

## Research Article

# A Review on Added Value in Property Business Strategy Development

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**ORCID**Katharina Priyatiningasih: <https://orcid.org/0000-0003-4242-8876>**Abstract.**

Business strategy is a choice made by executives in determining target markets to win the market by maximizing long-term value. Listed property companies strive for business strategies by creating differentiated value propositions through company capabilities. Competing companies will also make similar efforts to win sustainable competition through developing consistent and sustainable business strategies. Shares of property companies are an important value to pay attention to considering that stakeholders, especially shareholders, investors, and owners expect portfolio value from property products related to added value. This research aims to find out, how to develop business strategies related to added value in property companies listed on the Indonesia Stock Exchange and included in the LQ45 index. This research uses a descriptive approach with a mixed concurrent research method and data collection using observations, questionnaires, in-depth interviews, and documentation studies from the top five property companies over 3 consecutive years. The research findings were that the development of the business strategy chosen by respondents was an effort to attract investors, retain investors, and increase wealth for investors with the main added value being increased flexibility, cost efficiency, and risk control in addition to other added values. An interesting thing to examine from this research is the development of property company business strategies for apartment products that prioritize investors related to three of the seven elements of added value.

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## 1. Introduction

Currently, the property business especially apartments, is experiencing a growth phase that provides prospects for contributing to the national economy, both through the development of the property industry and through trade and investment generated. The real-property industry, such as apartments, consists of development companies and various supporting companies, apart from providing apartments, it also provides investment opportunities and opening 'leasing' businesses.

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Unfortunately, some conditions are not in sync with new supply with new absorption and occupancy- rate which tends to show a decline. This requires a study of a property business strategy so that the company gains the ability to face market challenges and developments in business competition. Property, especially apartments, is an investment asset that investors are interested in because it has relatively low risk but the financial performance results are above the performance of bank deposits and bonds [1], property is in the equity market with relatively more stable market conditions [2].

Property in its development experiences several problems related to infrastructure in a region or city, namely the problem of limitations and land values, zoning regulations, urban values, urbanization, and provision of basic infrastructure, apart from these problems are population growth and limited resources. Property corporations must respond to this development by developing a business strategy through identifying corporate capabilities as an internal environment and business dynamics as an external environment for achieving investment. One of the business strategies carried out by property corporations to overcome the challenges above is a property product development strategy that considers the need to optimize returns on land through the concept of product differentiation, namely the mixed-use development concept. The mixed-use development concept is a property product development concept that is built in one unit and consists of properties such as office buildings, residential, hotels, and commercial properties with a minimum of two property products.

The property company's short-term goal is to operate property products by the property management concept to provide services to consumers; and long-term goals as strategic goals are the formulation of policies, programs, implementation, and program activities that are more aimed at seeking results, especially for investors or property owners. This goal is interrelated with the company's business strategy development plan through added value which can involve making decisions related to the value added to serve customers, in the form of incentives, loyalty programs, and prizes and carried out in business processes. This is because added value is a value that needs to be measured according to the objectives to be achieved in providing added value both in terms of time, cost, and quality required [3].

Property products, especially apartments, can generate income apart from capital value as well as from leasing value, which is the rate of return on capital in the long term and the short term as an operational asset [4]. This research refers to the concept of seven elements of added value, namely increasing productivity, reducing costs, recognizing risks, increasing value, increasing flexibility, cultural change, and public relations

and marketing [5]. Similar research calls this business strategy using cost minimization and capturing real estate value creation, and is a strategy that is considered dominant by real estate companies [6]. A superior business strategy contributes to the competitive advantage of a property company as an effort to create and retain customers, attract and retain investors, contribute to business processes, promote company values and culture, stimulate innovation, as well as improve core competencies, and increase investor wealth as shareholders [7].

Companies or business units can optimize the use of internal organizational resources and capabilities including human resource skills, investment, and capital through sustainable competitive advantages so that companies can survive and develop in the face of competition [8]. This effort is a strategy to optimize the use of the company's internal resources and capabilities through competitive advantage with added value [5]. It is also stated that strategy can be carried out through identifying and increasing value by formulating operations that can increase productivity, while [9] states that added value elements that contribute to property transformation for company assets are identified through cost reduction, flexibility, and the relationship between the property business and marketing.

Property business strategy here is defined as an effort to create and retain customers, attract and retain investors, contribute to business processes, promote company values and culture, stimulate innovation, as well as improve core competencies, and increase investor wealth as shareholders with the aim of competitive advantage by using the role of value.

Property companies have added value that can be measured by scanning the company's environment and the company's ability to face competition and achieve a competitive advantage, so that business strategies developed related to the added value of apartment properties can achieve short-term and long-term goals. Property or real estate companies listed on the Indonesian Stock Exchange (IDX) and occupying LQ45 are the companies with the highest share prices which are the focus of this research. So this research aims to find out how to develop a business strategy related to added value, namely what added value can be identified in developing business strategies in property companies listed on the stock exchange.

## 2. Methodology

This research is descriptive confirmatory research with concurrent mixed methods, namely quantitative and qualitative research whose stages are carried out simultaneously while maintaining equality and independence of data collection and analysis so that mixed results can be carried out with comprehensive interpretation [10]. The research design used by researchers is to determine the role of added value in developing business strategies in property companies included in LQ45. Research using a quantitative and qualitative approach was carried out by observing the added value of five property companies that had the highest share prices for three years as well as conducting in-depth interviews with top managers regarding added value and strategy choices. The resulting quantitative data and qualitative data are integrated to be processed and analyzed convergently.

The concept developed refers to the results of previous research, especially regarding business strategies related to added value, especially in service companies. Data collection techniques through observation are carried out using physical field surveys of property work that is being and has been completed, while in-depth interviews are used through structured questionnaires which are prepared based on the concept of variables with the results of physical surveys as well as documentation studies from relevant literature.

The data is processed using statistics and descriptive analysis to obtain added value which is used to develop business strategies for property companies that have the highest share prices within three years.

The sample for this research is part of the property company population which consists of several selected members, namely property companies that have been included in LQ45 on the stock exchange for three years and is a representation of the population with the respondents being the company's top managers. As is known, LQ45 is the company with the highest share price assessed by the stock exchange within a year and two assessment periods.

## 3. Result and Discussion

The results of the added value statistical analysis of this research are grouped into three measurements, namely group (1) added value including increased flexibility, cost reduction, and risk control, group (2) existing added value, namely increased productivity,

increased value and cultural change, and group (3) the added value is public relations and marketing.

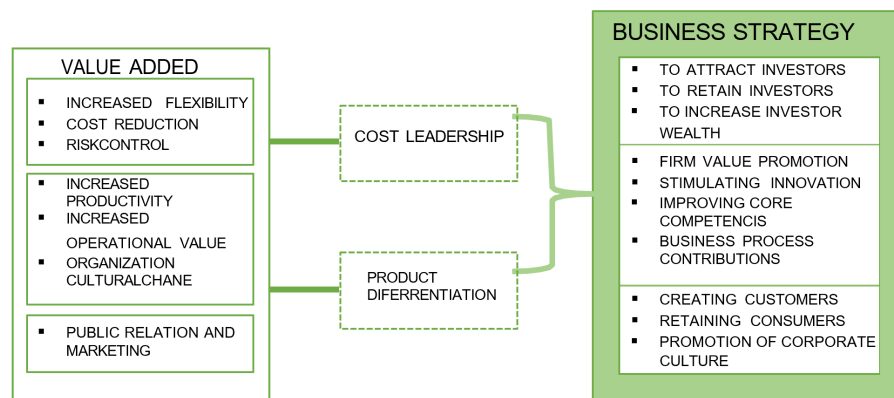
There are (80%) of companies providing added value in group 1, namely providing additional value in increasing flexibility through company operating times, increasing occupancy rates, and legal and financial aspects. Apart from that, by reducing costs, there is added value in operational efficiency, occupancy effectiveness, and monitoring maintenance costs as well as adding value in risk control, namely when there is portfolio assessment and flexibility, property location adjustments, construction risks, environmental aspects, and human resource conditions. On average, (50%) of companies also chose to add value to group 2, which was identified as increasing productivity, increasing value, and changing culture. Increased productivity is carried out by adding value to the availability of accommodation, selecting locations and alternative locations, while added value in increasing value is carried out by managing the timing of sales and purchases, redevelopment, as well as understanding and observing the market. Meanwhile, the added value of a cultural change is followed up by adding the value of location or building innovation. Only a few companies (40%) add value to group (3), namely in public relations and marketing, including by adding value to the location of the marketing office, the image of the marketing office building, and corporate governance.

The results of the statistical analysis of business strategies are grouped into three measurements which are termed group (1) called the main strategy, where 100% of company respondents stated this strategy as a “must strategy” for all companies, namely efforts to attract investors, retain investors and increase investor assets. Furthermore, group (2), which is the major strategy for 85% of company respondents, stated that this strategy is an effort to promote company value, contribute to business processes, increase competence, and be a stimulant for innovation. Group (3) is called a minor strategy which was chosen by less than 50% of company respondents as an effort to create customers, retain, and promote company culture.

A business strategy based on adding value from assets for revenue growth can take the form of decision-making and operations, especially in facilities, location selection, risk management, and IT systems whose success has an impact on business performance so that the company can produce ‘added value’. Even though there is an increase in IT productivity, the contribution of added value is large and has an impact on business performance, but IT does not have an impact on profits, in other words increasing added value also increases productivity with new IT investments [11].

The strategy in mature real estate or property companies is more clearly visible than in developing companies that are still in the functional strategy stage, even though both are based on the company's shared vision and mission, always making efforts to maximize shareholder interests. Through added value, this strategy is used in operational service decisions [5]. Added value with the right strategic focus, namely a strategy that takes advantage of strengths and opportunities, can be done through market penetration efforts, attention to production continuity, expanding product distribution, and improving product quality [12].

The added value measured in this research concept is proven to be the added value that comes from two business-level strategies, namely cost leadership and product differentiation [13], or what is referred to as cost minimization and capture real estate value creation strategies [6]. Based on the relationship between added value and strategy, it can be described through the added value framework in the development of business strategy from the results of this research as presented in Figure 1. The main business strategy is to focus on investors starting from attracting, retaining, to increasing investor wealth solely because of value. add to increased flexibility as indicated through organizational measurements and legal and financial measurements.



**Figure 1:** Added value in property business strategy development framework.

Business strategy can also be measured through the company's success, namely by the company's profit performance and financial performance in terms of profitability ratios (ROA, ROE, and NPM) which are linked to the company's condition regarding the use of costs and utilization of its resources [14], and this is what adds value. Property company performance requires appropriate policies by formulating tactical plans (micro) for short-term goals and formulating strategic plans (macro) for long-term goals. The

tactical plan is a description of the operational performance of a property business which is carried out through a strategic plan as a macro policy, while the strategic.

The plan includes increasing productivity with the availability of locations and alternatives, reducing costs with residence effectiveness, controlling risks by choosing an appropriate location, as well as construction risks to be detailed. in the tactical plan. Tactical plan as a description of the operational performance of corporate culture change which includes location innovation, public relations, and marketing that is visible in the office and image of the property company building. Operational performance in the tactical plan followed by the strategic plan adds value to the company's products and services through efficient use of resources and maximizing profits for shareholders.

So it is clear that value added is a concept that developed from a macroeconomic understanding, namely that added value has consequences for the costs of materials used in the production process at the previous stage so that it needs to be adjusted to the remuneration of production factors such as work, capital, and risk [15]. This property business strategy model takes into account the internal environment of the organization at a micro level and the external environment at a macro level so that the company can operate by providing 'added value' through cost leadership with cost minimization and capturing real estate value creation as well as product differentiation through mixed-used development.

## 4. Conclusion

Business strategy is the result of choices made by executives in determining target markets to find out how to win that market by maximizing long-term investment value. Companies that are listed on the stock exchange develop business strategies by creating a different value proposition from competitors with the company's capabilities and through added value it is hoped that short-term and long-term goals can be achieved.

Competing companies will also make the same efforts in winning sustainable competition so consistent and sustainable business strategy development is required, shares from property companies are an important value to pay attention to considering that stakeholders, especially shareholders, investors, and owners expect portfolio value from property products that can provide added value.

The findings of this research are supported by the results of previous research, namely the inclusion of a stakeholder perspective in the profit appropriation model of resource-based theory [16], however, this research needs to be continued to further explore added value and general business strategy.

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