Developing World Class Service Quality for the Indonesian Construction Supply Chain Industry

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ABSTRACT

Key Question / Hypothesis / Problem or Issue(s) to be Investigated:

The critical problem to be addressed is the current poor level of performance in the Indonesian construction sector in terms of materials delivery. Excessive cost and waste is incorporated into the Indonesian construction industry as a result of the systemic wastage created by its supply system. Construction projects are significantly delayed as a result of poor predictability and deliverability, all of which originate in the capability of the supply chain in Indonesia. In order to improve the overall performance of the Indonesian construction sector, and thus to achieve 'world class' performance levels, the construction materials supply chain similarly needs to achieve world class performance levels. Without a high performance supply chain, the Indonesian construction industry will never be able to deliver on the expectations of society. In order to address this problem it will be necessary to answer the following questions:

1. What constitutes high quality service for the construction sector?
2. What constitutes current customer expectations in the Indonesian construction market?
3. What are the key metrics defining effective supply performance in Indonesia?
4. What are the critical areas that need to be improved in the construction materials supply sector in order to increase overall performance in the Indonesian construction industry to 'world class' standard?
5. What does the implementation framework look like that would be necessary to transition the current Indonesian construction materials supply sector to achieve a world class level of performance?

Rationale and Significance of the Study (with references):

Construction and house building is an essential component of any developed society. Property and real estate is essential in order to provide places to live in and spaces in which to work. Construction is therefore a key social and economic facilitator of society development. As a developing country, the economic and social importance of the construction sector is even greater. The construction sector has to
provide the infrastructure for housing a growing population that has increasing expectations in terms of quality of life. At the same time the Indonesian economy is rapidly growing and in need of new infrastructure. According to Chief of Indonesian Central Statistics Bureau, the total Indonesian citizenry reached 240 million people with 61 million households. Around 78 percent of Indonesian population is in ‘liveable’ property, however the remainder of the population (approximately 22%) are living in illegal, temporary and/or informal developments (Central Statistics Bureau, 2012). Teguh Satria, Chairman of Real Estate Indonesia, said that Indonesia needs to build 2.6 million houses each year to cover all society (Detik Finance, 16-02-2012). In essence the construction and property industry, particularly in the housing sector, has a huge level of expectations on its shoulders. Demand for housing is constrained by low and insecure incomes, a weak financial sector, high interest rates, the elimination of housing subsidies and high neighborhood risks which hinder investments in housing. These circumstances make it very difficult for the construction industry to be funded sufficiently to be able to deliver on societal expectations in terms of housing and other property.

There are numerous bottlenecks in the supply systems for housing, particularly the supply of serviced land and a lack of private housing finance. These could be alleviated by well-designed and targeted government policies and programmes. Accessibility of affordable housing for low income families is the critical housing problems in Indonesia. This is a problem recognized by both the researcher and the Indonesian government. Consequently it is the principle requirement of this study to address the particular needs of the house building sector – although it is recognized that the Indonesian construction industry as a whole has significant opportunities to improve.

As a principle stakeholder in the Indonesian house building industry, the building material supply sector has a major contribution to make in the fulfillment of the housing needs for Indonesian citizens. Usually building material suppliers are strong product focused – particularly in terms of unit price. As a result of this myopic view, service orientation is poor. Thus such measures as ‘on time in full’ delivery, reliability, traceability and other quality measures are largely downplayed or ignored. In short price to customer is everything, other non price attributes are ignored. However elsewhere in the world, whilst price to customer is important, the concept of non-price, service driven attributes are gaining ground rapidly in the construction sector. This is a key area in which the Indonesian construction material supply sector can develop in terms of its performance.

Quality is an important and growing feature of all industry, and is rapidly developing in construction supplier performance metrics. (Zahari et al., 2008). It is the extent to which a service meets or exceeds customer needs and expectations (Lewise and Mitchell, 1990; Dotchin and Oakland, 1994a; Asubonteng et al., 1996: Wisniewiski and Donnelly, 1996; Seilier, 2004; Zahari et al., 2008). Indonesia now stands at the cusp of a period of dramatic growth in the construction sector that will be facilitated by the establishment of a customer centric culture. In order to achieve this
transformation in the Indonesia construction materials supply sector, it is essential to establish mechanisms for companies to measure and evaluate the quality of service encounters (Brown and Bitner, 2007) and thus to improve overall service performance in the Indonesian construction sector.

**Design of the Study:**

It is anticipated that the research project will undertake a triangulation approach. The primary data source is anticipated to consist of a combination of both a questionnaire administered in Indonesia alongside a series of interviews conducted with leading members of the Indonesian construction industry. It is further expected that interviews will be conducted with both client bodies and contractors in order to establish the operational requirements and expectations that a ‘world class’ materials supply industry for the construction sector would consist of. Quantitative research will be used to measure the gap between retailer’s perspective of service and customer’s perception. In general the research process adopted by the study could be seen as:

![Diagram of research process]

According to Parasuraman, Berry, Zeitham, there are five dimensions to characterize customer perception of service quality, consist of: tangibles, responsiveness, assurance, and empathy (Van Ree, 2009:47). This position is anticipated to inform the research questions developed. However at this stage, the work cited is only a starting position and this is anticipated to evolve as the student’s understanding of the general conception of ‘world class’ performance meets the development of an understanding of current Indonesian experience and expectation. For the principle
quantitative aspect of this study it is expected that the work of Zahari et al (2008) will be informative in the creation and analysis of the dimension of service performance for construction materials suppliers in Indonesia. There is also an anticipation of the need for a qualitative research instrument to be developed as a means of developing more contextual information regarding the current behavior of both purchaser, contractors and suppliers. It is expected that the fundamental work of Zsidisin, Panelli and Upton (2000) and Sitkins and Weingart (1995) will be helpful in the development of appropriate qualitative tools for the investigation of the behaviours of stakeholders in the supply chain process.

Research Benefits

The intention of the study is to ultimately develop a model for world class service provision in the construction materials supply chain in Indonesia. The creation of this model will facilitate the development of a transition plan to develop current Indonesian construction material supplier performance up to the point of achieving 'world class' performance. It is anticipated that this transition plan will incorporate policy advisory material for construction industry decision makers in Indonesia as well as recommendations for training and educational metrics for educational providers in the Indonesian context. It is also expected that procurement, supplier selection criteria and supply chain management best practice advice for Indonesian government, clients, contractors and subcontractors will also be critical outcomes. The combination of these outcomes is expected to be highly significant for the Indonesian construction industry as a whole and the materials supply industry in particular since at present such research has not been conducted. Also at the time of writing the level of scholarship and understanding within the construction management arena in Indonesia is of a low order. As such this study will have significant impact for both the student and academic organization.

References

Brown, S.W. & Bitner, M.J. 2007. Mandating a service revolution for marketing. in

Central Statistics Bureau. 2012


