

Strategic Diversification and Core Competence in a Mid-Sized Construction Firm

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Abstract

This study examines how a mid-sized Indonesian construction firm can strategically diversify while protecting its core competencies. It uses a sequential explanatory mixed-methods single-case design of WSA Construction + Planning, combining semi-structured interviews and document analysis, triangulated with sector reports and internal performance indicators. Related diversification options that align with market attractiveness and strategic fit, particularly institutional healthcare projects and sustainability consulting, emerge as the most promising paths, whereas unrelated real estate ventures increase strategic and execution risk. The evidence highlights the role of dynamic capabilities in sequencing and integrating diversification moves without diluting the core business. The most defensible approach is phased, competence-adjacent diversification supported by disciplined execution and performance monitoring to safeguard the firm's distinctive capabilities. As a single-case study, the findings support analytical rather than statistical generalization, and scenario-based projections remain sensitive to implementation quality and market conditions. This article offers an integrated, practice-oriented framework that links external market analysis, VRIN-based capability assessment, and Balanced Scorecard-informed governance to guide diversification decisions in mid-sized construction firms in emerging markets.

Keywords: *Balanced Scorecard, Core Competence Preservation, Dynamic Capabilities, Emerging Market Strategy, Healthcare Infrastructure, Mid-Sized Construction Firms, Sustainability Consulting, Strategic Diversification*

1. INTRODUCTION

The construction industry is undergoing significant transformation owing to digitalization, accelerated urbanization, and increasingly stringent sustainability and regulatory agendas. These factors collectively present both opportunities and execution risks to contractors, particularly in emerging economies. In Indonesia, the sector is anticipated to experience robust growth; however, its output remains volatile in relation to national GDP. This volatility complicates forecasting and resource allocation for firms operating with minimal financial buffers

Diversification is frequently employed to stabilize revenue, mitigate risk, and access new demand pools. However, in project-based environments, it can undermine the specialized routines and execution discipline that support distinctive competitive positions. If diversification is not properly sequenced, it can lead to fragmented managerial attention, extended learning curves, and the dilution of core competencies ([Karimullah, 2024](#)).

This tension is particularly pronounced for mid-sized contractors, who lack the capital resources and portfolio diversity of large conglomerates yet encounter greater complexity than smaller specialized firms ([Bhimasta, Surya, & Pramudita, 2025](#)). Previous research on diversification in the construction industry has predominantly concentrated on large firms in developed economies, often treating growth and capability preservation as distinct challenges. Consequently, there is limited guidance on how medium-sized firms can achieve coherent diversification in emerging markets.

This study addresses this gap by conducting an in-depth case analysis of WSA Construction + Planning, a mid-sized Indonesian firm that has transitioned from an interior design studio to a multi-vertical construction and planning enterprise. The trajectory of WSA offers a concrete context to explore how firms can pursue growth while preserving core competencies in design integration and project delivery.

This study employs both external market and internal capability perspectives. It combines market segmentation and industry structure analysis with the resource-based view and VRIN logic, dynamic capabilities, parenting advantage, and performance management through the balanced

scorecard framework ([Barney, Ketchen Jr., & Wright, 2021](#); [Demartini & Taticchi, 2022](#); [Kumar, Lim, Sureka, Jabbour, & Bamel, 2024](#); [Teece, 2018](#); [Yin, 2018](#)).

Employing a sequential explanatory mixed-methods case design, this article investigates how a mid-sized construction firm should assess and prioritize diversification strategies to achieve a balance between growth and the preservation of core competencies. The study's outputs encompass a segment and competitive analysis, a capability and fit evaluation, a phased strategic trajectory, and a balanced scorecard-informed monitoring framework that facilitates disciplined implementation and course correction. Although the findings are not statistically generalizable, they provide an analytically grounded framework and actionable roadmap for mid-sized contractors operating in volatile emerging-market environments, enabling growth without compromising execution reliability and strategic coherence.

2. LITERATURE REVIEW

The literature reviewed in this chapter examines the theoretical foundations of one of the most critical strategic challenges faced by mid-sized construction firms: how to pursue diversification while preserving and enhancing their core competencies. To address this problem, the discussion begins by clarifying the concepts of strategic diversification and core competence in the construction context and then moves to resource-based and dynamic capabilities theories, strategic fit and industrial organization perspectives, parenting advantage, and finally an integrated conceptual framework tailored to the realities of mid-sized firms in emerging markets ([Pinandito & Muafi, 2026](#)).

Strategic diversification is the deliberate, planned, and organized expansion of a firm's operational boundaries into new product or service markets and different positions along the value chain to secure sustainable competitive advantage and mitigate risk ([Arte & Larimo, 2022](#); [Schommer, Richter, & Karna, 2019](#)). Unlike opportunistic or reactive expansions, strategic diversification is characterized by deliberate market positioning, integration along the value chain, systematic exploitation of existing competencies, and a longitudinal orientation towards durable advantage rather than short-term profit ([Wang, Wan, Bai, & Wang, 2025](#)). In construction, this logic is primarily expressed through value chain integration, where firms extend their activities upstream into architectural and engineering design, feasibility and planning, procurement, and sustainability consulting, midstream into general contracting, specialist trades, and project management, and downstream into facility management, maintenance, development, and asset management ([Li et al., 2025](#)). Horizontal diversification occurs through geographic expansion, sectoral shifts across residential, commercial, industrial, and infrastructure markets, targeting new client segments, and developing technology-based platforms.

Within this context, core competence is defined as a unique bundle of skills, technologies, and organizational routines that deliver distinctive value to clients and are difficult for competitors to replicate ([Teece, 2025](#)). In construction firms, core competencies typically manifest as technical excellence in design and engineering, mastery of project management processes, deep understanding of client needs and preferences, robust quality control systems, and organizational learning capabilities that allow knowledge to be captured, codified, and diffused ([Pariafsai & Behzadan, 2021](#)). These competencies simultaneously form the foundation for diversification and are potential victims of it. [Zhao and Gao \(2024\)](#) notes that as firms diversify, competencies can harden into core rigidities when organizations continue to over-invest in familiar capabilities at the expense of adapting to new requirements, or when stretching competences into unrelated areas leads to their dilution.

The tension between diversification and competence protection is intricately linked to [Brix \(2019\)](#) exploration–exploitation dilemma. Exploration involves searching, experimenting, and venturing into new domains, which, in the context of diversification, translates into entering unfamiliar markets, developing new service lines, and acquiring new technical skills. Exploitation, on the other hand, involves the refinement, efficiency, and deepening of existing expertise ([Azzahra, Damayanti, & Dewi, 2025](#)). For mid-sized construction firms, achieving balanced growth necessitates an equilibrium between exploratory diversification initiatives and the exploitation and strengthening of core competencies in design, project management, and client relationships. If

exploration predominates, firms risk strategic overreach, resource dilution, and loss of identity. Conversely, if exploitation prevails, firms may stagnate, miss emerging opportunities, and remain overly exposed to cyclical shocks. This balance is particularly challenging for mid-sized firms, which face developmental pressures to grow but operate with limited financial, managerial, and technical resources.

Strategic diversification theory offers significant guidance on the directions and risk profiles of growth. [Wang et al. \(2025\)](#) product-market expansion grid distinguishes market penetration, market development, product development, and diversification. For construction firms operating in volatile emerging markets, diversification is not only a high-risk growth option but also an evolutionary response to cyclical demand, price competition, and client expectations for integrated solutions. Empirical research suggests that construction firms diversify to smooth revenue fluctuations, leverage core competencies in new arenas, realize economies of scope through shared resources, and respond to client demand for one-stop service offerings.

Within this literature, a key distinction is made between related diversification, where firms expand into activities that are strategically similar and can share capabilities; unrelated diversification into domains with little connection to existing operations; vertical integration along the value chain; and horizontal diversification into new markets and segments ([Schommer et al., 2019](#)). The prevailing evidence indicates that for mid-sized firms with constrained resources, related diversification and adjacencies tend to outperform unrelated moves because they are better aligned with existing competencies and require fewer new capabilities ([Ayalew & Amentie, 2023](#)).

The resource-based view (RBV) further deepens the understanding of diversification choices by framing firms as bundles of resources and capabilities whose competitive advantage depends on being valuable, rare, inimitable, and non-substitutable (VRIN) ([D'Oria, Crook, Ketchen Jr, Sirmon, & Wright, 2021](#)). In construction, design excellence, sophisticated project management systems, strong client networks, and reputational capital are often VRIN resources ([Aghimien, Aigbavboa, & Matabane, 2023](#)). The VRIN framework directs attention to which resources should be protected and amplified during diversification rather than being stretched or cannibalized.

In a firm such as WSA, design reputation, integrated project management routines, and long-term client relationships qualify as VRIN assets that must not be compromised by entry into unrelated activities. RBV also emphasizes resource complementarity and synergy, highlighting that diversification creates value when resources can be shared and recombined across units to produce benefits that exceed their standalone use ([Wang et al., 2025](#)). In construction, this typically involves transferring project management methodologies, design templates, and client engagement practices across sectors and service lines.

Dynamic capabilities theory extends the resource-based view (RBV) by explaining how firms renew and reconfigure resources in changing environments. [Teece \(2018\)](#) defines dynamic capabilities as the ability to integrate, build, and reconfigure internal and external competencies to address rapid change. [Barbosa and Carvalho \(2024\)](#) highlight three components: sensing opportunities and threats, seizing them through resource mobilization and investment, and transforming organizational structures and routines to sustain advantage. In construction, sensing includes scanning for shifts in demand, such as rising sustainability requirements and healthcare infrastructure growth; seizing involves mobilizing talent, capital, and partners to enter new segments; and transforming concerns reconfigures governance and routines so that new activities are integrated rather than bolted on.

In addition to resource-based and dynamic perspectives, the notion of strategic fit is central to explaining the performance of diversification. Strategic fit refers to the alignment between new activities and existing resources, capabilities, and organizational characteristics ([Xu, 2023](#)). [Le \(2019\)](#) identified multiple fit dimensions, including market, operational, cultural, and financial fit. In construction, competence fit captures the extent to which diversification leverages existing capabilities, for example, moving from interior design to full construction services or adding sustainability consulting that builds on technical and design knowledge. Market fit concerns the transferability of local regulatory knowledge, client preferences, and competitive insights into adjacent segments, such as shifting from private commercial to government projects.

Resource fit refers to whether the available financial and managerial resources are sufficient to support new activities without starving core operations ([Schommer et al., 2019](#)). Cultural fit refers to whether the values and working norms required in new business areas are compatible with the existing organizational culture. Empirical studies have consistently found that higher levels of strategic fit are associated with stronger diversification performance. For mid-sized construction firms, this evidence supports a cautious, sequential approach that prioritizes adjacent moves with high fit over simultaneous entry into unrelated domains.

The industrial organization (I/O) model provides a complementary, externally focused lens by emphasizing the role of industry structure and competitive forces in shaping firm strategy and performance ([Gupta, Kr Singh, Kamble, & Mishra, 2022](#); [Paksoy, Gunduz, & Demir, 2023](#)). In contrast to RBV, which emphasizes internal resources, the I/O model adopts an outside-in sequence, in which firms first analyze the general environment, evaluate industry attractiveness and competitive pressures, conduct detailed market segmentation and positioning analyses, and only then formulate and implement strategies. In the construction industry, this involves assessing macroeconomic trends, infrastructure policies, foreign investment regulations, and social and technological developments ([Wibowo, Satria, Gaol, & Indrawan, 2024](#)).

Industry analysis employs Porter's five forces to evaluate rivalry, supplier and buyer power, the threat of substitutes, and barriers to entry, which are often significant owing to licensing, safety, and capital requirements. Given the fragmentation and project-based nature of construction markets, a deeper market analysis is needed to understand segment-level growth prospects, client decision processes, and competitor positioning. For mid-sized firms in emerging economies, the enhanced I/O model underscores that successful diversification presupposes a thorough understanding of industry and market structure, not merely an assessment of internal capabilities. It also highlights that external volatility simultaneously generates diversification opportunities and increases the difficulty of maintaining stable competitive configurations.

Parenting advantage theory further refines the analysis by focusing on how a corporate center can add value to its business units beyond what they could achieve on their own ([Feldman, 2021](#)). For diversified construction firms, parenting advantage is created when the corporate center orchestrates knowledge transfer, skill deployment, financial resource allocation, and reputation leveraging across service lines. Knowledge transfer mechanisms include formal knowledge management systems that capture and disseminate design solutions, construction methods, problem-solving approaches, cross-functional teams and rotations that move key personnel across units, and mentoring and training programs that transmit tacit project and client management skills.

Skill transfer enables project management excellence, design mastery, and client relationship practices to be applied throughout the portfolio, supporting consistent quality and premium positioning. A financial parenting advantage is realized through centralized financial management, cross-subsidization of emerging businesses from mature cash-generating units, and portfolio-level risk diversification. Reputation leveraging involves brand extension, the diffusion of uniform quality standards, and the use of industry recognition to accelerate entry into new segments ([Piyawongwathana & Onkvisit, 2021](#)). In a mid-sized construction context, where corporate and business unit boundaries may be less formal than in large conglomerates, parenting advantage still applies conceptually but must be operationalized through lean governance structures and focused integration mechanisms.

These theoretical strands converge in the growing literature on the integrated conceptual frameworks of strategic diversification and core competence preservation. Scholars argue that robust frameworks should combine external analysis from the I/O model, internal assessment from the RBV and core competence theory, dynamic capabilities for adaptation, strategic fit criteria, and parenting advantage mechanisms for value creation across units ([Gupta et al., 2022](#); [Teece, 2018](#)). In such frameworks, external environment and industry analyses establish an opportunity set and constraints for construction firms in specific markets.

RBV and core competence mapping identify the VRIN resources and critical capabilities that must be protected and leveraged. Strategic fit assessment screens diversification options for competence, markets, resources, and cultural alignment, favoring adjacency moves and related diversification. Parenting advantage analysis clarifies how knowledge, skills, finances, and

reputation can be orchestrated at the corporate level to support new ventures. Dynamic capabilities provide the mechanisms through which sensing, seizing, and transforming are implemented over time, ensuring that diversification paths remain coherent with the evolving environmental conditions and internal capabilities of the firm.

2.1 Research Propositions

The literature indicates that the success of diversification in mid-sized construction firms is contingent upon the alignment of external market attractiveness with internal capability fit. However, existing research seldom translates this alignment into a structured implementation roadmap with explicit governance mechanisms tailored for volatile emerging markets. Building on this synthesis, this study proposes four propositions to guide the empirical analysis. Proposition 1 posits that related diversification with high strategic fit is more likely to enhance performance than unrelated diversification. Proposition 2 suggests that diversification generates value when it leverages and recombines VRIN resources, whereas initiatives that extend beyond the firm's VRIN base increase execution risk. Proposition 3 asserts that dynamic capabilities, particularly sensing, seizing, and transforming, enable firms to sequence diversification and integrate new activities without compromising the core. Proposition 4 contends that performance management systems, operationalized through a balanced scorecard, enhance implementation discipline and provide early warnings that help safeguard core competencies during diversification.

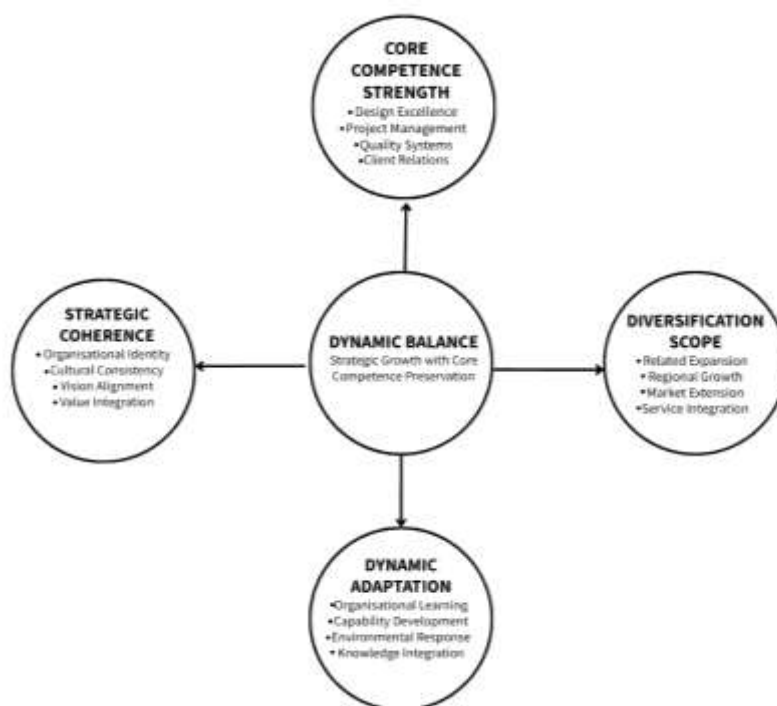


Figure 1. Conceptual framework

Figure 1 presents a comprehensive overview of the integrated framework of the study. The external analysis, encompassing market segmentation and industry structure, delineates the opportunity set, whereas the internal analysis, utilizing VRIN and dynamic capabilities, identifies the firm's credible deliverables. Governance mechanisms, including parenting advantage and balanced scorecard monitoring, facilitate the translation of strategic choices into coordinated execution and organizational learning. This framework informs the empirical structure of Section 4 by connecting segment diagnosis, fit assessment, and the resultant phased diversification roadmap.

When applied to mid-sized construction firms in emerging economies such as Indonesia, the integrated framework must also accommodate sector-specific and size-related constraints. Project-based operations, cyclical demand, and regulatory complexity limit the scope of large, simultaneous

diversification moves and favor sequential expansion that preserves the operational discipline. Emerging market volatility, shifting regulatory regimes, and uneven capital access require heightened dynamic capabilities and prudent risk management ([Wibowo et al., 2024](#)). Managerial bandwidth limitations and restricted financial buffers imply that misaligned diversification moves can quickly erode core competencies and compromise survival. Therefore, the literature suggests that medium-sized firms should pursue sequential, core-adjacent diversification anchored in a strong strategic fit and supported by explicit mechanisms for competence preservation, organizational learning, and parenting advantage.

3. METHODOLOGY

The research methodology in this study denotes the organized outline of the methods and techniques used to investigate strategic diversification in relation to mid-sized construction firms. The complexity of strategic diversification, which cuts across organizational structure, stakeholder dynamics, and a volatile emerging market environment, requires a methodological design that can capture both depth and breadth. For this reason, this study adopts a mixed-methods strategy that reflects established traditions in construction research, while extending them to the firm level and diversification as a longitudinal strategic process. This research is anchored in a pragmatic paradigm, emphasizing the selection of methods based on their efficacy in addressing managerial problems while simultaneously recognizing the socially constructed nature of meaning and the regulatory function of performance metrics and financial indicators ([Kaushik & Walsh, 2019](#); [Laari, 2025](#)).

3.1 Research Design

This study employs a sequential explanatory mixed methods design to understand how WSA Construction + Planning has managed to diversify strategically while sustaining its core competency. Mixed methods are appropriate because strategic diversification combines observable performance outcomes with less tangible organizational processes, such as decision-making, capability development, and culture ([Mikalef, Boura, Lekakos, & Krogstie, 2019](#)). Quantitative indicators alone cannot explain how particular diversification choices were made or why certain approaches succeeded, whereas qualitative insights alone cannot demonstrate patterns in performance and risk. The sequential design addresses this limitation by starting with a qualitative phase that explores WSA's diversification journey in depth, followed by a quantitative phase that validates and generalizes the key insights ([Mikalef et al., 2019](#)). Integration points are embedded so that qualitative findings inform instrument design and variable selection, and final inferences emerge from a joint interpretation. This structure is consistent with [Yin \(2018\)](#) recommendations for explanatory case study research design.

Data collection followed a sequential explanatory approach. In the qualitative phase, semi-structured interviews and document analysis captured perspectives from senior leadership, operational managers, key clients, and industry stakeholders ([Makateng & Mokala, 2025](#); [Yin, 2018](#)). Purposive, criterion-based sampling prioritized role diversity and information-rich informants; six primary interviews were considered adequate given the bounded case focus and were triangulated with internal documents, sector reports, and quantitative performance indicators to strengthen credibility and dependability ([Campbell et al., 2020](#); [Guest, Namey, & Chen, 2020](#)).

Within this paradigm and design, the study adopts a single-case study strategy, focusing on WSA Construction + Planning. The case fulfils several of [Yin \(2018\)](#) criteria: the strategic diversification of an emerging market construction firm represents a contemporary and evolving problem; the volatility of the Indonesian construction industry and the 17-year trajectory of WSA provide unusually rich contextual material; theory on diversification and core competence preservation in mid-sized construction firms remains sparse; and WSA offers an exemplary case with documented success, reflected in 100% on-time delivery across 238 projects. A single-case design facilitates a deep longitudinal analysis of diversification moves, their rationales, and their consequences, in line with the emphasis on interpretive richness ([Ridder, 2017](#)).

3.2 Data Collection

Data collection adhered to the principles of a sequential explanatory design. The qualitative phase integrated semi-structured interviews and document analysis. Semi-structured interviews were employed to obtain detailed insights from strategically selected participants who have influenced or observed WSA's diversification process (Makateng & Mokala, 2025). Purposive and criterion-based sampling identified senior leadership as sources of strategic intent and decision rationale, operational managers as interpreters and implementers of strategy, key client representatives as external validators of competence and performance, and external industry stakeholders as providers of a broader market and competitive context (Yin, 2018). The selection strategy aligns with recommendations that purposive sampling in implementation and organizational research should prioritize information-rich cases, multi-level perspectives, and the diversity of roles to enhance credibility, transferability, dependability, and confirmability (Campbell et al., 2020). The final configuration of approximately six core informants conformed to focused case study norms and supported theoretical saturation (Guest et al., 2020).

The interviews were guided by a protocol that combined standardization with openness (Makateng & Mokala, 2025). Questions were clustered around four broad themes that mirror the research questions: market dynamics and competitive positioning; decision-making and risk evaluation in strategic diversification; evolution and protection of core competencies; and execution, resource allocation, and performance evaluation. Within each theme, open questions allowed probing and elaboration. Interviews were conducted either face-to-face or via video conference, recorded with consent, transcribed, and supplemented by field notes, in accordance with ethical guidelines. Document analysis complemented the interviews and served as an important source of triangulation. Internal WSA documents, including strategic plans, annual reports, project portfolios, financial statements, organizational charts, and internal communications, provide longitudinal evidence of strategy, structure, and WSA performance. External documents, such as industry reports, government policy documents, trade association publications, and academic or consultancy studies on Indonesian construction, place WSAs within the broader sectoral and regulatory environment (Wibowo et al., 2024). Client and project documents provide details on scope, delivery, and satisfaction. Documents were systematically catalogued and cross-checked to support authenticity and traceability.

The quantitative phase focused on key performance indicators aligned with the theoretical framework. Financial data included revenue growth by service line, profit margins, revenue concentration and diversification ratios, and investments in capability development. Operational metrics encompassed project delivery performance, client satisfaction and retention, productivity and efficiency measures, and safety and compliance. Strategic development indicators captured the sectoral and geographic spread of projects, headcount growth and structural changes, and innovation investments and timelines. Core competence preservation measures included awards, repeat business ratios, retention in critical roles, and training or certification records (Hair Jr et al., 2021). These data were extracted from the WSA's internal performance systems using standardized protocols.

In addition, structured survey instruments were developed to quantify perceptions and validate qualitative themes. Surveys were distributed to a broader set of WSA employees, client representatives, and industry experts. The items measured perceptions of WSA's core competencies over time, evaluations of diversification success factors, assessments of competitive positioning, and satisfaction with service delivery across business units. The scales used closed-ended, ranked, and Likert-type items constructed in line with psychometric guidelines (Sultana & Yesmin, 2024). Reliability and construct structure were tested using Cronbach's alpha and exploratory factor analysis.

3.3 Data Analysis and Integration

Qualitative data analysis was conducted following the thematic analysis framework established by Braun and Clarke (2019), as operationalized (Thompson, Deatrick, Knafl, Swallow, & Wu, 2022). Audio recordings were transcribed, verified, and imported into NVivo 12, along with digitized documents (Allsop, Chelladurai, Kimball, Marks, & Hendricks, 2022). The researcher initially engaged with the data through repeated readings and memo writing, subsequently coding transcripts and documents deductively, using categories derived from the theoretical framework, and

inductively, allowing for the emergence of new concepts ([Kaur, Abu-Qamar, Rashidi, McKay, & Saunders, 2025](#)). Codes pertaining to diversification mechanisms, competence preservation practices, stakeholder experiences, performance outcomes, and risk management approaches were organized into candidate themes. These themes underwent iterative review and refinement across data sources, sub-cases, and time periods to ensure internal coherence and external distinctiveness ([Makateng & Mokala, 2025](#)). Directed content analysis was employed to quantify the frequency and co-occurrence of theoretically significant constructs. Within-case analysis reconstructs WSA's diversification trajectory chronologically, whereas cross-case analysis compares service lines, phases, and stakeholder groups to identify recurring patterns.

Quantitative data were analyzed using descriptive and inferential statistics. Time-series analyses of financial and operational indicators describe growth, volatility, and shifts in performance before and after key diversification moves. Revenue diversification is measured using the Herfindahl–Hirschman Index. Benchmarking compares the WSA's internal units over time and, where possible, positions them against industry standards. Correlation and regression analyses were used to explore the associations between diversification intensity, capability investments, and performance outcomes. Survey data were examined for reliability, factor structure, group differences, and rankings of perceived success factors.

The integration of qualitative and quantitative findings follows the triangulation and joint display principles ([McCrudden, Marchand, & Schutz, 2021](#)). Data triangulation combines multiple stakeholder perspectives, documents, and performance metrics. Methodological triangulation compares interview narratives, document evidence, and statistical patterns. Investigator triangulation, where more than one researcher codes a subset of data, tests inter-rater reliability. Theory triangulation interprets findings through the lenses of resource-based, dynamic capabilities, and core competencies. Joint displays juxtapose qualitative themes with quantitative indicators to assess convergence, complementarity, or divergence. Member checking with key informants, peer debriefing, detailed audit trails, and rich contextual descriptions enhance credibility, dependability, and transferability ([Ahmed, 2024](#)).

4. RESULT AND DISCUSSION

Using a qualitative approach enriched with targeted quantitative validation, this chapter analyzes strategic diversification opportunities for WSA Construction + Planning. The analysis integrates interview evidence, survey responses, sector intelligence, and internal performance records to derive a coherent strategic trajectory. Across the results, related diversification that leverages WSA's execution reliability and sustainability know-how is consistently more attractive than unrelated moves, with institutional healthcare projects and sustainability consulting emerging as the strongest capability-consistent growth paths. Scenario-based financial projections are presented later as supportive evidence and are interpreted cautiously given their sensitivity to assumptions. Overall, the findings align with resource-based and dynamic capability perspectives, which state that defensible diversification is sequenced, fit-oriented, and governed through disciplined performance monitoring ([Teece, 2018, 2025](#)).

4.1 Market Segmentation and Consumer Decision Framework (RQ1)

The Indonesian construction market served by WSA can be divided into four principal segments: consumer, business, government, and institutional. Each segment possesses distinct procurement logics, purchasing criteria, and expectations that shape the relevance of WSA's capabilities ([Ferreira & Silva, 2022](#)). Segmentation in this study was derived from qualitative interviews with clients, industry experts, and internal WSA managers, supplemented with survey data from industry representatives across multiple project types.

In the consumer market, clients are predominantly individual homeowners who commission new houses or major renovations. Decisions are emotionally laden and heavily influenced by trust, perceived integrity, and interpersonal chemistry between the homeowner and contractor ([Ponathil et al., 2021](#)). Aesthetic preferences, visual design presentations, and the ability to translate a personal "vision" into a concrete design are central. Price remains important but tends to be traded off against perceived reliability, quality, and communication. Decision cycles are often long because family

members, architects, and informal advisors all contribute to the final choice, which reinforces the importance of relationship marketing and referral-based reputation in the construction industry. In the business segment, clients comprise companies that commission offices, commercial spaces, or light industrial facilities. Their procurement processes are more formal and structured, often using a Request for Proposal stage, explicit evaluation criteria, and mandatory technical qualifications. Time certainty is highly salient because construction delays directly translate into lost operating revenue. Decision-making is driven by execution reliability, project management capability, compliance with safety and quality standards, and the ability to coordinate with multiple stakeholders. This behavior reflects transaction cost logic, in which firms prefer reliable partners to reduce uncertainty and performance risk ([Barbosa & Carvalho, 2024](#)).

The government segment operates under legally prescribed procurement procedures based on Presidential Regulation No. 12/2021 and the associated rules of the Ministry of Public Works and Housing, Indonesia. Competitive bidding processes emphasize strict qualification criteria, cost competitiveness, and extensive documentation. Compliance and price discipline dominate, and opportunities for value-added differentiation are heavily constrained by standardized tender evaluation mechanisms. This environment illustrates institutional theory, in which conformity to formal rules and norms largely determines legitimacy and the selection of a board member. The segment offers a significant volume; however, intense competition and low margins reduce its strategic attractiveness.

Institutional clients include educational institutions, healthcare facilities, religious organizations, and non-profit entities. This segment is increasingly driven by sustainability, stakeholder expectations, and the long-term performance of assets. Survey data indicate a substantial upward shift in the weight assigned to environmental performance criteria since 2020. Procurement processes emphasize alignment with the organizational mission, the ability to operate safely in occupied facilities, and the willingness to form long-term, partnership-oriented relationships. Decision-makers stressed the need for contractors who understand operational continuity, particularly in hospitals and active campuses, rather than treating projects as standard new builds. This pattern supports stakeholder theory, which emphasizes the need to attend to diverse and sometimes conflicting interests among multiple stakeholders ([Freeman, Dmytriiev, & Phillips, 2021](#)).

This study integrates these four segments into a unified consumer decision-making framework, drawing on classical models of purchase behavior ([Lemon & Verhoef, 2016](#)). Need recognition varies across segments: consumer clients react to life cycle events and property conditions; business clients respond to strategic expansion or productivity constraints; government agencies are driven by budget cycles and development programs; and institutional clients react to capacity constraints, regulatory requirements, or strategic repositioning, such as accreditation or ESG commitments ([Indah & Widyaningsih, 2025](#)). Information search patterns also differed among the groups. Consumer clients rely mainly on personal referrals, online reviews, and visual portfolios; business and institutional clients emphasize track records, technical qualifications, and reference checks; and government buyers rely almost exclusively on formal registries, previous official performance, and statutory compliance.

A strong digital presence and a clearly documented portfolio are necessary; however, interviews show that digital visibility alone is seen as “table stakes” rather than a basis for durable differentiation. The evaluation of alternatives follows different decision rules. Consumer clients tend to use compensatory approaches that trade off design quality, price, and perceived reliability. Business clients often employ lexicographic rules with schedule reliability as the primary “knock-out” criterion. Government clients use conjunctive rules to eliminate any bidder that fails to meet the minimum thresholds of qualifications, technical specifications, or pricing constraints ([Ferreira & Silva, 2022](#)). Institutional clients frequently adopt hybrid approaches that incorporate both formal criteria and softer assessments of shared values, mission alignment, and sustainability performance.

At the decision stage, emotional factors and perceived relationship quality exert a significant influence, particularly in the consumer and institutional segments. In the business segment, tie-breaking choices between similarly qualified contractors are largely driven by perceived risk mitigation, track records, and responsiveness during negotiations. Government decisions remain

tightly rule-bound and heavily price-driven. Post-purchase evaluation is critical in all segments because repeat business and referrals are essential drivers of long-term profitability ([Izumi, Ghaffar, & Setiawan, 2025](#)). The study found that communication, schedule adherence, operational continuity, and documentation quality drive satisfaction in varying weights across segments, reinforcing the need for segment-specific value propositions and service delivery models.

4.2 Market Attractiveness and Strategic Fit

Market attractiveness is assessed using segment size, growth, competitive intensity, profitability, and alignment with WSA's core competencies. Industry data indicate that the business and institutional segments are expanding faster than the consumer and government segments, with the institutional market showing particularly strong growth owing to healthcare expansion and educational infrastructure investments. Healthcare construction, in particular, exhibits high forecast growth due to demographic trends, health insurance expansion, and sustained government and private investments.

A Porter's five forces analysis shows that competitive rivalry is very intense in commercial and government projects, with numerous similarly qualified contractors, high buyer power, and limited ability to differentiate beyond price ([Atswenbuma et al., 2024](#); [Baird, Nuhu, & Jiao, 2024](#)). Supplier power is moderate and can be mitigated through volume purchasing and strategic alliances ([Sandoval, Krystallis, Whitmore, & Huemann, 2025](#)). The threat of new entrants is moderate and is constrained by licensing and capital requirements; however, it remains meaningful for price-driven segments. The threat of substitutes remains relatively low, although modular and prefabricated solutions are gaining traction in basic residential and standardized commercial buildings.

Within this landscape, institutional construction, especially in healthcare and complex educational facilities, stands out as more structurally attractive. The number of capable competitors is relatively limited, switching costs are higher owing to relationship specificity and technical complexity, and buyer decisions consider risk, quality, and sustainability alongside price. These conditions favor differentiated, capability-based positioning aligned with WSA's strengths ([Atswenbuma et al., 2024](#); [Baird et al., 2024](#)).

Strategic fit is evaluated using the VRIN framework and the resource-based view ([Barney et al., 2021](#)). WSA's key competencies include execution excellence, sustainable construction practices, client relationship management, integrated project delivery, technical expertise in complex building systems, and formal quality assurance systems. Execution excellence, reflected in a 100% on-time delivery record across 238 projects, is both highly valuable and relatively rare in a market where schedule overruns are common. It is partially inimitable because of embedded routines, culture, and tacit knowledge and is particularly significant in healthcare and institutional settings, where delays directly affect operations.

Sustainable construction capability, developed through multiple green-certified projects, is increasingly valuable as ESG frameworks and regulatory expectations strengthen ([Indah & Widyaningsih, 2025](#)). Although aspects of sustainable construction can be learned, deep experience, specialized tools, and client relationships create meaningful barriers to imitation in the short to medium term. This competency is both valuable and strategically significant as a platform for diversification into sustainability consulting. Client relationship management, integrated project delivery, and technical expertise in specialized systems (such as medical gases, specialized HVAC, and building automation) provide additional differentiation, especially in relationship-intensive or technically complex projects. Quality assurance systems, while important, represent thresholds rather than distinctive capabilities, given the widespread adoption of ISO-based management systems. Overall, the analysis indicates that WSA's strongest strategic fit lies in institutional projects requiring high execution reliability and sustainability performance, particularly in healthcare facilities, rather than commodity-like government contracting or intensely price-driven commercial work.

Dynamic capability analysis further reinforces this conclusion. WSAs demonstrate strong seizing capabilities in project mobilization and execution, but more modest sensing capabilities and only emergent transforming capabilities ([Barbosa & Carvalho, 2024](#); [Schilke, Hu, & Helfat, 2018](#); [Teece, 2018](#)). Historically, growth has come from the organic extension of existing services rather than deliberate entry into new segments or business models. Therefore, the proposed diversification

trajectory requires deliberate strengthening of sensing (market intelligence, structured research) and transforming (organizational learning, structural adaptation) capabilities to support sustainable expansion.

4.3 Strategic Diagnosis and Competitive Positioning (RQ2)

Portfolio analysis using a service-adapted BCG matrix shows that commercial construction currently plays the role of a cash generator, providing stable revenues but exposing WSAs to client concentration risk and intensifying competition ([García-Vidal, Sánchez-Rodríguez, Pérez-Campdesuñer, & Martínez-Vivar, 2023](#)). Residential work delivers high margins but on a limited scale. Government projects grow quickly in volume but offer thin margins because of low-price tendering and payment delays. Institutional projects, although still a relatively small proportion of revenue, exhibit attractive growth and solid margins, positioning them as high-potential candidates for strategic investment.

The five forces analysis confirms that WSA currently competes with a differentiation strategy, charging a price premium relative to market averages and emphasizing quality, reliability, and integrated service offerings ([Atswenbuma et al., 2024](#)). Surveys and interviews indicate that clients recognize and value these attributes; however, commoditization pressures erode perceived differentiation in standard segments, where many contractors are regarded as delivering “similar quality” once basic qualification thresholds have been met. Therefore, WSA’s differentiation is strong but fragile; it is appreciated among existing institutional and premium clients but not widely visible in broader markets.

This research identifies two particularly powerful differentiation opportunities that build on the WSA’s resource base and dynamic capabilities. The first is sustainability leadership: positioning the WSA as a contractor and consultant capable of delivering measurable environmental performance through green-certified projects, energy and water savings, and lifecycle cost optimization ([Hajar et al., 2021](#)). The second is deep specialization in healthcare construction, where operational continuity, regulatory compliance, and highly specialized systems create high barriers to entry and support premium pricing while aligning with social and policy trends favoring expanded healthcare capacity.

4.4 Strategic Trajectory and Diversification Patterns (RQ3)

Drawing on Ansoff’s matrix and diversification literature, this study examines alternative growth trajectories and their associated risk-return profiles ([Ansoff, 1957](#); [D’Oria et al., 2021](#); [Schommer et al., 2019](#)). Evidence from industry cases indicates that medium-sized construction firms achieve superior outcomes when they pursue related diversification, either through geographic expansion, service line extension, or vertical integration, rather than through unrelated diversification into entirely new industries.

For WSA, three main related diversification avenues were evaluated: geographic expansion into new urban regions, extension into sustainability consulting and facility-related services, and vertical integration along the project lifecycle. A risk-return assessment shows that healthcare construction specialization provides the most attractive combination of expected return, strategic fit, and implementation complexity, with projected returns above 30% over five years and manageable risk if entry is staged and supported by partnerships. Sustainability consulting also offers compelling economics and strong alignment with existing competencies but requires more significant changes to business models, identity, and skill sets. Geographic expansion provides moderate returns and risk reduction through revenue stream diversification but depends on prior capability strengthening.



Figure 2. Product-market growth matrix for WSA strategic options

Unrelated diversification options, such as launching independent real estate development ventures, appear financially tempting on paper but are assessed as strategically dangerous. They would dilute managerial attention, demand capabilities that are not readily transferable from WSA’s current core, and expose the firm to unfamiliar risks. Consistent with resource-based arguments, this study advises against unrelated moves and emphasizes building on WSA’s distinctive capabilities in execution, sustainability, and complex institutional projects ([Barney et al., 2021](#)).

Therefore, the preferred diversification trajectory emphasizes three sequential moves. First, deepen the specialization in healthcare construction as the primary growth driver. Second, develop sustainability consulting as a complementary but distinct service line, leveraging WSA’s green-building experience. Third, selective geographic expansion should be pursued once healthcare and sustainability engines are sufficiently established. A phased approach enables capability development and risk control while preserving and amplifying core competencies rather than stretching them thin.

4.5 Business Solution

4.5.1 Integrated Strategic Positioning Framework

The integrated strategic framework developed in this study combines market segmentation, competitive analysis, and core competence assessment to define WSA’s desired position. WSA Construction + Planning is recommended to pursue a focused differentiation strategy targeting healthcare and sustainability-conscious institutional clients anchored in execution excellence, sustainable construction leadership, and integrated project delivery. Rather than competing across all segments on price, WSA should selectively concentrate its resources in areas where its capabilities command a visible premium ([Payne, Frow, Steinhoff, & Eggert, 2020](#)).

Within this positioning, two value propositions are central to the study. For healthcare construction, WSA offers the ability to deliver projects in active healthcare environments with minimal disruption, strict adherence to clinical regulations, and specialist technical systems, while maintaining absolute schedule reliability and high safety standards. For sustainability-focused institutional clients, WSA positions itself as a partner that can translate sustainability strategies into built outcomes, combining advisory capabilities with execution competence and providing measurable environmental and financial performance ([Garcés, Forcael, Osorio, Castañeda, & Sánchez, 2025](#)).

4.5.2 Service Portfolio Strategy and Value Innovation

To support strategic positioning, this study proposes targeted enhancements to WSA's core construction service offerings. Transitioning selected institutional contracts to guaranteed maximum price structures helps align incentives, contain client cost risk exposures, and justify premium fees through cost certainty and disciplined project control. Developing capabilities for integrated project delivery and early contractor involvement enables closer collaboration with designers and owners, reduces design-construction conflicts, accelerates schedules, and creates opportunities for value engineering ([Olaseni, 2022](#)).

Performance-based contracting, particularly in energy and sustainability outcomes, further differentiates WSA by explicitly linking fees to achieved performance metrics rather than scope-based deliverables alone ([Indah & Widyaningsih, 2025](#)). While such models increase WSA's exposure to performance risk, careful target setting, robust measurement systems, and clear contractual allocation of uncontrollable factors can create a distinctive proposition for sophisticated institutional clients seeking accountable partners.

This study also outlines a phased roadmap for developing sustainability consulting as a new service line. In the initial phase, sustainability services are integrated into construction projects, including certification management, energy modelling, and construction waste optimization. In the next phase, WSA expands into stand-alone advisory work for clients' broader portfolios, offering sustainability strategies, energy audits, life cycle assessments, and ESG reporting support. In the final phase, sustainability consulting evolves into a specialized business focused on climate resilience, circular construction, and advanced ESG advisory targeted at large institutional and corporate clients. Across these phases, investments in specialist talent, analytical tools, and thought leadership are cumulatively required but generate progressively higher-margin, knowledge-based revenue streams.

4.5.3 Organisational Capability Development and Implementation

Implementing a strategic trajectory demands deliberate capability building in human capital, technology, processes, and partnerships ([Teece, 2018](#)). Key gaps include a limited pool of healthcare construction specialists, nascent sustainability consulting expertise, basic digital construction capabilities, and informal organizational learning mechanisms. This study proposes the targeted recruitment of healthcare project leaders, sustainability consultants, and digital construction experts, complemented by structured professional development and internal talent acceleration programs.

On the systems side, the WSA needs to deepen its BIM usage from basic coordination and visualization to fully integrated digital delivery supporting design optimization, cost estimation, scheduling, and facility handover. Cloud-based project management platforms, sustainability analysis tools, and enhanced financial and business intelligence systems are also required to manage complexity, control risks, and support data-driven decisions. Strategic partnerships with healthcare designers, medical equipment suppliers, sustainability technology providers, and regional contractors can accelerate capability acquisition, reduce entry risk, and provide early market credibility ([Dyer, Singh, & Hesterly, 2018](#)).

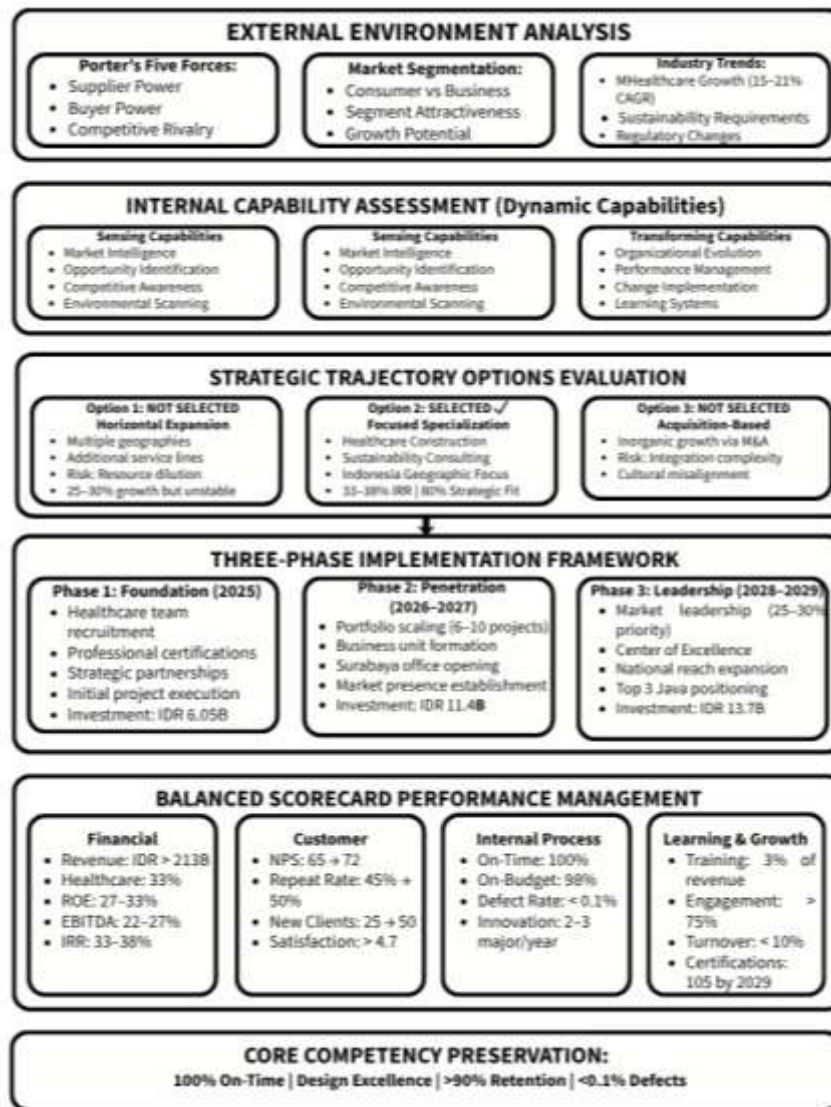


Figure 3. Integrated strategic diversification framework for mid-sized construction firm

A five-year implementation roadmap translated these directions into phased initiatives, starting with capability foundations in healthcare, sustainability, and digital systems, followed by market penetration, portfolio optimization, and eventual market leadership in target segments. Investments are staged to maintain financial discipline and ensure that organizational capacity is not overstretched. Balanced scorecard metrics across financial, customer, internal process, and learning perspectives were defined to monitor progress, preserve core competencies, and enable adaptive course corrections.

Under a base-case scenario, the recommended diversification roadmap is projected to lift revenues to approximately IDR 215 billion by Year 5 and deliver an estimated IRR of approximately 34% on the proposed investment, assuming disciplined execution, stable margins, and effective risk controls. Because these projections are scenario-based, the return profile is sensitive to a small set of drivers, particularly project win rates in target institutional segments, margin control, and the timing of capability investments; conservative assumptions therefore reinforce the need for tight governance and frequent performance reviews (Edet et al., 2024).

Risk analysis highlights organizational capacity limits, healthcare entry execution risk, talent acquisition challenges, and macroeconomic volatility as the most significant threats. Therefore, mitigation measures emphasize phased implementation, conservative selection, and over-resourcing of early healthcare projects, premium and purpose-driven value propositions for specialized hires, a

counter-cyclical focus on healthcare and institutional segments, and robust cash and capital structure management.

5. CONCLUSIONS

5.1 Conclusion

This study examined how WSA Construction + Planning, a mid-sized Indonesian construction firm, can diversify strategically while protecting its core competencies using a sequential mixed-methods case design. The analysis combines market segmentation and industry structure with VRIN-based capability assessment, dynamic capabilities, and performance management to evaluate diversification options and their implementation requirements.

The findings indicate that institutional healthcare construction and sustainability-linked services offer the strongest combination of market attractiveness and strategic fit, whereas broad participation in highly price-driven segments and unrelated real estate development increases the risk of strategic drift and execution failure. In resource-based terms, the most defensible growth path is one that leverages and recombines the WSA's distinctive execution routines, client relationships, and sustainability experience rather than stretching into low-fit domains.

From a dynamic capabilities perspective, the central managerial task is sequencing and integration: strengthening sensing and transforming routines, building specialized talent and partnerships, and institutionalizing monitoring through a balanced scorecard so that early warning signals can trigger timely course correction. The resulting framework and roadmap offer transferable lessons for mid-sized contractors in volatile emerging markets that must pursue growth without sacrificing operational discipline and core competence.

Practically, this study contributes a decision framework that ties external opportunity assessment to capability constraints and a monitoring architecture that protects the core business during diversification. The proposed approach helps managers translate diversification intent into measurable execution priorities across financial outcomes, customer value, internal process reliability, learning, and growth.

5.2 Research Limitations

This study uses a single-case design to develop context-rich explanations of how a mid-sized contractor can diversify while protecting core competencies. Therefore, the findings support analytical generalization to similar settings rather than statistical generalization, and they should be interpreted in light of WSA's specific market position, governance, and project portfolio. The empirical evidence also has practical constraints. Interviews are subject to recall and social desirability bias, and the number of primary informants limits the breadth of perspectives that can be captured in one firm. Although the study triangulates interviews with documents, sector reports, and performance indicators, some internal records vary in completeness across business units and time periods, which can affect the precision of trend interpretations.

In addition, the financial projections presented in the results are scenario-based. They are useful for comparing strategic options; however, they remain sensitive to assumptions about demand realization, project win rates, margin stability, and the timing of investments, especially in regulated and capability-intensive segments such as healthcare. Finally, the balanced scorecard-based monitoring system proposed in this paper is a design recommendation. Because the study does not observe multiple post-implementation cycles, the practical effectiveness of the scorecard, review cadence, and accountability mechanisms should be validated through follow-up evaluations and longitudinal tracking.

5.3 Suggestions and Directions for Future Research

Future research should replicate and extend this study through multi-case comparisons across regions, ownership types, and firm sizes. Such designs can test whether the same "related diversification + capability protection" logic holds under different regulatory regimes, procurement rules, and competitive intensities. Large-sample quantitative work could operationalize strategic fit, dynamic capabilities, and competence preservation, and examine how these constructs predict diversification outcomes. This would help identify which diversification pathways (e.g., healthcare

specialization, sustainability consulting, or selective geographic expansion) consistently deliver superior performance.

Longitudinal studies are needed to observe implementation over time, including how firms institutionalize market sensing, govern cross-unit knowledge transfer, and use balanced scorecard metrics to prevent competence dilution. Additional extensions could examine the roles of digital delivery (e.g., BIM-enabled practices), alliance portfolios, and ESG-driven procurement as moderators of diversification success.

AUTHOR CONTRIBUTIONS

WSA conceptualization, methodology, data collection, analysis, and manuscript drafting. HW supervision, methodology review, and data interpretation. SRS literature review, critical analysis, and manuscript revisions.

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