# THE LINK BETWEEN BUSINESS STRATEGY, COMPETITIVE ADVANTAGE AND FIRM VALUE MSME's CONSTRUCTIONS DURING COVID-19 PANDEMIC IN INDONESIA

Comment [L1]: MSME's Construction and Real Estate [the complete title]


## Abstract

Construction and real estate SMEs are the contributors to economic development in Indonesia. This means the company must set its business strategy, so that its business continues to grow in the future, even though the company is a small and medium business. This study was conducted to know the relationship between business strategy and competitive advantage on firm value in construction and real estate MSMEs in Indonesia during the COVID-19 pandemic. The sample selection technique uses simple random sampling, which is a sampling technique from the population that is carried out randomly without seeing and paying attention to the similarities or strata that exist in the population. The analytical method in this study uses the Partial Least Square (PLS) method through a variance-based structural equation model (SEM) statistical test tool. The test results of this study found that business strategy and competitive advantage had a positive and significant impact on the firm value of SMEs construction and real estate services in Indonesia. The ability of the control variable to influence the relationship between the independent and dependent variables is also proven to be strong to contribute statistically. This finding can be used as knowledge of strategic management and management accounting in the future, especially about company value in MSMEs in construction and real estate services in Indonesia.



**Keywords:** MSME's firm values; MSMSE's business strategy; MSME's Competitive Advantage


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## 1. INTRODUCTION

The development of the business environment occurs dynamically, affecting every company. Rapid technological changes and product variations affect the development of all industries. Rapid technological advances and high levels of competition require companies to continuously innovate products, which will ultimately improve the organization's business performance (Hartini, 2012). Study (Dewanta, 2013; Pudyastuti & Saputra, 2021)resulted in the finding that innovation has a significant positive effect on small business entrepreneurship. Study results (Gomes & Wojahn, 2017) also show innovation positive impact on performing SMEs. This means, the company must set its business strategy, so that its business continues to grow in the future, even though the company is a small and medium business, because with preparing the right strategy and according to the needs and desires of consumers, it will affect on the company's competitive advantage in the future. Front (Priyatiningsih, 2019; Tyoso & Haryanti, 2020). The changing business environment also requires companies to be more market-oriented (Bai et al., 2021; Hotho & Champion, 2011; Magno & Cassia, 2021). Market-oriented companies will regard consumers as kings. Companies that understand consumer desires, as well as being able to satisfy consumers, can win the competition (Sulistiani, 2014; Violinda, 2018). The more competitive a business is, the more crucial the company's market orientation capability will be. Adaptability is critical to the survival of any organization, given the uncertain environment (Choi & Zhao, 2014). Previous research findings explain that environmental adaptability affects on company performance (Elhossade et al., 2022; Narsa et al., 2012; Sugiarti et al., 2019; Tobing et al., 2018).

The COVID-19 pandemic is not only causing problems in the health sector (Ozili & Arun, 2020), but also affects on the country's economic conditions (Wynn & Olayinka, 2021). Although MSMEs are said to survive the global crisis, in reality, the problems they face are many and more severe (Narsa et al., 2012; Suci et al., 2017). MSMEs, which have been worst affected by the COVID-19 pandemic, have been forced to close their businesses. In fact, MSMEs are a fairly large pillar of the Indonesian economy (Tedjasuksmana, 2014; Violinda, 2018). The COVID-19 pandemic crisis has affected infrastructure development in Indonesia (Herwany et al., 2021; Trinugroho et al., 2017). It was a difficult time for construction services and consultants. They have hardly worked on a single project since early 2020. Even though construction services are labor-intensive industries that drive derivative industries, such as cement, iron and other building materials. The government's effort to help MSMEs is to make various policies to stimulate MSMEs to survive. In addition, the government is also speeding up infrastructure development. The Central Government, through the Ministry of PUPR has pursued several other policies aimed at improving national economic recovery, one of which is the use of domestic Construction Materials and Equipment (MPK) while ensuring the quality and quality of the resulting construction products/services. The Ministry of PUPR as the regulator also constantly adapts to developments in construction technology, one of which is by encouraging the application of Building Information Modeling (BIM). BIM is one of the latest construction technology innovations in improving the quality of construction work. Some of these efforts are evidence that the central government during the COVID-19 pandemic has been responsible for continuously improving the quality of the use of construction materials and equipment and domestic construction technology, and optimizing the use of domestic/local products.

Construction and real estate SMEs are the contributors to economic development in Indonesia (Nugraheni et al., 2021). Observations from the Central Statistics Agency (BPS) show that this industry has an enormous commitment to GDP in Indonesia. In the second quarter of the last quarter of 2018, construction and real estate SMEs contributed 10.36%. In the second quarter of the last quarter of 2019, it was 10.60%. In the second quarter of the last quarter of 2020, it was the most difficult period because of the Covid-19 pandemic, so that construction and real estate SMEs could only contribute significantly to 10.6% of Indonesia's GDP. The Covid-19 outbreak has indeed shaken small-scale businesses, such as SMEs, which are at the forefront of the Indonesian economy (Nugraheni et al., 2021). In 2021, the government is trying to be optimistic that the construction and real estate industry can remain positively committed to the country's GDP with a target of 10.7%. Construction industry SMEs are having the highest position in all of Indonesia compared to other industries. In fact, the number of construction SMEs almost reaches 80% of the total SMEs in Indonesia. Thus, construction SMEs have the largest number in all of Indonesia.

**Figure 1.** Contribution of MSME Construction and real estate to Indonesia's Gross Domestic Product in 2021

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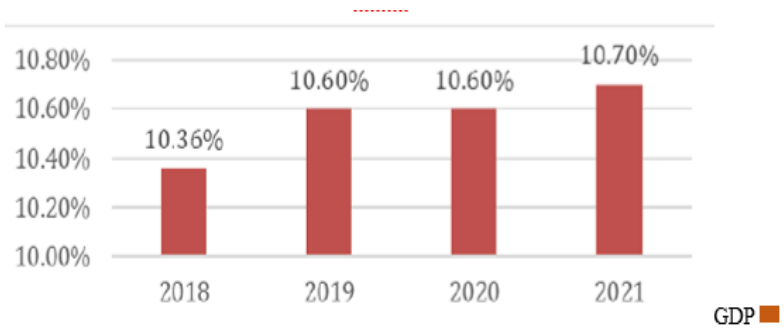


Sources:www.kompas.com, 2020.

The MSME industry players in the construction sector are also still experiencing other obstacles, namely the lack of capital during the COVID-19 pandemic (Harsoyo et al., 2021). Credit disbursement to MSMEs during the COVID-19 pandemic was still dominated by wholesale and retail trade, which was over ten times higher than credit to MSMEs in the construction sector. This trend can be viewed as an effect of the two practices in the industry. First, because construction projects that are strategic are dominated by SOEs and large contractors as implementers. Another problem faced and a weakness of construction MSMEs is the lack of access to information, especially market information (Harsoyo et al., 2021; Hidayat et al., 2021). Limited access to market information results in low market orientation and weak competitiveness at the global level. The lack of information about the market makes MSMEs unable to direct their business development in a clear and focused manner, so that their development has stagnated (Moore & Manring, 2009).

Based on the description of the problem, this research was conducted to know the relationship between business strategy and competitive advantage on firm value in construction and real estate MSMEs in Indonesia during the covid-19 pandemic. The construction industry was chosen because the construction industry is one of the largest contributors to the Gross Domestic Product (GDP) in Indonesia. The property, real estate and building construction sectors can also be used as a benchmark for a country's economic growth. If the country's macroeconomic conditions grow rapidly, the property, real estate and building construction sectors will also experience growth, and vice versa. Especially in the building construction sub-sector companies, the improvement of the economy of a country, including in Indonesia, will force the development of adequate infrastructure to support the country's economy nationally and comprehensively. This makes the property, real estate and building construction sector companies, especially the building construction sub-sector companies, interesting to study in depth, especially in terms of company value. This research was conducted by adding control variables, namely government policies, product and service innovation, and company performance. This research was conducted using the theoretical concepts described in the next section and research methods designed with quantitative methods and testing using structural equation modeling with the help of the Amos application to provide a difference with previous research and of course benefits for the development of management accounting science in the future.

## 2. LITERATURE REVIEW

In this section, the theoretical basis used as the basic framework for scientific thinking, along with some previous literature, will be presented as the basis for formulating this research hypothesis.

**2.1. Construction Firm Value**

Maximizing the value of the company is very important for a company (Chi et al., 2016), because maximizing the value of the company also means maximizing the prosperity of shareholders which is the company's principal goal (Deswanto & Siregar, 2018). Company value is the price that prospective buyers will pay if the company is sold (Sah'idah et al., 2020). Firm value is an investor's perception of the company's level of success, which is often associated with stock prices. High stock prices make the company value also high (Amen & Aslam, 2017). A high company value can make the market believe in the company's current performance and also in the company's prospects in the future (Gomes & Wojahn, 2017).

Construction is an activity to build facilities or infrastructure, which includes building construction, civil engineering development, and mechanical and electrical installations. Although construction activity is known as a job, in reality, construction is an activity that comprises several other different jobs which are assembled into one building unit, which is why there are fields/sub-sectors known as classifications. The number of facilities and infrastructure needed makes the need for teamwork from several divisions of construction companies in order to perform well and increase the value of the company.

Teamwork or team building is a process and strategy built to realize the company's vision and mission. In principle, teamwork is a creative way of working with good communication and the ability to solve problems together. Good teamwork is formed from several elements, namely clear goals and roles, good communication, and the development of each individual in the team. Clear goals and roles, meaning that each team member understands their respective duties and responsibilities. This division of tasks and roles aims to avoid overlapping jobs. Team members must also understand the team hierarchy in order to coordinate appropriately. Element effective communication within the company includes many things, ranging from how to express opinions, how to respond to a problem, confirmation or reports on the progress of each team member, how to communicate with the boss, to other matters deemed necessary. Communication within the team should be as smooth as possible. Meanwhile, cooperation can be interpreted as an activity to help each other among team members in order to complete work properly and on time.

Construction service companies really need teamwork in order to complete their work projects on time and satisfy consumers. The goal is to increase the value of the company and gain the trust of its consumers, so that the opportunities for cooperation in the future are greater.

**2.2. Construction Company Business Strategy**

When developing a strategy, companies need to think about several considerations in determining strategic steps by construction service companies in Indonesia, especially in the MEA (ASEAN Economic Community) era. (Tedjasuksmana, 2014). Another thing that needs to be considered is the condition of the project management maturity of construction service companies in Indonesia, which is still low compared to other ASEAN countries.

**Table 1.** Construction company business strategy formulation structure

| Cluster | SCSF | CSFs | Cluster | SCSF | CSFs |
|---|---|---|---|---|---|
| 1 | SCSF1 project management | • Site management<br>• Cost management<br>• Quality management<br>• Time management<br>• Contract management<br>• Dispute resolving skills<br>• Risk management<br>• Logistic and supply chain management | 4 | SCSF4 competitive strategy | • An explicit competitive strategy<br>• Matching strategy to a company's situation<br>• Strategy implementation<br>• Strategic awareness and perspective |
| 2 | SCSF2 organization structure | • Suitability of organization structure<br>• Communication and coordination among functional departments<br>• Clearly defined and allocated functions for different departments<br>• Interaction between management and general staff<br>• Motivation and job satisfaction<br>• Leader's personality and capability | 5 | SCSF5 relationship | • Relationship with client or owners<br>• Relationship with subcontractors or suppliers<br>• Relationship with government departments<br>• Relationship with public |
| 3 | SCSF3 organization resources | • Currenct capacity of human resources<br>• Sustainable development of human resources<br>• Financial resources<br>• Financing ability<br>• Financial stability | 6 | SCSF6 bidding | • Bidding strategy<br>• Experiences in bidding<br>• FBidding resources |
| | | | 7 | SCSF7 marketing | • Capability of gathering and processing information of new projects/contracts<br>• Availability of product and price information of labor, materials, plants, and other resources<br>• Business coverage |
| | | | 8 | SCSF8 technology | • Technology innovation ability<br>• Sustainable development of technology and R&D |

Based on various references, to be ready to face high competition during implementing of the MEA, the construction service industry must increase its competitiveness by implementing several recommended strategic steps-which refer to the table above, namely: Increasing construction project management competence-This is to be implemented especially in spite management, cost management, quality management, time management, contract management, and risk management, as well as supply chain management. Competency improvement can be done by improving the quality of project management training and certification. Improvement of project management maturity level-This improvement must be carried out at the organizational level in construction service companies consistently. Optimization of organizational structure-Improving the organizational structure of projects and construction companies that are more effective but lean to be efficient and under the needs of the industry, such as the application of specialization organizations to increase competence and efficiency. Improving resource capacity-This is especially true for construction service companies, especially human resources, by participating in various required certifications and increasing activities and training quality.

**Improve the ability to innovate-**Innovation capability can be increased by creating a reliable innovation management system for construction service companies in collaboration with various parties, such as campuses and vendors. Improving the quality of business processes-This aims to make business processes more effective, such as using an ERP (Enterprise Resources Planning) application that is appropriate and proven to apply for construction service companies. Increased capital capacity-It is necessary to increase the capacity of financial resources in various ways, such as obtaining cheap capital through Initial Public Offering (IPO), rights issue, bond issuance, and other financial strategies. Implement a specific competitiveness strategy-This strategy must be appropriate to the company's situation and the conditions of the Indonesian construction industry. Collaborative-This step is carried out by increasing collaborative and

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mutually beneficial relationships with various parties, such as owners, subcontractors, suppliers, government, and the public. For example, making long-term strategic partnerships with vendors, training workers to be more skilled, and other strategies. Improve bidding strategies-such as implementing front-end loading in selected cases that are deemed appropriate and other strategies. Improving marketing capabilities-This step is done by getting better access to information, intelligent marketing research or research on potential project predictions that are more intensive and accurate, and other strategies. Improve technological capabilities-Technology enables better construction, which is more efficient.

**2.3. Construction Company Competitive Advantage**

Companies that optimize value-adding activities can benefit by increasing their ability to maintain their competitive advantage (Sudarmiatin & Suharto, 2016). Sustainable competitive advantage is also a strategy to help companies maintain their survival (Makalew et al., 2019). A company is said to have a sustainable competitive advantage if the company can create value when competitors and potential competitors and other companies cannot imitate the advantages of this strategy. Based on resource-based theory, the essence of competitive advantage uniquely combines of resources and capabilities. Meanwhile, to perpetuate this competitive advantage, the company should have company specific resources and capabilities (Munir et al., 2011).

Competition is the core that determines the success and failure of the company. One of the most well-known forms of competitive analysis is the competitive model (Porter, 1994). This model has been used in developing strategies for companies to improve the competitive capabilities of companies. Factors measuring competitive advantage are divided into two, the main and supporting factors. The key factors comprise Location, Service, Price, Human Resources, and Quality and Quality. While the supporting factors, namely Suppliers, Work Time and Procedures, Qualification Standards, Technology, and Marketing (Munir et al., 2011).

**2.4. Business strategy on the value of construction companies**

The principal goal of the company is to increase the prosperity of the owner of the company through increasing the value of the company. A company is an economic organization or institution that was established with a clear aim, namely to get optimal profits, so that it can increase firm value and prosper the company owners or shareholders (Malesev & Cherry, 2021; Nugraheni et al., 2021; Schäffer et al., 2015). As with building construction sub-sector companies that require relatively high capital, the management must be able to manage the company effectively and efficiently in order to achieve these goals.

Property management requires a management that seeks to optimize and implement decisions regarding the procurement, operation, maintenance, monitoring, renewal, upgrade and relocation of physical apartments to provide safe and economical infrastructure, so that it can affect the operational performance and profitability of the company (Nugraheni et al., 2021). Revenue growth rate is one drivers of managers to maximize shareholder value and increase profits that grow over time, and managers must plan and implement strategies that enable companies that can win competitive advantages over competitors (Nugraheni et al., 2021).

Optimal company value is the desire of all company stakeholders, so the role of management and shareholders is very important in determining the level of profit (profit) that will be got by the company through optimal financial management (Fuadah & Kalsum, 2021). A high company value will also make the market believe, not only in the company's current performance but also in the company's prospects in the future. If the construction industry wants to get a significant profit, then there are several things that must be able to be done, including

being able to change the project organization, being able to change behavior that is less effective, being able to require the project team to use technology and the strategy applied is "Fully Collaborative, Highly Productive". Based on the explanation, the hypothesis development is arranged as follows.

**H1:** Business strategy has a significant positive effect on the value of construction companies

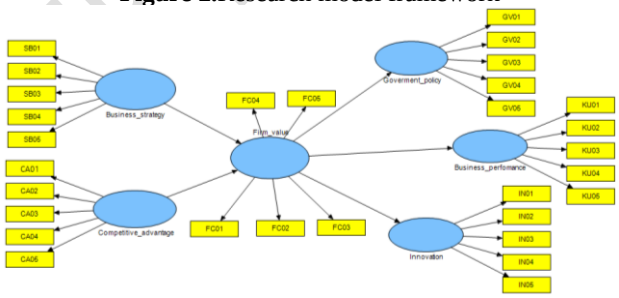
### 2.5. Competitive advantage on the value of construction companies

Sustainable competitive advantage is the direction of the company's strategy which is not the end goal, but is a tool to achieve the company's goals, namely the company's performance that generates profits is relatively high and increase the value of the company (Pudyastuti & Saputra, 2021; Tyoso & Haryanti, 2020). This achievement can be done through technological innovation (Dewanta, 2013). Therefore, technological innovation is suspected as the factors influencing the competitive advantage strategy of construction service companies.

Construction service companies cannot be separated from technology, so it is important for large-scale construction service companies to carry out scientific research in order to create company's internal technological innovations that cannot be adopted by other companies (Nugraheni et al., 2021). The innovation must be efficient and effective, which is simple and cheap (efficient) but optimally efficient (effective) (Pollard & Morales, 2006). The problem is, how far does innovation affect the strategy of sustainable competitive advantage? (Pudyastuti & Saputra, 2021). Companies with large innovation capacity are more successful in responding to the environment (in this case, the construction services business market environment) and developing new capabilities that support a sustainable competitive advantage strategy (Chang & Cheng, 2019; CH Hsu et al., 2017). This statement is also supported by (Hotho & Champion, 2011; O'Cass & Sok, 2014) who argue that innovation can gain a high sustainable competitive advantage. Based on the explanation, the hypothesis development is arranged as follows.

**H2:** Competitive advantage has a significant positive effect on the value of construction companies

**Figure 2.**Research model framework




## 3. RESEARCH METHOD

This research method uses quantitative (Sugiyono, 2018). The research objects used are all actors/owners of construction and real estate MSMEs in Indonesia. The survey will be conducted using a questionnaire via Google Form and distribute it to all respondents in Indonesia via email or the construction and real estate MSME association forums in each province in Indonesia. The sample selection technique uses simple random sampling, which is a simple technique because sample members from the population are taken randomly without seeing and paying attention to

the similarities or strata that exist in the population (Jaya, 2020). This study uses an assessment on the questionnaire sheet using a Likert scale, namely 1-5 comprising STS: Strongly Disagree, TS: Disagree, KS: Disagree, S: Agree, and SS: Strongly Agree (Likert, 1932). The indicator variables of this study are described in table 1, while the definitions are as follows.

**Table 2.**Measurement of research variables

| **Independent Variable,** variables that affect, or are the cause of changes from the existence of a dependent (bound) variable. | **Variable indicator** | **Variable measurement** |
|---|---|---|
| **business strategy** is the direction or path that an organization will take in order to carry out its business mission in order to achieve its business vision (Latifah et al., 2021) | a. Employee skills and competencies<br>b. Product market strategy<br>c. Competitive Products<br>d. Good service quality<br>e. Low price strategy (Latifah et al., 2021) | Likert scale |
| **competitive advantage,**a competitive strategy that is difficult for competitors to imitate, namely making products that truly have regional unique values and are carried out sustainably, so that competing products do not have the opportunity to attract consumers' attention (Handoko et al., 2015; Liao, 2006) | 1. Innovation,<br>2. Quality,<br>3. Price,<br>4. Delivery dependability, and<br>Time to market(Liao, 2006) | Likert scale |
| **dependent variable,** variables that are affected, due to the existence of independent variables. | **Variable indicator** | **Variable measurement** |
| **The value of the company,**is the result of management from various sectors, including net cash flow, growth and cost of capital (HYS Hsu & Mykytyn, 2010). | Performance measurement using items that have been developed by (Hussin et al., 2002; Latifah et al., 2021; Miller, 1987; Pollard & Morales, 2006) by updating indicators, namely long-term profitability, sales growth and investment capacity. | **Likert scale** |
| **Control variable,** controlled variable or made constant so that the relationship of the independent variable to the dependent is not influenced by external factors that are not examined. | **Variable indicator** | **Variable measurement** |
| **Government policy,** policies aimed at the public in the broadest sense (state, society in various statuses as well as for the public interest), whether it is carried out directly or indirectly, which is reflected in various dimensions of public life (Gursida & Indrayono, 2019). | a. Construction MSME lending policy<br>b. The urgency of the BIM protocol standard from the ministry of PUPR<br>c. Contractor Labor Training/ Certification<br>d. Simplification of Business Licensing. | Likert scale |
| **business performance,**is the result of work achieved by an individual and can be completed with the individual's tasks within the company and within a certain period, and will be associated with the size of the value or standard of the company that the individual works for (Latifah et al., 2021) | Performance measurement using items that have been developed by(Hussin et al., 2002; Latifah et al., 2021; Miller, 1987; Pollard & Morales, 2006). The measurement includes long-term profitability, sales growth, liquidity resources, investment capacity and customer loyalty. | Likert scale |

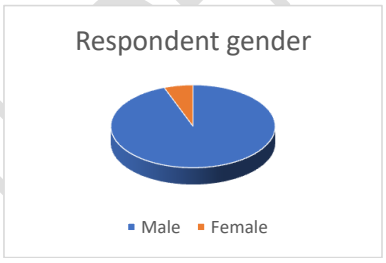
| | | |
|---|---|---|
| **Innovation,** a comprehensive process that is tied to a business strategy for enterprise use. This includes company policies, market interactions, research, technology and resource capabilities (Freel & Robson, 2004). | (1) organizational leadership,<br>(2) Collaboration and partnership,<br>(3) business and technology,<br>(4) Knowledge management (Eroglu & Sanders, 2021; Freel & Robson, 2004; Sok et al., 2016) | Likert scale |

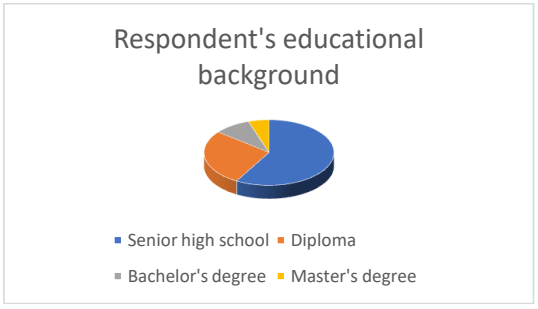
The analytical method in this study uses the Partial Least Square (PLS) method through a statistical test tool for the variance-based structural equation model (SEM) (J. Hair et al., 2014). Data analysis of this research was carried out with Smart PLS. The test stages that will be carried out before the SEM test include the outer model test using Composite reliability data block indicator, which measures a construct by evaluating the composite reliability value (ρc). Dimensions are reliable if they have a composite reliability value (ρc) above 0.7 (JF Hair et al., 2012). Inner structural model is evaluated using R-Squared for the dependent construct, a Stone-Geisser Q-Square test for predictive relevance. If the R-Square value is greater than 0.2, it can be interpreted that the latent predictor has a major influence on the structural level. The inner structural model is also evaluated by looking at the Q-Square predictive relevance of the construct model. Q-Square measures how well the observed values generated by the model and also the parameter estimates are. A Q-Square value greater than 0 (zero) shows that the model has predictive relevance, while a Q-Square value less than 0 (zero) shows that the model lacks predictive relevance.

## 4. RESULTS AND DISCUSSION

After distributing the questionnaires, the sample data got were 175 respondents. This data is based on the response rate and returns of questionnaires that have been distributed previously, and are filled out completely with no blanks in the survey fields. The data that has been got from the respondents then identified the characteristics as follows.

### 4.1. Characteristics of Respondents



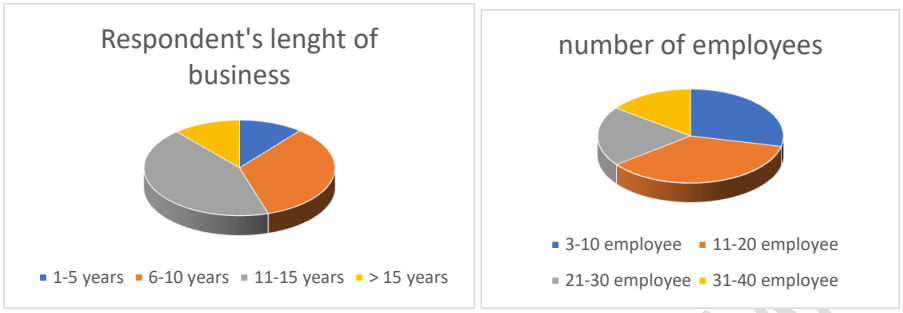



**Diagram 1.** Characteristics of respondents

The descriptive results of the characteristics of the respondents in this study used the number of male respondents, 165 people, less than the number of female respondents, 10 people. Respondents in this study were also dominated by SMEs in construction services and real estate with a background of senior high school graduates, 102 respondents. This is because some of the senior high schools in Indonesia had vocational lessons, namely development. The length of business of the respondents also varies, ranging from 1 year to over 15 years, but the sample data shows that the length of business of the respondents who dominate this research is between 11-15 years. The businesses run by these respondents have various numbers of employees, ranging from 3 to over 40 employees, but in this research sample, the average number of employees owned by respondents is still between 11-20 employees.

### 4.2. Validity and Reliability Test

**Table 3.**Research Instrument Test Results

| Variable | Items | Correlation (r) | | Coefficient | |
|---|---|---|---|---|---|
| | | r | Status | Alpha | Status |
| **Business strategy** | **SB01** | **0.503** | valid | **0.817** | **reliable** |
| | **SB02** | **0.966** | valid | | |
| | **SB03** | **0.966** | valid | | |
| | **SB04** | **0.963** | valid | | |
| | **SB05** | **0.912** | valid | | |
| **Competitive advantage** | **CA01** | **0.641** | valid | **0.799** | **reliable** |
| | **CA02** | **0.933** | valid | | |
| | **CA03** | **0.839** | valid | | |
| | **CA04** | **0.515** | valid | | |
| | **CA05** | **0.933** | valid | | |
| **Firm values** | **FC01** | **0.583** | valid | **0.780** | **reliable** |
| | **FC02** | **0.657** | valid | | |
| | **FC03** | **0.779** | valid | | |
| | **FC04** | **0.742** | valid | | |
| | **FC05** | **0.774** | valid | | |
| **Government policy** | **GV01** | **0.835** | valid | **0.786** | **reliable** |
| | **GV02** | **0.501** | valid | | |
| | **GV03** | **0.920** | valid | | |
| | **GV04** | **0.858** | valid | | |
| | **GV05** | **0.533** | valid | | |
| **Business performance** | **KU01** | **0.988** | valid | **0.839** | **reliable** |
| | **KU02** | **0.997** | valid | | |
| | **KU03** | **0.992** | valid | | |
| | **KU04** | **0.993** | valid | | |
| | **KU05** | **0.980** | valid | | |
| **Innovation** | **IN01** | **0.993** | valid | **0.838** | **reliable** |

| | | |
|---|---|---|
| **IN02** | **0.969** | valid |
| **IN03** | **0.970** | valid |
| **IN04** | **0.993** | valid |
| **IN05** | **0.985** | valid |

Based on table 3. shows that all question items from the business strategy variable, competitive advantage, firm value, government policy, business performance, and innovation, are under with the established provisions, namely the value of r count > r table, so that the questionnaire data is 175, then by using the equation of freedom (DF = N-2) or DF = 175-2 = 173, the r table value of 173 is got by 0.149. These results mean that all the statement items are entirely valid and can be used in research. Meanwhile, based on the results of the reliability test, it is known from the value of Cronbach's alpha that all the variables are greater than the standard determination of the reliability test according to (Sugiyono, 2018) that is 0.70. The high and low reliability is expressed by a value called the reliability coefficient, ranging from 0 to 1. The reliability coefficient is denoted $r_x$ where x is the index being searched for. Reliability testing uses Cronbach's Alpha formula, as follows.

$$r_x = \left(\frac{n}{n-1}\right)\left(1 - \frac{\sum \sigma_t^2}{\sigma_t^2}\right)$$

$r_x$ = reliability sought
n = number of question items
$\sum \sigma_t^2$ = total score variance of each item
$\sigma_t^2$ = total variance

**Cronbach's Alpha Value Range, i.e.**

- alpha < 0.50 low reliability
- 0.50 < alpha < 0.70 moderate reliability
- alpha > 0.70 then sufficient reliability (sufficient reliability)
- alpha > 0.80 then strong reliability
- alpha > 0.90 then perfect reliability

The smaller the alpha value, the more unreliable items. The standard used is alpha > 0.70 (sufficient reliability). Based on the results of the test data show that all statement items from all variables are reliable and can be used in research.

**4.3. SEM (Structural Equation Model) Test**

The stages before carrying out the SEM test will test the outer model and inner model. This outer model test uses composite reliability data, which measures a construct. Dimensions are reliable if they have a composite reliability value (ρc) above 0.7 (JF Hair et al., 2017), as follows.

**Figure 3.**Test results of outer and inner models

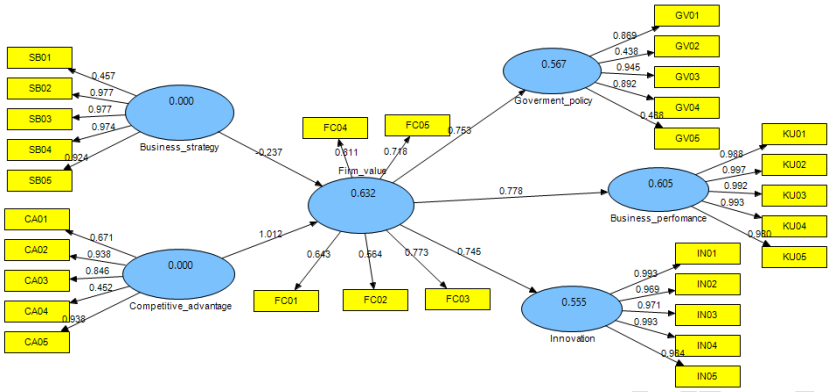
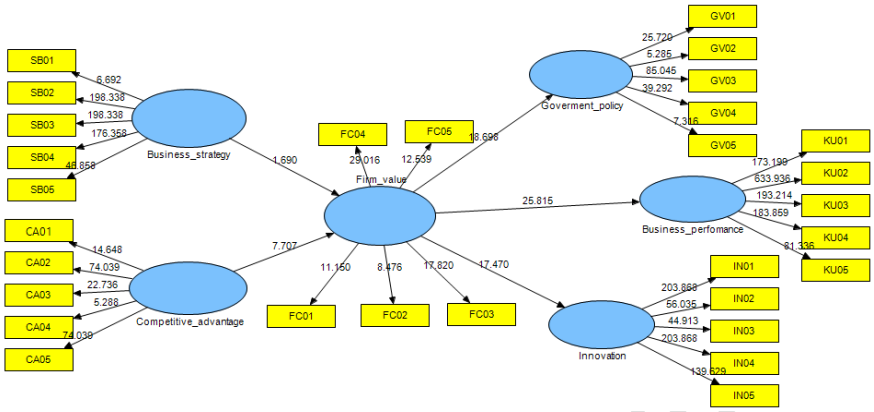



**Table 4.**Composite reliability calculation results

| **Dimension** | ***Composite Reliability*** | ***R-Square*** |
|---|---|---|
| Business strategy (X1) | 0.944 | - |
| Competitive advantage (X2) | 0.887 | - |
| Firm value (Y) | 0.831 | 0.631 |
| Government policy (C1) | 0.861 | 0.567 |
| Business performance (C2) | 0.995 | 0.605 |
| Innovation (C3) | 0.992 | 0.554 |

The inner model is evaluated using R-Squared for the dependent construct. The results of the calculations that have been carried out to find that the R-Square value of the firm value is 0.631 or 63.1%, while the ability of the control variable to strengthen the influence of the independent variable on the dependent shows the results for government policy of 0.567 or 56.7%; business performance of 0.605 or 60.5%; and innovation of 0.554 or 55.4%. This result means that the effect of business strategy and competitive advantage variables on firm value has a large enough influence, so that the more the business strategy implemented by the company is appropriate and suitable, whether through innovation, then under with government policies and regulations, the business performance will also be more reliable, so that it will also affect on the value of the company.

**Figure 4.**Hypothesis Test Results




Hypothesis testing is done by comparing the t-count value with the t-table value, if the t-count value is greater than t-table, then the relationship is significant between the variables and vice versa when t-count is smaller than t-table, then there is no significant relationship between the variables. The number of data tested is 175, then the value of t table ($\alpha$ = 5%) gotby 1.973. The presentation is as follows.

**Table 5.**Test the research hypothesis

| Hypothesis | | | t count | coef. path | Information |
|---|---|---|---|---|---|
| **H1** business strategy | → | Firm values | 2,689* | 0.140 | Sig. |
| **H2** Competitive advantage | → | Firm values | 7,706* | 0.131 | Sig. |

Maximizing company value equals maximizing organizational performance. This is certainly desired by all company owners, because a high company value shows prosperity for the owners. Increasing the value of the company is an achievement that is difficult to achieve. No wonder, if increasing the value of the company is the goal and desire of many companies. Basically, in the business world, companies cannot continue to have stable values. So, normally a company will experience an increase and decrease in value from time to time. Impairment is a decrease in the ability of an asset to generate economic benefits than previously expected, where this expected value has been estimated by a company periodically. Increasing the value of the company is to increase revenue and minimize costs. The goal is to generate maximum profit. Based on the results of the data test that has been carried out, with 2 variables, namely business strategy and competitive advantage, then further wetting and discussion will be carried out with some of the previous literature about its ability to influence firm value, especially in the MSME industry. Construction services and real estate, the explanation is as follows. .

Business strategy has a positive and significant effect on firm value. This finding is supported by the value of t count > t table (2,689 > 1,973) and the path coefficient is 0.140. This coefficient shows that there is a significant positive relationship between business strategy and firm value. The more precise the business strategy is carried out, the more likely it is that this will also increase the value of the company in the eyes of potential investors. The accuracy of implementing of this business strategy is seen from the adaptive ability, it is easy to adapt to changes in industrial conditions by innovating, of course this innovation ability can provide competitiveness against other competitors, so that innovation is part of one of the organization's

business strategies when it wants to continue to compete and exist in its industry in the long run. Companies that can innovate also provide added value to the organization in the eyes of potential investors. This finding supports previous literature such as (Soewarno & Tjahjadi, 2020), this finding supports previous literature such as (Tavassoli & Karlsson, 2016; Van Auken et al., 2008; Wang & Wang, 2012). This finding also show that the second hypothesis is accepted.

Competitive advantage has a positive and significant effect on firm value. This finding is supported by the value of t count > t table (7,706 > 1,973) and the path coefficient is 0.131. This coefficient shows that there is a significant positive relationship between competitive advantage and firm value. The better and better a company's competitive ability against other competitors, the organization can attract the interest of potential investors. Because they think the company can live actively by daring to fight with competitors to improve its performance, this certainly attracts investors compared to companies that are alive, but passive to the changing environment, where there is no desire to compete and improve its performance, so this condition can be detrimental potential investors. Companies that have good competitiveness in their industry certainly can survive in the long term (Porter, 1994). This finding supports previous literature such as (Chi et al., 2016) and shows that the second hypothesis is accepted.

## 5. CONCLUSIONS

Based on the test results, this study found that business strategy and competitive advantage had a positive and significant impact on the firm value of SMEs construction and real estate services in Indonesia. The ability of the control variable to influence the relationship between the independent and dependent variables is also proven to be strong to contribute statistically. The variables of government policy, innovation, and business performance can provide strong control in this statistical data research, of course this finding provides information that when a company or MSME organization construction and real estate services in Indonesia apply business strategies, then have good competitiveness compared to other competitors, then the value of the company also increases. However, this is controlled by 3 additional indicators, namely government policies that are impartial and can work well in the construction and real estate services industry in Indonesia, then the company can innovate to attract consumer interest which of course can also improve its business performance.

Currently, the advice offered for MSME contractors and real estate in Indonesia, namely planning an appropriate business strategy, in order to take advantage of property business opportunities so that their business continuity will be better in the future. We would like to thank the respondents for their help in obtaining opinions and data for carrying out this research. This finding also provides a signal for several developing countries, apart from Indonesia, especially for SMEs to innovate as one of their business strategies in order to increase the competitive advantage of their organization, so that the value of the company can attract foreign investors.

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