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# Strategy Of Service Industries Construction In Autonomous Attitude Of Area To Improve Of Effort Service Industries Construction In Indonesia

*Kalih Trumansyahjaya<sup>1\*</sup>*

<sup>1</sup>Architecture Engineering/Gorontalo State University, Indonesia

*Tough challenges faced by the National Construction associated with the prevailing policy of autonomy in Indonesia. This is a market opportunity to increase competition in the construction industry every region in Indonesia. Limited opportunities should be utilized by any industry construction services to quickly change the orientation of the market share that has the potential to be superior in construction. That is expected to establish a conducive climate and construction services backed by a solid business structure, professional and very competitive to provide the high quality of the construction work.*

*Consequences that change the orientation of the National Construction Company should endeavor to prepare the company's resource advantages in order to win the competition in a climate of regional autonomy in Indonesia.*

*The research will be concentrated in local government or district in Indonesia in implementing regional autonomy, and also, concentrate on the potential of natural resources are owned by their respective areas in parts of Indonesia.*

*The results of this study provide input and information for the national construction industry, central and local government to further enhance the professionalism that is accompanied by growing environmental awareness that the whole culture will instruct on creating a peaceful working environment to be able to play a greater role in national development.*

*In addition, in order to provide efficiency in achieving market share and level of competition in the construction industry in the area by conducting strategic steps in determining market objectives, marketing, compliance and human resources and perform skills in the procurement of construction services industry.*

**Keywords:** *Strategy, Service, Industries Construction*

\*E-mail: [trumansyahjaya@gmail.com](mailto:trumansyahjaya@gmail.com), [Tel: +62 81944005634](tel:+6281944005634)

## **INTRODUCTION**

Nationally, there is a decentralist movement along with the implementation of Regional Autonomy, which is an outlet for regions in Indonesia to optimize exploring their regional potentials, natural resources, and freedom to regulate and manage their own region, especially in developing their construction industry. In terms of regulating and managing implementation of development in a well-planned, integrated, and holistic ways, a further step need to be taken by accommodating aspiration and demands of the development service providers, which are mostly the construction community. This is also to create equal opportunity for community to participate in implementation of construction service, ensure a healthy competition among service providers, and enhance the strategy in development of construction service industry.

Considering the above things, it is important to explore the extent that construction service industry can contribute in development within this regional autonomy era toward the development strategy of construction service industry in Indonesia.

## **THE STRATEGY OF CONSTRUCTION SERVICE INDUSTRY IN REGIONAL AUTONOMY**

Nationally, the construction service industry is facing regional autonomy in which, the regions are given freedom in managing and determining the construction projects in their own regions.

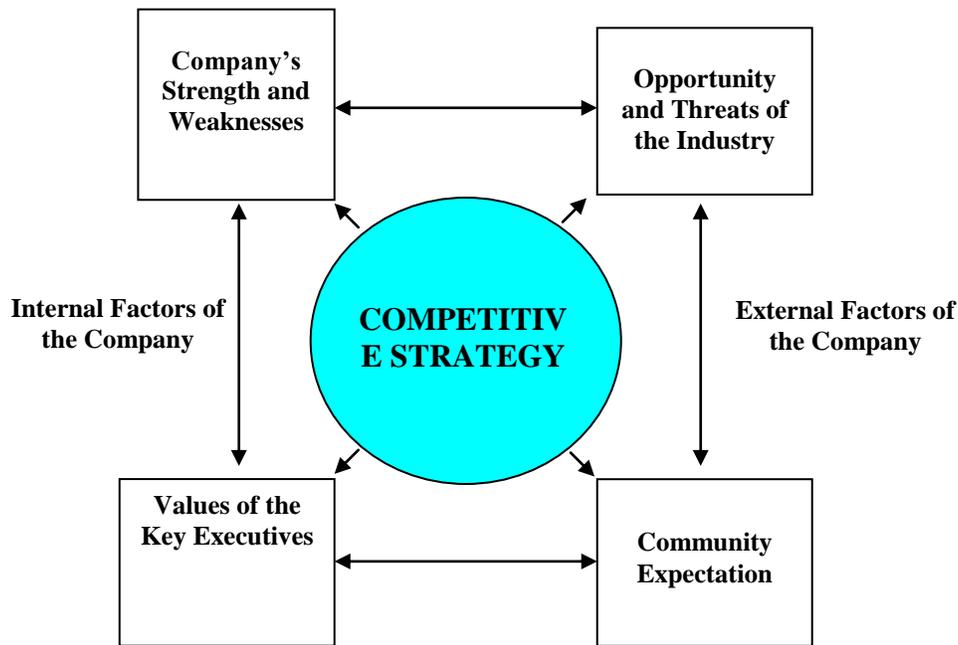
Construction service providers need to anticipate this regional autonomy, not only due to its regulation that would shake the old practices in service and good procurement and provision, handling, and construction project management in Indonesia, but also it would further demand the construction service industry, especially service providers or contractors to take strategic steps in order to succeed in the market.

Strategic step that can be taken by the construction service industry to answer this call is through conducting structural industry analysis. This analysis has significant influence in determining the competition and strategies for construction companies regarding to the principles of company's competition strategy called Strategic Wheel, such as, market target, human resources, and purchasing (Porter, 1980).

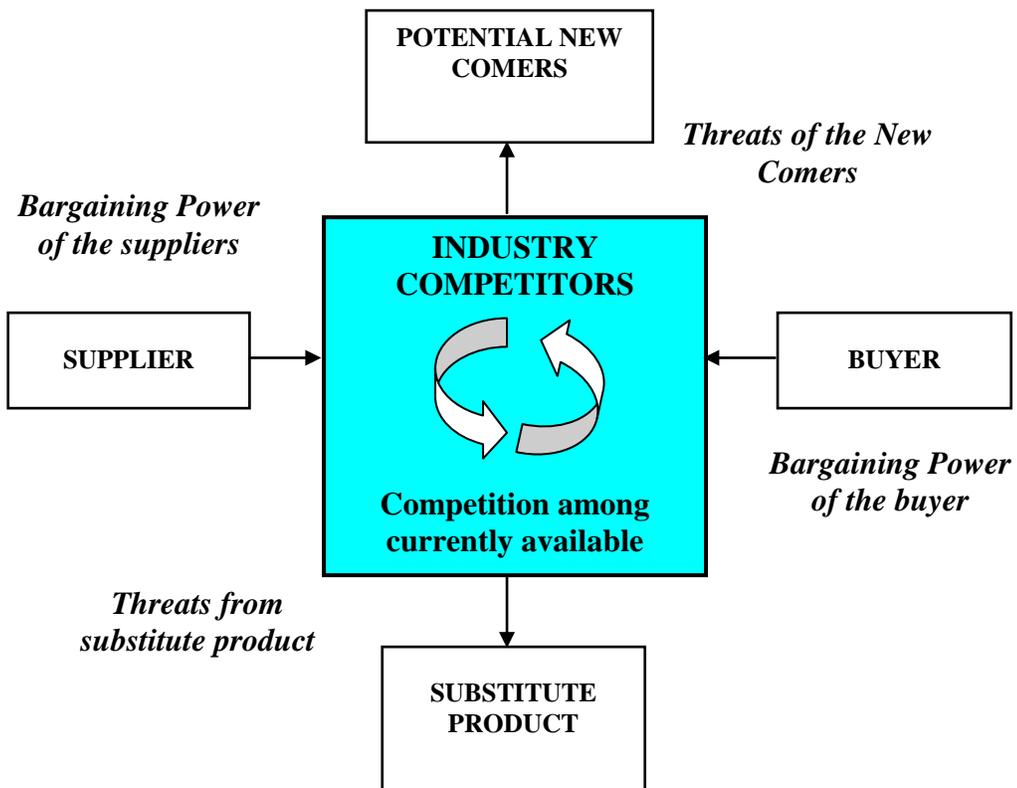
## **FORMULATION OF STRATEGY**

In order to attain the determined company's objective, strategic management need to consider four main factors that determine the achievement of the company.

Company internal factors can identify strengths and weaknesses. Company's strengths and weaknesses is a profile of company's wealth and skill over its competitors, that encompasses marketing, financing, operational, human resource, research and development, management information system, and organizational culture. Original organizational values are motivation and needs of the executives and personnel of the company in implementing the selected strategy. The external factors are business environment's that encompasses the company operations arises through opportunities and threats, as presented in Figure 1. (Porter, 1980).



**Figure 1**  
Context where competitive strategy is formulated



**Figure 2**  
Things that Influence the competition within the industry

## **STRUCTURAL ANALYSIS OF THE INDUSTRY**

Industrial structure has strong influence in determining the competition in addition to potential strategies available to the company. The state of competition within an industry depends on five-competition strengths according to Porter (1980) as presented in Figure 2. The compilation of those five strengths determines the potential competition capacity of the construction companies to deal with changes that happen within the construction industry.

The five-strengths of competition consists of:

1. Industrial competitors, that is the competition among companies operated within this sphere.
2. Threats from new comer, that is obstacles raised by new comers in this industry,
3. Threats from substitute product/service, that is the availability of substitute product
4. Providers bargaining, that is the provider that can use this bargaining strength toward the stakeholders in this industry.
5. Costumers' bargaining, that is the factors that can influence the buyer's strength

## **COMPETITIVE STRATEGY**

In order to answer the challenges within an industry, three strategic approaches that potentially would succeed in competing with other companies according to Porter (1980) are:

1. Overall cost advantage

Overall cost advantage in an industry can be achieved through a set of functional policies aimed to achieve the objectives with aggressive construction of efficient facility's scale, determined efforts to achieve the cost efficiency through experience, strict cost and overhead management, and avoidance of marginal customers, and minimizing the cost in various sectors such as, services, advertising, etc.

2. Differentiation

The second strategy is product or service differentiation offered by the company, that is to create innovations that can be accepted by the industry as something unique. Approach to product and services can vary from design or brand, technology, specific characteristics of the product, customer services, and distribution channels.

3. Focus

The last strategy is to focus on customer's group, product segments, or certain geographic market. Focus strategy is developed to properly serve certain target, and all the functional policies are developed based on the idea that the company through these policies would be able to serve its narrow but strategic target effective and efficiently compared to the wider competitors.

## **RESEARCH METHOD**

In this research, two methods of collecting the data and other relevant information were used, namely:

1. Data collection method

- a) Library research method.

This method collected the data through reviewing the available literature on construction service industry, regional autonomy, and strategic management.

- b) Field research method

This method was implemented on State Owned Company that operates in construction sector. The data collection techniques were through interview, discussion, questionnaire with sets of question on facts and opinion.

2. Descriptive method

Using descriptive method, researcher described the current phenomenon using the analysis design through identification of variables, such as, correlation between related aspects, region's potentials, development of number of construction service providers, and strategy of the construction service providers.

## **FINDINGS AND ANALYSIS**

To analyze the strategy of construction service industry in this era of autonomy, industrial analysis was conducted based on Potter's five method of strength (1980), which would be systematically discussed as follow:

1. Competition within the industry

Considering the number of construction service providers in the area that quite numerous, number of construction projects available in the region are not sufficient compared to the number of these contractors, hence, the level of competition among the contractors is high. Therefore, construction service agencies have to undergo a restructuring in balancing the number of contractors and number of projects in the region.

2. Bargaining power of buyer

The demand that has to put forward by the construction agency in order to gain bargaining position with the service user in a construction job is through skill, experience, technical and managerial skills in the field that are proven by its qualification and classification. In addition, to win the competition in the regional market, especially in bargaining with the users in the region, an agency that already has an office in the region has to have human resources, capital, equipment and other facilities needed to carry out a project, hence, all the advantages owned by an agency is a strength for that specific construction agency to bargain with the service user.

Nevertheless, the service provider (contractor) will have to increase the bargaining position by increasing their advantages in experience, skill, ability in creating effective and efficient construction method, and managerial and technical capacities.

3. Threats of new comer

Regional autonomy stipulates that each contractor that will work on a project in the region has to have a branch or representative office in the area. This stipulation would be an obstacles for the new comers that aimed to compete in construction projects. This works to advantage of the currently existing construction agencies to continue to develop their business without obstruction or threats by the incoming companies.

4. Supplier's bargaining power

The main strength of the supplier bargaining position lays on the construction material's suppliers and the equipment that needed in construction works, hence, they can maximize on their potential benefit from this construction industry, in addition to the human power suppliers that are crucial in a construction project. Strong supplier's bargaining power is a significant threat that needs to be prioritized in a construction service industry.

5. Threats from substitute product/service

Local businessmen is threat for substitute service providers in working on the projects in the region, due to the policy of regional autonomy, the local businessmen would

completely manage the development budget in their respected regions. Therefore, local businessmen are potential threats that can influence the income scale of the company.

In order to survive and strife in this tight construction industry's competition within the regional autonomy era, some of the strategies that can be implemented by the construction companies are:

1. Overall cost advantage strategy

In order to strife in highly competitive world of construction industry within this regional autonomy era, construction companies can implement strategic management in strictly managing the cost. The strict cost management is needed by the construction agencies in minimizing the cost, and to maintain the quantity and quality of their work during the construction process by using the effective and efficiently implemented construction method.

Finally, the main advantage of this overall cost advantage strategy is the probability to win the strict competition in construction industry. This is due to this strategy is supported by the company's experience on internal operational efficiency that positively influences the company's benefit.

2. Focus strategy

To win in this highly competitive era of regional autonomy, the construction service company has to focus on selecting its market target in increasing the scale of the company. In this sense, the focus in selecting the market are regions with high potential development, abundant natural resources, high revenue, big portion of budget allocated for development, and the local construction companies' potential. Therefore, in increasing the opportunity to win the construction projects in those regions, a company should establish branch/representative offices in those regions in order to more efficiently and effectively manage and control the projects in those regions.

in implementing the focus strategy with overall cost advantage, several strategic steps need to be formulated for the construction company to achieve its maximum target. Those strategic steps are based on the strategic wheel developed by M. Porter (Competitive Strategy, Technique for Analyzing Industries and Competitors, 1980; The Free Press), as follow:

1. Market target

Understanding the market target to develop the construction industry in regional autonomy era, then the construction companies has to be equipped with information on regional potencies that can be used as market target in developing the construction business, such as, natural resource potentials, human resource potentials, and state budget potentials.

2. Marketing

To be able to compete in local market in this regional autonomy, the construction companies have to do several steps to win the competition in the market, namely:

1. Knowing and obeying the regulation related to the implementation of construction jobs in the region,
2. Maintain good working relationship with relevant stakeholders in construction jobs, that is by maintaining a good approach to the supplier, service user, sub-contractors, both planning and controlling consultants, and local government

3. Actively participate in projects planning in the regions who are highly potentials for the company to win the project in those regions
4. Conduct joint venture with local construction agencies, in the basis of mutual benefit in accomplishing the construction contracts.
3. Human and organizational resource  
Regarding the impact of regional autonomy on the opportunity of construction service industry, the strategy that need to be taken by the construction company is by enhancing its human resources, both in their working skills and working ability. In order to enhance the working skill in the region, the central office can send instructors or trainers to give training related to construction service, hence they will be better both equipped with technical skills and managerial skills.  
In organizational structure level, company shall do strategic decentralization steps by delegating the authority to the branch office to manage the project and win the local market of construction service in the region.
4. Purchasing/procurement  
To increase the ability in bargaining position toward the suppliers, the company shall have good approaches to the local suppliers in the hope of gaining information and complete and competitive price in purchasing or procurement that can support the implementation of construction projects.  
In addition, to increase the ability in providing working capital, company shall do a cost control by pressing the working cost during the construction of the job and conduct value engineering that is to balance among the cost, reliability and performance.

## **CONCLUSION**

1. Several policies taken by the government and their relevancies to national construction world are:
  - Regional autonomy will bring an impact on the decentralization of construction service markets to potential regions.
  - The shifts of the government orientation from state orientation to society orientation, due to the constructed projects would be heavily initiated by the community.
2. Through regional autonomy, the construction industry areas will be concentrated in potential areas, as well as giving the construction stakeholders in the region to play bigger role in the region's development.
3. In order to increase efficiency in winning the market of construction service industry within this regional autonomy era, the company shall implement focus strategy overall cost advantage in regions with high potentials to increase the scale of construction service industry
4. Related to the level of competition of the construction service industry within the regional autonomy, the company shall implement the industry analysis based on five strength (M. Porter, 1980) by conducting strategic steps, such as determining the market target, marketing, human resources and organization and determine its purchase/procurement ability in construction service industry.

5. Other steps that can be done by the construction agencies within this regional autonomy is by forming joint venture or joint operation with local construction companies in the region. This steps will give some benefit such as:
  - a. Local companies would be more knowledgeable on construction service in their area either related to licensing, local market opportunities, possibility of construction obstacles, relation with local community, government, supplier, service user, sub-contractors and man power in the region.
  - b. Local company would have more advantage on local culture and habit, attitude and behavior of the field workers.
  - c. Central company can maximize the local resources, human resources, materials and etc. with the help of these local companies.

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