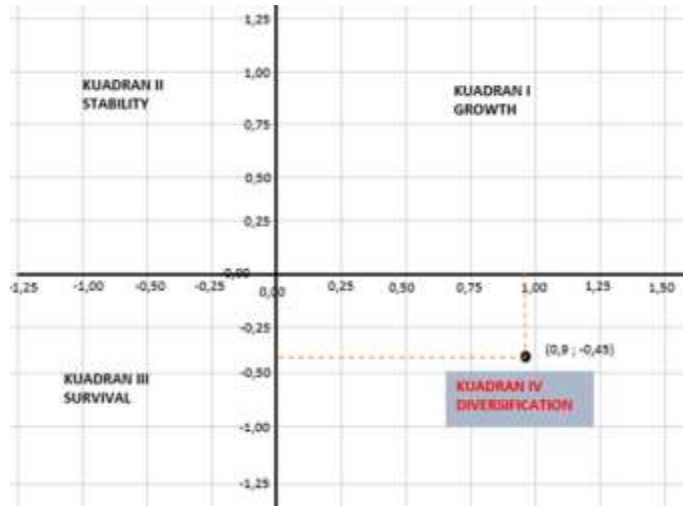


Figure 1. PT APP Position in Corporate

Based on position of PT Angkasa Pura Propertindo above, the corporate strategy in quadrant IV is the diversification strategy related to enter the new market or business opportunity. TOWS matrix is made from SWOT analysis as below:



Table1. TOWS Matrix

	<p><b>Strengths (S)</b></p> <ul style="list-style-type: none"> <li>• Full support from PT Angkasa Pura II (Persero) as parent company (S<sub>1</sub>);</li> <li>• Subsidiary of PT Angkasa Pura II (Persero), as Airport Operator in Indonesia (S<sub>2</sub>);</li> <li>• Strong commitment from top management of PT APP (S<sub>3</sub>);</li> <li>• The company having a lot of current asset for funding (S<sub>4</sub>).</li> </ul>	<p><b>Weaknesses (W)</b></p> <ul style="list-style-type: none"> <li>• High dependency with PT Angkasa Pura II (Persero) (W<sub>1</sub>);</li> <li>• Not yet developed competitive advantage (W<sub>2</sub>);</li> <li>• Limited quality and quantity of HR for business growth (W<sub>3</sub>);</li> <li>• The need to develop systems, processes and technology to support business development (W<sub>4</sub>);</li> <li>• The need to develop high-performance cultures and organization (W<sub>5</sub>).</li> </ul>
<p><b>Opportunities (O)</b></p> <ul style="list-style-type: none"> <li>• The condition of macro-economic quite good for business growth (O<sub>1</sub>);</li> <li>• The high traffic of airport passengers can increase the growth of the surrounding hospitality industry (O<sub>2</sub>);</li> <li>• Potential as an airport city developer at the airport of PT Angkasa Pura II (O<sub>3</sub>);</li> </ul>	<p><b>S-O Strategies</b></p> <ul style="list-style-type: none"> <li>- Operate/develop hotel near the airport (S<sub>1</sub>, O<sub>2</sub>, O<sub>1</sub>)</li> <li>- Build/ develop property resident such as apartment near the airport (S<sub>4</sub>, O<sub>3</sub>)</li> <li>- Sell bundling packages travel tour (S<sub>2</sub>, O<sub>2</sub>, O<sub>4</sub>)</li> <li>- Development airport construction of infrastructure from the airport (S<sub>1</sub>, S<sub>3</sub>, O<sub>3</sub>)</li> </ul>	<p><b>W-O Strategies</b></p> <ul style="list-style-type: none"> <li>- Build strategic partnership with reliable property company (W<sub>1</sub>, O<sub>1</sub>, O<sub>2</sub>)</li> <li>- Acquisition well operated hotel business near the airport (W<sub>2</sub>, W<sub>3</sub>, W<sub>4</sub>, O<sub>2</sub>, O<sub>3</sub>)</li> <li>- Hiring Professional/ Expertise in hospitality (W<sub>3</sub>, O<sub>2</sub>)</li> <li>- Using technology that owned by PT AP<sub>2</sub> to create or marketing hotel business around airport (W<sub>4</sub>, O<sub>3</sub>, O<sub>2</sub>)</li> </ul>
<ul style="list-style-type: none"> <li>• The growth potential of the tourism industry and tourists both domestic and foreign (O<sub>4</sub>).</li> </ul>	<ul style="list-style-type: none"> <li>- Build hotel near the airport in the land of PT AP<sub>2</sub> (S<sub>4</sub>, O<sub>2</sub>, O<sub>3</sub>, O<sub>4</sub>)</li> </ul>	
<p><b>Threats (T)</b></p> <ul style="list-style-type: none"> <li>• Instability (crisis) of the world economy can affect the national economy including the property and hospitality industry (T<sub>1</sub>);</li> <li>• Competition with local and international hotel operators who have operated around the airport (T<sub>2</sub>);</li> </ul>	<p><b>S-T Strategies</b></p> <ul style="list-style-type: none"> <li>- Maintain the customer satisfaction through the facility of hotel (S<sub>4</sub>, T<sub>2</sub>)</li> <li>- Advertising the services that would be given to the customer through PT AP<sub>2</sub> advertising media (S<sub>1</sub>, S<sub>2</sub>, T<sub>1</sub>, T<sub>2</sub>)</li> </ul>	<p><b>W-T Strategies</b></p> <ul style="list-style-type: none"> <li>- Build Joint Venture with property developer around the airport (W<sub>1</sub>, W<sub>2</sub>, T<sub>1</sub>)</li> </ul>

From the results of the TOWS matrix above, it will be explained in more depth related to W-O Strategy; acquisition well operated hotel business near the airport. This strategy is a new thing that has never been done by PT APP, this acquisition strategy is the acquisition of part or all of the ownership of the target company by buying shares or assets of the target company. The reasons used by PT Angkasa Pura Propertindo to use the acquisition strategy; increased market power, overcoming entry barriers, cost of new product development and increased speed to

market, lower risk compared to developing new product, and learning and developing new capabilities.

### Staging of Implementation Acquisition Strategy

**Pre-Execution Stage** the process of determining the object of the company to be acquired must be aligned with the company's long-term plan and set criteria for the hotel targets to be acquired, for hotel criteria that are the object of acquisition by taking into account several criteria as follow;

Table 2 Objects Acquisition Criteria

CRITERIA		DESCRIPTION	WEIGHTING
1	Ownership	Have position as Shareholder Majority	30%
2	Company's Business Size	Consider the scope of the business size	20%
3	In-Line With Existing Business Portfolio	Align with company's existing business portfolio	15%
4	Group Synergy	Will boost PT AP II's group synergy	10%
5	Complexity	Less Complexity	25%
<b>TOTAL</b>			<b>100%</b>

After the criteria as specified above, the next step is to screen, longlist and then shortlist the target or object of the acquisition with justification; The hotel acquisition supports PT AP II's Adjacent Business Optimization Program and is in line with PT APP's business portfolio, Purchase of majority shares of hotel companies (minimum share 51%), the purchase of hotel assets includes the acquisition of the company, business analysis of the proposed hotel location can support the operations of PT AP II (location options near the airport or in Central Jakarta as the BOD Satellite Office of PT AP II)

With a PT AP II Capex value of IDR 350 billion it is possible to obtain more than one object of acquisition of the company / hotel assets (revenue target 2019> IDR 25 billion). Risk analysis of a long process bureaucracy can be mitigated by issuing PT AP II Directors' Regulations on Inorganic Business Guidelines & granting authority to the PT AP II Strategic Investment Team Unit and decision recommendation about appointment of a Due Diligence consultant who will evaluate the legal, valuation, financial, tax and other relevant aspects on the basis of the acquisition decision.

**Execution Stage**, for the execution phase of the results of the shortlist that has been carried out at the Pre-Execution stage after the selected hotel object to be acquired is approached by the company through the making of a Letter of intent, MoU / NDA. The implementation of Due Diligence which is of the essence in the acquisition execution process is carried out accompanied by a consultant who will accompany this process. As for the aspects that will be the assessment that determines whether the acquisition process will continue, namely the business, operational, legal, tax and accounting aspects and other aspects related to the company's performance to be acquired.

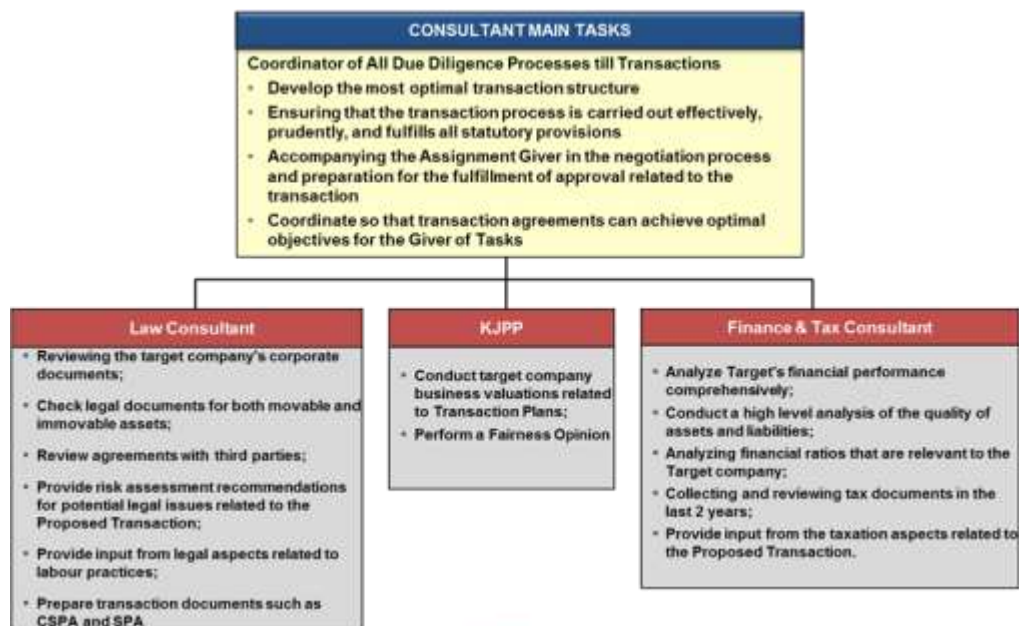


Figure2 The scope of consultant duties

The results of the due diligence consultant are outlined in a final report draft which will become a reference or approval whether to proceed to the transaction process. Prior to the transaction process, the final negotiation process will be carried out which is an adjustment to the price or value which is the result of the due diligence process. For the transaction process which is the output of the final negotiation agreement, an agreement document is made such as; term sheet, shareholder agreement, framework agreement, Conditional Sales Purchase Agreement (CSPA), Sales Purchase Agreement (SPA) or other documents in accordance with the transaction. The fulfilment of the terms of the agreement and the closing of the transaction is the final stage in the execution process.

**Post-Execution Stage**, Integration is a step after the acquisition of the company which is the implementation of aligning strategies, structures, system processes and programs. The planning and integration process usually begin before the final agreement is signed. Meanwhile, if the source of funds used uses capital expenditure funds of PT Angkasa Pura II (Persero), the company's assets will become the property of PT AP2, while PT APP will be given the assignment as a manager of the hotel objects resulting from the acquisition.

At this stage, the exit strategy has also been formulated which is the way the company exits the investment it has made, while some exit strategy mechanisms can be in the form of an initial public offering (IPO), divestment, restructuring, or liquidation. This exit strategy can be explore more details in the future research.

### Conclusions

The inorganic strategy that will be implemented by PT Angkasa Pura Propertindo will not run smoothly if it does not get full support from PT Angkasa Pura II (Persero) as the parent company. Therefore, inorganic business strategy guidelines become very important as a reference in implementing this strategy and there is a need to pay attention to the success of the acquisition process there is also the risk of failure or difficulty after the acquisition process has been carried out, for this reason several things can be used as a reference, namely; acquired company has assets or resources that are complementary to the acquiring company's core

business, acquisition is friendly, acquiring company conducts effective due diligence to select target firms and evaluate the target firm's health (financial, cultural, and human resources), acquiring company has financial slack (cash or a favorable debt position), acquiring company has a sustained and consistent emphasis on R&D and innovation, acquiring company manages change well and is flexible and adaptable.



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