THE EFFECT OF COMPETITIVE STRATEGIES AND BUSINESS ENVIRONMENT ON THE PERFORMANCE OF CONSTRUCTION INDUSTRIAL SERVICES WITH THE MODERATION OF ORGANIZATIONAL CHARACTERISTICS

(Case study of a large Indonesian construction services company)

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Abstract: This research objective is to analyze the effect of competitive strategy on the construction services industry performance with the moderation of organizational characteristics. This research analysis of 260 manager and the CEO of the large industrial construction services in DKI Jakarta Indonesia. Analysis method using structural equation modelling with AMOS. Research result showing competitive strategies affect organizational performance, business environment affect organizational performance, organizational characteristics influence organizational performance, competitive strategies strengthen the influence of competitive strategies on organizational performance, competitive strategies strengthen the influence of competitive strategies on organizational performance. Some practical suggestions for the project manager and CEO of the construction service company as follows: The construction service industry places more emphasis on the cost leadership strategy, especially low cost attributes, which emphasize strong control of expenditure and competitive price competition, so that organizational performance increases; The construction service industry places more emphasis on the internal environment, which is a moderate risk action in work, so that organizational performance increases; The construction service industry is more directive in that it emphasizes independence and initiative in solving problems, so that organizational performance increases; The construction service industry must emphasize strong control on expenditure and competitive price competition supported by the nature of independence and initiative in solving problems so that the performance of construction organizations increases.

Keywords: competitive strategies, business environment, organizational characteristics and organizational performance

INTRODUCTION:
The construction sector has a very significant role in national economic development. The construction industry is the fourth largest and contributes an economic sector of 10.2% to National Income. Investment in the construction sector still has not shown a significant increase because there are three main problems faced by entrepreneurs, namely the unstable prices of building materials, falling demand, and high levels of competition. The price of building materials greatly determines the employment contract.

This research was conducted in DKI Jakarta with the following considerations: 1) The largest number of construction work (contractor) service companies domiciled in Jakarta, 2) Benchmark value of construction according to the province because the value of construction is greater than the other regions by 25.6% nationally.
In a competitive and dynamic place, organizations continue to look for opportunities to utilize their characteristics to improve performance (gain) and gain competitive advantage (Rudd et al., 2009). This is because an organization's responsiveness to changes in the competitive environment is very high depending on how well they align their characteristics with the strategy (Claver-Cortés et al., 2012; Wilden et al., 2013). Organizational characteristics (organizational characteristics) as a characteristic of an organization that allows it to carry out its regulatory role, take strategic decisions and get recognition as a business entity in the industry (Oyewobi et al 2016)

Organizational performance in this research are financial performance and QHSE management performance (Quality, Health, Safety and Environment) as a measure for performance in the field of non-financial and risk management. Different factors that influence organizational performance (organizational performance) have been identified (Wilden et al., 2013).

Theories in the strategic management literature that have been used in explaining variations in organizational performance (contingency theory) (eg Pertusa-Ortega et al., 2010; Wilden et al., 2013; Ho, 2015). Researchers have used contingency theory to examine the relationship between strategy, performance and competitive environment (Ho, 2015). This perspective shows that optimal (organizational performance) depends on the characteristics of strategy and organization (Garengo & Bititci, 2007; Pertusa-Ortega et al., 2010; Wilden et al., 2013). The literature also identifies contingency theory as one of the theoretical perspectives used by researchers in analyzing how performance measures enable strategic compatibility with the environment (Gimzauskiene & Kloviene, 2011). Edelman et al. (2005) and Pertusa-Ortega et al. (2010) stated that (organizational characteristics) can moderate the influence of competitive strategy, (business environment) towards (organizational performance),

Based on the background described above, it can be seen from the results of previous studies (previous studies) that competitive strategy, lingkungan bisnis, organizational characteristics, and organizational performance are four very important concepts in research and study of business strategy. The problem statement of this study (the current study) is "Does competitive strategy affect organizational performance by being moderated by organizational characteristics in Construction Services Companies."

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT:

The theoretical framework in this study relates to variables that will be a limitation of the problem, such as competitive strategy, organizational characteristics and organizational performance.

1. Competitive Strategy

This research (current study) uses three generic strategies from Porter (1980, 1985) that companies can do to win competition on an ongoing basis, namely as follows: 1) differentiation strategy, namely the effort to provide products that unique and gives added value to customers; 2) cost leadership strategy, namely lower operating costs, so that the company operates at a level of efficiency that is better than competitors; and 3) a focus strategy, namely an effort to serve certain niche market segments (market niches) so that the company can perform optimal services to specific markets or certain customer groups (market niche).

2. Organizational Characteristics

Covin and Slevin (in Altinay & Altinay, 2004) see that organizational characteristics are organizational arrangements for workflows, lines of communication / information, and delegation of authority or cooperative and coordinating relationships within an organization. Robbin (2005) argue that organizational characteristics play an important role in the achievement of organizations setting goals and achieving their
strategic goals. Organizational strategies become more relevant when they are aligned with the objective mission, competitive environment and organizational resources.

3. Business Environment

Bruothova and Hurny (2016) explain that business environments can be defined as a set of economic, legal and institutional conditions that influence company behavior in a positive or negative way, but usually cannot be controlled by companies. Demjanová (2009) describes the business environment as a business condition that promotes or inhibits the creation and development of companies. The importance of a well-functioning legal and regulatory system in creating an effective market economy is now widely accepted. After all, a poor contractual and regulatory environment can increase the cost of doing business with effects on employment, output, investment, productivity, and living standards (Besley, 2015). It has also been noted that barriers to doing business vary widely across regions and countries, and it has been debated that the business environment will affect aggregate performance and financial market operations (Svejnar, 2011).

4. Organizational Performance


Hypothesis

H1: Competitive Strategy has a positive effect on Organizational Performance.

H2: Business Environment has a positive effect on Organizational Performance.

H3: Organizational Characteristics has a positive effect on Organizational Performance.

H4: Organizational Characteristics moderate the power of influence of Competitive Strategy and Organizational Performance.

H5: Organizational Characteristics moderate the strength of the influence of Business Environment on Organizational performance.

Research Method:

The unit of analysis in this study is 260 senior managers (project managers) and Managing Director (CEO) of construction work services (contractors) because they are believed to know more about the complex construction industry field and have complete knowledge of organizational strategies and strategic issues. The data analysis unit uses AMOS

The independent variable is the competitive strategy (X1) by submitting 12 (twelve) statement items adopted from Oyewobi et al. (2016), with details for dimensions: (1) differentiation strategies with indicators of schedule attributes and quality attributes; (2) Cost leadership strategy (Cost leadership strategy) with indicators of low cost attributes, innovative attributes and focus strategy; and (3) Focus strategy with indicators of cost advantage attributes

The next independent variable is Business environment (X2) measured by submitting 22 (twenty two) statement items (Uçhegbulam, 2015; Kamau, 2015), with details for dimensions: (1) Internal environment
with indicators of organizational culture, organizational structure and organizational resources and (2) External environment with macroeconomic environment and industrial environment indicators

Organizational characteristics are the moderating variable (M) measured by 14 (fourteen) statement items (Oyewobi et al., 2016), with details for dimensions: (1) Decision-making Style (2) Management Style (Style Management); and (3) Organizational Structure (Organizational Structure)

Organizational performance is the dependent variable (Y) measured by submitting 18 (eighteen) statement items (Drew, 2011; Yuri 2013), with details for dimensions: (1) QHSE Management (Quality, Health, Safety, and Environment) / Non- Financial Performance, (2) Risk Management, and (3) Financial Performance

RESULTS AND DISCUSSION:

Based on the responses of respondents, it shows that to improve organizational performance, the construction industry must carry out leadership strategies, especially low cost attributes in the form of tight controls on expenditure costs and competitive price competition and must pay attention to the organization's internal environment, namely taking actions that are at moderate risk in work and decision making styles in the form of encouraging employees to focus on the main techniques and demonstrate independence and initiative in solving problems (directive). The response of the highest respondent shows that it must pay attention to the internal environment of the organization that is taking actions that are at moderate risk in working.

Based on primary data processing with the program used in SEM, this is Software Analysis of Moment Structure (AMOS), then the structural equation model is obtained for this study as follows.

Regression Weight
1. Effect of competitive strategies on organizational performance

Based on the results of the study it is known that the influence between competitive strategies and organizational performance is 0.139 with a CR value of 14.497 with significance obtained 0.00 <0.05 P (***), with a standard coefficient of 0.079, then H1 is accepted which is a positive influence on competing strategies against organizational performance.

This research supports the opinion (Bozkurt et al., 2014; Acquaah & Agyapong, 2015) that Competitive strategy is the result of decision patterns made by managers guiding organizations on how to compete in a hyper competitive business environment, adding value to processes that can influence Organizational Performance. This study argues that the idea underlying the generic strategy concept is that competitive advantage is at the core of any strategy. Therefore, in order to achieve competitive advantage, this study suggests that organizations need to make decisions, build appropriate organizational structures and apply a good management style to achieve the desired competitive advantage and the coverage within it will achieve it.

2. Effect of organizational characteristics on organizational performance

The results showed that the organizational characteristics of the organization's performance were as much as 0.79 with a CR of 8.556 with significance obtained 0.00 <0.05 P (***).

This study supports the opinion of Pertusa-Ortega et al., 2010; looking at organizational characteristics (organizational characteristics) and organizational performance (organizational performance) as attributes derived from the management style adopted by the organization, through the organizational structure and culture exemplified by employee and management behavior. Research that directly focuses on the construction industry (Giritli & Oraz, 2004). The organizational characteristics (organizational characteristics) of construction are very unique because they operate in a fragmented and project-based industry (Giritli & Oraz, 2004). Regulatory requirements for policies and laws limit the organization's conduct of business activities, and influence the types of decisions taken by organizations (Phua, 2006). The presence of regulations, as well as the organization's unique resources and capabilities, forms the type of strategy construction organizations can adopt to achieve optimal performance (Kale & Arditi, 2003.)

This study also supports the opinion of Pertusa-Ortega et al., 2010; Wilden et al., 2013), that the combined effect of characteristics on the influence between strategy and organizational performance can improve the competitiveness of construction organizations. On this basis, it can be stated hypothetically that organizational characteristics (organizational characteristics) have a positive effect on organizational performance organizational performance.

3. Effect of the business environment on organizational performance

Based on the results of the study, it is known that the influence between the business environment and
organizational performance is 0.428, the CR value is 3.423 with the significance obtained 0.000 <0.05 P (***), with a standard coefficient of 0.125. H2 is accepted which is a positive influence on the business environment on organizational performance.

The results of this study support the opinion of (Wheelen & Hunger, 2012; Bruothova & Hurny, 2016) that business environment both internal and external environment can influence corporate behavior and organizational performance that need to be analyzed to determine the company's strengths and weaknesses and to determine opportunities and threats that will be faced by the company.

This study also supports Ho's (2015). This depends on the fact that almost all construction work is given through competitive tendering processes that determine success or failure in different competitive construction business environments.

4. Organizational characteristics strengthen the influence of competitive strategies on organizational performance

The results showed that the organizational characteristics of the organization's performance were as much as 0.422 with a CR of 6.161 with significance obtained 0.000 <0.05 P (***).

The results of this study support the opinion of Ortega (2010) that competing strategies will be influenced by organizational characteristics, which are organizational resources have, this will enhance capabilities that will allow organizations to develop competitive strategies that enable them to gain competitive advantage.

Likewise this research supports the opinion of Giritli and Oraz, 2004; Ankrah et al., 2009; Pertusa-Ortega et al., 2010, organizational characteristics (such as structure) affect organizational performance, but the nature of the relationship may depend on the strategic situation facing the organization, and this is an important problem for theory and practice especially in the construction industry.

This study argues that for organizations to achieve industry performance the benefits associated with competitive advantage, must focus on aligning organizational characteristics and competitive strategies adopted by organizations in the market (Oyewobi et al, 2016).

5. Characteristics of organizations strengthen the influence of the business environment on organizational performance

The results showed that organizational characteristics will strengthen the influence of the business environment on organizational performance by 0.362 with CR 4.206 with significance obtained 0.000 <0.05 P (***), standard coefficient of 0.086, then H5 is accepted ie organizational characteristics strengthen the influence of the business environment on organizational performance. This shows that this study argues that for organizations to achieve industrial performance the benefits associated with competitive advantage, must focus on aligning organizational characteristics and competitive strategies adopted by organizations in the market (Oyewobi et al, 2016).

Ortega's research (2010) argues that competing strategies will be influenced by organizational characteristics (organizational characteristics), which are organizational resources possessing, this will enhance capabilities that will enable organizations to develop competitive strategies that enable them to gain competitive advantage. This depends on the fact that almost all construction work is given through competitive tendering processes that determine success or failure in different competitive construction business environments (Ho, 2015).

The results of this study support the opinion of Wheelen & Hunger., 2012; Bruothova & Hurny, 2016) that
the business environment (business environment) both internal environmental and external environmental can influence corporate behavior and organizational performance that need to be analyzed to determine the strengths and weaknesses of the company and to determine opportunities (opportunities) and threats (threats) that will be faced by the company

Conclusion:
Competitive strategies affect organizational performance. The influence of competitive strategies on organizational performance is positive, with the most competitive element of the strategy being the cost leadership strategy dimension, especially low cost attributes, which emphasizes the elements of strict control on expenditure and competitive price competition. This shows the company's efforts to produce competitive advantages at lower costs than competitors. The business environment influences organizational performance. The influence of the business environment on organizational performance is positive, with the most dominant element of the business environment being the internal environment dimension which emphasizes the element of action that is at moderate risk in working. This shows the company's efforts to take medium risk (medium risk taker) where companies carefully consider the risks that will arise in the future. Organizational characteristics influence organizational performance. The influence of organizational characteristics on organizational performance is positive, with the most dominant element of organizational characteristics being the dimensions of the decision making style, especially directives that emphasize elements of independence and initiative. This shows that the construction industry needs autocratic leaders who behave aggressively. Organizational characteristics can moderate the strength of the influence of competitive strategies on organizational performance. This shows that the more the cost leadership strategy dimension, especially the low cost attributes, which emphasizes the element of strict control on expenditure and competitive price competition that is supported by the nature of independence and initiative in solving problems will further strengthen which will ultimately improve organizational performance. Organizational characteristics can moderate the strength of the influence of the business environment on organizational performance. This shows that the increasingly internal environment dimensions that emphasize elements of moderate risk action in work that are supported by the nature of independence and initiatives in solving problems will increasingly strengthen which will ultimately improve organizational performance.

Research Implications
1. Practical implications, this research is beneficial for the Large Construction Services businessmen in an effort to get projects through integrated market competition tenders that pay attention to the business environment that tends to change dynamically by applying appropriate competitive strategies supported by the application of organizational characteristics to increase organizational performance. In addition, this research is beneficial for the government as an input to determine the performance improvement model of Large Construction Services Companies through the application of laws or government regulations that adopt certain skills certification in the construction services industry so that organizational performance can increase.
2. Theoretical implications, namely the findings of this study will be useful for construction service companies, namely describing the factors that can affect the performance of construction service companies, so that clarity of ways to compete such as adaptation to the business environment turbulence and selection of characteristics of selected organizations can be obtained.
3. Policy implications, for the development of national constructions covering the regulation of construction services business, regulation of business entities, investment regulation support, business development and partnerships, financial institution support for access to funding, insurance agency
support for access to risk insurance coverage due to the construction service industry very vulnerable to workplace accidents where all the focus of this development is aimed at creating a conducive and competitive business climate

4. Based on the empirical findings obtained, the researcher presents some practical suggestions for the project manager and CEO of the construction service company as follows:
   a) The construction service industry places more emphasis on the cost leadership strategy, especially low cost attributes, which emphasize strong control of expenditure and competitive price competition, so that organizational performance increases.
   b) The construction service industry places more emphasis on the internal environment, which is a moderate risk action in work, so that organizational performance increases.
   c) The construction service industry is more directive in that it emphasizes independence and initiative in solving problems, so that organizational performance increases.
   d) The construction service industry must emphasize strong control on expenditure and competitive price competition supported by the nature of independence and initiative in solving problems so that the performance of construction organizations increases.
   e) The construction service industry places more emphasis on the internal environment, namely moderate risk actions in working well and supported by the nature of independence and initiative in solving problems so that the performance of construction organizations increases.

BIBLIOGRAPHY:


