SUMMARY

SRI DAMAR SETIAWAN. Transformations of Capability and Strategy of the Broadband Service Provider Companies in Facing the Digital Business Era (Case Study of Telkom Group). Supervised by RINA OKTAVIANI, IDQAN FAHMI and SETIADI DJOHAR.

The growing Information and Communication Technology (ICT) industry leads to the convergence of services. The use of the voice services has a downward trend; on the other hand, the data traffic has an upward trend. Increased data traffic is due to increased internet usage as a result of the changing business environment of broadband services that is the increasingly growing use of application and content businesses. The company business environment has experienced a high turbulence situation, marked by the increasing competition among companies. The latest challenge of global companies is the Over the Top (OTT) service, a service that provides applications and contents. The impact felt by the broadband service provider company with the presence of OTT is the decline in its revenue (voice and SMS services) and increased data traffic.

Based on the above problems, this research had the following objectives: 1) to analyse the situational capability of the broadband service provider company in digital business era, 2) to analyse the factors influencing the transformation of capability of the broadband service provider company in facing digital business era, 3) to formulate the strategy of the provider in facing the digital business era, 4) to design conceptual models related to the broadband provider business in the digital business era, and 5) to formulate some implications in the efforts of the company to survive, grow and sustain.

The field research was conducted at a TIK company in Indonesia, namely, Telkom Group from May 2017 to December 2017. The primary data obtained directly from respondents through questionnaires and in-depth interviews, while the secondary data were obtained from literature studies and other data related to the study. Sampling was conducted by a purposive sampling method and snowball sampling.

The methods used in the situational analysis were the descriptive analysis and quantitative analysis. The descriptive analysis was used in the analyses of gap, structure, conduct, and performance based on the secondary data resources and performances of the broadband service provider companies. The situational analysis was used to determine the company capability gap using the capability diagnosis from Ansoff and Donnel (1990). The Structural Equation Modeling (SEM) method was used in the factor analysis that influenced the transformation of the company capability. The Analytical Network Process (ANP) method was used in the priority analysis on the capability transformation and strategies of the broadband service provider company in facing the era of digital business.

The situational analysis of resources indicates that broadband service infrastructure is not evenly distributed throughout Indonesia, and mobile frequency spectrum allocation is limited, and also data traffic is experiencing high growth. The result of the situational analysis on the company performance shows that the growth of the data traffic was larger than that of the data income. The results of structural, conduct, and performance analyses show that high levels of market
concentration for the broadband service industry in Java area and outside Java; therefore, the broadband service provider company should behave collusion behavior, that is by cooperating with its fellow broadband service provider companies. The latest challenges come from the OTT global companies and from the national OTT companies. The other situational analysis results show that the capability of the broadband service provider is not fit to face the challenges in the application and content businesses. It is shown based on the diagnostic results that there is still a gap between the capability of the company with the expected level of future environmental turbulence in the era of digital business.

The results of the analysis on the capability transformation factor show that the broadband service provider company needs to pay attention to the variable of the environmental turbulence, especially the indicator of market turbulence. The company should be able to read market changes that affect its business, and it should focus not only on connectivity business but also on creative efforts leading to digital business. Digital business challenges can be a business opportunity by utilizing the connectivity business advantage by determining management decisions in the form of the appropriate business model and by managing and controlling the implementation. The next attempt is to transform with the execution of management decisions based on the existing process or the existing repair that can produce optimal output. The process of learning and knowledge creation in the transformation process is expected to foster innovation and increase productivity.

The priority analysis on the capability and strategy transformations shows that the highest cluster priority that needs to be considered is dynamic capability. The efforts of the broadband service provider company in coping with the digital business era include the sensing of the business environment to produce sustainable and growing marketing performance by establishing appropriate company management decisions and by conducting the transformation capability process with a collaboration strategy.

A managerial implication that can be formulated is that the company conducts the capability matching toward the environmental turbulence and needs to enhance its profile of management capabilities with their uniqueness. To produce the company optimum performance and to enhance its capability require 3 dynamic capability activities. The efforts to transform the strategy undertaken include the sensing of the business environment to produce sustainable and growing marketing performance by establishing appropriate company management decisions and by conducting the transformation capability process with a collaboration strategy. The theoretical implications that can be formulated include the efforts to increase the company capability on high turbulence using RBV approach and strategic fit.

Further research on dynamic capabilities in the digital business era shall test the research model on the mobile broadband service provider industry in Indonesia.

Keywords: collaboration, broadband, dynamic capability, ICT, transformation