

External environmental forces, corporate resources and competitive strategy affect the performance of business services construction in West Java

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Abstract

The service industry is one of the business sectors with a competitive level of business competition. One of the service industries facing high competition is the contractor services sector. The condition of contractor services in Indonesia is currently growing and showing an increasingly competitive level. Contractor Services is one of the companies engaged in the Indonesian banking sector. This study aims to determine the effect of external environmental forces, company resources, and competitive strategies on the performance of the contractor services business either partially or simultaneously. The research method used is the explanatory method. The sampling technique used the Sugiono method to obtain 99 contractors' service offices in West Java. The data analysis technique used is multiple linear regression analysis. The research results show that the strength of the external environment, company resources, and competitive strategies and performance of business construction services are in "fairly good" condition. Partially external environmental force variables, company resources, and competitive strategy have a positive and significant influence on the performance of the Contractor Services business. Simultaneously, the strength of the external environment, company resources, and competitive strategies affect the performance of the construction services business. Suggestions for improvements proposed to the management of Contractor Services. There are several analyses and improvements to the strength of the external environment, company resources, and competitive strategies.

Keywords:

External environmental strength;
company resources;
competitive strategy
performance business

1. Introduction

The current era of globalization has entered almost all aspects of people's lives in the world which has an impact on the increasingly high level of competition in the economic sector and the climate in the business world. This requires business people to continue to improve their capabilities and toughness by optimizing all existing potential to win the competition.

The construction service industry is one of the business sectors with a competitive level of business competition. The service sector of the economy underwent a period of almost revolutionary change. This growth in the service industry occurs because existing services are currently growing, followed by the growth of new types of services in line with technological demands and developments. These developments were ultimately able to put strong pressure on regulation changes, especially in terms of the use of new technology which would directly impact on strengthening competition in the industry. This condition directly confronts business actors with increasingly high business competition problems.

Today's consumers tend to be more discerning, selective, more demanding, have studied the products or services offered, have a low level of loyalty, are very concerned about price, and seek the highest value. This is influenced by various factors, namely psychological factors and other external factors that direct consumers to choose and use the product or service they want.

Figure 1



Construction Services is one of the companies engaged in the Construction Services sector. In turbulent economic conditions and challenges facing global risks as well as increasingly tight competition in the construction world, Construction Services is making efforts to remain competitive in a healthy manner to gain market share through the company's market share approach, while increasing the intermediary function. The average respondent has a vision of "Becoming the 10 Biggest and well-performing Construction Services in West Java". To realize this vision, one of the business strategies carried out by Construction Services is to create good business performance. To prepare the company for 2023, let's see what the challenges and opportunities will be like. This needs to be done so that the company's management can develop strategic steps to deal with it. If there is an opportunity, the company can create a program to take full advantage of that opportunity. And conversely, if something appears to be a challenge, steps can also be taken to anticipate it.

Construction Service's efforts to create good business performance is to design a competitive strategy when compared to other countries. According to Barney (2010), Competitive Strategy can be formed through differentiation strategy and leadership strategy. Where construction services indicate that it is still difficult to create product innovations that are difficult for competitors to imitate, the company's weakness in anticipating changes in the external environment and the price of service products that are more competitive when compared to competing products have not been created.

Price competitiveness of products compared to service products from competitors. In fact, according to Wheelen et al (2015), competitive strategy is aimed at answering the question of whether companies must compete based on the lowest price, or whether companies must differentiate their products and services beyond the cost basis, such as quality or service. Or does the company have to compete directly with major competitors to become the biggest but most sought-after market, or does it have to focus on a niche that can satisfy a small but profitable market segment? Where the competitive strategy is aimed at outperforming other companies in the Construction Services business.

One of the service industries facing high competition is the construction sector. The condition of construction services in Indonesia is growing and showing an increasingly competitive level. Today, Construction Services still has weaknesses in designing a Competitive Strategy when compared to other countries. According to Barney (2010), a Competitive Strategy can be formed through a differentiation strategy and a cost leadership strategy. The phenomena that exist in Construction Services in Indonesia indicate that it is still difficult to create product innovations that are difficult for competitors to imitate, the company's weakness in anticipating changes in the external environment, and the product prices that are more competitive than competitors' products have not yet been created.

Weak business performance, strategic partnerships, and banking competitive strategies in Indonesia are thought to be caused by several factors, namely the still weak ownership of corporate resources. The existing phenomenon shows that the current construction services still have low-quality human resources as the foundation of inadequate construction services. Even though conceptually in the opinion of Pearce and Robinson (2015: 166-167) every company is different in its fundamental aspects because each has a unique set of resources consisting of tangible assets, intangible assets, and organizational capabilities to utilize these assets.

The low performance of the construction business in Indonesia is also suspected because management is not fully able to adapt and anticipate external environmental forces, as well as anticipate opportunities and threats to external environmental forces such as global economic conditions, and management's still

weak ability to develop environmental strengths and weaknesses. Internal company which includes ownership of adequate inputs, ownership of working capital, improvement of the quality of business processes, and ownership of adequate resources.

2. Method

The research method in this study is a research descriptive verification. The analysis method is used to find out how respondents responded to the strength of the external environment, company resources, and competitive strategies on the performance of the Construction Services business in West Java. And to test whether the hypothesis is accepted or rejected. Multiple linear regression hypothesis test. Research on data collection techniques for field research, questionnaires, and library research. The number of samples is 99 respondents with a non-probability sampling technique. In this research analysis, Pearson correlation is used to explain the degree of relationship between the independent variable and the dependent variable. The coefficient of determination is used to measure how far the model's ability to explain variations in the dependent variable. If the coefficient of determination gets closer to one, it can be said that the independent variable has a very strong influence on the dependent variable. A partial test is to test each independent variable, namely external environment force, corporate resources, and competitive strategy, whether it has an influence or not on the variable dependent, namely the Performance of business services.

3. Results and Discussion

3.1 Results

The sustainability of the Construction Services Industry is inseparable from management's understanding of adapting and anticipating external environmental forces where the external environmental forces of the construction services industry are divided into the external environment and the internal environment. The external environment is also known as opportunity and threat factors. Macro power includes aspects; of economic, political, social, and cultural as well as demography and environment. Industrial competition consists of; competitors, substitutes, buyers, and suppliers. The strength of technology consists of; the adaptation of new technology, future technology trends, and technological threats to the internal company.

The internal environment is an aspect of the company's internal strengths and weaknesses, as well as optimal resource ownership, where the company's resources are a set of assets both in the form of tangible assets and intangible assets. Tangible assets include land, physical facilities, and equipment, while intangible assets include human resources, company reputation, and mastery of information and technology.

Optimizing the strength of the company's external and internal environment can play a role in formulating the right competitive strategy to produce superior performance. In designing a company's Competitive Strategy, where a Competitive Strategy is how an organization positions its business more competitively compared to other similar industries.

Competitive Strategy focuses on developing the competitive position of business units engaged in goods and services. At the same time, the Competitive Strategy is the integration and coordination in planning commitments and actions to win the competition to create a sustainable increase in company performance.

Wandan Bullard's research (2015) focuses on the relationship between business-level competitive strategy, competitive strength, and performance. The research shows that the model and methodology used truly describe the situation faced by the fabric industry and wood for household furniture. The study of the construction services industry is focused on the relationship between business-level competitive strategy, competitive strength, and performance.

Although both the intensity of competition between existing competitors and the threat of new entrants have a significant impact on performance, the consideration of the threat of new entrants is somewhat neglected by managers when they formulate and implement their business-level competitive strategies for firm performance.

Based on the explanation above, the competitive strategy in this study is industrial competition by developing a cost leadership strategy, differentiation strategy, and speed-based strategy. Where the

dimensions of cost leadership include setting more efficient operational costs, determining prices/tariffs below competitors' prices, and determining cost attractiveness (monetary, time, energy, psychological)/product rates.

The differentiation strategy includes creating product advantages that are not owned by other companies, creating better product variations compared to competitors, and creating convenience for customers in owning products. The dimensions of the faster strategy include the company's speed in anticipating shifting market demands, anticipating the latest technology trends, and the ability to anticipate competitors' movements.

Formulation of the right competitive strategy and supported by the right strategic partnerships is expected to support business performance. A strategic partnership is an effort to collaborate with stakeholders, where strategic alliances are used by many competing companies around the world. Several aspects were created to enhance strategic partnerships with other companies.

The effect of these efforts can provide opportunities to increase value for customers. A company conducting business partnerships aims to (1) transfer technology, (2) market access, (3) reduce costs, (4) reduce risks, and (5) change the structure of the industry. This collaboration is based on mutual trust, openness to various risks, and benefits in improving the Competitive Strategy to produce better performance than when not collaborating.

This is in line with the research of Berte, Rodrigues, and Almeida (2010) which identified the characteristics of the company and its strategy formulation which was carried out by analyzing and diagnosing the company's environment. In terms of internal aspects, critical success factors are identified through close contact with customers and evaluation of competitors. In terms of environmental analysis, small companies are financially constrained to obtain information about competitors. The environmental analysis also found that the factors listed are personal (quality of life), human resources (labor costs, labor qualifications, and workforce qualification capacity in the region), market (location of customers, suppliers, proximity to other technology companies, And

establishment of cooperative networks), legal benefits (tax/fiscal), infrastructure (restaurants, public transportation, banks, and others), and/or institutional (good union relations, easy access to politics of non-governmental organizations).

The concept of external environmental forces in this study includes the macro environment, industrial environment, and technological environment. The definition of strategic partnerships in this study includes vertical relationships consisting of relationships with suppliers and customers (customers) and horizontal ones consisting of lateral and internal partnerships.

Where the dimensions of internal partnerships include: creating synergy between departments within the company through cross-functional strategies, inter-departmental cooperation in carrying out product marketing activities, as well as inter-departmental collaboration to complement each other in solving problems. Meanwhile, partnership with suppliers includes cooperation with suppliers in terms of material supply.

While partnerships with customers include cooperation with customers in customer gathering program activities and developing customer loyalty programs. Lastly is partnership with lateral parties which includes partnerships with related companies and with intermediary institutions.

The company's resources in this study cover three categories of resources, namely: tangible assets, intangible assets, and organizational capabilities. The Tangible Assets dimension includes the completeness of production equipment facilities, working capital ownership, fixed asset ownership (office buildings), and ownership of the latest technological equipment. The dimensions of Intangible Assets include company reputation, brand awareness level, product brand image, level of quantity of experts, and level of quality of experts. Meanwhile, the dimensions of organizational capability include management competence in conducting business management, conducive internal business processes, and management's commitment to building the business.

Based on the understanding of the concept and previous research, the business performance in this study is defined as sales results in the form of the value of service products sold and the level of profit obtained by the company with dimensions including sales growth, profitability, and percentage of market share.

Respondent Demographic

The data collected in this study was by distributing a questionnaire to 99 (ninety-nine) respondents who are Construction Services entrepreneurs in West Java. The purpose is to the strength of the external environment, company resources, and competitive strategies on the performance of the Contraction Services business in West Java. The questions distributed consisted of 39 statement items.

Validity Testing

Validity tests are carried out to measure the extent to which the instrument can be used to measure what it wants to measure. The validity test carried out in this research is intended to find out whether the statements used in this research can measure the research variables. The r table value for n = 99 with a significance level of 0.1 is 0.166. Based on The SPSS calculated data, the correlation coefficient (r) is known that all correlations of variable X items are greater than r table or 1975, so the instrument is declared valid.

Reliability testing

For the variable of External environmental force (X1), Cronbach's Alpha was obtained at 0.848, so the questionnaire for this variable was declared reliable because it was > 0.60. For the variable of Competitive strategy (X2), Cronbach's Alpha was obtained at 0.854, so the questionnaire for this variable was declared reliable because it was > 0.60. For the variable of Company resources (X3), Cronbach's Alpha was obtained at 0.793, so the questionnaire for this variable was declared reliable because it was > 0.60. For the Business Performance (Y) variable, Cronbach's Alpha was obtained at 0.793, so the questionnaire for this variable was declared reliable because it was > 0.60. Based on the results of the reliability test conducted on all items in this study, it shows that all research items can be said to be reliable, thus they can be used as instruments in measuring the variables defined in this study.

Research Model Test and Hypothesis Test

The results of data analysis with the help of computer processing based on SPSS version 26 calculations obtained a multiple regression equation based on the following output.

Table 2

Multiple Linear Regression Test

Model	Coefficients ^a			t	Sig.	
	Unstandardized Coefficients	Standardized Coefficients				
	B	Std. Error	Beta			
1	(Constant)	1.201	.306		3.919	.000
	X1	.249	.120	.278	2.070	.041
	X2	.197	.084	.208	2.351	.021
	X3	.285	.139	.290	2.051	.043

a. Dependent Variable: Y

Based on the output above then:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + e$$

$$Y = 1.201 + 0.249X_1 + 0.197X_2 + 0.285X_3 + e$$

Correlation & Determination Test

Results of data analysis with the help of computer processing based on calculations SPSS version 26 obtained multiple correlation tests and determination tests based on the following output.

Table 3

Correlation Test & Coefficient of Determination

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.669 ^a	.448	.430	.54199

a. Predictors: (Constant), X3, X2, X1

The correlation coefficient value between external environment (X1) and company resources (X2) and competitive strategy (X3) with business performance (Y) is 0.699, indicating a moderate relationship because it is between 0.400 – 0.699. To determine the effect of the external environment (X1) company resources (X2) and competitive strategy (X3) on business performance (Y), can be seen from the multiple correlation coefficient or the coefficient of determination (R square) is 0.448 or 44.8%, which means that business performance is determined by the external environment (X1), company resources (X2) and competitive strategy (X3) by 44.8% while the remaining 55.2% is influenced by other factors not examined.

4. Conclusion

The results of the descriptive analysis state that the strength of the External Environment has a positive influence on business performance. (a) Company resources have a positive influence on business performance. (b) Competitive strategy has a positive influence on business performance. There is a positive influence from the strength of the External Environment, Company Resources, and Competitive Strategy on business performance for Business Services Contraction in West Java. However, other factors which are not examined should be analyzed to strengthen business performance. This can be seen from the percentage of the determination coefficient is 44,8%, while the remaining is 55,2%.

5. References

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