

# Strategic Factor Analysis for Construction Consultant Business in Indonesia

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## Abstract

Landscape architecture consultant and regional planning services is one of sub-sectors in construction services in Indonesia (Law No. 2/2017). PT Sheils Flynn Asia (PTSFA), a FDI Company in Indonesia established in 2001, needs to develop a strategy to increase revenue and preserve its business in the future. The objectives of this study are to identify internal and external factors affecting PTSFA business and to formulate alternative development strategies that can be applied to the company's in facing the competition in landscape architecture consultant business in Indonesia. This study used descriptive analysis, internal-external matrix analysis, IE matrix analysis, SWOT matrix and QSPM analysis. The data collection applied purposive sampling technique. The research findings obtained from internal factor evaluation using the IFE matrix found that the company has a score of 2.92. And based on external factor evaluation using the EFE matrix, the company has a score of 3.17. The company's position is in quadrant II of the IE matrix, which is in the 'grow' and 'build' position. The strategy formulation using SWOT Matrix provides 8 alternative strategies. The formulation of the priority strategy using QSPM Matrix provided the first priority strategy: A massive company marketing campaign to get bigger projects which has the highest TAS value of 4.01. The implementation of priority strategies is carried out based on consideration of the company's readiness for financial, legal aspects and human resource aspects.

**Keywords:** Landscape Architecture Consultant, Strategic Planning, QSPM, SWOT.

## 1. Introduction

Construction services are strategic sectors that play an important role in Indonesia's economic development. One sub-sector that is closely related to the construction sector is property development. This property development affects the activities and development of the national economy (Murtiningsih, 2009). Landscape architecture consultant services and strategic planning, as one of the services sub-sectors in the construction industry, which have a good opportunity to continue to grow in line with the improvement in business and increasing property development in Indonesia. The positive role of landscape architecture consultant is also supported by changes in the mindset of the people who are increasingly concerned about their living environment. The green development is becoming a new trend in property development in Indonesia. All of this is an opportunity for landscape architecture consultants to continue to be involved and play their roles in the future. PT Sheils Flynn Asia (PTSFA) is a landscape architecture consultant and is an FDI (Foreign Direct Investment) company established since 2001. Since its establishment, PTSFA has worked on various types of landscape architecture consultancy work in the Indonesian. With the increasing development of the commercial property sector, the demand for landscape architecture consultant services will also increase. Based on company data, fluctuations in the value and amount of work carried out by PTSFA occurred in the last 6 years (2013-2018 (Q3)). These fluctuations are influenced by external and internal factors. In the external factors, the services offered are greatly affected by economic conditions, political factors and security. There is a business competition issues, the implementation of AFTA, design and built services, and one-stop consultation services have made the competition for the construction consulting services industry more competitive. Internal problems that have been faced are the loss of key figures who play an important role in the company. Internal management that is not conducive also decreases the quality and quantity of work which can then reduce sales (Siregar, 2016). Fluctuations in the value and number of works obtained by PTSFA in the period 2013 - 2018 (Q3) are reflected in company data as presented in the following Figure 1

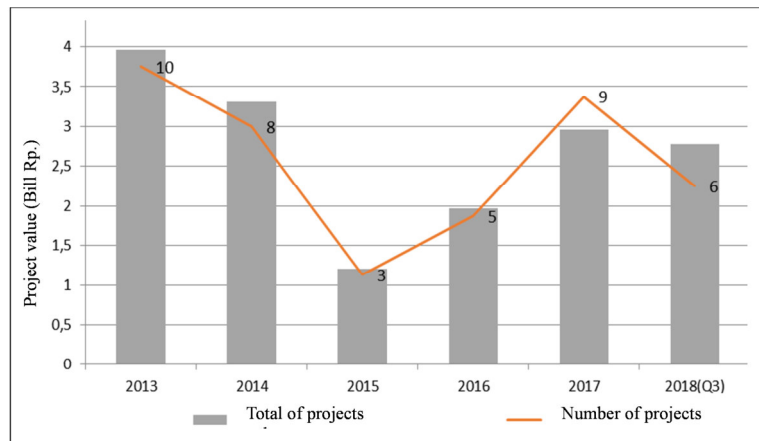


Figure 1. Value and Number of PTSFA Works in 2013-2018(Q3)

Considering to the existing problems, PTSFA needs to develop a business strategy to win competition, increase revenue, and maintain its business in the future. Previous research related to the construction business strategy one of which is Winardi's (2014) study which states that the business plan needs to be carried out by middle-class consultants. In addition, a well-planned business plan is the main reason for the reduced ability of consultants to obtain work packages. This is because they are not able to plan human resources for project needs and financial planning in project implementation properly. Handayani's (2009) study of construction consultants in Surakarta uses SWOT matrix to formulate alternative strategies and QSPM to determine strategies that can be implemented. she had explored that the dominant environmental factors in the form of strengths including company credibility, experience and reputation, design process, design control, tool, and equipment. Factors of weaknesses include financial, information & computerized management systems, problem analysis, decision making, and standardization. The external factor that poses a threat to the development and existence of small group consultants is the exchange rate, corruption, collusion, and nepotism practices, loan interest rates, and the political situation. Wijayanti (2012), in her research on construction service companies, also applies the IFE, EFE and SWOT matrix analysis stages to determine the alternative strategies that will be used in planning the company's future strategies. Another study at construction service company conducted by Nainggolan (2011) using statistical analysis and SWOT analysis, the results found that one of the strategies to be applied is differentiation Strategy, which is a strategy that is different from other competitors by innovating, prioritizing quality and timely work, high motivation and commitment, and effective and efficient work methods.

## 2. Data

This research was conducted for six months at PTSFA which is located in West Java, Indonesia. The primary data were obtained by in-depth interviews and filling out questionnaires by internal and external respondents of the company. Internal respondents consisted of company management including board of directors, president director, design director, finance & marketing director, project manager and financial manager. External respondents from outside the company consist of professionals and practitioners of landscape architecture, professional associations, and academics in the field of landscape architecture. The secondary data were obtained from company data, literature study and from related institutions to this research

## 3. Methodology

This study used descriptive analysis, internal factor evaluation (IFE), external factor evaluation (EFE), IE matrix analysis and SWOT analysis and Qualitative strategic planning matrix (QSPM). The IFE matrix was used to summarize and evaluate strengths and weaknesses and the EFE Matrix was used to summarize opportunities and threats by weighting each factor ranging from 0 (least important) and 1 (important). Factors that are considered to have the most influence on a company's performance will be given the highest weight, regardless of whether it is a weakness or strength. The total weight of all factors is 1. The rating that shown was related to how effective the company in responding to that internal and external factors. EFE and IFE results were obtained by multiplying the weight of each factor with its rating. The total weighted score was obtained by summing all the weighted score multiplication results. The IE matrix used input from the IFE and EFE matrices that could describe the position of the company in the industry. The IE matrix consists of two key dimensions consisting of the total weighted IFE score on the x axis and the total weighted EFE score on the y axis. There are three main areas in the IE matrix that have different influence strategies. The SWOT matrix was used for strategy formulations. According to David (2013) there are four alternative strategies that can be chosen consisting of strengths and opportunities strategy (SO strategy), strengths and threats (ST strategy), opportunities and

weaknesses strategy (WO strategy), as well as weaknesses and threats strategy (WT strategy). Determination of priority strategies was carried out using the QSPM (Quantitative Strategic Planning Matrix).

#### 4. Empirical Result

##### 4.1 Company Profile

PTSFA was established on February 9, 2001. As a Foreign Direct Investment (FDI) Company. Currently, the composition of the company's 60% shares is controlled by foreign parties and 40% is controlled by Indonesia. There are 2 divisions within the company consisting of design division and technical division, both of them are directly under the control of the design director and project director. PTSFA Clients are communities, government institutions (SOEs), and private companies or organizations. The majority of service users are property companies. PTSFA works for a diverse range of service from the landscape design work of the cemetery area, mixed-use development, education and health center, regional master planning, recreation area design, tourist area design and its additional supports such as resorts, villas and hotels, and landscape design for housing development/property residential; apartments, condominiums or residential houses.

##### 4.2 Internal Factor Evaluation (IFE)

Based on an analysis of the internal environment of PTSFA, a key strength of the company is good reputation as a high-quality consultant in Indonesia with a total score of 0.52 and the biggest weaknesses of the company are the high operational costs of the company. The total score of the IFE Analysis is 2.92. The results of the IFE matrix can be seen in the following Table 2

Table 2. Results of IFE Matrix Analysis of PTSFA

| Internal Key Factors   | Weight   | Rank | Score       |
|--|----------|------|-------------|
| <b>Strengths</b>   |          |      |             |
| 1. Having good reputation as a high-quality consultant in Indonesia (S1)             | 0.13     | 4    | 0.52        |
| 2. Foreign brand with the support of foreign experts (S2)                            | 0.11     | 4    | 0.44        |
| 3. Portfolio with varied project scale (S3)  | 0.09     | 4    | 0.36        |
| 4. Skill sharing and input of high-quality design with mother company in the UK (S4) | 0.05     | 3    | 0.15        |
| 5. Most of the staff coming from Architecture and Landscape Architecture school (S5) | 0.10     | 4    | 0.40        |
| 6. Complex experience from design to construction supervision (S6)                   | 0.08     | 4    | 0.32        |
| <b>Weaknesses</b>  |          |      |             |
| 1. High turn-over rates for junior and mid-level staff (W1)                          | 0.08     | 2    | 0.16        |
| 2. Time zone differences between mother company and Indonesia office (W2)            | 0.05     | 1    | 0.05        |
| 3. Dependence on principal designer (W3)   | 0.10     | 1    | 0.10        |
| 4. Limitations on company administrative completeness (W4)                           | 0.05     | 2    | 0.10        |
| 5. The high operational costs of the company (W5)                                    | 0.11     | 2    | 0.22        |
| 6. A gap of large age difference among team members (W6)                             | 0.05     | 2    | 0.10        |
| <b>Total</b>   | <b>1</b> |      | <b>2.92</b> |

##### 4.3 External Factor Evaluation (EFE)

The results of the PTSFA external factor evaluation found that the most influential key external factor on opportunities of the company was the increasing demand for new properties and open public space in Indonesia. The biggest threats of the company are the increasing competition with design and built services consultant and the increasing competitor consultants who implement the one stop consultant strategy. The total score of the EFE Analysis is 3.17. The results of the EFE matrix can be seen in the following Table 3.

Table 3. Results of EFE Matrix Analysis of PTSFA

| External Key Factors  | Weight   | Rank | Score       |
|---|----------|------|-------------|
| <b>Opportunities</b>  |          |      |             |
| 1. Government policy to continue encouraging infrastructure and property development (O1)           | 0.11     | 4    | 0.44        |
| 2. Demand for new properties and open public space (O2)   | 0.14     | 4    | 0.56        |
| 3. Not many landscape consultants have a good track record (O3)                                     | 0.08     | 3    | 0.24        |
| 4. Client awareness to get a good consultant (O4)   | 0.05     | 4    | 0.20        |
| 5. Project opportunities from International/NGO Founding (O5)                                       | 0.09     | 3    | 0.27        |
| 6. Positive relationships with universities established good network and professional contacts (O6) | 0.07     | 2    | 0.14        |
| <b>Threats</b>  |          |      |             |
| 1. Economic crisis and the collapse of local and regional property markets (T1)                     | 0.07     | 1    | 0.07        |
| 2. Political and security instability (T2)  | 0.04     | 1    | 0.04        |
| 3. Foreign consultants who make market penetration to Indonesia (T3)                                | 0.05     | 3    | 0.15        |
| 4. Increasing competitor consultants who implement the one stop consultant strategy (T4)            | 0.11     | 4    | 0.44        |
| 5. Lack of high-quality human resources in the field of landscape architecture in Indonesia (T5)    | 0.07     | 2    | 0.14        |
| 6. Design and built services consultant (T6)  | 0.12     | 4    | 0.48        |
| <b>Total</b>  | <b>1</b> |      | <b>3.17</b> |

#### 4.4 Internal External Matrix (IE)

IE Matrix Analysis (Internal External) was used in the alternative strategy formulation stages. The total score of EFE matrix is 3.71 and IFE matrix is 2.92. Thus, PTSFA is in quadrant II. The strategies that can be implemented are grow and build. The Grow and Build strategy used is intensive strategy consisting of market penetration, market development and product development or integration strategies; it includes backward integration, future integration, and horizontal integration. The IE matrix analysis of PTSFA can be seen in the following Table 4

Table 4. Results of IE Matrix Analysis of PTSFA

|                                 |                           | Total of Weighted IFE Values |                           |                         |
|---------------------------------|---------------------------|------------------------------|---------------------------|-------------------------|
|                                 |                           | Strong<br>3.0 - 4.0          | Average<br>2.0 - 2.99     | Weak<br>1.0 - 1.99      |
| Total of Weighted<br>EFE Values | High<br>3.0 - 4.0         | I<br>Grow & Build            | II<br>Grow & Build        | III<br>Hold & Maintain  |
|                                 | Intermediate<br>2.0 - 3.0 | IV<br>Grow & Build           | V<br>Hold & Maintain      | VI<br>Hold & Maintain   |
|                                 | Low<br>1.0 - 1.99         | VII<br>Hold & Maintain       | VIII<br>Harvest or Divest | IX<br>Harvest or Divest |
|                                 |                           |                              |                           |                         |

#### 4.5 SWOT Matrix

SWOT Matrix Analysis is used to formulate strategies using key external and internal factors that have been obtained previously in EFE and IFE analysis. There are 4 alternative strategies/ choice strategies that can be used by the company including SO, WO, ST and WT Strategies. Below is the strategy formulation as a result of SWOT analysis PTSFA:

1. The SO (Strengths-Opportunities) strategies are: 1) A massive company marketing campaign to get bigger projects (S1, S2, S3, O1, O2, O4), 2) Working on government projects (S1, S2, S3, O1), and 3) Working on NGO/ International Founding projects (S2, T5).
2. The WO (Weaknesses-Opportunities) strategies are: 1) Completing company administration documents (W4, O1, O5), and 2) Student internship program (W1, O6).
3. The ST (Strengths-Threats) strategies are: 1) Providing service of architectural design, interior design, and graphic design, for the opportunity to get work as a one-stop consulting services (S4, S5, T4) and 2) Establish a construction division for design and built works (S2, S3, S5, T6).
4. The WT (Weaknesses-Threats) strategy is Reduce operational costs with a cost reduction strategy (W5, T1, T2, T4).

#### 4.6 Determination of Priority Strategy (QSPM)

The QSPM matrix analysis of the 8 alternative choice strategies produces a priority strategy with the highest TAS value which is “conducting more massive company marketing to get bigger projects” with a value of 4.01. The order of priority strategies based on calculations can be seen in the following Table 5.

Table 5. QSPM Results of PTSFA

| Alternative Strategies  | Total Attractiveness Score (TAS) | Rank |
|---|----------------------------------|------|
| A massive company marketing campaign to get bigger projects   | 4.01                             | 1    |
| Completing company administration documents   | 3.90                             | 2    |
| Providing service of architectural design, interior design, and graphic design, for the opportunity to get work as a one-stop consulting services | 3.52                             | 3    |
| Working on government projects  | 3.21                             | 4    |
| Establish a construction division for design and built works  | 2.99                             | 5    |
| Working on NGO/ International Founding projects   | 2.28                             | 6    |
| Student internship program  | 1.42                             | 7    |
| Reduce operational costs with a cost reduction strategy   | 1.09                             | 8    |

#### 4.7 Managerial Implications

Based on the results of discussions with PTSFA management regarding the priority strategies generated from the QSPM matrix, companies need to consider aspects of financial readiness, legal, and human resources in carrying out the priority strategy to implement in the company. This is in line with what David (2013) stated that strategy formulation tools such as SWOT matrix, SPACE matrix, IE matrix and QSPM can significantly improve the quality of strategy choices. However, they may not be used to dictate the choice of strategies to be used by the company. The managerial implications that need to be carried out by companies in 2019 are the company will focus on optimizing the company’s position in the market, by utilizing the first strategy, i.e. massive company marketing campaign to get bigger projects and simultaneously, doing internal reforms by begun the second strategy to maintain the existence of the company legally by completing company administrative documents, and the application of a cost reduction strategy. The development and expanding on the company’s core business by providing service of architectural design, interior design, and graphic design, for the opportunity to get work as a one-stop consulting services and Establish a construction division for design and built works will require large financial readiness, companies can target it in the 4<sup>th</sup> and 5<sup>th</sup> year.

#### 5. Conclusion

Based on the IFE matrix analysis, the company has a score of 2.92 and based on the EFE matrix, the company has a score of 3.17. The company’s position is in the quadrant II of the IE matrix, which is in the ‘grow’ and ‘build’ position. The results of the strategy formulation with the SWOT matrix get 8 alternative strategies. The main strategy of the QSPM results is a massive company marketing campaign to get bigger projects which has the highest TAS value of 4.01. The implementation of the strategic plan is focused on the first and second strategic priorities in 2019 but by the same times doing internal reforms by application of a cost reduction strategy. The strategy related to the development and expanding of the company’s core business is carried out in the 4th and 5th year. Recommendations for this research are PTSFA represented by professionals within the company to be actively involved in professional organizations of Indonesian Landscape Architects Association (IALI) especially in a discussion of strategic issues relating to landscape architecture consulting business such as the discourse of design fee standardization and Asia free market for the professional landscape architect. And the last to be proactive, providing input related to establishing a standard of landscape design and planning in Indonesia

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