

# Competitive Priorities, Competitive Advantage and Performance of Real Estate Firms in Dubai

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## ABSTRACT

Despite the central role of the real estate sector in a given economy, there is a distinct lack of research that is focused in the area. In Dubai there is not only a marked lack of study, there is also a need for a study which is focused on the competitive priorities, competitive advantage and performance of the real estate firms in the Emirate. This study attempted to address this research issue by examining competitive priorities, competitive advantage and performance of real estate firms in Dubai.

**Keywords:** competitive priorities, competitive advantage, and performance.

## I INTRODUCTION

A review of the manufacturing strategy literature indicates that much of the works on competitive priorities is focused on the manufacturing sector particularly in the developed economies. Even though the study on competitive priorities is focused on the manufacturing sector in developed economies, there are a number of scholars who suggest that the study on competitive priorities should not be limited only to the manufacturing sector. Studies on competitive priorities should be extended to other areas as well. For instance, Phusavat and Kanchana (2007) suggest that the approach used in the manufacturing industry be applied in the service sectors which encompass transportation, retailing, wholesale, finance, tourism and also real estate.

As far as the real estate sector is concern it has always been an important sector of a nation's economy. In general, strategy scholars and practitioners alike, noted that in a growing economy with its increase in individual disposable income, there will be a corresponding demand for real estate investment. More so the demand for real estate is likely to swell for an economy that is experiencing transition say from manufacturing to a more service oriented economy. Despite the central role of the real

estate sector in a given economy, there is a distinct lack of research that is focused in the area. Though there is a marked increase in the research in real estate, studies which are focused on competitiveness, business strategy, the evolution of real estate market, and performance of real estate firms are much needed, (Laposa, 2007)

While there are numerous studies that are carried out in the real estate sector in developed countries there is a marked lack of research among companies engaging in the real estate in the less developed countries, particularly in those countries in the Middle East. Particularly lacking in focus is the study on real estate companies in Dubai. The literature indicates that in Dubai there is not only a marked lack of study, there is also a need for a study which is focused on the competitive priorities, competitive advantage and performance of the real estate firms in the Emirate.

## II LITERATURE REVIEW

Gaining competitive advantage in the real estate sector means that a firm needs to build capability to come up with product or service offerings to its customers. However as author Park & Glasscock, (2010) pointed out mere capability to develop products and services are not enough. The above authors suggest that the extent of service or product offerings would also depend on the operational capability.

The need for greater operational capability hence competitive advantage is even greater among real estate firms in Dubai. In the case of the real estate sector in the emirate of Dubai, it had just experienced a real estate bubble in 2008. In Dubai, the extent of the crisis is reflected in the prices of its real estate. Prices dipped to somewhat less than 50 percent for lesser quality real estates while the prices showed some resilience particularly high quality real estate in attractive location. Several authors considered

the real estate crisis of 2008 as one of the worst global economic crises in 70 years that ever to hit the Middle East area.

#### **A. Competitive Priorities**

Although there are several different views and definitions of competitive priorities, most of the conceptual and empirical studies concur that competitive priorities comprise four basic dimensions: cost, quality, delivery and flexibility. The literature suggest that the above four dimensions form the content of a firm's operational strategy. Over the years scholars have added other dimensions to the four existing ones including dependability, service and innovativeness.

#### **B. Competitive Advantage**

According to Peteraf and Bergen (2003), the ability of a firm to achieve competitive advantage depends on the attributes of the resources and capabilities that a firm possesses. The attributes of the resources and capabilities that enhance competitive advantage among others are difficult to duplicate and durability which is the rate in which a particular resource become obsolete. Strategy which hinges on resource and capabilities with the above attributes when properly applied would lead to competitive advantage, (Porter and Kramer, 2006).

#### **C. Competitive Advantage and Performance**

For the present analysis, a firm which is able to identify and exploit its competitive priorities would be able to generate competitive advantage. The competitive advantage can be in the form of competitiveness in several forms such as competitiveness in terms of market share, profitability, financial return, technological provision, and financial management. Performance in the present study would include average sales and sales growth. A number of studies noted significant relationship between competitive advantage and sales based performance, (Falshaw, Glaister, & Ekrem, 2006).

### **III RESEARCH METHODOLOGY**

#### **A. Sampling and Data Collection**

The real estate companies registered with the Dubai Financial Market's web site were selected as the sample of this study. The web site is located at <http://www.dfm.ae/>. A total number of 66 real estate companies registered with the web site. Originally, out of the 66 real estate

companies contacted, nine companies consisting of 45 managers agreed to participate in the study. However, when the structured questionnaires were mailed to the 45 managers of the nine companies, only 30 managers from six of the nine real estate companies responded.

#### **B. Survey instrument**

The study used structured questionnaire to obtain data from the respondents. The questionnaire consists of three parts. The first part of the questionnaire comprised seven questions on the background of the real estate companies and two questions on the background of the respondents. The second part of the questionnaire cover items on competitive priority, which consisted of four dimensions; quality, cost, flexibility and delivery. There are 34 items covered in the second part. The third part of the questionnaire includes 14 items on competitive advantage. The fourth part of the questionnaire consisted of two items on the performance of the firms which are sales and assets for the past three years

Both the competitive priority items and the competitive advantage items are measured on a scale from strongly disagree (1) to strongly agree (5). The respondents are expected to give their responses based on the scale ranging from strongly disagree (1) to strongly agree (5). The questionnaire was tested for its reliability. The coefficient alpha scores of the measures of competitive priorities and competitive advantage ranged from 0.717 to 0.867.

### **IV THE RESULTS**

#### **A. Background of the Real Estate Companies**

As shown in Table 1, the headquarters of the six real estate companies are located in Dubai. The information on the business activities of the real estate companies, their number of employees, and their paid-up capital are presented in Table 2. Among the business activities of the companies include; development of residential houses, shopping complex and hotels.

**Table 1. Location of the Companies, Area of Operation, Firm Age, and Legal Entity**

Characteristics of the Sample Firms	Frequency
Headquarter in Dubai	6
Area of operations of firm:	
Dubai	6
Other Middle East countries	6
Other countries outside Middle East	4
Age of firm ( years):	
Less than 10 years	1
11-20 years	3
21-30 years	0
More than 30 years	2
Legal entity of the firm:	
Sole. Proprietorship	0
Partnership	0
Private limited	0
Public limited	5
Others	1

Table 2 shows the business activities, number of employees, and paid-up capital. All six companies are involved in the development of residential properties and hotels, while two of the companies are involved only in the development of shopping complex. In terms of the number of employees, two companies employed less than 1000 employees, another two companies employed between 1000 to 2000 employees and remaining two employed 4000-5000 employees, and more than 5000 employees. Two companies had paid-up capital of less than USD 500 million. Another two companies reported having paid-up of between USD 500 million and USD 1000 million. One company had paid-up capital of between USD 1,000 million and USD 1,500 million, and the remaining company had paid-up capital of more than USD 1,500 million.

**Table 2. Business Activities, Number of Employees, and Paid-up Capital.**

Business Activities:	Frequency
Residential houses	6
Shopping complex	2
Hotels	6
Others	6
Number of employees of the firm:	
Less than 1000	2
1001-2000	2
2001-3000	0
3001-4000	0
4001-5000	1
More than 5000	1
Paid-up Capital	
Less than 500 Million	2
501 M-1000 Million	2
1001 M -1500 Million	1
More than 1500 Million	1

In terms of the number of employees, two companies employed less than 1000 employees, while another two companies employed 1000 - 2000 employees. Two other companies, one employed 4000-5000 employees, and another one company employed more than 5000 employees.

The paid-up capitals of the companies are recorded in the US Dollar. Two companies recorded paid-up capital less than USD 500 million and another two companies recorded paid-up capital between USD 500 million and USD 1000 million. One company with paid-up capital between USD 1000 million and USD 1500 million, while another company with paid-up capital of more than USD 1500 million.

### B. Correlations between Competitive Priorities and Competitive Advantage

Table 3 shows the correlation between the quality dimension and competitive advantage items. The quality item 'High performance' recorded significant correlation with the competitive advantage item, 'Technological provision' at the .05 level

**Table 3. Correlation between Competitive Priority (Quality) and Competitive Advantage.**

Quality	Competitive	R	Sig.
High performance	Technological provision.	.377(*)	0.05

The correlation between the cost dimension and competitive advantage is shown in Table 4. As shown there are ten significant correlations between the cost dimension and the competitive advantage items.

**Table 4. Correlations between Competitive Priorities (Cost) and Competitive Advantage**

Cost	Competitive	R	Sig.
Reduce stock costs	Employees professional know how	.422(*)	0.05
Reduce the per unit real estate cost	Profitability	.361(*)	0.05
Reduce materials cost	After sales services	.435(*)	0.05
Reduce materials cost	Supplier loyalty	.430(*)	0.05
Decrease labour cost	Customer loyalty	.371(*)	0.05
Decrease labour cost	Employees' commitment and loyalty	.476(**)	0.01
Apply economy of scale	Profitability	.514(**)	0.01
Apply economy of scale	Financial management	.483(**)	0.01
Apply economy of scale	Employees' commitment and loyalty	.474(**)	0.01
Apply economy of scale	Competitive pricing	.411(*)	0.05

Table 5 shows the correlation between the delivery dimension and the competitive advantage variable.

**Table 5. Correlation between Competitive Priority (Delivery) and Competitive Advantage**

Delivery	Competitive advantage	R	Sig. level
Increase rate of delivery	Employees' commitment and loyalty	.506(**)	0.01
Increase rate of delivery	Firm's reputation	.394(*)	0.05
Provide fast delivery	Location of real estate	.484(**)	0.01
Introduce new product quickly	Market share	.387(*)	0.05
Introduce new product quickly	Profitability	.398(*)	0.05
Introduce new product quickly	Competitive pricing	.474(**)	0.01

### C. Correlations Competitive Advantage and Performance

Table 6 shows the correlation between three competitive advantage items; employees' professional know-how, firm's reputation and location of real estate, and the performance measure, sales growth.

**Table 6. Competitive Advantage and Performance (Sales Growth).**

Competitive Advantage:	Performance	R	Sig. level
Employees' professional know-how	Sales Growth	.422*	.020
Firm's reputation	Sales Growth	.413*	.023
Location of real estate	Sales Growth	.320	.084

The results of the correlation analysis between competitive advantage and the performance measure, assets growth and average assets are shown in Table 7. The results of the correlation analysis indicate significant relationships between the competitive advantage items, employees' professional know-how and firm's reputation, and assets growth at .01 and .02 level. The results of the correlation analysis also indicate significant relationships between the competitive advantage items; employees' commitment and loyalty, Firm's reputation and Location of real estate, and average assets at .04, .002, and .01 level respectively.

**Table 7. Competitive Advantage and Performance (Growth and Average Assets).**

Competitive Advantage:	Performance	R	Sig. level
Employees' professional know-how.	Assets Growth	.459*	.011
Firm's reputation	Assets Growth	.411*	.024
Employees' commitment and loyalty.	Average Assets	.381*	.038
Firm's reputation	Average Assets	.551**	.002
Location of real estate	Average Assets	.461*	.010

## V DISCUSSION AND CONCLUSION

More specifically, the results indicate quality, cost, and delivery are associated to competitive advantage among the real estate firms in the study. These statistically significant relationships between competitive priorities (quality, cost, and delivery) seem to suggest linkage between competitive priorities and competitive advantage. These findings appear to support the notion that competitive priorities are related to competitive advantage as advocated in the literature (Phusavat and Kanchana, 2007; and Wheelright, 1984). Second, the results of the correlation analysis also suggest that there exist significant relationships between competitive advantage and performance. Third, the results of the study indicate that management personnel of the real

estate firms in Dubai emphasized on the competitive priorities that include quality, cost, and delivery.

Finally the study lends further support to the idea that there is a link between competitive advantage and performance (Falshaw, Glaister, & Ekrem, 2006; Newbert, 2008; Peteraf & Bergen, 2003)

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