



Competitive Advantage and Organizational Behavior of Small and Medium Enterprises (SMEs) in the Real Estate Service Business

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Abstract

This research aims to study small and medium enterprises (SMEs) in the real estate service business conforming to the ASEAN Economic Community Blueprint, which addresses that the community members must accept a free trade of service businesses such as property management and real estate broker business. The objectives of this study are to examine the relationship between the types of SMEs and their competitive advantage, to study the level of competitive advantage, and to study the relationship between competitive advantage and driver factors.

The study uses survey and cross-sectional as well as empirical investigation. A survey and online questionnaire have been conducted to identify the effect of determinants toward competitive advantage. The sample is composed of SMEs in the real estate service business. The study has been tested at an organizational level with samples of SME entrepreneurs, business successors, or board of directors or management team. Quantitative analysis has been conducted through multiple regression analysis with 198 samples. To confirm the findings, the result has been shared and discussed further with stakeholders and scholars from an educational institution. From literature reviews, competitive advantage can be categorized into differentiation and service quality aspects and driver factors with the concept of organization behavior, including organizational leadership, inter-organizational collaboration, technological capability, and organizational responsiveness. Research findings illustrate that each aspect of competitive advantage needs a different set of driver factors to explain either the direct or the indirect effect. Interestingly, technological capability is a perfect mediator of leadership and inter-organizational collaboration toward competitive advantage. Although, service quality is suitable to exploit in any situation, differentiation is suitable to exploit in a highly competitive market which will significantly expand an opportunity for the firm. In additions, service quality is difficult to manage; however, it is considered important to develop a real estate service firm sustainably with the competitive advantage of better service quality.

Keywords

Competitive Advantage, Organizational Behavior, SMEs, Real Estate Service Business

Introduction

In the year 2015, Thailand will become a member of the ASEAN Economic Community (AEC). It means that the market among South East Asian countries will be operated more freely; for example, shareholding in the company can account for up to 70% of foreigners, whereas foreigners normally cannot hold shares of more than 50% in Thailand. More workers will be free to work among the member countries. The size of both supply and demand of business will become larger with 570 million people of market size (Department of Trade Negotiations [DTN], 2009).

The AEC Blueprint obligations imposed on member states mandated liberalization of trade in services. With regard to Thailand under the obligations of the ASEAN Framework Agreement on Services (AFAS), Thailand is bound to two activities of the real estate service business: (1) rent or lease-to-own or lease assets (Central Product Classification [CPC] 82101) and (2) management of residential assets on the basis of a fee or contract basis (CPC 82201; DTN, 2554). It can be seen clearly that brokerage and property management will inevitably be facing the impact. In other words, because of the freer trade area, any firm of AEC members can run these businesses any time in Thailand which is likely to create a higher competitive market. This contrasts to some countries especially in Europe and North America which require licenses in order to do these businesses.

The threat both from external and internal factors mentioned above indicates that it is important to prepare for participation in the AEC by applying the concept of competitive advantage. Porter (1990) demonstrated the necessity of competitive advantage especially in situations of competition that will make firms grow sustainably. Different businesses need different competitive advantages, and with the uniqueness of organizational behavior in the real estate service business, competitive advantage must be studied further. In contrast to general business, property management and real estate brokerage management are clearly different from other businesses; for example, property management is a kind of project work that usually has a bidding system and a short-term contract and needs skillful building techniques, the art of dealing with tenants, as well as legal knowledge. Consequently, this business depends much on reliability, past experiences, and expectations in order to convince potential customers to award. On the other hand, real estate agents do not need to stay the whole day in the office but often work on a commission basis in the field with customers independently with information supported by the headquarters, and this work is also related significantly to legal constraints. As a result, the organization structures of brokerage companies are complicated. Therefore, this research is conducted to study the suitable competitive advantage of small and medium enterprises (SMEs) in the real estate service business, which has led to the research topic "Competitive Advantage and Organizational Behavior of Small and Medium Enterprises in the Real Estate Service Business."

Competitive Advantage in Real Estate Service Business

Competitive advantage is the organizational competence of using resources to create better value than competitors for the organization and customers. In this study, competitive advantage is focused on aspects of differentiation and service quality. However, another well-known competitive advantage, the aspect of cost leadership, is neglected from the study. In literature reviews, cost leadership is not suitable for service business, which is unique and depends more on customers' satisfaction (Bradley & O'Reagain, 2001; Farrell, Hitchens, & Moffat, 1993; Lindahl & Beyers, 1999). In additions, for the service business, customers are keen on having satisfactory services more than focusing on just cost saving.

1. Differentiation

Product or service differentiation means creating better value for customers and enhancing customers to gain more benefits than usual (Porter, 1985). Customized differentiation for the niche market is vital for SMEs in the service business (Box & Miller, 2011; Bradley & O'Reagain, 2001; Farrell, Hitchens, & Moffat, 1993; Kiker & Kiker, 2008; Lindahl & Beyers, 1999) with regard to the limitation of resources that make SMEs have a low ability to compete against large firms. In comparison with large organizations, differentiation is more suitable for SMEs than other kinds of competitive advantage because of more flexibility of organization structure, shorter span of control, and centralized power of leaders, which can make changes happen immediately. The study of family business about a commercial playground in the United Kingdom by Douglas, Douglas, and Davies (2010) pointed out that the differentiation of doing business is the key competitive advantage beyond competitors. Differentiation of playground business is about managing a higher standard and customizing a variety of activities, which is similar to the study in the United States of 167 small enterprises, which found that focused differentiation is the most important competitive advantage for a small-scale organization (Box & Miller, 2011; Cater & Pucko, 2005). In the real estate service business, most of the firms seem much alike; property management is generally about how to well maintain the physical building, whereas brokerage management is about how an agent of a property does buy and sell. However, the above examples indicate that amid a tightening market, any differentiated firm with distinguished services would compete over normal firms. Differentiation in SMEs in the real estate service business must be customized in order to serve the niche market that large companies cannot respond to or is not in their interest.

In this study, differentiation scaling is created by adopting the concept of Kumar and Subramaniam (1997) and Chenhall and Langfield-Smith (1998) because scaling has already been validated and is also applicable to use under the real estate service business context. In detail, Chenhall and Langfield-Smith (1998) created a questionnaire that comprises customer service and the flexibility of a firm and includes important measurements such as providing

higher quality to the market, rapid delivery, delivery commitment, fast launching of new as well as superior products, lower manufacturing costs, and fast change of production line. Kumar and Subramaniam (1997) described seven attributes of differentiation, including launching new products, providing different services, and providing more varieties of products, quick services, better-quality services, and customized services.

2. Service Quality

Service quality is important to real estate service business, in which the consistency of service quality will build sustainable competitive advantage (Beal & Lockamy, 1999). One of the most recognized service quality scales is called SERVQUAL by Berry, Parasuraman, and Zeithaml (1994). It is composed of expectations and perceptions measurement through five dimensions: tangibles, reliability, responsiveness, assurance, and empathy. Beyond SERVQUAL, many scales were created by many scholars, some of which were customized to fit each business.

With regard to variety of scales, it asserts that each business is different and needs subtle study so that the concentration must be delicately designed. However, most scales were invented rooting from the concept of SERVQUAL; therefore, SERVQUAL will be applied in this study with the five aspects of tangibility, reliability, responsiveness, consistency, and empathy. Service in the real estate business is not the same as other businesses; it needs to serve customers expertly as it relates to the abundance of legal work. Apparently, property management and brokerage management are to provide professional services to customers; therefore, quality is of concern. Therefore, understanding customers, prompt response to requirements, or consistently working is taken into account in competitive advantage over competitors.

In additions, the input and the output of competitive advantage must be taken into account; for example, knowledge, ability, and resource are not competitive advantages because customers do not perceive benefits from them; on the other hand, these attributes are input variables for making competitive advantage (Cater & Pucko, 2005), with which relational orientation between external organizations is the main criterion to build up competitive advantage by understanding more consumer insight and better cooperation (Chen & Hsieh, 2008; Ljubojevic & Vetro, n.d.; Li & Wang, 2006).

Competitive Advantage and Organizational Behavior

In order to obtain competitive advantage, intangible assets are much more preferred than tangible assets; this preference will also prevent product or process imitation (Gray et al., 2007). Cater and Cater (2009) divided factors into five categories, including tangible assets composed of physical assets and financial assets and intangible assets composed of human

resources, structure resources, and relationship resources. The study revealed that all resources except physical resources impact differentiation. Intangible assets are valuable for SMEs; this is supported by the study in New Zealand about the relationship between the franchisor and the franchisee, showing that exchanging experiences and knowledge are the main ingredients of raising competitive advantage. Location, wages, organization relationship, and competency also have a direct effect toward competitive advantage of SMEs in Finland (Toppinen et al., 2007). Factors effecting competitive advantage may vary from time to time with regard to the characteristics of each business.

Driver factors of organizational behavior are important in driving the competitive advantage of the firm. In fact, competitive advantage can be divided into many kinds depending on each context; however, in this study, a research framework (figure 1) will be framed in order to fit the objectives of the study with two constraints: (1) size of organization and (2) nature of real estate service business. From the research framework, it can be explained that organizational leadership plays a major role in directing the firm (Baxter & MacLeod, 1999; Edvardsson, 1998; Longenecker & Scazzero, 2000; Potthoff & Ryan, 2004), and with a simple organization structure, it is an advantage of SMEs to cooperate closely with suppliers or customers. Today's technological capability is accessible for SMEs without the constraint of high cost like in the past. That is, if SMEs can apply technology fast and specifically respond to customer requirements, this would make the organization succeed. Confronting a large organization seems hopeless for SMEs; therefore, finding a niche market would be a solution for doing business.

In conclusion, this study located organizational behavior as independent variables composed of organizational leadership (Flint-Hartle & De Bruin, 2011; LeMay, 2008; Ong, Ismail, & Goh, 2010), inter-organizational collaboration (Cater & Cater, 2009; Chadee & Kumar, 2001), organizational technological capability (Farrell, Hitchens, & Moffat, 1993; Gray et al., 2007), and organizational responsiveness (Bradley & O'Reagain, 2001; Kiker & Kiker, 2008; Lindahl & Beyers, 1999; Porter, 1990), whereas dependent variables are differentiation and service quality.

1. Organizational Leadership

The leader is an important person who drives the organization, especially SMEs, in which that leader directly impacts the direction of the organization in order to gain the competitive advantage of both differentiation and service quality (Edvardsson, 1998; Longenecker & Scazzero, 2000; Potthoff & Ryan, 2004) as well as organizational performance (Baxter & MacLeod, 1999). Much research about leadership has shown its effect toward organization efficiency. A leader is passionate to change and manages team members as well as provides and allocates resources with an aim to achieve the organization's goal (Anderson et al., 2005). There are many perspectives on measuring leadership; however, an interesting idea considering organizational leadership or participative leadership does not only focus on leadership solely but

also connects leadership to an organization. It is believed that focusing only on leadership without integrating organization will yield less advantage (Baxter & MacLeod, 1999, Kivipõld & Vadi, 2010).

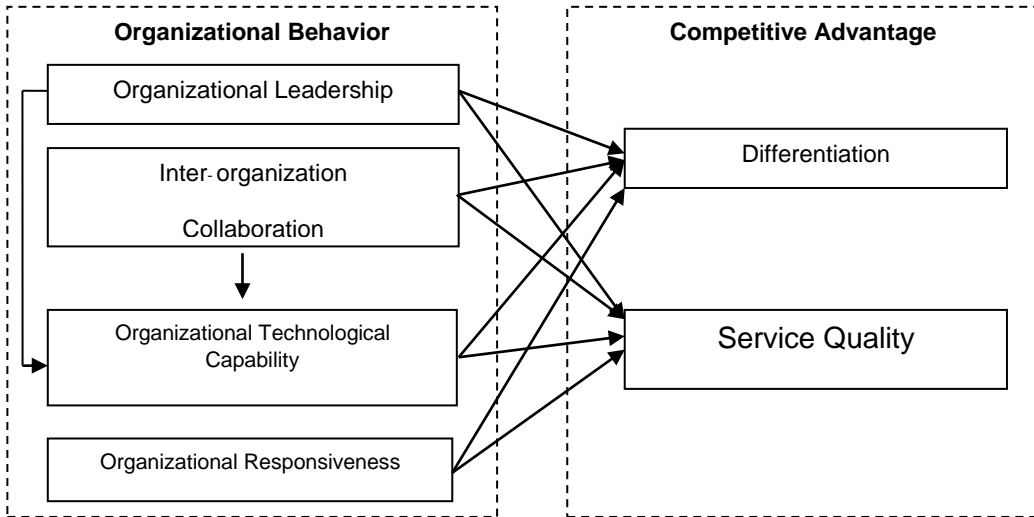


Figure 1 Research Framework

2. Inter-organizational Collaboration

To strengthen the organization, inter-organizational collaboration is important because today's organization is situated in an open environment. SMEs are a kind of limited resource firm that makes research and development difficult; as a result, connecting to external organizations will be an opportunity for SMEs to share knowledge and know-how or information (Street & Ann-Frances, 2007) as well as to build service quality (Perry & Sohal, 1999). This study will concern external collaboration between the customer, the supplier (Grant & Baden-Fuller, 1995; Lane & Probert, 2007), and the allied organization that yield in differentiation (Dennis, 2000; Rattanaprichavej, 2010). Beyond cooperation among private organizations, in Thailand, there are nonprofit organizations that promote property management and brokerage management businesses such as the Property Management Association of Thailand (PMA) and the Thai Real Estate Broker Association (TREBA) by organizing professional seminars, sharing useful information, updating related legal data, and accrediting qualified members.

Inter-organizational collaboration has various mutual benefits such as cooperation in research and development, marketing and sales, or product design (Birru, 2011). The main concept of inter-organizational collaboration is about exchanging knowledge in order to develop products or services (Bastos, 2001; Grant & Baden-Fuller, 1995; Johansson & Malmstorm, 2012; Lane & Probert, 2007).

3. Organizational Technological Capability

Technological capability or technological competence is an ability to transform data, information, and knowledge to support product services or process development in order to achieve organizational performance. Today, technology is easier to access without a huge investment like in the past; therefore, technological capability is an opportunity of SMEs to develop. Various usages can be applied for doing real estate service business such as faster communication with clients, cost saving in term of less paperwork as well as space, easier to access and closer to the customers by using Facebook, Instagram or LINE applications. In general, technological capability is about input and output in the organization, or it is about the study of applying technology to create value for the organization. Significantly, technological capability is not only computerization; it is also about the process of work. Today, technology like building management programs, real estate agency programs, or customized processes for each building incrementally influences real estate service because of the shortage of labor, cost saving, and sophisticated demands from customers.

Technological capability creates innovation for an organization (Wang, Lu & Chen, 2006) and is applied in order to build value added for customers faster than the competitor (Tsai, Chuang, & Cheng, 2008) as well as to develop service quality (Reynierse, 1993). In additions, inter-organizational collaboration leads to technological capability (Chanthanapant, Nabi, & Donberger, 2012; Acosta, Nabi, & Dornberger, 2012; Kumar, Kumar, & Persaud, 1999; Nicholls-Nixon, 1995; Savory, 2006; Wang, Ju & Chen, 2006), which is similar to leadership (Chanthanapant, Nabi, & Donberger, 2012; Acosta, Nabi, & Dornberger, 2012).

4. Organizational Responsiveness

When SMEs are compared with a large firm, they have advantages because their structures are more flexible and can respond to special demands more quickly which leads to competitive advantage (Holweg, 2005; Hoyt, Huq, & Kreiser, 2007). The responsiveness of an organization does not mean only speed but also concentrates to fit dynamic environment and niche demands. Consequently, an attempt of the team to respond to niche demands, which large firms are unable to do, should be a non-imitable advantage. Today's complicated demands make firms respond to the market more quickly, and customized or extra services must be in place; building a management plan for natural disasters is increasingly important, or changing codes of work in brokerage regulations are unavoidable to change the process of work. Another example of responsiveness in the real estate service business is the following: in the past, the majority of people residing in Bangkok lived in a house; this is in contrast to today, wherein the coming trend is to live in high-rise condominiums. That changing trend of living has required both property management and real estate brokers to adapt their work structures to fit the new lifestyle. In conclusion, the responsiveness of an organization is a concept covering flexibility, quality, and

speed of service (Asree, Zain, & Razalli, 2009). Moreover, organizational responsiveness and responsiveness in SERVQUAL are different. Organizational responsiveness in this research is concern over the structure and mechanism in organization in order to support staffs rather than focusing on the perception of customers like the responsiveness in SERVQUAL model.

Research Methodology

This research was a survey and a cross-sectional as well as empirical study. The study focused on the competitive advantage and organizational behavior of SMEs. The population and sample of the study were chosen using convenience sampling by online survey and questionnaire distribution. A total of 198 samples of SME members in the real estate service business were collected. The questionnaire was created by reviewing literature and was adjusted according to the content and construct validity techniques of exploratory factor analysis (EFA). Reliability analysis with Cronbach α greater than 0.75 was also examined. Analysis of variance (ANOVA) was tested in order to understand the influence of real estate service business types of property management and brokerage management, whereas multiple regression analysis was applied in investigating the effect between competitive advantage and organizational behavior. In order to fully understand and interpret quantitative results, the qualitative method of in-depth interview by using quantitative results was conducted with stakeholders from academic institutions, private firms, and nonprofit organizations.

Research Results

Level of Competitive Advantage and Organizational Behavior

From table 1 of the samples, 57.4% were female, and more than half of the samples were younger than 30 years, which could be interpreted as that members in the real estate service business seemed very new to the business with rather low experience. About 50% of sample's designation was in the executive management level, and the rest was in the administration level. Of the real estate service business, 50% was property management, 33% was brokerage management, and interestingly, the rest was doing both businesses, which might explain that it gained benefits in terms of data and information sharing. In reference to data collection, 65% was survey questionnaire, whereas 35% was collected through online questionnaires. When real estate service firms were categorized by type, gender, age, and education level and designation, firms in each type were rather similar. Most of the samples in each type were females holding bachelor's degrees and younger than 30 years.

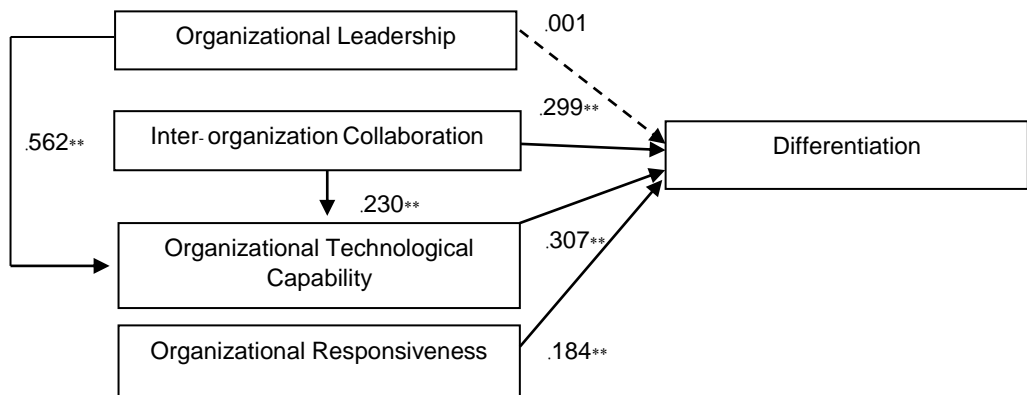
When the scores among independent variables were compared, organizational leadership got the highest score at 3.34, whereas technology capability, organizational

responsiveness, and organizational collaboration were 3.10, 3.04, and 2.99, respectively. As a result, only organizational leadership was in high level, while the other three were not in the high level and needed to be continually driven by the leader in supporting practice, exchanging knowledge among external organizations. Sufficient resources are important in stimulating new ideas of leveraging the work process and procedure and in preparing change in order to fit the dynamic environment.

Table 1 Level of Competitive Advantage and Organizational Behavior

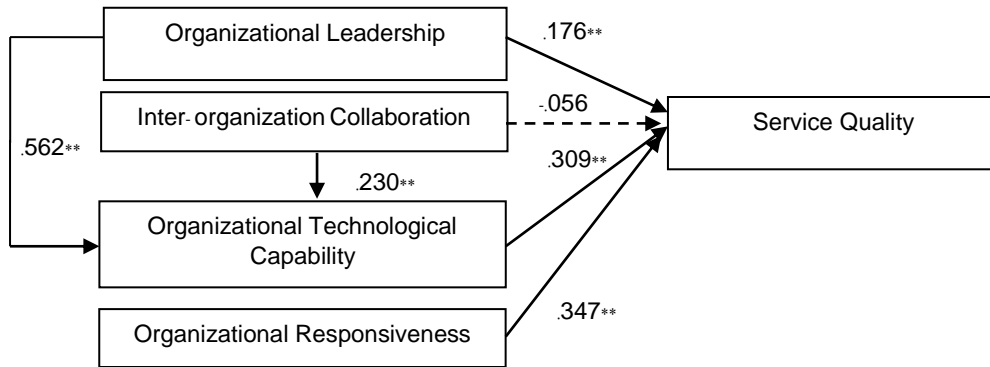
Factors	n	minimum	maximum	mean	SD
Organizational Behavior					
Organizational Leadership	197	1.67	4.00	3.34	.55
Inter-organization Collaboration	194	1.00	4.00	2.99	.63
Technological Capability	197	1.33	4.00	3.10	.55
Organizational Responsiveness	197	1.00	4.00	3.04	.61
Competitive Advantage					
Differentiation	197	1.00	4.00	2.89	.61
Service Quality	197	1.78	4.00	3.34	.47

For competitive advantage, differentiation and service quality got very contradictory scores; service quality is situated in a high level at a score of 3.34, in contrast with differentiation, which got only 2.89. Therefore, it might be value adding if any firms can enhance differentiation in order to make themselves distinctive among general firms. Moreover, the result of ANOVA analysis demonstrated that there are no differences in competitive advantage among business types. Consequently, in this study, the data from each type were mixed in the overall study of real estate service firm.



** significant at 0.01 level, R² = 45.5

Figure 2 Research Frame work (Differentiation)



** significant at 0.01 level, $R^2 = 42.0$

Figure 3 Research Framework (Service Quality)

The research framework of differentiation (figure 2) shows that technological capability, organizational collaboration, and organizational responsiveness significantly affect differentiation, respectively. Surprisingly, only organizational leadership has no effect on differentiation. All organizational behavior factors are able to explain competitive advantage for 45.5%. On the other hand, the research framework of service quality (figure 3) shows that organizational responsiveness, technological capability, and leadership significantly affect service quality consecutively. Interestingly, organizational collaboration has no effect on service quality, and the prediction power (R^2) of the model is 42.0%. However, organizational leadership has no effect on differentiation, and organizational collaboration also has no effect on service quality; they indirectly have an effect toward differentiation and service quality as they significantly impact technological capability. In additions, each research framework has different factors as well as coefficients in order to explain competitive advantage.

Research Findings, Discussion and Implication

From the above results can be expanded with the literature review and in-depth interviews with stakeholders in the real estate service business profession, conforming with research objectives, as follows:

1. The Relationship between the Types of SMEs and their Competitive Advantage

From the result of the ANOVA testing, the level of competitive advantage of the brokerage management firm, the property management firm, and both the brokerage and the property management firms are the same. This result is convincing because of the similarity of organization structure as well as the nature of the businesses making no difference between the

types of real estate service firm; therefore, the result of the study can be completely applied to the three types of real estate service business firms without individual analysis in each business.

2. Types and Level of Competitive Advantage of SMEs in the Real Estate Service Business

Competitive advantage in two aspects is rather different. SMEs do not have high scores on differentiation. From in-depth interviews, it was found that most real estate service firms cannot differentiate their services. Most of the provided services are in common with the response to customer requirements, and price determination is always used as a main strategy. However, the firms that can differentiate their services such as setting their own standard of work, customizing unique uniforms, or approaching the customer with a new way of thinking have gained higher satisfaction from customers. Especially in the situation of a tough market, differentiation will be an advantage of convincing as well as catching up with customer intentions. In contrast, one of the interviewees from the private sector disagreed with this concept because if, as time goes by, any firm will also try to build the same successful differentiation in the market, then the differentiation is not different anymore. It is arguable that one of the main concepts of competitive advantage must not be easy to imitate or will need much time to imitate which depends on each organization's competency and resources.

Service quality is a sustainable competitive advantage which is mainly expected from the customer. From interviewing private firms, owners reviewed that although service quality is vital, it is the most difficult thing to handle because it involves the staff's personalities and depends on moods, attitudes, and behaviors; therefore, training and coaching human resources must be undertaken. Another interesting view is about the agreement between the service provider and the service receiver—that property management firms should not serve customer requirements beyond agreement basis. In doing so, the procedure of working will not follow the agreement line and might lead to many problems and conflicts. In practice, both positive and negative views toward this idea took place; for example, one of the building managers tried to please the co-owner by sending and picking up one of the co-owner's children, which in fact exceeded an agreement. In a positive view, the co-owner was very happy of the expected service, whereas in a negative view, dissatisfaction resulted among other co-owners under the perspective of personal advantage. As a result, trading off between providing service along and above the agreement must be of concern. Collected data show that SMEs in the real estate service business have a high level of service quality, which is an important and unique factor for Thai firms in order to exploit against foreign competitors during the AEC launching.

3. Competitive Advantage and Organizational Behavior of SMEs in the Real Estate Service Business

Organizational collaboration, technological capability, and organizational responsiveness are the driver factors toward competitive advantage in the aspect of differentiation, whereas organizational leadership does not have a direct effect; however, it has an indirect effect through technological capability to differentiation. On the other hand, organizational leadership, technological capability, and organizational responsiveness significantly affect service quality. However, organizational collaboration has an indirect effect through technological capability to service quality. Interestingly, the sets of organizational behavior that affect different competitive advantages are different.

From the literature review, research results, and in-depth interviews, one can see that leadership is one of the crucial attributes in organizational behavior in order to force organization members to improve themselves. Although leadership is important for appointing service quality by forming and implementing the quality standard, it does not contribute to differentiation. It might be explained that leadership needs a mediator like technological capability in order to illustrate rigorous action to provide new and differentiated services. Organizational collaboration directly affects differentiation since it can pool resources for supporting members to exchange ideas and develop into a differentiated service e.g. the cooperation of properties information sharing between co-brokers leads to a higher chance of success selling with the mutual benefits basis. However, collaboration has no effect toward service quality. It might be explained that under the Thai context of the real estate service business, collaboration is not conducted rigorously. Therefore, knowledge transfer is not applicable in the real practice of improving quality of service. However, technological capability is also a mediator for transferring an indirect effect between collaboration and service quality. In additions, technological capability is essential for developing both differentiation and service quality. Technological capability is about changing ways of working concretely by customizing a specific process of working, yielding in differentiated services. Not only differentiation but also service quality will be gained regarding enhanced technological capability by efficiently responding to customer requirements (e.g., using mobile application to connect customers or potential buyers and sellers is a new way of working closely, reserving a building shuttle using a computer system, and using online requests for repairing). Technological capability would not succeed without the support of a leader as well as inter-organizational collaboration.

Organizational responsiveness is a factor that can explain both differentiation and service quality. If service providers respond to the incident promptly, the organization will obtain differentiation as well as positive perception from customers. Organizational responsiveness is being able to manage, such as appointing the exact time frame for serving customers after getting requirements and planning a contingency plan for special incidents.

Business Implication

SMEs in the real estate service business have unique characteristics that are different from general businesses, especially that the competitive advantage of cost leadership is inappropriate to use in the real estate service business. Differentiation in the real estate service business might not be the first competitive advantage to be created because quantitative and qualitative research show that service quality should be the first to be built because it will yield brilliant value to the expectation of customers. During the AEC launching, service quality will be a key factor to distinguish Thai firms competitive advantage from other foreign firms as the results showing that Thai firms have high scores on service quality which is an intangible valuable asset that is difficult to imitate. For differentiation, it is important particularly after the firm reaches a satisfying quality of service. Differentiation in firms will add value to their customers and make the firm shine brighter than normal firms. When bidding competition begins, differentiation will significantly expand an opportunity for the firm, which contrasts to service quality that potential customers will perceive only when a choice has been made. For organizational behavior, real estate service firms must realize continual development of service quality and standardize as well as make quality consistent. The leader must allocate sufficient resources for developing technological capability with the aim to change the ways of working, conforming to customer requirements because technology is like a bridge connecting organizational leadership and inter-organizational collaboration toward competitive advantage. Responsiveness of the firm must be customized, planned, and prepared to respond to customers' needs or even emergency incidents. In additions, to apply the concept of competitive advantage and organizational behavior, each firm must understand the diversity of contexts before applying the idea.

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