Analysis of Business Performance of Housing Developers in Makassar City

Abstract—This study aims to; identify and analyze the effects of the business environment directly on business strategy and product innovation, to know and analyze the effects of market orientation directly on business strategy and product innovation, to know and analyze the influence of the business environment either directly or indirectly through the strategy and product innovation on business performance, knowing and analyzing the effects of market orientation both directly and indirectly through business strategy and product innovation on business performance, knowing and analyzing the effects of business strategies on business performance, knowing and analyzing the effects of product innovation directly and significantly to business performance. Data analysis method using path analysis is Structural Equation Modeling (SEM) which is part of inferential statistic. This research uses Partial Least Square (PLS), PLS analysis technique is used to answer the research problem. The data of the research were 42 respondents. The results of this study indicate its business environment which directly and significant influence on business strategy and product innovation. Market orientation takes its directly and significant impact on business strategy and product innovation. Business environment takes its direct and significant towards business performance, but indirectly the business environment which no significant effect through business strategy on business performance, while the business environment indirectly significantly influences innovation on business performance. Market orientation takes its direct affect business performance, while indirect market orientation does not significantly affect business performance through business strategy, then indirect market orientation influence through significant product innovation on business performance. Strategy its no significant effect towards business performance, while product innovation takes its direct significant effect towards business performance.

Keywords: Business Environment, Market Orientation, Business Strategy, Product Innovation, and Business Performance

I. INTRODUCTION

Real estate is one of the most significant asset classes, contributing to the national economy, which involves buildings, machinery, acquisition of various property rights and others. The new housing market has long been recognized as one of the drivers of the economy [25].

The results of the inner model processed with SmartPLS are presented in the following figure.

The results of the study show that the housing business environment grows well depending on the GDP of a country [5].

Business environment and strategy affect business performance [31], [11], [7], [24], [28], [30], [12], [10], [2], [26], [21], [38], and [6].

Research results [8], [9]; [4], [13], [18], [16], shows different results namely environment and strategy solely not influenced by company performance, but by considering other variables. This research offers a solution by adding innovation variables as a mediation to improve business performance.

Differences in findings from several studies that examine the effect of market orientation on business performance lead to gaps that can be explored further. The search for the gap is based on the opinions expressed [20], [22], [3], so that it requires variables that can mediate the relationship. The findings of the contradictory research findings provide opportunities for re-assessment to add strategy variables and product innovation as a mediation to improve business performance.

Research on business performance in the housing sector which is reviewed from the aspects of the business environment, business orientation, and business strategy and product innovation on business performance seems to have not been done much. Most studies in the business environment, market orientation, business strategy, and innovation in business performance in marketing are more focused on Small and Medium Enterprises (SMEs), so it seems interesting to see the results of applying marketing concepts in housing development companies.

In addition, based on the research gap, the researchers saw a gap and the opportunity to re-examine it. This is what underlies the interest of researchers to re-examine empirically about how the business environment influences, market orientation, through business strategies, and innovation on business performance in housing development companies in South Sulawesi.

Based on the description, the main research problems can be formulated as follows:
1. Does the business environment directly influence business strategy and product innovation?
2. Does market orientation directly influence business strategy and product innovation?

3. Does the business environment affect directly and indirectly through business strategy and product innovation on business performance?

4. Does market orientation affect directly and indirectly through business strategy and product innovation on business performance?

5. Does the business strategy directly influence business performance?

6. Does product innovation directly affect business performance?

II. LITERATURE REVIEW

A. Business Environment

Business Environment Analysis consists of two main components, namely the analysis of the macro environment and industrial environment. In a research perspective, business environment analysis means categorized as an external environment analysis. The type of macro environment consists of economic, technological, political environments including government, law, social culture, and population. The whole macro environment has an influence on the industry. Likewise, the industrial environment can also influence the achievement of company goals. Other views [15] classify the external environment into two: general and industrial environments. General environment (general environment) includes elements in a broad society that affect an industry and the companies in it. These elements are grouped into environmental segments consisting of demographic, economic, political/legal, socio-cultural, and technological segments. The industrial environment (industry environment) is a group of factors that threaten the entry of new entrants, suppliers, buyers, substitute products and the intensity of competition between competitors that influence a company and its competing steps and responses. Overall, the interaction between these five factors determines the amount of profit (performance) that will be achieved. Another term regarding external environment is introduced by [32], where the external environment is divided into three sub categories: remote environment, industrial environment, and operational environment. The remote environment consists of factors originating from outside, and usually does not relate to the operational situation of a particular company: economic, social, political, technological and ecological factors. The industrial environment depends on five forces: the threat of new entrants, the bargaining power of buyers and suppliers, the threat of product or service substitution and the intensity of competition between companies. The operational environment or competition/task environment consists of factors in a competitive situation that affects the success of a company in obtaining the resources needed or in marketing, the product/service is immediately profitable. Some of these important factors are the company’s position, customer composition, reputation in the eyes of suppliers and creditors, and its ability to attract capable employees. Companies can be more proactive (not reactive) in handling the operational environment than dealing with remote environments.

Use other terms in classifying corporate environments, including: societal environment, task environment, and internal environment. Components in the societal environment are: sociocultural power, economic strength, technological strength, and political/legal environment. The components of the work environment (task environment), hereinafter known as the industrial environment, consist of: suppliers, trade unions, competitors, trade associations, communities, creditors, customers, special interest groups, government, shareholdings. Furthermore, the internal environment component consists of: structure, culture, and resources [40].

Also criticized the paradigm view of environment-performance strategies [18]. Research examined the interrelationships between managerial factors, environmental factors, organizational factors, intensity of strategic planning and financial performance [18]. The findings suggest that managerial factors have a positive direct effect on the intensity of strategic planning, organizational factors negatively affect the intensity of strategic planning and have a positive direct effect on financial performance.

From the results of several researchers about the business environment, the authors draw conclusions that are used as indicators of the internal environment, and the external environment.

B. Market Oriented

Market oriented has become an important part of scientific research in marketing. Academics and practitioners consider market orientation as the heart of marketing management and strategy [27]. Basically, market orientation is an embodiment of the concept that the company's marketing efforts are the responsibility of all departments and functions. Marketing plays an important role and is most responsible for clearly identifying priority needs and concerns of customers. In this case the marketing manager is tasked with designing a method of gathering and communicating information about customer needs and preferences to other units.

Market orientation as: "organization-wide generation of market intelligence. Current and future customer needs, dissemination of intelligence across departments, and organization-wide responsiveness to it." This definition reflects three components of the marketing information process. (1) marketing intelligence generation, (2) dissemination, and (3) responsiveness in a learning organization. Intelligence generation includes analyzing exogenous factors that affect a number of needs and choices and changes in consumer needs through all components of the organization. Intelligence dissemination is communicating or disseminating market information to relevant departments within the company. Responsiveness is the action of a market inquiry response that is revealed and disseminated [23].

Market orientation using the MARKOR scale: Intelligence generation, intelligence dissemination, and responsiveness[20]. This measurement noted that several researchers adopted and developed in the study [33]; [19]; [17]. So, market orientation constructs are market intelligence, information dissemination, and responsiveness of market intelligence.
C. Business Strategy

State that strategic management of the company is more of an adaptive process that operates on limited resources, generally to obtain maximum profits immediately, and is short-term oriented [36]. Strategic planning is a change from within the organization [39]. An action is said to have strategic meaning if the action allows the company to be better than its competitors, and is able to maintain a competitive advantage through its resources. Because the strategy relates to the issue of how the resources it has the company looks for positions in its industrial environment, and how to get the best position in the industry

The typology of strategy that will be used in this study refers to the competitive strategy proposed [29] which classifies generic strategies into three: cost leadership, differentiation, and focus and also promotion strategies. [29] in his classic book Competitive Strategy outlines three strategies: 1) leadership / cost advantage, 2) differentiation, and 3) focus.

States that there are four basic strategies for achieving SCAs, namely:

1. Differentiation strategies, namely offering products that are different from competitors by providing value to customers, possibly by improving performance, quality, prestige, image, support services, trust, or the convenience of the product.

2. Low cost strategy, which is based on achieving a sustainable cost advantage in several important elements of the product or service. The position of the cost leader can be achieved through high market share or through other advantages such as favorable access to raw materials or state of the art from processing.

3. Focus strategy, which includes focusing business on a relatively small group of buyers or a limited portion of the product line. The focus is focused on the creation of SCAs and driving forces, even though differentiation and low costs are also linked to this strategy.

4. Preemptive Move, is a pioneer implementing a strategy into a business field, because the first, creates an asset or skill that forms the basis of a SCAs. Second, in implementing a strategy, first movers advantage, competitors may be inhibited or prevented from imitating or replying [1].

From some of the above meanings, the strategy can be defined as plans and tactics carried out by the company in the long term, involving all existing components or resources in order to gain excellence in competition amid ever-changing environmental conditions, so that the business strategy variable is measured by three indicators namely cost leadership, differentiation, and focus.

D. Product Innovation

In this era, innovation can be said to be a mantra of business organizations in facing business competition [34]. Companies that continue to innovate will be able to survive and even become the leader in the business arena. [34] said that essentially innovation is something "new" that is produced (as a company output) or a process of adoption or application of something "new" by an organization in such a way that the organization becomes more competitive. Something "new" can be a new product / service that can provide more value than the old product. It could also be something "new" that is a new process of creating efficiency in production, delivery (delivery) and improving services.

Define innovation as the process of making changes to something that has been established by introducing something new, successful implementation of creative ideas within an organization[14]. Conclusion of product innovation can be used as an indicator that is creating new resources, making changes, and successful implementation of creative ideas.

E. Business Performance

Business performance is a condition that wants to be achieved as the results that have been carried out by all components of the company. In this case the indicator of business performance is measured by the respondent's statement of changes in sales volume so that the existence of the company is always and does not experience bankruptcy. The respondent's statement that efficiency in running a business is always carried out and always maintained, so that it can find out the consumer response to the company's products. Respondent's statement that sales always increase from time to time, so they can master more market share and then the statement of the respondents stating the profits (profits) in their business always increases and most of them are invested to the company's progress [35].

According to [37] the components used to analyze the company's strategy consist of business strength dimensions consisting of product prices, number of outlets, monthly turnover, potential monthly sales and number of visitors at outlets (sales points). The attractiveness dimension consists of consumer market share and consumer spending potential. From the results of the analysis of the components can be determined the strategic steps that can be done by the company such as optimization of production equipment, the amount of promotion costs and so on. Internal factors that influence employee / group performance consist of educating, skills, emotional stability, motivation, perceptions of roles, family conditions, one's physical condition and characteristics of work groups and so on.

While external influences include labor regulations, customer desires, competitors, social values, trade unions, economic conditions, changes in work location, and market conditions. The implementation of work results / work performance is directed to achieve business goals within a certain period of time. Thus business performance is a function of the results of the company, namely work / activities in the company that are influenced by internal and external factors in achieving the goals set during the period of time [37].

III. METHODOLOGY

Based on the formulation of the problem, inferential statistics that can be used in data analysis of this study are Path analysis, Structural Equation Modeling (SEM) (AMOS, LISREL and PLS). This study uses Partial Least Square (PLS) analysis. The PLS analysis technique is used to answer the research problem formulation. Use of PLS analysis The next step in PLS analysis is testing the inner model or structural model. As with SEM analysis in general, inner model testing includes two stages, namely: (1) testing
the feasibility of the model (goodness of fit) and (2) testing the significance of the path. Testing the path coefficient on the inner model also means testing the hypothesis proposed in this study because the hypothesis formulated is reflected in the paths that exist in the model. The population in this study was as much as 45 and the samples taken were 42 property.

IV. RESULT AND DISCUSSION

After going through Test of goodness of fit

This test is intended to find out how much the results of the model are able to explain the variation of the data (score) of the original variable. Tests are carried out with the Stone-Geisser Q Square test. From the inner model, there are three dependent variables, namely strategy, innovation, and business performance, so that there are three coefficients of determination. From the PLS output, the coefficient of determination for each dependent variable is obtained as shown in the following table.

<table>
<thead>
<tr>
<th>Equation</th>
<th>Exogenous</th>
<th>Endogenous</th>
<th>R-square</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Business Environment, market orientation</td>
<td>Business Strategy</td>
<td>0.573</td>
</tr>
<tr>
<td>2</td>
<td>Business Environment, market orientation</td>
<td>Producing Innovation</td>
<td>0.582</td>
</tr>
<tr>
<td>3</td>
<td>Business Environment, market orientation; Business Strategy; Producing Innovation</td>
<td>Business Performance</td>
<td>0.672</td>
</tr>
</tbody>
</table>

Furthermore, based on the coefficient of determination, each dependent variable Q2 is sought by the formula:

\[ Q^2 = 1 - (1 - R_i^2)(1 - R_j^2)(1 - R_k^2) \]

\[ Q^2 = \{1-(1 - 0.573)(1 - 0.582)(1 - 0.672)\} \]

\[ Q^2 = \{1 - 0.059\} = 0.941 \]

Based on the determination coefficient value of the three dependent variables on the model, it can be seen that Stone-Geisser Q Square is 0.941. These results indicate that the model has good feasibility, because it is able to explain the information contained in the original data, this means that the model the conditions in the study site were 94.1% while the rest were limitations of the researchers’ tools and error variables. The total determination coefficient value is high, so the model is worth interpreting.

Hypothesis testing

Hypothesis testing is intended to decide whether to accept and reject hypothesis based on data obtained from the sample. In this study there are 6 hypotheses proposed but each path of hypothesis will be explained in numbers. Testing the hypothesis in PLS analysis, basically is testing the significance of the path coefficients in the model. To conclude whether the pathway or research hypothesis is proven, a cut-off value of tcount = 2.00 is used. Thus, if t calculated on the path tested ≥ 2.00, then the research hypothesis is proven. The results of the path coefficient test are presented in the following table.

<table>
<thead>
<tr>
<th>HI</th>
<th>Direct</th>
<th>origin sampl e estimate</th>
<th>mean of subsa mples</th>
<th>Standard devi ation</th>
<th>t-Statist ic</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1a</td>
<td>Business Environment -&gt; Business Strategy</td>
<td>0.497</td>
<td>0.477</td>
<td>0.06 4</td>
<td>7.781</td>
<td>Accepted</td>
</tr>
<tr>
<td>H1b</td>
<td>Business Environment -&gt; Producing Innovation</td>
<td>0.491</td>
<td>0.491</td>
<td>0.07 3</td>
<td>6.705</td>
<td>Accepted</td>
</tr>
<tr>
<td>H2a</td>
<td>Market Orientation -&gt; Business Strategy</td>
<td>0.340</td>
<td>0.354</td>
<td>0.05 9</td>
<td>5.754</td>
<td>Accepted</td>
</tr>
<tr>
<td>H2b</td>
<td>Market Orientation -&gt; Producing Innovation</td>
<td>0.354</td>
<td>0.352</td>
<td>0.07 4</td>
<td>4.806</td>
<td>Accepted</td>
</tr>
<tr>
<td>H3</td>
<td>Business Environment -&gt; Business Performance</td>
<td>0.400</td>
<td>0.387</td>
<td>0.05 9</td>
<td>6.762</td>
<td>Accepted</td>
</tr>
<tr>
<td>H4</td>
<td>Market Orientation -&gt; Business Performance</td>
<td>0.196</td>
<td>0.215</td>
<td>0.07 4</td>
<td>2.633</td>
<td>Rejected</td>
</tr>
<tr>
<td>H5</td>
<td>Strategic Bsnsp -&gt; Business Performance</td>
<td>-0.055</td>
<td>-0.065</td>
<td>0.04 7</td>
<td>1.188</td>
<td>Rejected</td>
</tr>
<tr>
<td>H6</td>
<td>Producing Innovation -&gt; Business Strategy</td>
<td>0.370</td>
<td>0.369</td>
<td>0.06 3</td>
<td>5.846</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

Efek tidak langsung

<table>
<thead>
<tr>
<th>Variable</th>
<th>Dependent</th>
<th>Intervening</th>
<th>Standardized</th>
<th>Result</th>
</tr>
</thead>
</table>

Table 2. Hypothesis Testing Results
Of the total eight direct path models hypothesized, there are six significant pathways and two insignificant paths. The interpretation of Table 2 can be explained as follows:

a. The business environment has a significant positive influence on the strategy with t-count of 7.781\(>\) t-table of 2.021 with a coefficient of 0.497, this coefficient indicates that a good business environment will make the strategy better, as well as the business environment has a significant positive influence on innovation product with t-count of 6.705\(>\) t-table of 2.021 with a coefficient of 0.491, this coefficient indicates that a good business environment will encourage innovation better.

b. Market orientation has a significant positive effect on the strategy with t-count of 5.754\(>\) t-table of 2.021 with a coefficient of 0.340, this coefficient shows that the better the market orientation, the better the strategy, as well as market orientation has a significant positive effect on innovation product with t-count of 4.806\(>\) t-table of 2.021 with a coefficient of 0.354, this coefficient indicates that the better the market orientation, the more the ability of innovation will be improved.

c. The business environment has a significant positive effect on business performance with t-count of 4.806\(>\) t-table of 2.021 with a coefficient of 0.400, this coefficient shows that the better the business environment the business performance will also be better, and the business environment has a significant positive effect towards business performance through innovation with a coefficient of 0.182, this coefficient shows that a conducive business environment will encourage innovation so that it impacts on better business performance, while the business environment has a negative influence on business performance through business strategies with a coefficient of -0.027 This coefficient shows that a business environment that is not conducive will have an impact on the implementation of the strategies implemented so as not to improve business performance.

d. Market orientation has a significant positive effect on business performance with t-count of 2.633\(>\) t-table of 2.021 with a coefficient of 0.196, this coefficient shows that the better the application of business orientation, the

Table 2: Hypothesis Testing Results

<table>
<thead>
<tr>
<th>Business Environment</th>
<th>Business Strategy</th>
<th>Business Innovation</th>
<th>t-count</th>
<th>t-table</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Orientation</td>
<td>Business Strategy</td>
<td>Product Innovation</td>
<td>0.182</td>
<td>Accepted</td>
</tr>
<tr>
<td>Market Orientation</td>
<td>Business Strategy</td>
<td>Business Strategy</td>
<td>-0.027</td>
<td>Rejected</td>
</tr>
<tr>
<td>Market Orientation</td>
<td>Business Strategy</td>
<td>Business Strategy</td>
<td>-0.019</td>
<td>Rejected</td>
</tr>
</tbody>
</table>

V. CONCLUSION

Based on the formulation of the problem, study of theory, and research hypotheses that are developed, and through the results of hypothesis testing described in the results of the study, conclusions can be drawn as follows:

1. The business environment has a direct and significant effect on business strategy and product innovation.
2. Market orientation has a direct and significant effect on business strategy and product innovation.
3. The business environment has a direct and significant effect on business performance, but indirectly the business environment has no significant effect through business strategy on business performance, while the business environment indirectly has a significant effect through innovation on business performance.
4. Market orientation has a direct effect on business performance, while indirect market orientation does not significantly influence business performance through business strategy, then the indirect influence of market orientation through product innovation is significant to business performance.
5. Strategy does not have a significant effect on business performance.
6. Direct product innovation has a significant effect on business performance.

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