ABSTRACT

The competitiveness of the national construction services industry needs to be improved. The improvement can be done by innovate consistently and continuously. Every entrepreneur, including a contractor company, is required to innovate consistently and continuously. This research intends to motivate contractor companies to innovate consistently and continuously. However, innovate is not an easy and inexpensive matter. To enlarge the chances of success of the company's innovation, this research also examines the innovation success factors. This research aims to: 1) identify and analyze the innovation made by the large contractors in Indonesia, 2) identify and analyze the factors that influence the success of innovations made by large contractors in Indonesia, and 3) analyze the impact of innovation on the performance of the large contractors in Indonesia.

This research was conducted in two stages, Phase I Model Building and Phase II Model Validation. The model was built by using primary data obtained by sending 452 questionnaires (29.3% of the population) to large contractors who live in the island of Sumatra, Java, Bali, Borneo, Sulawesi and Papua. There were 253 units (16.4% of the population) questionnaires that filled in and sent back, while that can be further analyzed as many as 248 units or 16.1% of the population. The respondents' answers were then analyzed using statistical description methods, Spearman's rank correlation, and analysis of structural equation modeling (SEM) using the partial least squre (PLS) path technique. The results of the analysis was the Model I.

In Phase II, Model I validated using secondary data from 14 large contractors. Secondary data include company annual reports, company annual financial statements, company profile documents, and document presentation of corporate innovations. The documents were analyzed using Innovation on Construction Readiness Level, document analysis and financial analysis. The results of the analysis in Phase II was the Model II that eliminated or removed some indicators in the Model I.

The results of this study are: 1) the quality of innovations produced by large contractors in Indonesia has a fairly good quality; 2) the factors that influence the success of innovation by large contractors in Indonesia are the Driving Factors (owner`s demand/FP1, project problem demand/FP2, and availability of new technologies/FP3), the Internal Factors (creative and innovative employees/FI1, managers who know and understand innovation/FI2, technological capabilities/FI3, and organizational culture/FI5), and the External Factors (internal relations of the construction services industry/FE4); 3) innovation directly affects the Project Performance (project quality improvement/KPr1, accelerate project completion/KPr2, project costs reduction/KPr3, and an increase in owner satisfaction/KPr4), Firm's Competitiveness (improvement of company productivity/KP1, and increase of company profit/KP2), and Firm's Competitive Advantage (productivity excellence/KK1, profit excellence/KK2, and market share excellence/KK3), but indirectly impacts the Firm's Sustainable Competitive Advantage.

Keywords: *competitive advantage, contractor, innovation, performance, sustainable*.