

Property Corporation Exit Strategy Planning and the Importance of Contingency Leadership (Study at XYZ Company)

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ABSTRACT

Research aims: To describe exit strategy in property development service industry and describes how property corporations make decisions and how important it is to implement contingency leadership in XYZ companies.

Design/Methodology/Approach: It is included as descriptive method with qualitative approach. The data collecting used a semi-structured interview and analyzed with the following steps description, data reduction, and data presentation, and verification. The subject of this study is XYZ Company.

Research findings: the evaluation of declining apartment sales has occurred since 2018 because the property market started to get saturated, this condition was exacerbated by the Covid 19 pandemic in 2019 and an exit strategy can occurred because the contingency leadership is not existed.

Theoretical Contribution/Originality: This study contributes to the literature by providing new information about it and the mechanisms for selecting it.

Practitioners/Policy Implications: This study can be the basic policy to exit energy in particular company.

Research Limitations/Implications: This study only focuses the exit energy concept in XYZ company.

1. INTRODUCTION

The company is an established aspect by individuals or institutions with the main objective of maximizing shareholder wealth (Battilana et al., 2022). The company is an organization that seeks profit as its main goal, although it does not rule out the possibility of expecting prosperity as another goal (Alberti & Varon Garrido, 2017). From these two meanings it can be concluded that a company established has several objectives, namely survival, growth and seeking profit or profit. In building a business, a company must always be prepared for everything it faces, including the risk of its inability to continue the company's operations (Shad et al., 2019). There is no business that is sure to run smoothly according to the original plan.

Every company has risk that always follow the company's work. One company that has a risk of bankruptcy is a property company. This is due to the amount of minimum capital and operational costs required by property companies that are not comparable to the demand (Ezirim et al., 2017). Investments in the property industry are generally long-term in nature and will grow in line with economic growth (land supply is fixed while demand will always be greater as the population increases) (Hansen, 2018). The occurrence of the global financial crisis that began in 2008 which hit the United States mainly started with the fall of the property industry and ultimately impacted the Asian region, including Indonesia (Hassan, 2018). It has resulted in several Property and Real estate companies on the Indonesia Stock Exchange experiencing bankruptcy (Utami & Dewi Kartika, 2019; Trisanti, 2020).

The state of the property and real estate business is in a state of alert due to the economic turmoil that has occurred in Indonesia (Septiani & Dana, 2019). This turmoil was related to the relatively high

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condition of bank interest rates due to the weakening of the rupiah against the US dollar (Tho'in & Prastiwi, 2019). In recent years, companies in the property and real estate sector have always been delisted from the Indonesia Stock Exchange (Widiatmoko & Indarti, 2018). For example, in 2011 New Century Development Tbk was delisted from the Indonesia Stock Exchange (Prameswari et al., 2018). In 2012 the company Surya Inti Permata Tbk also experienced a delisting from the Indonesia Stock Exchange (Syuhada et al., 2020). In addition, in 2013, it was Panca Wirasakti Tbk's turn to be delisted from the Indonesia Stock Exchange (Wulandari & Fauzi, 2022). This indicates a high threat to the survival of property companies listed on the Indonesia Stock Exchange.

Apart from these things, the impact of the pandemic has also caused losses to the property industry (Agung & Susilawati, 2021; Dewi et al., 2021; Susilawati et al., 2020). One of the property companies that have a big risk is the XYZ Company. XYZ Company is a property company in the city of Jakarta. Company XYZ experienced sluggish revenue due to the Co-19 pandemic which attacked various fields. After the impact of the pandemic diminished and most companies gradually crept up to improve their situation, XYZ Company has not been able to improve its economy. In fact, the profit earned is less than 5% every month and cannot be said to have a net profit margin and experience negative economic growth. Thus, this company must have a greater risk of bankruptcy.

In connection with efforts to see adequate financial and risk aspects in the property industry, a strategy is needed, namely an exit strategy. An exit strategy is a contingency plan executed by investors, traders, venture capitalists or business owners to liquidate positions in financial assets or dispose of tangible business assets after certain predetermined criteria are met or exceeded (Jamaludin et al., 2020; Petersen et al., 2020). Thus, the aim of the exit strategy is to limit losses (Henninger et al., 2020; Coudounaris & Arvidsson, 2022). Exit strategy can also be implemented when the investment or business venture has met profit objectives (Cosenz & Noto, 2018). Other reasons can be legal reasons, such as estate planning, liability lawsuits. It could also be because the business owner or investor is retired and wants to cash in on it. An effective exit strategy must be planned comprehensively and carefully for every positive and negative possibility and must be an integral part of risk assessment (In Domenico et al., 2020). This refers to the process by which property corporations remove themselves, to varying degrees, from the company (Audretsch et al., 2019). To plan an exit strategy, contingency (situational) leadership is needed because it will benefit property corporations if it is accepted by the market (Uslu, 2019).

The focus of contingency leadership is how to understand the sluggish performance of property corporations (Greckhamer & Gur, 2021). To be an effective leader, of course, the most decisive thing is how there is an adjustment between the leadership style and the situation that occurs (Northhouse, 2021). In addition, contingency leadership is faced with consistent implementation of good corporate governance. Good Corporate Governance is needed to encourage the creation of an efficient market, transparency and consistency with laws and regulations (Abdallah & Ismail, 2017).

In previous studies it has been used in many family corporations and in both large-scale manufacturing industries to MSMEs, while not many studies have been identified to explore exit strategies in the context of the property development service industry specifically. However, there is not much study that explore the use of exit strategy in the context of property development. In addition to this, it is important to explore the concept of exit strategy in the new context of the property development services industry, where there is an opportunity to discover new exit strategies that are not only useful for property corporations themselves but also to broaden our understanding of exit strategies and the importance of contingency leadership.

Previous study of the related topic is a study done by Hak et al., (2018) investigated some policies under limited exit strategy. First, this study shows how the allocation of two ELCs has deprived indigenous communities of their communally managed land. Second, this study examines how communal land titling processes have failed to provide indigenous villagers with effective legal mechanisms to counteract ELCs and land encroachment by internal migrants. Third, this study elucidates how the promotion of cash crop production contributed to livelihood and land use transitions from a reliance on forest resources in 2003 to a dependence on cash crops in 2012 to a struggle to remain resilient amid a slump in crop prices in 2018. The researchers conclude that the combination of these policies has undermined communal ownership and livelihood resilience under a situation of limited exit strategies.

Based on the previous study, it is found that study investigating the exit strategy and contingency leadership in the field of property business still rare to find. Therefore, the researcher is interested in investigating the variable of contingency leadership and exit strategy in the property company using semi-structured interview. The researcher is interested in finding the importance of the contingency leadership in the company's decision and the implementation of the exit strategy.

According to the problems elaborated above, the researcher can raise some questions that must be answered by conducting this study. The questions are how the real estate business goes after the attack of

Covid-19 pandemic, how does the implementation of the exit strategy, and how importance the contingency leadership is for the real estate business. These questions will be answered by this study used a qualitative method. The information will be obtained by semi-structured interview then the information will be analysed to get the data needed.

Therefore, this study answers basic research questions regarding exit strategy in the property development service industry and describes how property corporations make decisions and how important it is to implement contingency leadership in XYZ companies. By using a qualitative approach, this study answers this research question by identifying what is defined as a property corporation, what strategies are implemented, and what are the motivations behind it. This study contributes to the literature by providing new information about it and the mechanisms for selecting it. This information might serve as a foundation for future researchers interested in exploring the concept of exit strategy from a relatively new perspective, and further broaden our insights about exit strategies in the property development services industry.

Literature Review and Hypotheses Development (Quantitative) or Literature Review (Qualitative)

Exit Strategy

Exit strategy is the act of closing, or stopping a business (Donthu & Gustafsson, 2020). This term does not necessarily represent failure, because there are cases of entrepreneurs leaving their business when performance is deemed sufficient. When understanding this process, experts argue that it is important to understand the intent of the exit strategy because it is the first indicator to conclude whether a property corporation decides to stop or stay in business (Pisoni & Onetti, 2018).

In addition, exit strategy refers to the process by which owners remove themselves, to varying degrees, from the company. Exit strategy requires a decision to relinquish control and a choice of the appropriate mode of exiting the business (Chirico et al., 2020). The successful execution of the exit strategy depends on how effective the execution is. In order for the execution strategy to be successful, it requires a strategy that is really mature or arranged reliably so that the process can run smoothly. Being a leader means being able to organize, drive, control strategy. Therefore, as a corporate leader, you must understand the conditions embodied through the execution strategy, be able to explain to others clearly and what the benefits are for them so that others become inspired by what we have shared with them, have a strong spirit so that the goals strategy can be achieved (Trigeorgis & Reuer, 2017).

Indicators that can be seen to measure whether the exit strategy carried out by a company or corporation must be carried out immediately are (1) sustained losses (conditions where a company does not return on investment for a long time or the investment made is considered unrealistic), (2) volatility (a situation where changes in the country's political and economic conditions affect the company's condition), (3) premature entry (weak marketing infrastructure, the level and purchasing power of the people, and the absence of partners who are able to support), (4) ethical reasons (mistakes that carried out in a promotional manner will create a bad impression on a company and its products), (5) intense competition (tight competition from old players and market leaders), and (6) resource reallocation (resource allocation is one of the most important factors in marketing strategy).

Contingency Leadership

Stephen Robbins defines leadership as the ability to influence a group towards the achievement of a set vision or goal (Goleman, 2017). Meanwhile, according to Ken Blanchard leadership can be interpreted as a process of influencing the activities of a person or group to achieve goals in certain situations (Paais & Pattiruhu, 2020). From the theory of the causes of the emergence of these leaders, there are several theories which are generally classified into four by using several approaches, one of which is situational leadership theories which focus on their followers. In this theory, according to George R. Terry, leadership consists of four variables, namely leaders, followers, organization and social, economic and political influences. The contingency leadership theory view holds that effective and successful leadership is not determined from the style of leadership but from how the readiness of the subordinates follows the leader's directions, and the subordinates do what is a certain task (Busari et al., 2020).

The implementation of the contingency leadership model is one of the leadership models initiated by Fiedler, this model is for developing leadership that is more comprehensive for the first time for leadership (Hughes et al., 2018). In the implementation of this model, there are several favorable situations for a leader in a property corporation, namely:

1. Contingency leadership can be profitable when the presence of a leader is generally acceptable to the Market.
2. Contingency leadership is profitable when the leader gives tasks to followers and the tasks are structured and everything is explained clearly.

3. Contingency leadership in advantageous situations when the leader has the authority and authority given to his subordinates is formally related to the leader's position where the leader is located.

Thus, for the contingency leadership model, if the three dimensions, namely the relationship dimension, task structure and authority, are in a low position, then the situation that occurs is very unfavorable for the leader.

Good Corporate Governance (GCG)

Competition in today's business world is very fast, so every company must compete strictly. Companies must have a strategy to compete so that they do not experience bankruptcy by implementing good corporate governance. Good Corporate Governance (GCG) is needed to encourage the creation of an efficient market, transparency and consistency with laws and regulations (Basri et al., 2017). One of the management systems used to bridge conflicts is the implementation of GCG. GCG helps align performance so that it is aligned in increasing corporate value (Anik et al., 2021). Good GCG will indirectly affect the value of the company's financial ratios which also show good numbers because they can control every activity of the company properly. Improper investment can be avoided so that in the end the company's financial condition also becomes good. Good GCG will also influence management decisions regarding the placement of business locations, the establishment of new projects.

GCG implementation has several principles, namely the principle of transparency where the company shows the company's actions to be able to provide the information needed by all stakeholders; the principle of accountability where companies must be able to account for their performance in a transparent and fair manner; the principle of independence in which the implementation of GCG for the company is expected to be managed independently so that each organ of the company does not dominate each other and cannot be intervened by other parties; the principle of fairness in which in carrying out its activities, the company must always pay attention to the interests of shareholders and other stakeholders based on the principles of fairness and equality; the principle of responsibility where companies must be responsible as members of society to comply with applicable regulations and fulfilment of social needs.

2. Research Methods

Research design

The method used in this research is descriptive qualitative method. This type of qualitative descriptive research is a research method that utilizes qualitative data and is described in descriptive history (Varpio et al., 2022). In addition, the qualitative method is a research procedure that produces descriptive data, personal speech, and later this method produces descriptive data. The approach used in this study is a qualitative approach, a research approach without using statistical numbers but with descriptive presentation, namely trying to describe a symptom, event that occurs to be the focus of attention to then be described as it is.

Since this study is considered to be qualitative, the data obtained will be in the form of words instead of numbers. Therefore, a semi-structured interview will be conducted by the researcher with managers of XYZ Company. This interview is done to gather information needed. The information from the interview will not only serve just they way they are, but they will be analyzed to get new information related to the topic of the study. This process is carried out with the aim that the characteristics of the data become easier to understand and useful as a solution to a problem, especially those related to research.

Research subject

The subject of this study is XYZ Company Indonesia. The population in this study are property developer services in Indonesia. While the sampling technique applied in this study was purposive sampling. Purposive sampling is a sampling technique with certain considerations. The selection of a group of subjects in purposive sampling is based on certain characteristics that are considered to have a close relationship with the characteristics of the previously known population. In this case, researchers contacted the Ministry of Industry and Trade of the Republic of Indonesia to obtain performance data for property development corporations that experienced negative growth. The data is then used as a basis for contacting corporate officials who are willing to participate in this research. Therefore, the XYZ company is included in this research.

Data collection technique

The data collection technique in this study was to use a semi-structured interview technique conducted with managers of XYZ companies to obtain information related to Exit Strategy planning and the importance of contingency leadership carried out at XYZ companies. This technique helps the interviewer

to ask a standard set of questions of the participant but is free to investigate further on a particular topic to gain richer and in-depth insight into the informant's experience. During the data collection process, interviewers often discuss data collection situations, tentatively analyze data, and try to find solutions if problems occur (eg, one participant has to leave the interview because of an emergency meeting). In doing the data collecting, researchers rely on the concept of 'saturation' (Creswell, 2018).

Instrument Data

In this research using data collection techniques in the form of interviews, the required data instruments are question items addressed to the managerial property development company A. The items are written as follows.

Table 1 Interview Question Items

Problem	Discussed Questions
Introduction	What do you think about the latest real estate business?
	How is the performance of the property business in your company?
Negative growth	What do you and your board of directors do when you see your company's growth going negative?
	What makes your company experience negative growth?
	Since when did your company start experiencing negative growth?
	How long has your company experienced this?
the cause	What makes your company experience negative growth?
	What happened?
	What factors make your company experience it?
	Can you tell the story to me?
Managerial control	How do you and your board of directors play a strategic role to improve your company's performance?
	What does exit strategy mean to you?
	Can you explain more about those ways?
	Can you define those ways as exit strategy options for exit?
Options	How is your current leadership style, do you apply a contingency (situational) leadership style or not?
	Of the several ways, in your opinion, which way would you choose for the exit strategy?
	What exit strategies have been decided by management?
	When the exit strategy is implemented, how is the GCG implementation?

Data analysis technique

Data analysis technique is a process of processing data into new information. This process is carried out with the aim that the characteristics of the data become easier to understand and useful as a solution to

a problem, especially those related to research. The stages in qualitative data analysis in this research include four steps, namely (1) description, (2) data reduction, and (3) data presentation, and verification. The flowchart of data analysis in this research is described as follows.

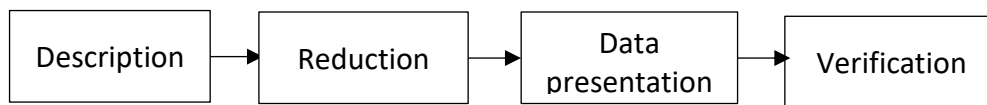


Figure 1 Qualitative Data Analysis Flowchart

3. RESULTS AND DISCUSSIONS

Evaluation of Apartment Sales from External Factors

From the results of interviews, the first and second informants stated that:

"The XYZ Company sees the saturation of the property market and sees changes in the market, where initially millennials liked vertical properties, in this case apartments, changed to landed properties, namely houses. This boredom has emerged since 2018. Millennials are starting to think that houses are a better choice than apartments."

The results state that since 2018 the property industry has experienced a decline both residential, commercial, retail and hotel. This condition was exacerbated by the condition that the arrival of the 19 pandemic in 2020 shook the world economy at a macro level. The property industry has had a growth cycle, namely since 2012 it has increased and is predicted to increase in 2020, but in 2012 it experienced a decline in performance and the Covid-19 pandemic exacerbated. Since 2018, the company has experienced a decline in sales and entered the Covid-19 pandemic period until it experienced negative growth. It is in line with the result of research by (Hao et al., 2020) shows that the Covid-19 pandemic significantly affect the hotel industry and the effect four major aspects of China's hotel industry—multi-business and multi-channels, product design and investment preference, digital and intelligent transformation, and market reshuffle. According to the third source, it was stated that landed house products did not experience a decrease and even increased. XYZ's corporate customers are investors, namely individuals who have excess cash. During a pandemic, investors' purchasing power decreased. The company finally made a bigger discount and took part in the government's VAT-free program and provided payment flexibility. The third source confirmed that the marketing of apartments has decreased, so that they are more focused on landed house products. The company focuses on marketing apartments that have been built and apartments that have not yet been built.

On the other hand, according to (Sharif, 2022) mentioned that high living expenses are disproportionate to income, causing the millennial generation to still consider it difficult to buy a dwelling or first residence, both landed and vertical housing. Moreover, the escalation (increase) of housing prices is faster than the increase in income. This makes vertical housing (apartments) an alternative residential solution that addresses the problem of limited land. Humans in maintaining their survival need a basic need in the form of a place to live. Currently there are types of housing, namely horizontal housing and vertical housing. In the current situation, humans consider the aspect of boards not only from the function of the residence as a place to shelter, but also from the aspect of a sturdy building, a safe and comfortable environment and considering strategic location aspects. Vertical residential development is an alternative for carrying out human activities in urban areas due to limited land in the city so that apartment development is increasingly being developed in Jakarta. Currently, living in modern vertical housing or apartments is a lifestyle for someone who lives in big cities. The main factor that is considered by someone in choosing an apartment is that the price is more affordable than land or landed houses if they are located in big cities. Another reason is the location of the apartment which is close to the workplace or place of activity, such as a campus which is usually equipped with adequate facilities, ranging from fitness and sports facilities, service and security, malls, culinary spots, even leisure time facilities. Besides, an apartment can also be used as an investment or business in the form of a rental if the occupants are not living directly (Wiradharma et al., 2020).

Divestment of Land and Shares Owned by XYZ Company

Divestment is the act of a company selling any assets, it is most often used in the context of a sale of a subsidiary. The definition of divestment can also be a reduction in ownership in the form of shares of a company. In accordance with the policy of the state owned ministry that all companies must sell assets. All other state-owned and private property companies are also divesting. The divestment of land and shares owned announcement may affect the prizes. According to research by Dordi & Weber, (2019), that

divestment announcements related to campaigns, pledges, and endorsements all have a significant effect over the short-term event window. Finally, the results control for the general underperformance of the industry over the estimation window, attesting that the price change is caused by divestment announcements. For state-owned property companies, referring to the performance plan of the Ministry of state-owned property, that all state-owned assets must recycle. The market is experiencing saturation, all landed banks owned by Company XYZ are evaluated, and land divestment is carried out for land that is not effective. XYZ Company evaluates the portfolio management of all its subsidiaries. Subsidiaries whose performance cannot survive are divested of the subsidiary, for example, if the company's cooperation in the Suramadu area, Surabaya, is not effective, a divestment will be carried out. All of XYZ company's land bank was mapped and clustered again into 3 namely high, medium and low priority. At low priority divestments are carried out either by XYZ companies directly or through subsidiaries. The company needs to improve its cash flow, one of which is selling the shares of XYZ's ineffective subsidiary.

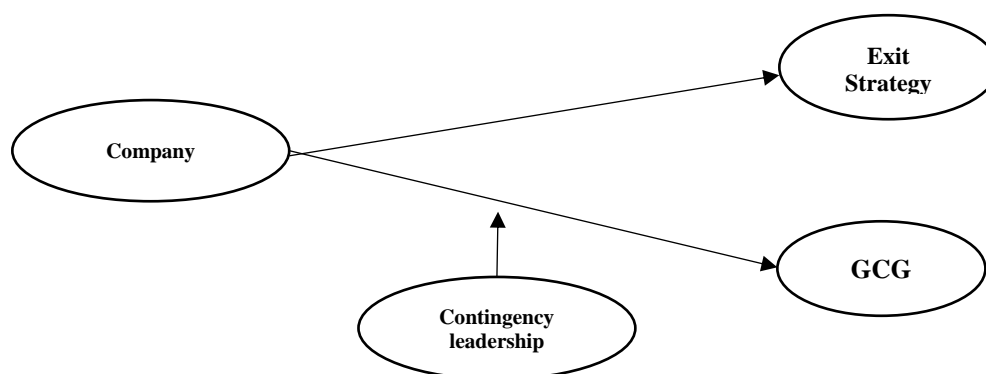
Property Corporate Exit Strategy and the Importance of Contingency Leadership

XYZ Company is a state-owned subsidiary, where all policies must be centrally held with a parenting program. The directors of XYZ company have carried out contingency leadership and awareness of optimal GCG implementation. Almost all corporate actions of GCG companies are studied in depth and do not violate GCG principles. The third informant stated that:

"In my view, the Board of Directors has implemented the GCG Principles, including Transparency, Consistency, Intelligence, Accountability and Communicability, through detailed processes in Procedures and Work Instructions in all lines of business, and the nature of decision making in Management Review at the Board of Directors level (The Radir-Directors Meeting) is Collective Collegial in nature, the results of the Radir for certain cases are usually also in the form of decrees or certain policies which are sometimes directly shared with all teams through the Monthly Management Review."

Companies need to review WI and RKAP before implementing new policies. All are based on legal studies and risk management studies so that they do not violate GCG principles. Directors are very responsive, they are capable of contingency leadership (situational). All new corporate corporate actions must issue a decree and of course have gone through the stages described earlier. All complex corporate actions and rapidly changing situations require contingency leadership. There may be no sale below the book price. This is strictly avoided because it will violate the company's GCG.

From the results of the interview above, it can be concluded in a diagram like the one below.



Contingency leadership is one of the most effective leadership when there is a match between the style of the leader and the particular situation in which the leadership is carried out. Contingency theory assumes that leadership is a process when you want to carry out an influence that is closely related to the state of the dimensions of the task carried out by a group (group task situation), so that it can provide enthusiasm and is able to provide conduciveness and can integrate between task orientation and relationship orientation between leaders. and subordinates in developing the institution effectively and efficiently, and in line with the vision and mission of the institution (Arfandi et al., 2020). Contingency leadership will be able to help companies achieve Good Corporate Governance (GCG). If the company does not use the contingency leadership style, an exit strategy will occur.

Overall, even though the property industry has experienced a decline due to Covid-19, the landed house products did not experience decrease and even increased. Thus, XYZ company made a bigger discount and took part in VAT-free program and also provided payment flexibility since during the pandemic the investor's purchasing power decreased. The company focuses on the landed house products because the marketing of apartment has decreased. The company focuses on marketing apartments that have been built and apartments that have not yet been built. The rapid rise of the apartments purchasing due to the price and other reasons. Millennials tend to think that the landed housing is more expensive than the vertical housing. In the other side, the location of the apartment is usually in the big cities and close to places of activity. choosing an apartment is that the price is more affordable than land or landed houses if they are located in big cities. Also, it is equipped with adequate facilities, ranging from fitness and sports facilities, service and security, malls, culinary spots, even leisure time facilities. Besides, an apartment can also be used as an investment or business in the form of a rental if the occupants are not living directly.

The contingency leadership is important. For a company, if the this style of leadership does not carry out well, then the exit strategy will occur, an act of a closing or stopping business. However, exit strategy does not always interpret a failure.

Limitations and Future Research

Although our study has some contributions to the literature, there are some limitations must be noted. First, given our goals and the nature of the variables we study, we assume only one type of firm. Second, we also acknowledge that whether our findings can be replicated in other developing countries or industries is an empirical question. This is due to the contextual strategy of this research, where this research only explores the exit strategy issue in a developing country (Indonesia), using the context of small and medium enterprises (SMEs). In this study using qualitative methods so that there is limited information from only three informants, the hope of researchers for further research is that there will be research with the same variables and objectives but on a larger scale. This of course will change the research method. future researchers can use quantitative methods with questionnaires so that they can be carried out on many subjects to complete information that is not attached to the results of this study. We support future researchers to apply a quantitative approach to explore other exit modes of strategy in other developing countries and all business scales.

4. CONCLUSION

In addition to summarizing the property cooperation exit strategy and the importance of contingency leadership in XYZ Company, the importance and originality of this study are that it provides with literature regarding the importance of contingency leadership and the implementation of exit strategy due to the impact of Covid-19.

From the discussion above, it can be concluded that the evaluation of declining apartment sales has occurred since 2018 because the property market is starting to saturate, this condition is exacerbated by the Covid-19 pandemic in 2019. Then, divestment is mandatory because the XYZ company is a subsidiary of state owned company. Divestment can be done with the shares of the subsidiary company or the land of the company itself. In fulfilling the corporate exit strategy, a contingent leader becomes an important matter.

From the information obtained, it is known that the directors of XYZ company have demonstrated contingency leadership and an understanding of optimal GCG implementation. Almost all GCG corporate actions are thoroughly investigated and do not violate GCG principles. Before implementing new policies, businesses should review WI and RKAP. All are based on legal and risk management studies, and none violate GCG principles. Directors are highly responsive and capable of providing emergency leadership (situational). All new corporate corporate actions must issue a decree and have gone through the previously described stages. Contingency leadership is required for all complex corporate actions and rapidly changing situations. There may be no sale at a price lower than the book price. This is strictly prohibited because it is a violation of the company's GCG. From the results, it can be concluded that a contingency leadership is important. If a company does not apply the contingency leadership, then an exit strategy will occur.

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