

VRIO Analysis as a Basic Strategy for Obtaining Construction Tenders in Construction Service Companies

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Abstract

This research is related to the condition of PT XY which has not been able to reach the target to get a construction tender. The aim of this research is to determine the right strategy in obtaining construction tenders based on the results of an analysis of internal conditions using VRIO analysis. The object of research is the strategy to obtain a construction tender for PT XY, a private construction service company with a "Large" qualification located in Central Jakarta. The research method uses a qualitative descriptive analysis. Data collection techniques with interviews and documentation. The analysis tool used is VRIO. Based on the results of the VRIO analysis, the company has a sustainable competitive advantage in the company's financial resources, reputation, innovation and capabilities. While technology and physics are in the category of temporary competitive advantage. Human resources fall into the category of competitive parity. The results of this study are priority strategies for obtaining construction tenders, namely employee recruitment, increasing employee competence and abilities, and conducting a winning analysis.

Keywords: internal condition, construction tender, strategy, VRIO analysis

INTRODUCTION

The construction sector is one of the drivers of the national economy in Indonesia. According to BPS data, in the third quarter of 2022 the contribution of the construction sector to Indonesia's Gross Domestic Product (GDP) is 9.45%. The government itself continues to encourage the growth of the construction sector through infrastructure development in order to increase connectivity throughout Indonesia. The construction sector has an important role such as employment, the number of infrastructure and building projects, investment and even as a support for development in other sectors such as food security, meeting electricity and

engineering needs, improving health facilities, education, road access and tourist attraction. The potential of the construction sector attracts many companies to open construction services. Based on BPS data, in 2022 there will be 197,030 construction companies in Indonesia with small, medium, large and non-qualified qualifications. The large number of companies engaged in the construction sector certainly increases competition in obtaining construction tenders. In winning the competition, a strategy to get tenders is needed.

The strategy for obtaining a construction tender in this study is based on an analysis of the company's internal conditions. This is based on research conducted by Huda (2009) on the Influence of Environmental Factors on Marketing Strategy and Company Performance in the Construction Services Industry in Indonesia that the industrial and external environment variables do not have a significant impact on the performance of small and medium construction service companies in Indonesia. Variables that have a positive and significant impact on company performance in medium and small class construction service industry companies in Indonesia are internal environmental variables. In addition, based on research by Islami, Mulolli, & Mustafa (2018) concerning the Effects of Industrial and Internal Factors on Company Performance, it shows that internal factors have a greater positive impact on company performance than industrial factors. This is in line with the research conducted by Tumelap, Sumajouw and Waney (2014) regarding the Performance Analysis of Construction Services Companies that internal factors have the greatest influence on the performance of construction services companies compared to market situation factors and external factors.

This research was made to determine the right strategy in obtaining construction tenders based on VRIO analysis. The research was conducted at a construction service company, namely PT XY, located in Central Jakarta. PT XY.

LITERATURE REVIEW

Johnson et al (2009) stated that strategy is the direction and scope of the organization in the long term, which achieves excellence in a changing environment through the configuration of its resources and competencies with the aim of meeting stakeholder expectations. Meanwhile, according to Hill and Jones (2013), strategy is a series of related actions taken by managers to improve the performance of their company. For most companies, achieving superior performance compared to competitors is a major challenge. If a company's strategy results in superior performance, it is said to have a competitive advantage. According to David (2015), the strategic management process consists of three stages: strategy formulation, strategy implementation, and strategy evaluation.

According to Barney and Hesterly (2015), internal condition analysis helps companies identify their organizational strengths and weaknesses. It also helps companies understand which resources and capabilities are likely to be sources of competitive advantage and which are less likely to be sources of such advantage. Some researchers emphasize the importance of the internal analysis part of the strategic management process compared to external analysis. According to Grant (2018), in the last few decades, attention has focused on two factors, namely the role of resources and capabilities as the basis for strategy. First, as a company's industrial environment becomes more volatile, internal resources and capabilities offer a safer strategic basis than external markets. Second, competitive advantage has emerged as a major source of superior profitability.

All resources and capabilities owned by the company are analyzed with a set of tools in the form of the VRIO framework (Barney & Hesterly, 2015). Within the VRIO framework there are four questions that must be asked about resources or capabilities to determine their competitive potential, namely questions about:

- a. Value, namely whether the resource allows the company to exploit environmental opportunities, and/or neutralize environmental threats?
- b. Rarity, i.e. are resources currently controlled by only a small number of competing firms?
- c. Imitability, namely whether companies without resources face cost losses in acquiring or developing them?
- d. Organization, namely whether policies and other company procedures are regulated to support the exploitation of its valuable, rare, and expensive resources to imitate.

In developing a strategy to obtain a construction tender, of course, it is necessary to know what factors influence obtaining a construction tender. Based on the research results of Pio, Sutarja and Yansen (2015) there are several dominant factors that influence the selection of winners of construction service auctions on government projects, namely the completeness of the substantial requirements requested in the bidding documents, the suitability of the substantial requirements requested in the bidding documents, company/contractor experience, bank references/bank support, completeness and availability and quantity of various types of construction tools/equipment/equipment, availability of educational level and experience of field project personnel/staff, relationship/closeness to the project owner, validity and completeness of the offer letter, legitimacy business license, the contractor's offer is the lowest price and in detail is a competitive price, the obligation to comply with taxation, the company is not under court supervision and is not blacklisted, the contractor is willing to follow and respond quickly to requests, instructions and orders from the project owner for repairs/changes construction design, originality, suitability and validity of the bid guarantee letter, methods and strategies for carrying out the work and the controls used by the contractor, completing the work according to the quality required in the specifications according to the contract price.

In research conducted by Naji, Gunduz and Falamarzi (2022) revealed that there are several criteria that are considered very important by project owners in evaluating tender contract offers. The findings in the study indicated that the contractor's financial stability was ranked first, followed by the price offered, proposed delivery date, experience with similar projects, contractor's past history, qualifications of engineers and technical staff, warranty and after-sales service. The final five factors include the level of innovation, use of new technology, staff training plans, environmental considerations and the amount of liquid assets held.

Whereas in Mousakhani, Ranjbar and Ashoori's research (2018) regarding the identification and evaluation of contractor selection criteria using a risk management approach, 13 things are considered in selecting a contractor starting from the most considered thing, namely the past relationship between the project owner (client) and the contractor. , contractor financial stability, bid price, time performance on past project experience, performance on similar projects, quality of work on past projects, knowledge of project location, resources and workers, Health, Safety and Environment (HSE) and accident incident rate , claims and legal issues, the organizational structure of the project offered by the contractor, the contractor's program on risk management, the accuracy of the tender technical proposal and the machinery and equipment used.

METHODS

The research object is PT XY's strategy determination, which is a private company engaged in construction services and located in Central Jakarta. The types and sources of data used in this study are primary data and secondary data. Data collection techniques used interviews with tender managers, engineering managers, supply chain management managers,

infrastructure and building project managers (pm), business development managers, human capital managers, finance managers and safety health environment managers at PT XY and documentation. The data analysis technique used in this research is descriptive qualitative analysis. Data in the form of the company's internal condition is analyzed by VRIO to find out whether the resources and capabilities of the company have a sustainable competitive advantage or not. Based on the results of the VRIO analysis, an alternative strategy is then determined to obtain a construction tender. Determining how to get a construction tender by maintaining the company's advantages and making improvements to the company's weaknesses.

RESULTS AND DISCUSSION

Results

VRIO analysis

The results of the summary of the company's resources and capabilities owned by PT XY were then analyzed using VRIO. The following table shows the results of the VRIO analysis for resources and capabilities.

Table 1. VRIO Analysis of Resources and Capabilities

No	Resources and Capabilities	Value	Rarity	Inimitability	Organization	Total	Notes
1	Sufficient financial capital for operations	Yes	Yes	Yes	Yes	4	Sustainable competitive advantage
2	Work support software such as BIM, Autocad, and SAP	Yes	No	No	Yes	2	Temporary competitive advantage
3	Work method	Yes	No	No	No	1	Competitive parity
4	Safety management	Yes	Yes	Yes	Yes	4	Sustainable competitive advantage
5	Heavy equipment for project execution	Yes	No	No	Yes	2	Temporary competitive advantage

No	Resources and Capabilities	Value	Rarity	Inimitability	Organization	Total	Notes
6	Work equipment such as drones, laptops, GPS	Yes	No	No	Yes	1	Temporary competitive advantage
7	Availability of human resources (man power)	Yes	No	No	No	1	Competitive parity
8	Skilled certified workforce (SKK) and experienced for the project	Yes	No	No	No	1	Competitive parity
No	Resources and Capabilities	Value	Rarity	Inimitability	Organization	Total	Notes
9	Human resource capability to support tenders	Yes	No	No	No	1	Competitive parity
10	PT XY's reputation	Yes	Yes	Yes	Yes	4	Sustainable competitive advantage
11	Renowned name of parents company	Yes	Yes	Yes	Yes	4	Sustainable competitive advantage
12	PT XY's positive reputation in the eyes of the banks	Yes	Yes	Yes	Yes	4	Sustainable competitive advantage
13	PT XY's positive reputation in the eyes of suppliers/vendors	Yes	Yes	Yes	Yes	4	Sustainable competitive advantage
14	Construction Service Business Entity Certificate (SBUJK) and ISO Certification	Yes	No	No	Yes	2	Temporary competitive advantage
15	Safety Health Environment (SHE) Innovation	Yes	Yes	Yes	Yes	4	Sustainable competitive advantage
16	The company's ability to approach project owners and consultants, especially project owners in one holding company group	Yes	Yes	Yes	No	3	Temporary competitive advantage
17	Ability to manage SHE	Yes	Yes	Yes	Yes	4	Sustainable competitive advantage

The results from the VRIO analysis were then recapitulated and the values averaged so that the results can be seen in Table 2. Reputation, financial and innovation resources are

considered to be sustainable competitive advantage resources, namely resources that have a sustainable competitive advantage. The company's capability is also considered as a sustainable competitive advantage. Meanwhile, financial, technological and physical resources fall into the category of temporary competitive advantage, namely these resources are temporary. Human resources are generally assessed into the competitive parity category, meaning that they are considered to have the same strategy as other competitors and this is a company weakness.

Table 2. VRIO Result Recapitulation

Category	VRIO Result
Financial resources	Sustainable competitive advantage
Technology resources	Temporary competitive advantage
Human resources	Competitive parity
Physic resources	Temporary competitive advantage
Reputation resources	Sustainable competitive advantage
Innovation resources	Sustainable competitive advantage
Capability	Sustainable competitive advantage

Strategy

Resources and capabilities that have a competitive advantage are used as one of the foundations of the company's strategy. While the company's resources and capabilities are considered to be the company's weaknesses, corrective actions need to be taken so that the company's resources and capabilities have a sustainable competitive advantage by making the right strategy. From the results of the VRIO analysis, there is a need for corrective action if there are insufficient resources. Table 3 presents the strategy for PT XY to obtain tenders.

Based on the strategy set for obtaining a construction tender, a strategy is selected which is the top priority for the company to implement. In this study, the prioritized strategy is the strategy on human resources, namely employee recruitment, sending project workers to

participate in certification of expertise at the company's expense, recruiting employees who already have certification expertise certificates, increasing the ability of the workforce to be able to determine the most efficient tender costs, improve negotiating skills with suppliers or vendors and develop the ability to do a winning analysis.

Table 3. Strategy to Obtain Tender

No	Category	Strategy
1	Human resources	<ul style="list-style-type: none"> ● Recruitment of employees ● Send project workers to participate in certification of expertise at company expense ● Recruiting employees who have certificates of expertise certification ● Improve the ability of the workforce to be able to determine the most efficient tender costs. ● Negotiation ability with suppliers or vendors is further enhanced by way of price fixing through umbrella contracts for major materials frequently used in projects ● Developing the ability to carry out a winning analysis to determine the causes of defeat and the determining factors in obtaining tenders that have been participated in so that they can anticipate future tenders
2	Capability	<ul style="list-style-type: none"> ● Maintain SHE management ● Maintaining relationships with clients (potential and existing clients) and consultants ● Adding manpower for the business development division ● Increase financial capital to conduct outreach activities to potential project owners
3	Reputation resources	<ul style="list-style-type: none"> ● Maintain the reputation and good name of PT XY in the eyes of clients, banks and suppliers ● Utilizing the big name of the parent company to establish cooperation and get potential projects ● Add company expertise certificates in other fields such as health building construction expertise certificates, marine works and renewable power plants (PLTM, PLTH)
4	Financial resources	<ul style="list-style-type: none"> ● Utilizing the capital owned to participate in quality tenders
5	Technology resources	<ul style="list-style-type: none"> ● Strategy to improve the quality of work methods by offering value engineering (quality improvement, cost savings, time savings, environmental

No	Category	Strategy
		friendliness) to project owners/clients as added value in tender proposals <ul style="list-style-type: none"> ● Maintain quality safety management ● Companies must always update on developments in BIM, Autocad and SAP technology
6	Innovation resources	<ul style="list-style-type: none"> ● Maintaining the innovations carried out by PT XY, especially in the field of SHE
7	Physic resources	<ul style="list-style-type: none"> ● Purchase or invest heavy equipment and replace old heavy equipment (more than 10 years) with new equipment ● Replacing work tools that have been used for more than 5 years with the latest type

The strategy that has been set cannot run without someone who runs it. Tender activities are the company's core business. Therefore this strategy can only work with the approval of the board of directors (Board of Directors). With the approval of the board of directors, related divisions such as the human capital division can carry out priority strategies, namely improving human resources such as employee recruitment and so on.

CONCLUSION AND IMPLICATIONS

Conclusion

Based on VRIO results, PT XY has financial resources, reputation, innovation and capabilities which are included in a sustainable competitive advantage. Acset's technological resources are included in a temporary competitive advantage. Meanwhile, human resources are included in the category of competitive parity. The priority strategy undertaken is improvement in human resources by recruiting employees, sending workers to follow certification for those who do not yet have expertise certificates, recruiting employees who have expertise certificates, increasing the ability of the workforce in determining the most efficient project costs, improving negotiating abilities with suppliers, and do a winning analysis.

Recommendations

Suggestions for PT XY to be able to get a construction tender is to prioritize improvements in human resources. These decisions need to be taken by the board of directors and carried out by the human capital division. Not all strategies can be implemented because they have large costs, such as investment or purchase of heavy equipment. The need for further research related to the aspect of trust as a basis for establishing a relationship between project owners and contractors to obtain construction tenders.

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