



The Effect of Business Environment on the Corporate Performance Through Business Strategies in the Construction Service Industry in DKI Jakarta, Indonesia

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Abstract: This research on the construction service industry in DKI Jakarta aims to: 1) analyze the influence of the external and internal business environment on corporate performance, 2) Analyze the influence of the external and internal business environment on business strategy, and 3) Analyze the influence of business strategy on the corporate performance. This research uses a quantitative research approach. The number of samples was 370 top management/heads of construction service companies in DKI Jakarta. Data were collected through questionnaire and interview instruments. Data analysis was performed by SEM With Partial Least Square (PLS). The analysis shows that the external and the internal environment have a significant influence on business strategy and performance. The business strategy also influences the performance of construction service companies in DKI Jakarta. These findings suggest that construction service companies are always on the lookout for turmoil that occur in the external environment, so that they can be major consideration for companies in setting their strategies both in the short and in the long term.

Keywords: Business Environment, Strategy and Performance

1. INTRODUCTION

The construction sector has a very significant role in national economic development. National economic conditions are determined by the large contribution of the construction sector to the growth of other business sectors (Pardede, 2000). With a very vital role in building facilities and infrastructure in supporting economic activities, the performance of the construction service sector continues being a concern.

Business performance has been reported as a result of organizational goals which is achieved through the effectiveness of strategies and techniques (Fairoz, Hirobumi, & Tanaka, 2010). There are various factors that can be the concern to the company in improving the company's performance, including business environmental factors (Adeoye & Elegunde, 2012), business strategy (Tavitiyaman, Qiu Zhang, & qu, 2012), human resources (Han & Park, 2017), cash flow project, average delays in regular payments, contractor experience, design team experience, and site preparation time (Lim, Macias, & Moeller, 2014), implementation methods, labor, materials, equipment, time costs (Goetsch & Davis, 2016), entrepreneurial orientation, innovation, organizational learning, market orientation, marketing capabilities, customer value, total quality management practices, ERP system implementation, customer retention practices, business strategies, branding, corporate resources, management capabilities, moral awareness, product management, knowledge transfer (Purnomo, Permana, Qosasi, Febrian, & Miftahuddin, 2019). A research conducted by (Gill & Biger, 2012) states that lack of financing, market challenges, and regulatory issues are considered as factors that negatively affect the performance of small businesses in Canada, but the level of sales of those small companies (past success) have had a positive impact on small business performance in Canada.

Among the factors that have a role in influencing corporate performance, business environmental factors become one of the most important factors. The reason is that environmental changes always

occur dynamically and dramatically, without being predictable (Teece, Pisano, & Shuen, 1997) both externally and internally (T. Wheelen & Hunger, 2012).

In the construction sector, external aspects include political environment, economic environment, social environment and technological environment (Zulaikha and Fredianto, 2003). A research (J.K, W.J.D., & F.M., 2016) proves that the external environment has a significant influence on the six dimensions of corporate performance including financial performance, customer focus performance, internal business processes, learning and growth, social capital, and environmental performance. The business external environment has an impact on organizational performance (Adeoye & Elegunde, 2012). In a previous study, it was also mentioned that the internal environment influences corporate performance (Hu, 2016), but it was also found that the internal environment does not significantly influence corporate performance (Hidayat, Akhmad, & Mu'alim, 2015).

The internal environment covers aspects of marketing, finance, operations/production, human resources and information systems (Hu, 2016). Internal environmental analysis is the process of identifying the internal strategic factors in the form of organizational culture, organizational systems and organizational resources that can determine whether the company is able to take the opportunity and avoid threats (T. L. Wheelen & Hunge). Construction companies have different characteristics from companies in other sectors, in which in order to get jobs related to construction services the company must pass and win the tenders held by both the government and the private sector. Cost cutting is the only way to get a contract at the project level, although this can hamper the achievement of better performance at service companies (Hidayat et al., 2015).

Based on the above phenomenon, further research can be developed which assumes the role of the business environment in influencing business strategies so that ultimately it has an impact to increase the corporate performance. Companies in the construction sector must be able to make long-term projections in the future so that they can prepare resources more early to face various possibilities.

2. LITERATURE REVIEW

Business environment is the environment faced by the organization and must be considered in business decision making (T. Wheelen & Hunger, 2012). Conceptually, the environment as one of the factors that is highly taken into account in the management of business activities, in which the environment is very influential in the planning of business strategy (Buchory Herry Acmad and Saladin Djaslim, 2010). Organizational environment can be distinguished from the internal and the external environment (T. Wheelen & Hunger, 2012).

The external environment is the environment that is outside the organization and needs to be analyzed to determine the opportunities and threats that will be faced by the company (Zulaikha and Fredianto, 2003). The company's external environment can also be measured by several dimensions (Zulaikha and Fredianto, 2003) namely political environment, economic environment, social environment, and technological environment. The business external environment has an impact on organizational performance (Adeoye & Elegunde, 2012).

While the internal environment are actors which are directly related to the environment which affects the company (Buchory Herry Acmad and Saladin Djaslim, 2010). The company's internal environment consists of variables (Strengths and Weaknesses) that exist within the organization itself and are usually not in the short-term control of top management (T. Wheelen & Hunger, 2012). The internal environment consists of three dimensions namely organizational structure, culture, resources (T. Wheelen & Hunger, 2012). A research conducted by (Hidayat et al., 2015) states that the internal environment, the control environment and the industrial environment have a significant impact on the company's strategy.

Business strategy focuses on increasing the competitive position of the company's products or services or business units in certain industries or market segments served by the company or business unit (T. Wheelen & Hunger, 2012). Choosing a business strategy is a more detailed exercise than designing a business model (Teece, 2012). Business strategy is very important because research shows that the effects of business units have twice the impact on overall corporate performance than the effects of a company or industry (T. Wheelen & Hunger, 2012). Business strategies can be competitive (fighting against all competitors for profit) and/or cooperatives (working with one or more companies to benefit against other competitors) (T. Wheelen & Hunger, 2012).

Business strategies in the construction industry consist of cost leadership and differentiation strategies. Cost Leadership, is a low-cost competitive strategy aimed at a broad mass market that requires "the development of efficient-scale facility, optimization of cost reductions based on experience, tight costs and overhead controls, and minimization of costs in areas such as R&D, services, personnel sales, advertising, and so on (T. Wheelen & Hunger, 2012). Here the company works hard to achieve the lowest production and distribution costs. Low costs allow prices to be lower than that of competitors and win large market shares (Kotler, 2013). Whereas differentiation is a feasible strategy to get above-average returns in certain businesses because the result of brand loyalty decreases the customer sensitivity to prices (T. Wheelen & Hunger, 2012). Differentiation is aimed at a broad mass market and involves the creation of products or services that are considered throughout the industry as something unique. The company or business unit can then charge a premium for the product. Here the company concentrates on creating product lines and marketing programs that are so different that it emerges as a class leader in the industry (Kotler & Armstrong, 2018). Previous studies state that business strategy has a positive effect on corporate performance (Hidayat et al., 2015; Lestari et al., 2013).

Organizational performance or corporate performance is an indicator of the level of achievement that can be achieved and reflects the success of managers. Information about organizational performance can be used to evaluate whether or not the work process carried out by the organization has been in line with the expected goals. Organizational performance can be simply defined as corporate performance compared to goals and objectives (Novak, 2017). Organizational performance also depends on its employees, who are an important part of the organization and form teams that work to achieve organizational goals (Almatrooshi, Singh, & Farouk, 2016). Meanwhile, (T. Wheelen & Hunger, 2012) explained that performance is the final result of activity. Select steps to assess performance based on the organizational unit to be assessed and the goals to be achieved.

Measurement of corporate performance is done by the Balanced Scorecard. According to (T. Wheelen & Hunger, 2012), balanced scorecard combines financial steps that provide information on the results of actions that have been taken with operational steps on customer satisfaction, internal processes, and innovation activities and future financial performance improvement. Measurement of corporate performance with the Balanced Scorecard (BSC) approach is the most popular performance measurement at this time. The four perspectives that exist in the BSC (Balanced Scorecard) are: finance, customers, internal business perspectives, and organizational growth and learning. Based on the explanation, a research hypothesis can be formulated:

H₁ : The external environment of an organization influences of business strategy

H₂ : The internal environment of an organization influences business strategies

H₃ : The external environment influences of an organization influences the performance of construction service companies

H₄ : The internal environment of an organization influences the performance of construction service companies

H₅ : The business strategy influences the performance of construction service companies

3. RESEARCH METHODOLOGY

3.1. Research Design

This study uses a causal design (causal study) which is a research study conducted to establish a cause and effect relationship between variables (Rafailidis, Trivellas, & Polychroniou, 2017). In a causal study, researchers are interested in describing one or more factors that cause problems, in this research, organizational environmental factors (external and internal) that are believed to be the cause in determining business strategies so that ultimately they have impacts on corporate performance.

3.2. Population and Sample

The population that is the unit of analysis in this study is the construction service sector company located in DKI Jakarta. In total there are 9798 construction service companies in Jakarta (Jakarta

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Central Statistics Agency, 2018). The number of samples in this study refers to (Chuan, 2006), with the provisions of the sample, if $N < 7000$ then $n = 367$, if $N < 9000$ then $n = 368$, if $N < 10.000$ then $n = 370$. By following these conditions, the number of the sample in this study was 370 respondents. The following table presents population and sample numbers with distribution based on business groups as follows:

Table1. Total Population and Research Sample of Construction Business Based on Business Class in DKI

Category	Population	Sample
Small	1803	68
Moderate	7016	265
Big	979	37
Total	9798	370

Source: Data processed (2020)

Data collection was then carried out using a questionnaire instrument, namely data collection technique which was carried out by giving a set of written questions to the respondents to answer (Sugiyono, 2016). The questionnaire in this study was made based on indicators of each variable being studied. Questionnaire measurement techniques in this study were measured with Likert scale (Scale 1-5).

3.3. Research Instrument

Research instrument was obtained from the definition of operational variables and dimensions used in the study. There are 4 latent variables with a total of 13 research dimensions. Each dimension raises questions to uncover the phenomenon of research problems. Here is the research instrument table.

Table2. Research Instrument

Variable	Dimension	Indicator	Scale	Reference
Environment of external organization (X1)	Political environment	Law on Construction Service	Ordinal	(Govori, 2013)
		Tax policy		
		Law on labor		
		Political stability		
	Economical environment	Economic growth		
		Interest rate		
		Inflation		
		Business cycle		
	Social environment	Income distribution		
		Mobility/Social work		
		Availability of experts		
		Level of UMR (regional minimum wage)		
	Technological environment	Effort of Industrial technology		
Development with technology				
Speed of technology transfer				
Changes in information technology /Internet				
Environment of Internal organization (X2)	Organizational culture	Risky action	Ordinal	(T. Wheelen & Hunger, 2012)
		Reward system		
		Communication Pattern		
		Vision and Mission		
	Organizational structure	Level of control		
		Departementalization		
		Work division		
		Responsibility		
	Resources	Delegation of authority		
		Physical resources		
		Human resources		
		Organizational resources		
Business	Cost leadership	Effectiveness of operating cost	Ordinal	(T. Wheelen

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Variable	Dimension	Indicator	Scale	Reference
Strategy(Y)		Efficiency of operating cost		& Hunger, 2012)
		Price setting in tender		
		Selection of material price		
	Strategy Differentiation	Service differentiation		
		Work procedure differentiation		
		Cmputerizing in heavy equipment		
Performance of Construction Service (Z)	Finance	Growth of income	Ordinal	(T. Wheelen & Hunger, 2012)
		Positive Return on assets		
	Customer	Market share		
		Increased clients		
		Client satisfaction		
	Internal business perspective	Focus on process management		
		Focus on strategic planning		
		Focus on knowledge management		
	Learningand growth	Capability of Workers		
		Capability of information system		
Organizational condition				

Source: Processed by Researchers (2020)

4. RESULTS AND DISCUSSION

4.1. Results

This research uses StructuralEquation Model (SEM) with Partial Least Square (PLS) analysis. SEM analysis with PLS is carried out in three stages namely outer model analysis, inner model analysis, and hypothesis testing.

• **Outer Model Analysis**

The following table presents an analysis of the outer research model:

Table3. Cronbach Alpha, Composite Reliability Dan Average Variance Astracted

	Cut Off	Corporate performance	External environment	Internal environment	Business strategy	Explanation
Cronbach's Alpha	>0.6	0,928	0,958	0,929	0,919	All aspects fulfilled the standard
Composite Reliability	>0.7	0,938	0,962	0,939	0,935	
Average Variance Extracted (AVE)	>0.5	0,581	0,613	0,562	0,672	

Source: Output SmartPLS 3.0 (2020).

According to (Ghozali, 2014) the test construct reliability is measured by composite reliability and cronbach's alpha. The construct is declared reliable if it has composite reliability values above 0,70 and Cronbach's alpha above 0,60. While the adequate value of average variance extracted (AVE) to measure validity is 0,5.

Based on the criteria on table 2, the output of data processing shows results of all criteria of outer model which are fulfilled so it can be concluded that the research data has a good validity and reliability, therefore it can proceed to inner model analysis.

• **Inner Model Anaysis**

The Analysis of inner models/analysis of structural models is carried out to ensure that the structural model being built is robust and accurate. Robust regression is a regression method used at the time when data error distribution is not normal or presence some outliers that affect the model (Ghozali, 2014). This method is an important tool to analyze data influenced by outliers so it produces resistant models to outliers. Resistant estimation is not affected by major changes in small part of data or small changes to big parts of data.

Evaluation of inner models can be seen from several indicators which include; coefficient of determination (R2); Predictive Relevance (Q2); Goodness of Fit Index (GoF). Here are the calculations presented for each indicator.

1. Coefficient of Determination (R²)

The following is the value of R² *software smartPLS 3* output

Table 4. Value R²

	<i>R Square</i>	<i>R Square Adjusted</i>
Corporate performance	0.857	0.853
Business Strategy	0.659	0.689

Source: Output *smartPLS 3* (2020)

According to (Chin, 1998), the mentioned value of R *square* 0.67 is strong, between 0.67 to 0.18 is moderate, and below 0.19 is weak. So, among the variable relationships involved in this study are all categorized to have strong relationship.

2. Predictive Relevance (Q²)

To calculate Q² the following formula can be used

$$Q^2 = 1 - (1 - R_1^2) (1 - R_2^2) \dots (1 - R_n^2)$$

$$Q^2 = 1 - (1 - 0,857) (1 - 0,659)$$

$$Q^2 = 0,95$$

This test is carried out to determine the predictive capability with the blindfolding procedure. According to (Chin, 1998), if the value obtained is between 0,02 and 0,15, the model has little predictive ability. If the value obtained is between 0,15 to 0,35, the model has a moderate predictive ability. Finally, if the value obtained is above 0,35, the model has a high predictive ability. If the calculation of Q² value is 0,95, the model has a large predictive capability.

3. Goodness of Fit Index (GoF)

(Tenenhaus & Esposito, 2005) formulated that the GoF value is small when it is 0,1, moderate when it is 0,25, and large when it is 0,38. This study calculates the GoF value and finds that the model has a large GoF value. This means that the model can represent a real phenomenon. GoF values in SEM with PLS are calculated manually (Tenenhaus (2004) with the formula.

$$GoF = \sqrt{AVE}^2 \times R^2$$

$$GoF = 0.68$$

This study concluded that the calculation of the GoF value is 0,68. Therefore, it is concluded that the research model can capture real phenomena in the relationship between the internal work environment, external work environment, strategy and business performance of the construction industry in Jakarta, Indonesia.

• Hypothesis Test

The structural model in SEM-PLS is carried out with a bootstrapping process that produces a t-statistic value. If the t-statistic value is greater than t-table with a confidence level of 95% (> 1.96), it has a significant effect. The following table 3 presents the bootstrapping value output along with the conclusion of the hypothesis test.

Table5. Summary of Hypothesis Results

	T Statistics	P Value	Conclusion
External Environment ->Corporate performance	6.161	0.000	Supported
External Environment ->Business Strategy	5.827	0.000	Supported
Internal Environment-> Kinerja Perusahaan	2.897	0.005	Supported
Internal Environment ->Business Strategy	3.784	0.000	Supported
Strategy Bisnis ->Corporate performance	5.467	0.000	Supported

Source: primary data processed (2020)

Meanwhile, to find out how much influence between variables is known by looking at the loading factor value of the original sample (O) output. This can be seen in the table of path coefficient on the *smartPLS* output. The following table 4 is presented. Value of path coefficients

Table6. *Path Coefficients*

	Original Sample	T Statistics	P Value
External Environment->Corporate performance	0.421	6.161	0.000
ExternalEnvironment->Business Strategy	0.541	5.827	0.000
Internal Environment->Corporate performance	0.216	2.897	0.005
Internal Environment->Business Strategy	0.359	3.784	0.000
Business Strategy ->Corporate performance	0.372	5.467	0.000

Source: *primary data processed (2020)*

4.2. Discussion

The results of the study showed that the external environment of an organization influences business strategies. The loading factor value of 0,541 explains that the external environment can improve business strategies by 54,1%. The greater the influence of the external environment on the construction service industry, the greater the manager's anticipation of changes in the external environment such as political environment, economic environment, social environment and technological environment so they become the basis in determining future business strategies. The results of this study are in line with research (Adeoye & Elegunde, 2012).

The external environment determines the right competitive strategy to be applied. Observation of a good environment will produce a more appropriate competitive strategy plan through a competitive strategy, therefore the process of environmental observation is one of the success factors of the strategy adopted by the company which in turn will achieve high performance.

The economic environment has the strongest correlation with the cost leadership strategy employed by construction service companies. This finding explains that in an effort to implement a cost leadership strategy, construction service companies first conduct a study of aspects of the economic environment. The turmoil that occurs in the economic environment receive a quick response for construction companies to implement a cost leadership strategy, then the company evaluates aspects of the social environment, after that the technological environment and finally the political environment.

Meanwhile, social environment actually has the strongest correlation with the differentiation strategy of construction service companies. Construction companies pay more attention to the social environment as a basis to implement differentiation strategies. The distribution of income, worker mobility, and the availability of skilled personnel and the size of the UMR (regional minimum wage) contribute greatly to implementing a differentiation strategy. Then the construction company continues to race on aspects of the turmoil in the political environment, the economic environment and then the technological environment. Overall, the external environment in construction services is very diverse which cannot be controlled by the company, for that the company must be able to pay attention and identify the strengths and the threats that might occur so that the strategies implemented by the company can be appropriate.

In addition to the external environment, the results of the study also showed that the internal environment of the organization influences business strategies. The loading factor value of 0,359 explains that the internal environment can improve business strategies by 35,9%. The greater the influence of the internal environment on the construction service industry, the greater the manager's attention to improve aspects of the company's internal environment such as organizational culture, organizational structure and resources owned by the company so that it will determine the company's business strategy in the future. The results of this study are also in line with research (Hidayat et al., 2015).

Internal environment as an environment within the organization needs to be analyzed to find out its strengths and the weaknesses that exist in the company. Internal environment as an environment within a company whose elements are structure, culture, resources directly affect the company's business strategy. The internal environment must be anticipated with the right strategy. Companies can conduct studies on organizational culture, organizational structure and the capabilities of resources owned in determining business strategies to be applied.

Of the three aspects of the internal environment, organizational culture is one of the aspects that has the strongest correlation with the cost leadership strategy and differentiation strategy. Corporate culture in taking risky actions, the company's vision and mission, the company's reward system,

communication patterns that are established and the level of corporate control are the main concerns of the company in implementing the future business strategies. After the aspects of the organizational culture, the new company looks at the aspects of the organizational structure and capabilities of resources owned by construction companies. The internal environment in the construction service industry can indeed be controlled by the leader, for this reason the internal environment should be used as a strength for companies in the construction service sector as a competitive strategy in winning the market.

In addition to strategy, the external environment of an organization influences the performance of construction service companies. The loading factor value of 0,421 explains that the external environment can improve the corporate performance by 42,1%. The greater attention and anticipation of construction companies in the external environment such as the political environment, economic environment, social environment and technological environment, the greater the company's performance. The results of this study are in line with research (Escandón-Barbosa, Hernandez-Espallardo, & Rodriguez, 2016; J.K. et al., 2016; Moynihan & Pandey, 2005; Wen-Cheng, Chien-Hung, & Ying-Chien, 2011; Zulaikha and Fredianto, 2003).

From a financial perspective, the aspects of the political environment have the strongest relationship which means that any turmoil in the economic environment will bring greater changes to the financial performance of construction companies. The economic environment and social environment also bring big changes in the performance of the customer aspect, as well as in the dimensions of the internal business perspective as well as the learning and the growth. These findings explain that construction companies need to anticipate the turmoil that occurs in the economic environment, so that the stability of corporate performance can be better maintained. When a company fails to overcome the threats from the economic environment, it can significantly reduce the corporate performance. In this context the economic environment is one of the main aspects that must get more attention from the company in order to implement strategies towards positive performance. After the economic aspect, then the new company can conduct an evaluation of the social, political and technological environment.

Nevertheless, in reality the political environment is still the aspect that gives the biggest contribution to the company's performance. It is undeniable that the political environment provides the biggest contribution to performance, given that the infrastructure development policies and programs in the current political period greatly benefit the construction services sector, especially in providing tenders for construction services to complete infrastructure developments conducted by the government. This finding also reminds that in Indonesia, closeness to the political environment is an added value for construction service companies to obtain tenders in the process of auctioning infrastructure development work.

For this reason, construction companies must be more vigilant in anticipating the turmoil that occurs in construction companies. Since 2014, changes in the political environment have indeed provided many benefits to construction companies with massive infrastructure projects. These benefits are still received by construction service companies until the next period of 2024, which the government has committed to continue infrastructure projects. However, after that period the company needs to set a business strategy as an effort to anticipate the turmoil that will occur in the coming political environment.

Every effort made by the company is always faced with a situation that always changes. This condition is not possible without the process of adjustment to existing internal conditions. So, the internal environment becomes a reflection of the strengths or weaknesses of a company's organization and the ability of management to manage the company. The aspects in the internal environment may be organizationally controlled by business actors so that they can be directed in accordance with the wishes of the company such as organizational culture, organizational structure and capability of its resources. Given that the turmoil occurs in the company's internal environment can be controlled by the company's management, so when the internal environment is still in the company's control it will help the company to realize the objectives to be achieved, but when the company's control of the company's internal environment is weak, it will hamper the company's performance. The process of environmental observation is one of the success factors of the strategy adopted by the company which in turn will receive high performance.

This finding explains that the level of relationship between the internal environment and the financial performance can still be categorized as moderate, but it turns out that the company resources still become the aspect that provides a major contribution to improve financial performance rather than organizational culture and organizational structure. In terms of customer-oriented performance, the factors of organizational culture become more important than the organizational structure and the company resources. As for the aspect of organizational structure, it turns out to provide the greatest contribution to determine the corporate performance in the perspective of internal business and organizational learning and growth.

The results of the research analysis also show that business strategy influences the performance of construction service companies. The loading factor of 0,372 indicates that the business strategy can improve the corporate performance by 37.2 %, the better the strategy set by the company, especially in the aspect of cost leadership strategy and differentiation strategy, the higher the company's performance. The results of this study are in line with research (Covin & Miles, 2007; Evans et al., 2017; Hambrick, 2016; Hidayat et al., 2015; Kuratko, 2010; S Finkelstein & Hambrick, 1990).

The business strategy of each construction company can be an advantage in the face of strong competitive pressure, especially in the construction sector. To get a tender, a construction company can compete with others by offering various innovations as a strategy to get it. By providing competitive costs as a form of cost leadership, it becomes more value for companies that can provide benefits. The cost leadership strategy requires the company to be able to operate at a lower cost compared to competitors, however; the company is able to achieve above average profit or business performance levels. The focus strategy requires the company to serve certain niche markets according to the market segments served. In the business of a construction services company strategy is a must so that the company is able to create competitiveness to produce maximum business performance. In addition, a differentiation strategy to provide different services in the process of carrying out construction services often becomes a benefit for the company. Competitive human resource strategies have a direct impact on performance behavior, and competitive IT strategies have a direct impact on financial performance (Li et al., 2008; Machado, 2013; Sheehan, 2014; Siddique, 2004; Singh, Parker, & Nadim, 2007; Tavitiyaman et al., 2012; Wang & Zang, 2005).

The above findings explain that cost leadership is more dominant in improving corporate performance in the perspective of customers, meaning that in an effort to increase customers or attract new clients, a more effective cost leadership strategy. Meanwhile, the differentiation strategy has a stronger relationship with financial performance, internal business perspectives as well as learning and growth. This finding explains that in an effort to improve financial performance, internal business perspectives as well as the company learning and growth can first prioritize implementing a differentiation strategy.

This finding reflects very much what happened in the construction service industry, which in order to obtain a tender, especially from the government the must win the auction, a process in which many construction companies can compete competitively. In this process, strategies in determining different bargaining prices and workmanship concepts become added points to win the tenders. When the company's strategy is successful, the company will get a tender to work on so that it can be used as a company's operations to generate profits as an indicator of financial performance.

5. CONCLUSION

The results of the study concluded that the company's external and internal environment influences business strategy and performance. This shows that the higher the identification of threats and opportunities and benefits in the external environment such as political, economic, social and technological, the more consideration for the construction companies in Jakarta to determine the right business strategy to anticipate them. In addition, it is required to identify and control the strength of the internal environment, namely culture, structure and resources, which can be considered by construction company management in Jakarta to provide supervision and efforts to make improvements as the main step to determine the future strategies. So, the company is able to face threats and take advantage of opportunities in the business external environment. At the same time, the company will have the ability to control the weaknesses of the internal environment, so the

performance of construction services will improve. This can be done by emphasizing the cost leadership strategy and the differentiation strategy.

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Citation: Rukun Santoso, et.al. " The Effect of Business Environment on the Corporate Performance Through Business Strategies in the Construction Service Industry in DKI Jakarta, Indonesia" *International Journal of Managerial Studies and Research (IJMSR)*, vol 8, no. 4, 2020, pp. 1-12. doi: <http://dx.doi.org/10.20431/2349-0349.0804001>.

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