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STRATEGIC REAL ESTATE DEVELOPMENT: DEVELOPING DYNAMIC CORE COMPETENCE AS COMPETITIVE STRATEGIC FLEXIBILITY AND COMPETITIVE ADVANTAGE RESOURCES FOR ANTICIPATING ENVIRONMENT RISK AND INCREASINGORGANIZATIONPERFORMANCEON REAL ESTATE INDUSTRY IN INDONESIA

Hastjarjo[1], Dwi Kartini Yahya[2], Sucherly[3], and Popy Rufaidah[4]

Abstract: Purpose*—This article aims to review and integrate the strategic management and empirical literature on core competence, contemporary approach and real estate industry practices in order to pave the road for dissertation research.*

Design/methodology/approach*–The article integrates the insights from strategic management perspective. Strategic management literatures and empirical studies are collected and reviewed.*

Findings*–The findings from these studies are phenomenon and research problem, theorical foundations, literature map, state of the arts, the model and hypothesesto build core competence on real estate industry theory.*

Originality/value*–The paper provides the new model for building core competence on real estate industry in globalization phenomenon based on resource-based approach. 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 core competence in business strategy plan.*

Paper type*–Conceptual paper*

Keywords: *Contemporary Approach, Environment Risk, Capability, Core Competence, Competitive Strategy, Organizational Performance, Real Estate Industry.*

1. INTRODUCTION

1.1. Background of the Research

Real estate has hystorically been viewed as local phenomenon. Builders and investors for decades prided themselves in their ability to find the best "location,

[1-4.] Padjadjaran University, Bandung, Indonesia. *Email: hastjarjo21@gmail.com*

location, location" based on their local knowledge. It is among the least "tradeable" of products, in the sense of being physically unmoveable. Even though it can be bought and sold both domestically and internationally. This combination of local knowledge and predominantly local tradability was the primary reason why discussions of globalization in the 1990s and earlier, overlooked the real estate industry as a possible parcipant in the ongoing phenomenon of increasing global economic integration. In the last decade, however, globalization has increasingly involved the internationalization of services sectors as much as of manufacturing, and the various sub-sectors of the real estate industry have been enthusiastic participants is global surge (Bardhan and Kroll, 2007).

Fiorilla et al (2012) calculated the value of institutional-grade commercial real estate (CRE) that begins with a classification of a country as developed or developing, depending on whether it meets a GDP per capita threshold. As of 2011, Prudential Real Estate Investors' global CRE universe - encompassing 55 countries with 4.9 billion people that produce a combined GDP of $65 trillion-totaled $26.6 trillion in value (Table 1).

China is projected to be the largest contributor to global growth of institutional-grade CRE over the next decade. China's CRE market is forecast to grow by $7.9 trillion between 2011 and 2021, or 35.5% of total global growth. That will increase the size of China's CRE market nearly fivefold, putting its total value at $9.7 trillion in 2021. China's CRE market will grow 18% annually, and GDP will grow by 13.8% annually. Again, the driver is rapid economic growth combined with rising personal wealth. The U.S. will produce the second-most amount of CRE growth, $3.5 trillion, or 16% of the global total. Combined, China and the U.S. will produce slightly more than half of global CRE growth by value. However, the growth rate of the U.S. is not as high as China's. In 2021, the size of the U.S. CRE market is projected to be $10.3 trillion, up 53% (4.3% per year), from $6.7 trillion in 2011. It is notable that the U.S. is the only developed nation among the top five contributors to global growth of institutional-grade CRE over the next decade. The top five is rounded out by India ($1.3 trillion), Russia ($1.1 trillion), and Brazil ($1.1 trillion). In the case of each developing nation near the top of the ranking, the size of the CRE market will roughly double over the next decade, which illustrates the long-term shift. All in all, the top five are projected to contribute $14.8 trillion, or 67%, of the $22.2 trillion in growth of global CRE over the next decade.

Table 1
Global Universe of Real Estate Markets

		Population (M)	GDP (US$B)	GDP Per Capita (US$)	Real Estate (US$B)
Asia-Pacific	Australia	22.5	1,458	64,720	656
	China	1,320.0	7,035	5,330	1,864
	Hong Kong	7.1	234	32,870	211
	India	1,202.0	1,963	1,630	350
	Indonesia	245.6	831	3,380	189
	Japan	126.5	5,951	47,060	2,678
	South Korea	49.6	1,098	22,110	467
	Malaysia	28.6	265	9,260	84
	New Zealand	4.4	163	36,800	73
	Philippines	101.8	237	2,330	48
	Singapore	5.2	268	51,500	241
	Taiwan	23.2	477	20,510	198
	Thailand	68.2	344	5,040	89
	Vietnam	88.7	123	1,390	21
Europe	Austria	8.4	411	48,720	185
	Belgium	10.6	523	49,120	235
	Bulgaria	7.4	55	7,450	16
	Czech Republic	10.5	212	20,070	87
	Denmark	5.6	343	61,360	154
	Finland	5.4	265	49,420	119
	France	63.3	2,773	43,820	1,248
	Germany	81.7	3,588	43,930	1,615
	Greece	11.3	300	26,600	135
	Hungary	10.0	141	14,100	52
	Ireland	4.1	219	52,810	98
	Italy	60.8	2,201	36,200	990
	Netherlands	16.7	844	50,640	380
	Norway	5.0	486	97,730	219
	Poland	38.2	516	13,510	186
	Portugal	10.7	241	22,610	103
	Romania	21.4	188	8,770	59
	Russia	141.5	1,762	12,460	620
	Slovakia	5.4	99	18,110	39
	Spain	46.1	1,530	33,170	689
	Sweden	9.5	555	58,540	250
	Switzerland	7.9	630	79,460	284
	Turkey	74.0	735	9,940	240
	Ukraine	45.5	155	3,400	35
	United Kingdom	62.7	2,436	38,850	1,370
Latin America	Argentina	40.9	441	10,780	148
	Brazil	192.8	2,485	12,890	884
	Chile	17.3	237	13,770	86
	Colombia	47.5	329	6,920	95
	Ecuador	14.4	65	4,520	16
	Mexico	113.8	1,133	9,950	370
	Peru	30.4	174	5,710	47
	Venezuela	29.1	348	11,950	121
U.S./Canada	Canada	34.4	1,743	50,720	784
	United States	313.2	15,006	47,910	6,753
GCC	Bahrain	1.1	26	23,410	14
	Kuwait	3.7	171	46,461	96
	Oman	3.1	67	21,681	28
	Qatar	1.8	173	97,967	97
	Saudi Arabia	28.0	577	20,590	240
	United Arab Emirates	5.4	358	66,625	201
Total/Weighted Average		4,934.1	64,985	34,501	26,559

Notes: The sources are Economist Intelligence Unit, International Monetary Fund, and Prudential Real Estate Investors research. Data for 2011.

Source: Fiorilla et al (2012)

Other developing nations in the top 15 of the contribution ranking are: Indonesia ($563 billion, 2.5%), Turkey ($339 billion, 1.5%), and Mexico ($258 billion, 1.2%). The size of the CRE markets in most of these markets will roughly double over the next decade.

Growth over the next decade is projected to be more top-heavy than the growth experienced over the past decade, even though the U.S. and China topped that list as well. Between 2001 and 2011, the CRE market doubled over the last 10-year period, growing by $13.8 trillion to its present size of $26.6 trillion (Table 2). However, the growth was relatively more dispersed and concentrated on developed nations.

Table 2
Past and Future Contributors to Global Growth of CRE

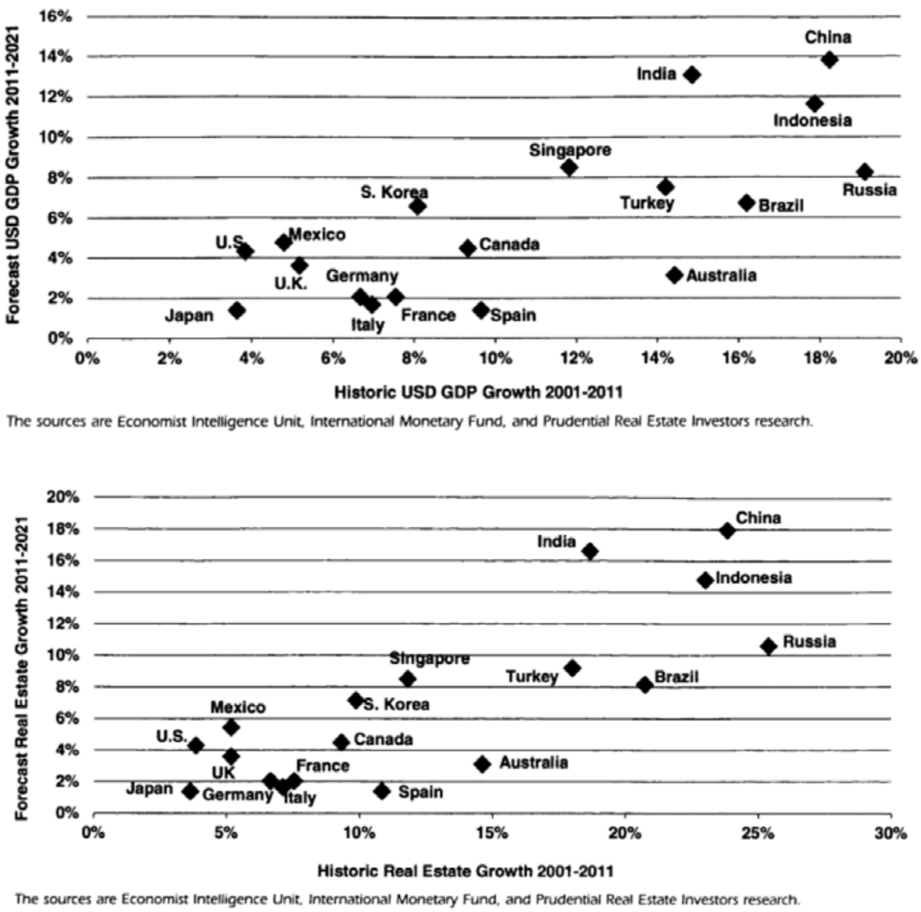
	Historic Growth 2001–2011		Forecast Growth 2011–2021	
	$Bil	% Contribution	$Bil	% Contribution
China	1,644.0	11.9%	7,877.4	35.5%
United States	2,123.9	15.4%	3,537.0	16.0%
India	287.2	2.1%	1,279.6	5.8%
Russia	555.1	4.0%	1,078.7	4.9%
Brazil	749.4	5.4%	1,054.3	4.8%
United Kingdom	542.9	3.9%	582.2	2.6%
Indonesia	165.2	1.2%	563.0	2.5%
South Korea	285.0	2.1%	465.9	2.1%
Canada	462.4	3.4%	431.6	1.9%
Japan	805.2	5.8%	394.7	1.8%
Germany	767.6	5.6%	362.7	1.6%
Turkey	194.1	1.4%	339.2	1.5%
Singapore	162.2	1.2%	304.6	1.4%
France	644.7	4.7%	280.4	1.3%
Mexico	146.4	1.1%	258.4	1.2%
Australia	488.5	3.5%	235.8	1.1%
Poland	132.9	1.0%	198.4	0.9%
Others	2,920.5	26.3%	2,920.7	13.2%
Total	13,782.5	100.0%	22,164.3	100.0%

Notes: The sources are Economist Intelligence Unit, International Monetary Fund, and Prudential Real Estate Investors research. Data sorted in order of forecast 2011–2021 growth.

Source: Fiorilla et al (2012)

Seven of the top 10 countries in absolute growth in the previous decade were developed nations, while over the next decade only five of the top 10 (and two of the top seven) are projected to be developed nations. Indonesia, Singapore, Mexico, and Poland joined our list of the top 17 countries in projected CRE growth over the next decade, replacing Italy, Spain, Netherlands, and Saudi Arabia (Figure 1).

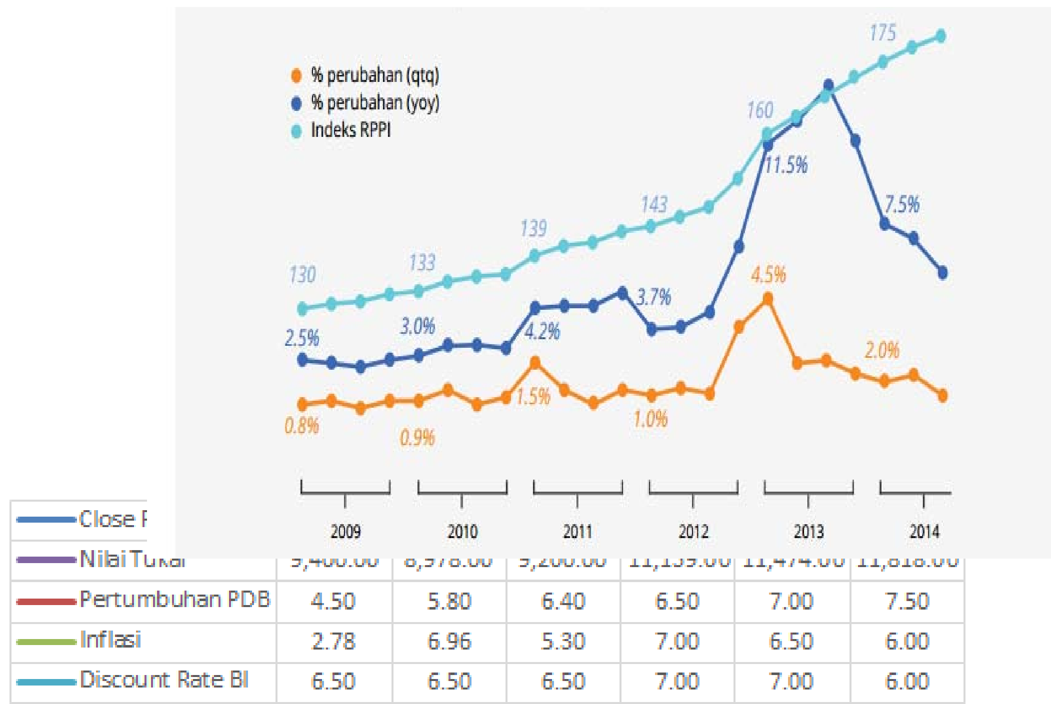
Figure 1: Historic and Forecast USD GDP and Real Estate Growth



Source: Fiorilla et al (2012)

Real estate in **Indonesia** is one of the strategic industries, the real estate industry is one of the drivers of economic growth. Industry Minister MS Hidayat in the deliberation of the National Real Estate Indonesia, 2013, in Jakarta, Tuesday (26/11), said that there are two key sectors that should be encouraged performance, real estate and automotive. The real estate industry has multiple effects to 150 subsectors supporters and utilize domestic components, capital-intensive and labor-intensive. Thus, it is very important to maintain the sustainability of the real estate business in Indonesia. With urgency as above, that's why dissertation research topic is strategic management on real estate development or termed as " strategic real estate development" in Indonesia.

Figure 2: Economics and Real Estate Indonesia (2009–2014)



Source: Lamudi Indonesia, Indonesia Stock Exchange, Bank Indonesia, LPEM UI

1.2. Problem Identification

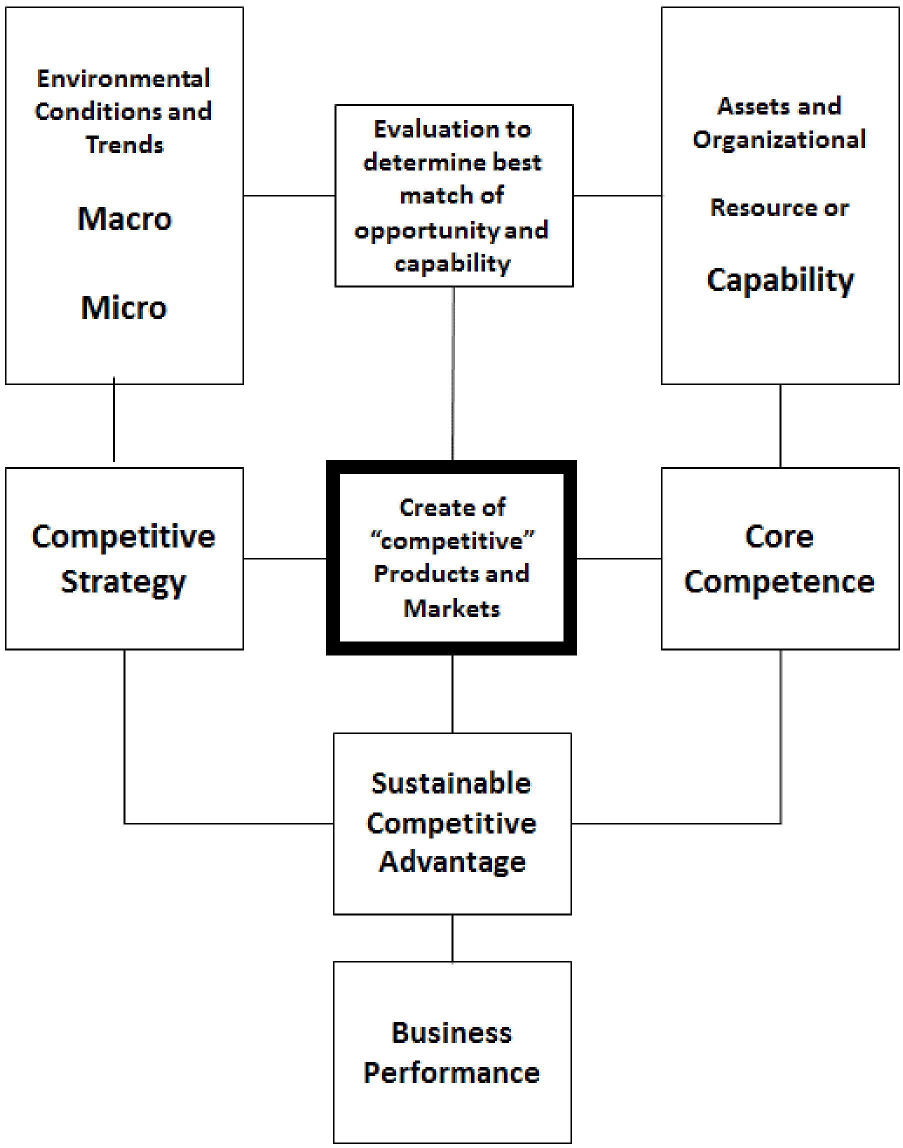
In those real estate environment, more than in preceding era, the only constant is change. Successful organizations effectively manage change, continously adaping their bureaucracies, strategies, systems, products, and cultures to survive the shocks and prosper from the forces that decimate the competition. The strategic management process is aimed at allowing organizations to adapt effectively to change over the long run (David, 2013). Globalization rewrites the rules of business management and introduces a new level of competition, i.e. hypercompetition. Globalization is growing in significance to corporate real estate managers in that to be competitive in one market/country, one has to be network into other markets to remain competitive in the global real estate market. A company may have no or little intention to become enmeshed in the global marketplace, but due to foreign competitors entering their home real estate market, a counter strategic thrust may be warranted (Too et al. 2010).

The future competitive environment is uncertain, but real estate executive can take steps to better understand it. The organization itself can be designed to serve the uncertain future needs of customers by structuring it around core competencies (Bomba, 2001). Core competencies are skills or assets of a company that enable it to be better, faster, or cheaper than its competition, thus giving it a competitive advantage in the marketplace. A company that does not ave any core competencies probably is not going to be around for long. Without core competencies, a company is to playing a relatively minor role in its industry. Having a core competency means that the firm has, or intends to have, clear superiority over its competition or its peer group in mission-critical areas (Hewlett and Kaufmann, 2008: p. 74).

How to obtain the long-term existence and keep on the development in the competition has become the problem that the real estate management authorities just consider in the bitter and search for. Since the core competence principle have put forward by the C.K Paul and G.A Hammer in the lead, the enterprise core competence concept realm to become popular in the business development theories and strategy management world quikly (Xie Yue-lai, 2005 in Wei, et al., 2007).

According to Makhija (2003), there are currently two highly differing theories in the strategy literature to explain why some firms perform in a superior manner and, consequently, are associated with higher value. The first is based on industrial organizational economics, and takes an external market orientation to address this issue. This perspective, which we refer to as the market-based view of the firm (MBV), typically stresses privileged end-product market positions as a basis for above-normal future returns and thus higher current firm value. In this perspective, competitive advantage is due to barriers to competition arising from the structure of the market. In contrast is the resource based view of the firm (RBV), which focuses inwardly on the firm's resources and capabilities to explain firm profitability and value. According to the RBV, competitive advantage is provided by distinctive, valuable firm-level resources that competitors are unable to reproduce. The MBV and RBV perspectives clearly point to different sources of competitive advantage for firms.

Figure 3: Integrative Framework for Building Core Competence



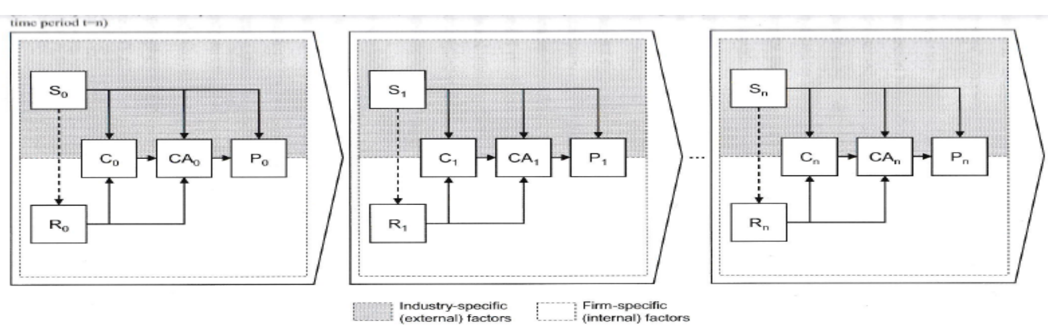
All successful strategies whether knowingly or unknowingly involve the industrial organization (IO) approach, RBV and dynamic capability advantage (DCA). When there is a shift in the industry it requires the IO approach to analyze the situation and determine where the firm is and where it should be (industry positioning). It takes RBV to decide on the resources and operational capabilities required to take it to the new position (resource picking), and in the end, it takes the

DCA to move the firm's resource bundle to the new position (strategic propulsion). However, it may be argued that it is only when these three elements of strategic perspective are consciously taken into account in the fashioning of strategy that the firm can be robust and dynamic enough to succeed in a perpetually shifting business landscape (Wilson, 2012).

Parayitam and Guru (2010) sad that in view of the changing landscape of the competition in the twenty first century, the contemporary framework would be much useful. The framework would be helpful for the future researchers to integrate RBV to link to IO view. Such linkage is essential because organizations have to tie the resources and capabilities with what is required in environment i.e. to take advantage of opportunities and reduce threats from environment.

Fritz (2008) explained the creation and sustainability of superior economic performance. In fact, only an integrative framework would be able to describe the sources of superior economic performance. The model stresses the need to consider both industry and firm specific factors as determinants of superior economic performance because they are not mutually exclusive factors but rather closely connected. The results in all of strategic management approaches discussed above emphasize the influence of structural factors. This is to say. That influences of generic strateghies, strategic group membership, as well as resources and capabilities do exist, but depend on the structural characteristics of the industry. Although they also have direct influence on superior economic performance, industry characteristics cannot explain profit levels in total.

Figure 4: Integrative framework on the determinant of superior economic performance



Source: Fritz (2008)

The review of past empirical research has shown a considerable heterogeneity in the underlying theoretical concepts applied in research on superior economic performance. Only a few studies so far have tried to include more than one or two of the existing approaches in their analysis. Aside from the challenges such an integration in one study causes, this would seem to be a valuable way to map reality. Only empirical work on the basis of an integrative framework-such as the one presented above-will be able to truly explain the creation and sustainability of superior economic performance.

1.3. The Research Questions

This research questions are

1. What are variables to build core competence on real estate industry based on contemporary approach?
2. How do relationship between the variables of building core competence on real estate industry?
3. How the causal model and hypotheses of building core competence on real estate industry based on literature and empirical research?

1.4. Research Objectives

This research purpose statement is

This study will address framework building core competence based on contemporary approach in business strategy plan on real estate industry. An deep literature review will be used to develop model and hypotheses.

2. LITERATURE REVIEW

2.1. Environment Risk

Factors affecting real estate industry can be placed into two groups: those connected with the more distant environment (the macro-environment) and those relating to the more immediate environment (the micro-environment).

The distant environment, or macro environment, creates the overall conditions of business operations and influences the attractiveness of specific locations in time, or modifies this attractiveness for specific groups of businesses. The macro environment also determines the opportunities for development and the functioning of enterprises, and it must be stressed that a business entity may not change these conditions, but must accept them. However, the macro environment cannot be ignored. Becoming familiar with macro environmental factors allows the firm to gauge their impact on the immediate environment, thus reducing uncertainty in business operations and making strategic adjustments possible.

Pearce II and Robinson Jr. (2013), David (2013), Wheelen and Hunger (2012), identify external factors affect multiple industries and real estate firm's operating situation are as follows:

- Economic factors that regulate the exchange of materials, money, energy, and information
- Technological factors that generate problem-solving inventions
- Political-legal factors that allocate power and provide constraining and protecting laws and regulations.
- Sociocultural factors that regulate the values, mores, and customs of society
- Ecological factors that inherent part of existense on earth, physical resources, wildlife, and climate.

Nowadays, with very dynamic management conditions, major business issues include globalisation in business activities, market changes driven by technology, and socio-demographic, cultural, and environmental changes. But the factor covering the widest range of issues in business activities, from a generic point of view, is government policy. By defining priorities and main directions for economic and social activities, the state creates specific conditions and principles for the functioning of various business entities. These activities be stimulating or restrictive to entrepreneurs, or be instrumental regulatory nature.

The micro environment factors are influenced by estate type and type of business. Business entities try to find a location that will best satisfy the needs of their planned operations. Each location has its utility value determined by factors related to both supply and demand. On the demand side, factors that influence the location's attractiveness from a market perspective for the product, information, or service include the number of consumers, their purchasing power, and transportation between consumers and the site. This transportation may involve either delivery of goods to the buyers or the means for the buyers to get to the point of sale or service. The supply-side factors are determined by the location's conditions that allow the specific business to be conducted, which directly or indirectly impact the size of investment outlays in the construction phase as well as the firm's net profitability level at this location. Supply-side factors may include natural resources, human resources, technical facilities, raw materials and energy, among other things (Rymarzak and Sieminska, 2012).

Environment dimensions according to Barney & Hesterly (2015), Rothaermel (2013), Hitt et al (2015), Grant (2013), Chen & Khumpasal (2009), and Rymarzak & Seiminska (2012) as in Table 3.

Table 3:
Environment Dimensions

Barney & Hesterly (2015)	*Rothaermel (2013)*	*Hitt et al (2015)*	*Grant (2013)*	*Chen & Khumpasal (2009)*	*Rymarzak & Seiminska (2012)*
Environment: • Economy • Technology • Legal and Political • Population • Culture • International	**Environment:** • Economy • Technology • Politics • Law • Socio-cultural • Ecology	**Environment:** • Economy • Technology • Political / Legal • Population • Socio-cultural • Physical Environment • Globalization	**Environment:** • Economy • Technology • Government and Politics • Population • Social • Natural environment	**Environment:** • Economy • Technology • Social • Environmental	**Micro Environment:** • Demand • Supply

In this study, the environmental risk variable is defined by the following factors: (1) ecological, (2) social, (3) economic, (4), technology (5) politics, (6) demand, and (7) an social.

Construct variable of environmental risk in this study is:

Events arising from changes in economic factors, technological, social, ecological, politics, the demand and supply beyond the company's control that influence the choice of strategy in which the company operates .... *(1)*

2.2. Resources and Capabilities

Resources are inputs in the production process of the company (Hitt et al, 2015), or the assets of excellence (Thompson et al. 2014) that is in control of the company to be used to apply the strategy (Barney & Hesterley, 2015), the resource can be either tangible or intangible (Rothaermel, 2013), and the capability is a series of capacity to perform a task or activity in an integrative manner to create value (Hitt et al, 2015), the activity of the company competent (Thompson et al, 2014), which is deployed as a source of strategic (Rothaermel, 2013), which allows the company to take full advantage (Barney & Hesterley, 2015).

Thompson et al (2014) adds that the assets of excellence consisting of one or more functional capabilities of croos-linked and integrated is referred to as a bundle of resources. While the dynamic capabilities describe the capability of the company to create, deploy, modify, recon figure, upgrade, or resources (Rothaermel, 2013).

Too et al (2010) showed that some of the capabilities of a real estate company in response to the uncertain climate as follows:

1. Physical flexibility. The possibility of space can accommodate a variety of configurations.

2. Financial flexibility. Property obtained under short-term agreements.
3. Flexibility functional. The property is placed on the ground where planning guidelines provide multi or mixed use.
4. Network organization. Strategic game to include the concept of economies of scope, ie effective and efficient way to compete in a number of countries geographically.
5. Knowledge management. Development of managerial capabilities are unique and can be used to distinguish the organization's strategy.

Zhang et al (2010) showed indicators of the competitiveness of the real estate company which consists of: (1) The resource-based indicator, (2) management mechanism, and (3) The core competencies and capabilities.

Dimensions resources and capabilities according to Barney & Hesterly (2015), Hitt et al (2015), Grant (2013), Thompson et al (2014), Too et al (2010) and Zhang et al (2010) as shown in Table 4.

Table 4
Resource and Capability Dimensions

Barney & Hesterly (2015)	*Hitt et al (2015)*	*Grant (2013)*	*Thompson et al (2014)*	*Too et al (2010)*	*Zhang et al (2010)*
• Financial resources • Physical resources • Human resources • Organization resources	**Tangible resources:** • Financial • Organization • Physical • Technology **Intangible resources:** • Human • Innovation • Reputation	**Tangible resources:** • Finance • Physical **Intangible resources:** • Technology • Reputation • Culture **Human resources:** • Expertise • Capacity • Motivation	**Resource:** • Intangible • intangible **Capability:** • Bundle of resources	**Capability:** • Physical flexibility • Financial flexibility • Functional flexibility • The organization's network • Knowledge management	• Resources • Mechanisms • Capability

In this study, dimension of capability variable factors are: (1) physical and organization, (2), technology (3), finance (4) marketing, (5) network.

Construct variable of capability in this study is

The resource bundle consisting of financial factors, physical, technological, organizational, and integrated learning as a source of strategic competence to establish and protect a competitive advantage .... *(2)*

2.3. Core Competence

Core Competence is diverse production skills and integrate multiple streams of technology (Prahalad & Hamel, 1990), the unique strengths that are embedded deep within an enterprise, allowing companies to differentiate products and services from its competitors, creating higher value for customers or offer products and services of comparable value with a lower cost (Rothaermel, 2013), corporate activity that is central to the strategy and success of competing (Thompson et al, 2014), which is a source of competitive advantage for the company from its competitors (Hitt et al, 2015). In particular, some researchers emphasize the benefits of core competencies that can lead to cost efficiency and operational effectiveness that helps companies compete in new businesses (Mooney, 2007) Thus, core competence is the center of activities or functions generate the enterprise organization.

In other literatures, these are some definition of core competence and its realted in organization, as follows:

Core competence as corporate strategy: related diversification

- Core Competence is a firm's strategic resources that reflect the collective learning in the organization (Dess, et al., 2012: p. 248).
- Core competencies are complex sets of resources and capabilities that link different businesses in a diversified firm through managerial and technical know-how, experience, and wisdom (Barney and Hesterly., 2015: p. 219).

Core competence as a result of internal or value chain analysis:

- Core competencies are capabilities that serve as a source of competitive advantage for a firm over its rivals. Core competencies emerge over time through an organizational process of accumulating and learning how to deploy different resources and capabilities (Ireland, et al., 2013: p. 76).
- A core competency is a collection of competencies that crosses divisional boundaries, is widespread within the corporation, and is something that the corporation can do exceedingly well (Wheelen, et al., 2015: 162).
- A core competence is a value chain activity that a firm performs especially well (Fred, 2013: p. 151).
- Core competencies are unique strengths, embedded deep within a firm, that allow a firm to differentiate its products and services from those of its rivals, creating higher value for the customer or offering products and services of comparable value at lower cost (Rothaermel, 2013: p. 86).
- A core competence is a capability or skill that a firm emphasizes and excels in doing while in pursuit of its overall mission (Pearce II and Robinson, Jr., 2013: p. 164).

According to Hewlett & Kaufmann (2008) the majority of real estate companies tend to define the essential core competencies in five main categories: (1). Reputation / Brand. The capability to maintain the status of "first" with the land or building sellers, brokers, partners, sources of capital, and talent, (2) Customer Focus / Marketing. Capability to understand customers and their needs, and then to provide appropriate products at the right time, (3) Construction. Capability to deliver high quality products on time and budget, (4) Finance. The capability to acquire and deploy capital, and (5) of the Organization. The capability to maintain an organization that is motivated and appropriately structured and staff operate efficiently and profitably. While Wei et al (2007) the core competencies of industrial real estate development has the following four characteristics: (1) Customer Value. The main customer value; implementation, safety, health and the economy on the real estate, (2) ductility. Ductility refers to the real estate development and investment industries that provide further related services, (3) Specific. The real estate has a unique, that can not be replaced by competitors, and (4) Dynamic. Core competencies of real estate that has a stronger stability to survive in the real estate life cycle is relatively long.

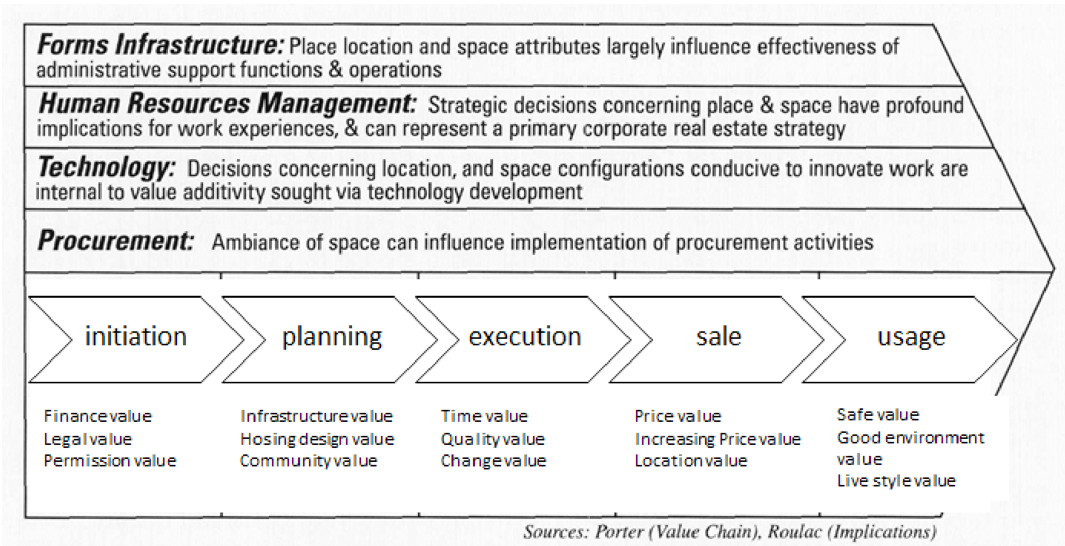
Dimension of core competencies according to Prahalad and Hamel (1990), Hitt et al (2015), Rothaermel (2013), and Thompson et al (2014), as well as the dimensions according to Hewlett & Kaufmann (2008) and Zhang et al (2010) as shown in Table 5.

Table 5
Core Competence Dimension

Prahalad & Hamel (1990)	*Hitt et al (2015)*	*Rothaermel (2013)*	*Thompson et al (2014)*	*Hewlett & Kaufmann (2008)*	*Wei et al (2007)*
Collective learning in the organization	Capability which is a source of competitive advantage	Unique strength of organization	Activity of the company which is the center of the strategy and the success of competing	• Reputation / brand • Customer focus / marketing • Construction • Finance • Organization	• Customer value • Duktabilitas • Specific competencies • Dynamic

Core competence on real estate industry which is a novelty in this research, built using the value chain analysis where every process of development generates value.

Figure 5: Real Estate Value Chain



Adapted from: Bomba (2001) and Jing-min et al (2010)

According to Jing-min et al (2010) real estate project cycle is divided into five stages as follows:

1. Initiation Development. This is the first stage of the concept of the proposed initiation of the idea, through the preliminary investigation and the initial assessment and preliminary examination. The purpose of this phase is to evaluate existing proposals in terms of financial viability, operational and technical as well as comply with the company's strategy. The resulting value is the value of the financial, legal, and licensing
2. Planning. This stage involves the detailed design, development, manufacture and construction. Building blueprints designed at this stage, and real estate companies have government permission to build this project. The resulting value is the value of the infrastructure, buildings, and communities
3. Construction. The most important issue in this phase is to ensure that project activities are properly executed and controlled. At this stage, the building should be completed on time. The resulting value is the time, cost, and quality
4. Marketing. In this last phase, the project manager must ensure that the project is completed properly. The goal is to validate the reception. Dihasilakan value is the price, value, and location

5. Real Estate Management. This is the stage of the customers who use the products of the project. This project should be assessed to determine the benefits and impacts of this project. The resulting value is the value of the security and comfort

In this study, the dimension of core competence variable are: (1) initiation of development, (2) planning, (3) construction, (4) marketing, (5) real estate management.

Construct variable of core competence in this study is:

Functions of the organization / company's main activities are based on the bundle of resources and capabilities that coordinate diverse production skills and integrate multiple streams of technologies that generate better value in products and services as a source of competitive advantage for the company from its competitors *(3)*

2.4. Business Strategy

Business strategy is a strategy designed to create higher value for customers of the value of competitors by providing a product or service with unique features while keeping costs at the same level or similar, or create a value equal or similar to customers at a lower cost than competitors which allows the company to offer lower prices to customers (Rothaermel, 2013), through the company's decision to gain competitive advantage by leveraging the core competencies in the market certain products (Hitt et al, 2015), for profit and competitive advantage (Barney & Hesterley, 2015).

According to O'Mara (1999), there are three generic strategies for organizations in the field of real estate management. To optimize their real estate contribution to overall business performance, organizations pursue either an incremental strategy, value-based strategy, or the strategy of standardization. Incremental strategy using space in pieces over time. A value-based strategy deliberately reveal the values and strategic direction of the organization in real estate. While the standardization strategy of trying to simply control and coordinate the design of facilities and real estate operations throughout the organization.

Dimensions competitive strategy according Barney & Hesterly (2015), Hitt et al (2015), Rothaermel (2013), Thompson et al (2014), Singer et al (2007), and O'Mara (1990) as shown in Table 6.

Table 6
Dimension of Competitive Strategy

Barney & Hesterly (20015)	*Hitt et al (2015)*	*Rothaermel (2013)*	*Thompson et al (2014)*	*Singer et al (2007)*	*O'Mara (1990)*
Cost Leadership: • The difference in size and economies of scale • The difference in experience and curves • The difference in the low-price access • Technological advantage • Policy Options **Differentiation:** • Product attributes • The complexity of the product • Introduction products timing • Location	Cost Leadership and Differentiation • Competition with existing Competitors • The power of bargaining customers • The strength of the bargaining suppliers • Potential newcomers • Product replacement **Focus:** • Focus on cost advantage • Focus on differentiation	**Cost Leadership:** • The cost factor input • Economies of scale • The impact of the learning curve • The impact of the experience curve **Differentiation:** • Product attributes • Customer care • Customization • Replacement	**Cost advantages:** • Management of cost efficiency in the value chain activities • Improvement of value chain system to lower costs **Differentiation:** • Managing ranntai attribute value to creating differentiation • Improvement of value chain system to improve differentiation	**Excellence Cost:** • Gain experience • Economies of scales • Control of operating costs **Differentiation:** • Better quality • Better performance • Attribute unique product **Focus:** • Customer group • Products and services • Specific regional -	• Incremental • Based value • Standardization

In this research, competitive strategy is a combination of competitive strategy and corporate strategy of real estate resulted in a combination of the following strategies: (1) Differentiation - Incremental, (2) Differentiation - Based Value, (3) Differentiation - Standardization, (4) Leadership Cost - Incremental, (5) Leadership Cost - Based Value, (6) Leadership - Standardization, (7) Focus - Incremental, (8) Focus - Based Value, (9) Focus – Standards.

Construct variables of a strategy to compete in this study are:

Competitive strategy is a decision penciptan higher value for customers of the value of competitors by providing a product or service with unique features while keeping costs at the same level or similar, or create a value equal or similar to customers at a lower cost than competitors allowing the company to offer lower prices to customers by leveraging the core competencies in specific product markets for profit and competitive advantage .... (4)

2.5. Competitive advantages and Organizational Performance

Competitive advantage is a superior performance compared with competitors in the same industry or the industry average (Rothaermel, 2013), which describes the ability of the organization to outperform other organizations in producing goods or services desired by customers more efficient and effective (Robbins & Coulter, 2014).

According to de Jonge (1996, in Krumm & Vries, 2003) organizational performance enabling core business activities to improve the competitiveness and performance of the organization. Krumm & de Vries Metrics used for (1) determining the cost reduction or minimization of capital and (2) increase revenue.

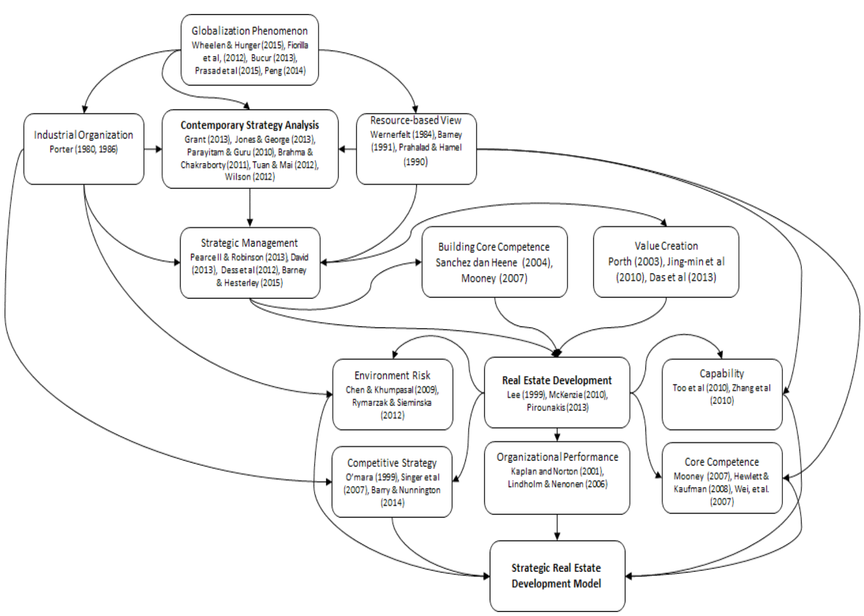
While the performance of the organization based on business processes, better known by the balance score card (BSC) consists of four perspectives (1) learning and growth perspective, (2) The business process perspective, (3) the customer's perspective, and (4) financial perspective.

In this research, dimension of organizational performance combine a metric Krumm & Vries (2003) and BSC produces a combination of performance as follows: (1) an increase in income, (2) reducing costs, (3) finance, (4) customer satisfaction, (5) business processes, and (6) learning and growth.

CONSTRUCT variable of organizational performance variables is:

> *Value that describes the ability of the organization to outperform other organizations in producing goods or services desired by customers more efficient and superior to the customer and it is the competitor can not duplicate or find it too expensive to immitiate* *(5)*

Figure 6: Literature Map



Map literature review is a visual summary of the research that has been done by others. Map is described as a hierarchical structure with top-down presentation of literature, ended up under the proposed study. This study reviewed the literature map in Figure 5.

3. RESEARCH MODEL

3.1. The relationship between Environment, Competitive Strategy, and Performance

O Farrell and Moffat (1993) conducted a study of a sample of firms Scotland and England. The research findings are at least one of the three generic strategies will result in higher performance than if the companies fail to develop a generic strategy (ie become stuck in the middle).

Yan (2010) investigated the framework of business strategy in competitive environments that affect the performance of 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) examined the role of mediating the relationship between competitive strategy and corporate performance. This study was conducted by surveying a letter to the Thai company registered in 2009. A total of 101 executives Thailand registered company. Path analysis model is adopted to analyze the survey data obtained. The study found that in general, all positive competitive strategy and significantly improve performance.

Chi (2015) empirically investigate China's apparel industry SMEs form a strategy in response to a competitive business environment to achieve organizational performance. A model-performance environment-strategy is 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.

Relation propositions of environment, competitive strategy, performance are:

The neighborhood is a variable control of real estate development ……………… (6)

Competitive strategy is mediating variables of environmental and performance.......(7)

3.2. The Relations between Capabilities, Core Competencies and Performance

Ljungqvist (2008) outlines 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 core competencies.

Human and Naude (2009) conducted a research focus on competencies and capabilities needed to improve performance. Adopting RBV, an attempt is made to validate the actions of 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 structural equation modeling 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 enterprise networks.

Kim et al (2012) explored the effects of entrepreneurship on organizational performance through knowledge integration capabilities. Results showed the relationship between entrepreneurship and knowledge capabilities, and the effects of entrepreneurship on firm performance is mediated by the knowledge integration capability.

Huhtala et al (2014) examined the role of market orientation and innovation capabilities in determining the performance of the business. The data consists of two national surveys conducted in Finland. Partial path analysis was used to test the effect of mediation potential innovation capabilities on the relationship between market orientation and performance of the business 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 only partial mediation during the downturn.

Relation propositions of capability, core competence, and performance are:

Capability is the independent variable .... (8)

Core competence is mediating variable...9)

Performance is a dependent variable .... (10)

3.3. The Relations between Core Competence, Competitive Strategy, and Performance

David et al (2008) examined the relationship between the core capabilities, competitive strategy and performance of medium-size enterprises (SMEs) in China. for. This paper consists of a quantitative survey. It involves mainly 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 capability and competitive strategy as a prerequisite for superior performance.

Pertusa-Ortega et al (2010) examines how organizational structure affects the performance of the company, taking into account the relationship with competitive strategy. A sample of large Spanish companies studied using PLS technique. The findings suggest that the organizational structure does not directly affect performance, but it has an indirect effect through competitive strategy.

Relation propositions of capability, competitive strategy, and performance are:

Capability is moderating variable between competitive strategy and performance ...(11)

Core competence is moderating variable between competitive strategy and performance .... 12)

3.4. The Relations between Environmental, Capability and Performance

Wang et al (2006) examined how the relationship between technological capabilities and performance of the business in a particular context. This paper refers to a variety of theoretical perspectives to develop hypotheses that proposed 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 to 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.

Goll et al (2007) examined the relationship between knowledge capabilities, strategic change, and the company's performance in the US airline industry. This is a longitudinal study with study design cross-sectional time series. A theoretical model was tested where the capability of knowledge provide a direct effect on the strategic change; strategic changes then affect the company's performance. Moderation relationship between changes in the strategic environment and the company's performance. The research sample includes major US air carrier 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 knowledge changes the ability of the strategy, which, in turn, affect the company's performance.

Akgün et al (2008) examined the impact of the emotional capabilities of a company on the performance taking into account the dynamics of the environment. The study involved 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. Further, that the relationship between the emotional and the ability of the company's performance is influenced by the dynamics of the environment, including changes in the industry, competition and consumers.

Ahmad et al (2010) evaluated the effect of entrepreneurial competencies and successful business environment moderating effect of business in small and medium enterprises (SMEs) in Malaysia. A sample of 212 SME owner-founder of Malaysia, structural equation modeling (SEM) was used to test the proposed model. The results show that entrepreneurial competence is a strong predictor of success in the SME business 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. Ming-Chao and Fang (2012) 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 1 510 new businesses in Taiwan. Innovative performance is influenced by many aspects of network structure, and the uncertainty of the environment contribute to this effect.

Relation propositions of environment, capability, and performance are:

Environment is moderating variable between capability and performance.............(13)

Environment is moderating variable between core competencies and performance...(14)

Table 7
Previous Research

Peneliti	*Variabel*	*Bidang/Lokasi*	*Sampel/Metode*
O Farrell & Moffat (1993)	Strategi bersaing, kinerja	Jasa di Skotlandia & Inggris.	Wilcoxon Matched Pairs Signed Ranks Test
Yan (2010)	Lingkungan, strategi bersaing, kinerja	Konstruksi UKM di Cina.	Stuctured questionaire 133/ descriptive statistics and correlations
Teeratansirikool et al (2013)	Strategi bersaing, dan kinerja	perusahaan Thailand yang terdaftar	survei surat 101 eksekutif/ analisis jalur
Chi(2015)	Lingkungan, strategi bersaing, kinerja	industri pakaian UKM Cina	analisisfaktordan SEM
Ljungquist (2008)	kompetensi inti, kapabilitas dan sumber daya.	Multiple countries	A case study on personal interviews and annual reports

Human & Naudé (2009)	Kompetensi, kapabilitas jaringan, kinerja.	Multi bisnis di Afrika Selatan.	mail survey 219 manajer/ Analisis faktor dan SEM
Kim et al (2012)	Kewirausahaan, kinerjaor-ganisasi, kapabilitasintegra-sipengetahuan	Manager, Senior Man-ager, CEO, Di Korea	163 sample/SEM
Huhtala et al (2014)	orientasipasar, kapabilitasi-novasi, kinerjabisnis.	diFinlandia.	PLS
Wang et al (2006)	kapabilitas teknologi, kiner-jabisnis, lingkungan	perusahaanteknologit-inggi di Cina	Cross-sectonal survey/PLS-
Goll et al (2007)	kapabilitas pengetahuan, perubahan strategik, dan kinerja	industri penerbangan AS	Statistik time series dengan efek tetap
Akgün et al (2008)	kapabilitas emosional, kin-erja, lingkungan	112 perusahaan di Turki.	356 survei, regresi hirarkis moderasi analisis.
Ahmad et al (2010)	kompetensi kewirausahaan, kesuksesan bisnis, lingkun-gan	UKM di Malaysia.	Sampel dari 212 pemilik-pendiri, SEM
Ming-Chao & Fang (2012)	Lingkungan, struktur jarin-gan usaha baru, kinerja yang inovatif.	usaha baru govern-mend founded di Taiwan	survei 1.725 questionaire/sta-tistic techniques
David et al (2008)	kapabilitas inti, strategi bersaing dan kinerja	UKM di China.	Structured questionaire 133/ descriptive statistics and cor-relations
Pertusa-Ortega et al (2010)	struktur organisasi, kinerja, strategi bersaing.	perusahaan besar Spanyol	PLS.
Hastjarjo (2015) proposal	Lingkungan, kapabilitas, kompetensi inti, strategi bersaing, kinerja	Industri real estat di Indonesia	45 perusahaan real estat di BEI, & PLS, DIP & Grounded Theory

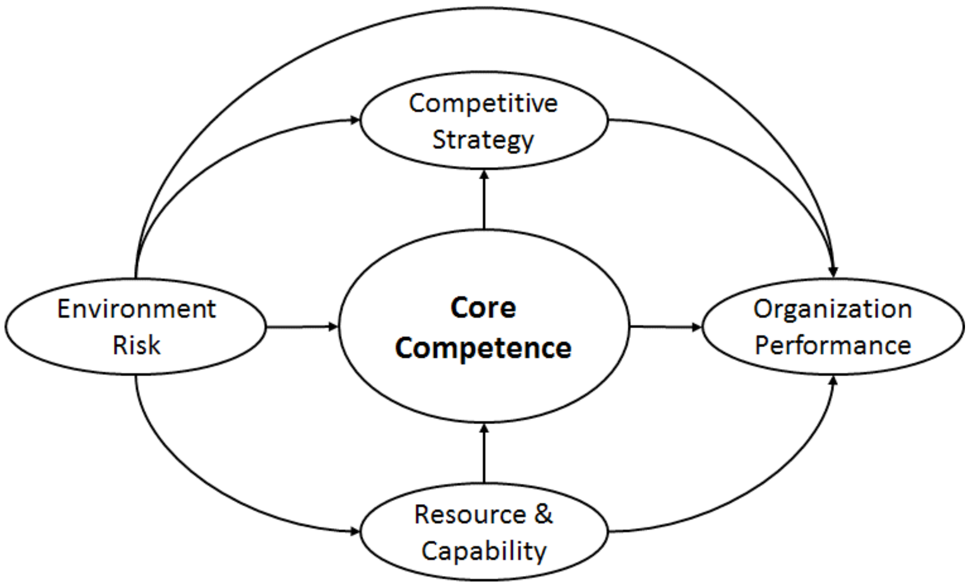
State of the arts of this study are:

This study uses five variables, namely: (environmental risk, (2) capability, (3) competency, (4) competitive strategy, and (5) the performance of the Organization, using a combination of research methods.

3.5. Research Paradigm

From some previous research on some of the variables of the study, the research paradigm model framework composed as follows:

Figure 6: Theoritical Model of Building Core Competence based on Contemporary Approach (Prepared by Author)



To create and maintain a competitive advantage and improve the organization's performance, companies should consider the environmental risks and respond with competitive strategy, build capabilities and core competencies, responding to the environment by building capabilities and core competencies right, matching the capabilities and core competencies in competitive strategy.

3.6. The Hypotheses

From the model research paradigm above compiled some research hypothesis as follows:

H_1: The environment risk have significant impact on performance

H_2: The Capability significantly impact the performance

H_3: The Capability significantly impact on core competence

H_4: The Core competence significantly impact the performance

H_5: The core competence have mediate impact on capability and performance

H_6: The Competitive strategy significantly impact the performance

H_7: The capability moderate the relationship between competitive strategy and performance

H_8: The core competencies moderate the relationship between competitive strategy and performance

H_9: The environmental risk moderate the relationship between capability and performance

H_{10}: The environmental risk moderate the relationship between core competence and performance

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