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Core Competence on Real Estate Industry in Globalization Phenomenon: A Contemporary Approach

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ABSTRACT

This article aims to review and integrate the strategic management and empirical literature on core competence, dynamic capabilities approach (DCA) and real estate industry practices in order to pave the road for dissertation research. The article integrates the insights from strategic management perspective. Strategic management literatures and empirical studies are collected and reviewed. The findings from these studies are phenomenon and research problem, theorical foundations, literature map, the model and hypotheses to build core competence on real estate industry theory. The paper provides the new model for building core competence on real estate industry in globalisation phenomenon based on DCA. It generates insights that may help firms to establish a strategic real estate development process and it may help to develop a more mature body of research on core competence.

Keywords: Environment Risk, Dynamic Capability, Core Competence, Organizational Performance, Real Estate Industry
JEL Classification: M

1. INTRODUCTION

Globalization is growing significantly for the manager in a real estate company to be competitive in the markets/countries, companies must have a network to other markets to remain competitive in the global real estate market. A company may have no or only a little bit caught in the global market, but for foreign competitors to enter the house of their local markets real estate, we need a strategy of resistance (Too et al., 2010. p. 235). However, research on strategic management in the field of real estate is still small.

Grant (2013. p. 10) explains that:

> *"...elements of a successful strategy ... are recast into two groups - the firm and the industry environment - with strategy forming a link between the two.... Fundamental to this view of strategy as a link between the firm and its external environment is the notion of strategic fit. This Refers to the consistency of a firm's strategy, first, with the firm's external environment and, second, with its internal environment, especially with its goals and values and resources and capabilities."*

Environmental risks play an important role in every investment decision-making process. In relation to real estate development, the risk that comes from social factors, technological, environmental, economic and political. These factors have been widely used in a business context, but with a different name, such as PEST, Tesp, STEP. Risks affecting the real estate project development process in terms of schedule delays, cost overruns and product quality. They also affect the progress of the project at all stages of their life cycle (Khumpaisal el al., 2012. p. 56).

Capability can be considered as the efficiency of an organization's use of the available resources to transform inputs into outputs. If the capability is difficult to observe, it will be difficult for competitors to imitate or buy, thus causing a position of sustainable competitive advantage. In a highly volatile market, namely hypercompetition, it is important to understand the value creation process that respond to rapidly changing customer needs. Recent research on the capabilities of both integration capabilities suggest tangible (tangible) and intangible (intangible) to cope with a changing environment as a source of competitive advantage. This is known as dynamic capabilities (Too et al., 2010. p. 237).

Core competencies the real estate industry means the ability of real estate companies to gain and maintain a competitive edge in competitive market conditions, the decision process and real estate development (Wei et al., 2007. p. 119). In a highly competitive market, the core competencies has emerged as the central concept of competitive strategy. The core competence is the set of knowledge that distinguish a company and give it a competitive advantage over competitors (Agha et al., 2012. p. 192).

Porter distinguishes three competing strategies (competitive strategy) generic for a sustainable competitive advantage: The lowest cost, differentiation, and focus. An organization with the lowest cost strategy to concentrate on production at the lowest possible cost. An organization with a differentiation strategy aims to produce and sell products and services unique to the premium or price is relatively high. An organization with the lowest cost or differentiation strategy also concentrate on one target market segment or just a few market segments defined pursuing a strategy of focus (Singer et al., 2007. p. 27-28).

Measurement of organizational performance is usually discussed in the literature of strategic or holistic measurement perspective. Strategic measurement is described as a method to communicate the organization's strategy for stakeholders to operationalize it. This means that the selected method has been developed based on the needs of the organization. One way to identify a good strategy in an organization is of the measurement system is designed. One of the strategic measurement system the most famous and used is the BSC developed by Kaplan and Norton in 1992. BSC is a management system (not only a measurement system) that enables organizations to clarify their vision and strategy and translate them into action (Lindholm and Nenonen, 2006. p. 111).

Further research on the relationship between environmental risks, capabilities, core competencies, competitive strategy, and organizational performance suggested by Tuan and Mai (2012. p. 65), in particular on organizational capability relationship, the effects of industry, competitive advantage and performance. Further studies strongly suggest trying to answer the question of how the mechanism of the organization to make their capabilities, thus scientists and practitioners will have empirical evidence of the basic theory of resource-based view (RBV).

Parayitam and Guru (2010. p. 92) suggests research with contemporary frameworks that integrate RBV and dynamic capabilities approach (DCA). Especially considering the changing landscape of competition in the 21st century, which requires the transformation of the industry and suggested the company change the configuration of the resources and capabilities to meet the changing demands. RBV and DCA relationship is important because the organization must commit resources and capabilities to take advantage of opportunities and mitigate threats from the environment.

2. LITERATURE REVIEW

2.1. Environmental Risk

Based on the definition of Khumpaisal et al. (2012. p. 55) which says that "*risk is simply the probability that an investor will not receive the expected return or the deviation of realisations from expectations*." Wahyudi (2013. p. 59-60) defined environment risk "*as the impact of the external environment to the firm in the perspective of cash flow, value and profitability*." According Rymarzak and Sieminska (2012. p. 217-218) there are also micro environmental factors "*each location has its utility value determined by factors related to both supply and demand.*"

This dissertation research combines several definitions of environmental risks above, based on the definition Wahyudi (2013. p. 59-60), Khumpaisal et al. (2012. p. 55), and Rymarzak and Sieminska (2012. p. 217-218) so the definition of environmental risk is *macro and micro environmental changes that may occur and affect the real estate development process.*

2.2. Dynamic Capability

Based on the definition of Teece et al. (1997.p. 516) which says that the "*dynamic capabilities as the firm's ability to integrate, build, and reconfigure internal and external competences to address Rapidly changing environments. Dynamic capabilities Tus reflect an organization's ability to Achieve and innovate new forms of competitive advantage given path dependencies and market positions*." Definition of Zollo and Winter (2002. p. 340) which says that "*a dynamic capability is a learned and stable pattern of collective activity through the which the organization systematically generates and modifies its operating routines in pursuit of improved effectiveness*." Furthermore, Teece (2007. p. 1341) enhance the definition of the capabilities of dynamic as a procession orchestra asset "*core elements of dynamic capabilities - coordination/integrating, learning, and reconfiguring - processes are a sub-set of the processes that support sensing, seizing, and managing threats, Together they MIGHT be thought of as assets' orchestration processes.*"

Research for this dissertation does not use the definition of the concept of variable dynamic capability by Teece et al. (1997. p. 516) as the basis for this study, because the definition has been refined in the definition of dynamic capability Teece (2007. p. 1341). This dissertation research combines the definition of the capabilities of the dynamic of Zollo and Winter (2002. p. 340) and Teece (2007. p. 1341), so this study uses the definition of the capabilities of dynamic is *the ability of an organization that is systematically to modify the routine operation of real estate development as the procession of the orchestra land management in wants to increase the effectiveness.*

2.3. Core Competente

Based on the definition of Wei et al. (2007. p. 119) which says that "*the real estate industry's core competence mean the ability that the real estate can obtain the keeping competitive advantage, the which under the market compete condition, with a foundation on the industry technique ability, via the interaction process of developing the strategy decision, program design, construction investment, market and marketing, moderate internal organization and service*."

Definition of Hewlett and Kaufman (2008. p. 74) which states that "*core competencies are the skills or assets of company that enable* *it to be better, faster, or cheaper than its competition, thus giving it a competitive advantage in the marketplace*." Meanwhile, Yang et al. (2015. p. 110) says that "*the characteristics, source and specific forms of core competence for real estate developers. should be attached to the management of core competence, particularly in its identification, cultivation, innovation, and enhancement, so as to bring sustainable competitive advantage for developers*."

But Mooney (2007. p. 111) says that "*the core competence of research highlights two essential attributes of core competence. First, a core competence must be a skill or capability of a firm rather than the mere ownership of a resource. Second, core competencies should be prominent in helping a firm Achieve its purpose. In other words, a core competence is central to a firm's value-generating activities.*"

This dissertation research combines several definitions of core competencies by definition Wei et al. (2007. p. 119), Hewlett and Kaufman (2008. p. 74), Wang and Xu (2008, in Wang et al., 2015. p. 110), and Mooney (2007. p. 111), so this study uses the definition of core competence is *the center of development activities that generate real estate to be better, faster, or cheaper than the competition to bring a sustainable competitive advantage.*

2.4. Competitive Strategy

According to Singer et al. (2007. p. 28-29) says that "*Organisations with sustainable competitive advantages have capabilities and competences that enable them to produce services and products the market is willing to buy. Porter distinguishes three generic strategies for sustainable competitive advantage: Lowest costs, differentiation, and focus; (1) An organization with a lowest costs strategy concentrates on production at the lowest possible costs, (2) An organization with a differentiation strategy aims to produce and sell unique products and services for a premium price or a are relatively high price, (3) An organization with a lowest costs or differentiation strategy also that concentrates on one target market segment or just a few market segments defined performs a focus strategy*." Similar Sihite and Simanjuntak (2015. p. 9-10) says that "*Cost leadership means having the lowest per-unit (i.e., average) cost in the industry - that is, lowest cost relative to your rivals. Differentiating the product offering of the a firm means creating something that is perceived industry wide as being unique. Here we focus on a particular buyer group, product segment, geographical or marke.*"

This dissertation research employs the concept of generic competitive strategy Porter as the Singer et al. (2007. p. 28-29) and Sihite and Simanjuntak (2015. p. 9-10) following a *decision to compete with cost leadership, differentiation, or focus on a sustainable competitive advantage which is based on the capability and competence to produce services and products in which the real estate market is willing to buy.*

2.5. Organizational Performance

Based on the concept of organizational performance using a balanced scorecard Kaplan and Norton (1996, in Lindholm and Nenonen, 2006. p. 111) that "*the BSC is a management system (not only a measurement system) that enables organisasi to clarify reviews their vision and strategy and translate them into action. It provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results*." Meanwhile, according to Tangen (2005, in de Vries et al., 2008. p. 210) "*is a compound variable performance embodying excellence or competitive advantage, profitability and productivity. The assessment of performance variables depends on the position and interests of the various stakeholders and is therefore affected by context variables such as legislation, market developments, social trends or demographic developments. The three performance aspects Referred to by Tangen are profitability is defined as the difference between benefits and costs, competitive advantage has been defined as the (developments in) market share, and productivity as the ratio of output/input, and productivity is the most difficult, to quantify, especially if the organization concerned is a center of expertise, a service provider or an educational institute*." According to Krumm and Vries (2003. p. 67) the organization's performance can be judged by the value based management metrics "*value based management metrics are used to Determine minimization of capital cost reductions or improve revenues.*"

This dissertation research combines several concepts of organizational performance BSC as in Kaplan and Norton (1996, in Lindholm and Nenonen, 2006. p. 111), Tangen (2005, in de Vries et al., 2008. p. 210), and Krumm and Vries (2003. p. 67) as *the measurement system to realize a competitive advantage, profitability and productivity in real estate development process.*

2.6. The Model

Yan (2010. p. 68) investigated the business strategy framework on competitive environment affecting the performance of small and medium-sized enterprises (SMEs) in China. Based on data collected, this study has confirmed the importance of competitive strategy to achieve their competitive advantage. In addition, there is a negative relationship between the competitive environment and performance of SMEs. Teeratansirikool et al. (2013. p. 168) examined the role of mediating the relationship between competitive strategy and firm performance. This research was conducted by a mail survey to Thailand registered company in 2009. A total of 101 executives Thailand registered company. Path analysis model is adopted to analyze the survey data obtained. This study found that in general, all the positive competitive strategy and significantly improve performance. Chi (2015. p. 27) empirically investigate China's apparel industry SMEs form a strategy in response to a competitive business environment to achieve organizational performance. A model of environment-strategy-performance of proposed and tested. Using primary data collected by a questionnaire survey, factor analysis and structural equation modeling (SEM) was conducted to test the hypothesis. The results showed the proposed model meets the statistical criteria.

Human and Naudé (2009. p. 2) conduct research focusing on competence and capability needed to improve performance. Adopting RBV, an attempt is made to validate the action competence networks and network capabilities in South Africa. Analysis based on data from a multi-informant mail survey of 219 business managers. Factor analysis and SEM was used to test the conceptual model based on contemporary literature. Their results showed a significant relationship between competence networks and network capabilities, and between network capabilities and performance of the company, but not between competence and performance of the company network. Ljungquist (2008. p. 73) describes the core competency model to explore the relationship between core competencies, capabilities and resources. The findings indicate that the competence, capabilities, and resources all related to its core competencies. Kim et al. (2012. p. 1047) explored the effect of entrepreneurship on organizational performance through knowledge integration capabilities. The results show the relationship between entrepreneurship and capability, and the effects of entrepreneurship on the performance of companies that are mediated by the knowledge integration capability. Huhtala et al. (2014. p. 134) examines the role of market orientation and innovation capabilities in determining the performance of the business. Data consisted of two national surveys conducted in Finland. Partial path analysis is used to test the effect of mediation potential innovation capabilities on the relationship between market orientation and business performance during the economic boom and bust. The results showed that the innovation capabilities are fully mediate the effects of performance and market orientation for economic progress, while mediation is only partial during a downturn.

Ming-Chao and Fang (2012. p. 311) investigate how industrial environment configuration to form a relationship between the structure of new business networks and innovative performance. Data were collected through a survey of 1510 new businesses in Taiwan. Innovative performance is influenced by various aspects of the network structure, and the uncertainty of the environment contribute to these effects. Wang et al. (2006. p. 27) examines how the relationship between technological capabilities and performance of business in a particular context. This paper refers to a variety of theoretical perspectives to develop hypotheses that propose a direct relationship between technological capabilities and performance of the business, the mediating role of customer value, the moderating effects of business environment and other important contingent factors. The findings-findings of high-tech enterprises in China confirm the validity of the framework and capable of a wide range of insights about the role of various factors in relation to the proposed contingency. Akgün et al. (2008. p. 230) tested the emotional impact of a company's capabilities in performance by considering the dynamics of the environment. The study included a questionnaire-based survey of managers and employees of various companies operating in Turkey. A total of 356 surveys of 112 companies that accept and experience moderated hierarchical regression analysis. The results showed that emotional capability firm has a significant impact on the company's financial performance and organizational effectiveness. Furthermore, the relationship between emotional ability and performance of the company is affected by the dynamics of the environment, including changes in the industry, competition and consumers.

Goll et al. (2007. p. 161) examines the relationship between knowledge capabilities, strategic change, and the company's performance in the US airline industry. This is a longitudinal study research design cross-sectional time series. A theoretical model was tested in which the capabilities of knowledge provide a direct effect on the strategic change; strategic change then affects the performance of the company. The relationship between changes in the strategic environment of moderation and company performance. The research sample includes major US air carriers from 1972 to 1995. Statistics time series with fixed effects were used to examine the relationship between variables. The results support theoretical models: The influence of a working knowledge of strategy change, which, in turn, affect the company's performance. David et al. (2008. p. 203) examined the relationship between the core capabilities, competitive strategy and performance SMEs in China. for. This paper consists of a quantitative survey. It involves primarily the development of instruments and hypothesis testing. Core capabilities and competitive strategy was found to affect the performance of SME development. In addition, there is a positive relationship between the core capabilities and competitive strategy. This shows the need to align the core capabilities and competitive strategy as a prerequisite for superior performance.

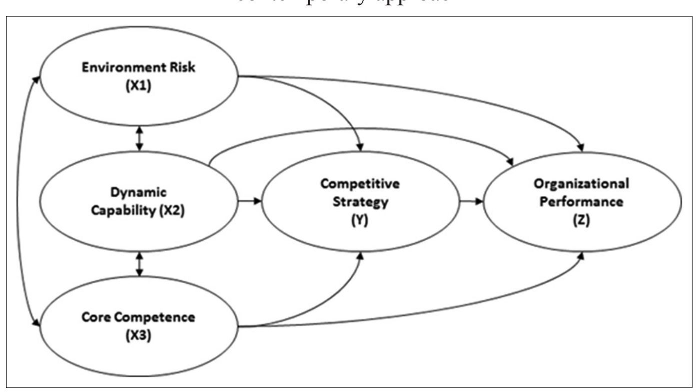
Ahmad et al. (2010.p. 182) to evaluate the effect of moderating effect of entrepreneurial competencies and business success in the business environment ofSMEs in Malaysia. Samples of 212 owner-founder of Malaysian SMEs, SEM was used to test the proposed model. The results showed that the entrepreneurial competence is a strong predictor of business success in SMEs in Malaysia. It was also found that the relationship between entrepreneurial competence and business success more strongly evident in the dynamic environment than in a stable environment.

From some previous research on some of the variables of the study, the research paradigm model framework composed as follows in Figure 1.

2.7. The Hypotheses

There is a relationship between environmental risks (X1) - competitive strategy (Y) - the organization's performance (Z) which is the SCP model of industrial organization (IO) as in Yan (2010), Chi (2015). Competitive strategy should be planned as a response to competitive business environment to achieve business performance. There will be a mediating role the relationship between competitive strategy, environment risk and business performance as in Teeratansirikool et al. (2013).

Figure 1: Teoritical model of building core competence based on contemporary approach



There is a relationship between capability (X2) - core competencies (X3) - the organization's performance (Z) which is a model of RBV as in Human and Naudé (2009). Ljungquist (2008) clarifies the relationship capabilities and core competencies. Kim et al. (2012) and Huhtala et al. (2014) to strengthen the capabilities and performance of the business relationship.

There is a relationship contingency such as the strategic management of complementary, there will be a relationship of environmental risks (X1) - capability (X2) - the organization's performance (Z) as in Ming-Chao and Fang (2012), Wang et al. (2006) and Akgün et al. (2008), the relationship capability dynamic (X2) - the competitive strategy (Y) - the organization's performance (Z) as in Goll et al. (2007) and David et al. (2008), the relationship environmental risk (X1) - core competencies (X3) - organizational performance (Z) as in Ahmad et al. (2010), and the relationship of core competencies (X3) - competitive strategy (Y) - the organization's performance (Z) as in Pertusa-Ortega et al. (2010).

H1: There is a relationship variables X1 and X2
H2: There is a relationship variables X1 and X3
H3: There is a relationship X2 and X3
H4: There is the effect of variable X1 to Y
H5: There is the effect of variable X2 to Y
H6: There is the effect of variable X3 to Y
H7: There is the effect of variable X1 to z
H8: There is the effect of variable X2 to z
H9: There is the effect of variable X3 to z
H10: There is the effect of variable y to z

3. CONCLUSION

To create and maintain a competitive advantage and improve the organization's performance, companies should sense, seize, and adapt the environmental risks, and shape, reshape, configure, reconfigure capabilities to build core competencies and competitive strategy.

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