

Sustainable Civil Engineering Structures and Construction Materials, SCESCM 2016

Innovativeness: a key factor to support contractors' business success

Harijanto Setiawan^{a,*}, Bilge Erdogan^b, Stephen O. Ogunlana^b

^aUniversitas Atma Jaya Yogyakarta, Jln. Babarsari No.44 Yogyakarta, Indonesia

^bHeriot Watt University, Riccarton Campus, Edinburgh EH14 4AS, United Kingdom

Abstract

Indonesian contractors are challenged by high levels of competition both locally and globally. In order to be successful in competition, a contractor is required to be innovative. This study aims to clarify the concept of innovativeness and to explore its implementation particularly in Indonesian contractors. Following a thorough examination of the literature on innovativeness, semi-structured interviews were carried out with top managers of contractors in Indonesia to determine the innovativeness characteristics of Indonesian contracting firms. The qualitative data were analyzed using an inductive thematic analysis method. This study found three contractor actions to support innovations: carrying out research and development, challenging staff to be innovative and supporting programs that spark innovation.

© 2017 The Authors. Published by Elsevier Ltd. This is an open access article under the CC BY-NC-ND license

(<http://creativecommons.org/licenses/by-nc-nd/4.0/>).

Peer-review under responsibility of the organizing committee of SCESCM 2016.

Keywords: innovation; contractors; Indonesia; qualitative data; thematic analysis

1. Introduction

The construction industry in Indonesia has been growing rapidly in the last few years. The size and value of the construction market is one of the most important factors encouraging Indonesia's economic growth. In 2012, the Indonesian Chamber of Commerce and Industry noted a significant increase in the Indonesian construction industry. It was valued at IDR 284 trillion and then it became IDR 369 trillion in 2013. Global Construction 2025 projected the increment in value from 2012 to 2025 to increase by an average of 6% per year. If this estimation is reached, Indonesia's construction industry in the global construction market will move from the position of the tenth biggest to become the fifth biggest.

* Corresponding author. Tel.: +62-812-272-0865; fax: +62-274-487748.

E-mail address: haris@mail.uajy.ac.id

In addition to the rapid growth of the construction industry in Indonesia, competition in the Indonesian construction market is high, both locally and globally. The Bureau of Indonesian Statistics identified the number of local contractor was extremely large, in 2013 it was recorded approximately 130,000 contractors. In addition to competition among local contractors, the force of global free trade creates increasingly higher and harsher competition. In 2013, 302 foreign contractors have been registered in Indonesia. This number shows a significant increase compared to the number in the previous two years, with only 128 in 2011. Although the number of foreign contractors entering the Indonesian construction market is very small compared with the number of local Indonesian contractors, they are contractors with very good reputations; therefore they are strong and threatening competitors for the Indonesian contractors to try to deal with. Currently Indonesian contractors also face the 2015 ASEAN Economic Community (AEC), in which ten Southeast Asia countries are launching a single market for goods, services, capital and labor. Obviously the AEC will increase the competition in Indonesia's construction market.

However, these opportunities and challenges are faced by the unpreparedness of Indonesian contractors to excel in business competition. Among that huge number of Indonesian contractors, the majority are small businesses. Wirahadikusumah and Pribadi [1] noted that the majority of the contractors had only poor to fair performance. Out of the 130,000 only about 100 contractors can be considered 'excellent' to be trusted to deliver high quality performance. Large numbers of small contractors with poor performance leads to various other problems in the Indonesian construction industry, such as:

- Low competitiveness because of failure to develop relevant strategies in running their business [2-4].
- Business orientation that focused on short term benefit rather than long term business sustainability [2]
- Low competitiveness, lack of marketing strategy, lack of entrepreneurial strategy, lack of capability to compete with foreign contractors [3]

This situation resulted in un-conducive business environment in the Indonesian construction industry. In order to improve contractors' competitiveness, the contractors in Indonesia, need to be innovative because the appropriate innovations can address the problem of projects, as well as meet the client's demands. Frese [5] mentioned innovativeness refers to creating and implementing new ideas such as new product, new service, new system or new strategy in order to achieve success of the company.

Contractors have been considered as project based firms (PBFs) that run their business on the basis of projects. As PBFs, contractors are characterized by a temporary project's organization within the permanent firm's organization. Contractors are required to deliver project as a unique end product specifically designed to meet clients' demand. In this business circumstances, contractors run their activities in many unique ways. Due to the specific nature of the contractor's business and the condition of contractors' business in Indonesia, innovativeness of contractors in Indonesia is considered as distinct from companies in other sectors as well as contracting companies in other countries. Therefore, this study is aimed at investigating innovativeness of contractors with a specific focus on contractors in Indonesia. In order to achieve this aim, the specific research objectives of this study are: to explore theoretical concepts and previous work on innovativeness with a specific focus on innovativeness in construction and contractors, then to identify the key factors of innovativeness for contractors based upon the experiences of contractors in Indonesia.

2. Literature review

The literature review in this study is aimed to obtain a deeper understanding of the concept of innovativeness and its related aspects such as: antecedents, outcomes and affecting factors. The literature review has been carried out both in general context and in construction as a focus of this study.

2.1. Innovativeness

Innovativeness is interpreted as an effort to gather and to support the invention of creative new products, services and processes [6-8]. Innovativeness was linked to different types of innovations, such as product innovation[9, 10] and service innovation [11]. Product innovativeness was defined as a propensity to introduce innovative product characterized by properties such as newness, uniqueness, pioneering, and technology adoption. Service innovativeness was introduced in order to provide customer satisfaction, meet customers' needs and to improve the

Download English Version:

<https://daneshyari.com/en/article/5028571>

Download Persian Version:

<https://daneshyari.com/article/5028571>

[Daneshyari.com](https://daneshyari.com)