



The Role of Market Attractiveness, Digital Leadership, and Strategic Business on Business Performance of Telematics Industry in Indonesia

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ABSTRACT

This study aims to examine the effect of market attractiveness, digital leadership, and strategic business on business performance. Research data was collected through questionnaires to 55 telematics industry companies in the city of Bandung. The data is then processed using Partial Least Square (PLS). Research found that market attractiveness and digital leadership influence strategic business, where digital leadership has the dominant influence. Digital leadership can encourage business performance, but market attractiveness is not able to directly increase business performance. Strategic business can increase business performance. Market attractiveness and digital leadership can improve business performance through strategic business. These findings provide managerial implications for company management in the telematics industry to prioritize the implementation of strategic business to improve business performance

INTRODUCTION

In Government Regulation Number 14 of 2015 concerning the 2015-2035 National Development Master Plan, it is stated that the Electronics and Telematics industry is one of the priority industries for 2015-2035. The 2021-2025 telematics industry roadmap includes developing competitiveness for animation products, content, and applications as well as how the manufacturing industry and components for telematics devices can compete in the export market.

The development of the telematics industry faces problems including the rise of ICT products originating from China circulating in the market, as well as the threat of products from other ASEAN countries. In addition, the circulation of illegal products originating from the black market is also increasing. The existing infrastructure is still inadequate, in addition to bureaucratic problems which tend to be reactive, not systematic, and inconsistent. (Alamanik, 2016).

In achieving organizational goals, leadership has great importance not only in strategic decisions but also in overall organizational decisions (Hıdıroğlu, 2020). According to Charlier et al. (2016), effective leadership is very important in any organization. To make decisions and provide valuable guidance to employees, every company needs a strong digital leader.

In the new digital era, digital leadership is essential for organizations to survive by adapting and changing business strategies. Poor business performance results from a lack of digital leaders. Digital leaders are expected to have the necessary tools, but there are significant deficiencies in both technical mastery and process management (de Araujo et al., 2021). Managers direct future-oriented and large-scale plans to interact with the competitive environment to achieve company goals (Pearce & Robinson, 2015).

It was found some recent research on digital leadership. Balci et al. (2022) show the digital leadership role of Turkish sports journalists on Twitter individually and institutionally. Asri & Darma (2020) examines the understanding of a leader in interpreting digital leadership and the drivers of digital leadership in the era of the industrial revolution 4.0. de Araujo et al. (2021) identify and describe the idea of digital leadership. Tanniru & Peral (2021) examines digital leadership in the education sector. There has been no research on digital leadership in the telematics industry in Indonesia. In addition, these studies do not quantitatively examine the effect of digital leadership on business performance.

On the other hand, market attractiveness is proven to affect business performance (Nova, 2014). Sharma et al. (2021) attest to the mediating role of foreign market attractiveness in the relationship between export promotion programs and export performance in the context of Ghanaian firms. In addition, research by Lizardo et al. (2019) also shows that market attractiveness affects business performance. However, these studies were not carried out on a company analysis unit in the telematics industry.

In addition, regarding performance, Yanney (2014) revealed that business strategy has an impact on organizational performance. According to Wheelen et al. (2015), business strategy is in the form of a competitive strategy, namely competing against all competitors with excellence, and or cooperative strategy,

namely working with other companies to achieve superiority over its competitors. However, the position of the telematics industry in Indonesia is not yet superior, when compared to industrial players in developed countries. Alamanik (2016) notes that the telematics industry in Indonesia is still a high-cost economy facing problems in distribution, and weak industry involvement with its supporting industries.

Sun & Hong (2002) surveyed the manufacturing industry in more than 20 countries. The result is that the alignment of manufacturing strategy and business strategy has a positive effect on improving business performance. In addition, Dong et al. (2008) proved that business strategy can significantly affect business performance. Lestari et al. (2020) prove the same thing for SMEs. These studies show the positive influence of business strategy on business performance/organizational performance, but no one has examined business strategy as a mediating variable in the relationship between market attractiveness and digital leadership, and business performance in the telematics industry. Meanwhile, Yuliansyah et al. (2017) show that business strategy has a fully mediating effect on the relationship between the reliability on integrative strategic performance measurement (RISPM) and organizational performance.

Problem Statement

Based on the description above, the question posed in this study is "how do market attractiveness, digital leadership, and strategic business influence business performance, and how does strategic business mediate the relationship between market attractiveness and digital leadership and business performance in the telematics industry?"

Research Objectives

This study aims to examine the effect of market attractiveness, digital leadership, and strategic business on business performance, and the mediation effect of strategic business in the relationship between market attractiveness and digital leadership and business performance in the telematics industry.

THEORITICAL REVIEW

Variables Measurement

In this study, the market attractiveness dimension refers to Best (2013) who conceptualizes market attractiveness as the relative attractiveness of a market based on market forces, competitive intensity, and market access.

Digital leadership is the use of an organization's digital assets to achieve business goals at both the organizational and individual levels (de Araujo et al., 2021). Asri & Darma (2020) concluded that digital leadership is a type of leadership that can adapt to rapid technological developments which are considered the key to facing the coming era of the industrial revolution 4.0. Westerman et al. (2014) put forward four capabilities needed by a leader in carrying out a strategic leadership mission, namely: envisioning, engaging, digital governance, and sharing. The opinion of Westerman et al. (2014) became a reference in determining the dimensions of the digital leadership variable in this study so that this variable is measured by four dimensions, namely: envisioning, engaging, governance, and technology.

The measurement of strategic business variables in this study refers to Wheelen et al. (2015) that business strategy includes competitive strategy, namely competing against all competitors with excellence, and or cooperative strategy, namely working with other companies to achieve superiority over competitors. Therefore, two dimensions are measured, namely competitive strategy and cooperative strategy.

Performance is related to profitability, market share, and cost reduction (Wheelen et al., 2015). Best (2014) measures performance by market growth, sales, and profitability. Based on this opinion, the business performance variables in this study are measured by three dimensions, namely profitability, sales growth, and market share.

Hypothesis Development

Hypothesis development is carried out based on a review of the results of previous research. SME strategies depend on the reliability of their sources and informative value. Country market index, a synthetic indicator of the attractiveness of foreign markets allows companies to gain a deeper knowledge of the market and provides useful information to implement the most suitable strategy. (Lazzi et al., 2015). Based on these findings, the first hypothesis was prepared, namely:

H1: market attractiveness influences strategic business.

De Araujo et al. (2021) revealed that a strong digital leader will help define a digital business strategy that leads to business performance. Leadership has great importance not only in strategic decisions but also in overall organizational decision (Hıdıroğlu, 2020). According to Charlier et al. (2016), to make decisions and provide valuable guidance to employees, every company needs strong digital leaders. Based on these findings, a second hypothesis was developed, namely:

H2: digital leadership influences strategic business.

Market attractiveness affects business performance (Nova, 2014; Sharma et al., 2021; Lizardo et al. (2019). Based on these findings, a third hypothesis was developed, namely:

H3: market attractiveness affects business performance.

Balci et al. (2022), Asri & Darma (2020), de Araujo et al. (2021), and Tanniru & Peral (2021) examine digital leadership. In this study, the fourth hypothesis was developed to test whether:

H4: digital leadership influences business performance.

Yanney (2014) revealed that business strategy has an impact on organizational performance. Dong et al. (2008) and Lestari et al. (2020) prove the same thing. Sun & Hong (2002) showed that the alignment of manufacturing strategy and business strategy has a positive effect on improving business performance. Based on this, the fifth hypothesis is prepared, namely:

H5: strategic business has a significant effect on business performance.

Yuliansyah et al. (2017) show that business strategy has a fully mediating effect on the relationship between reliability on integrative strategic performance measurement (RISPM) and organizational performance. Based on this, in this study the sixth and seventh hypotheses were tested, namely:

H6: The mediation influence of strategic business in the relationship between market attractiveness and business performance.

H7: The mediation influence of strategic business in the relationship between digital leadership and business performance.

Based on the description above, then the contextual framework is shown in Figure 1.

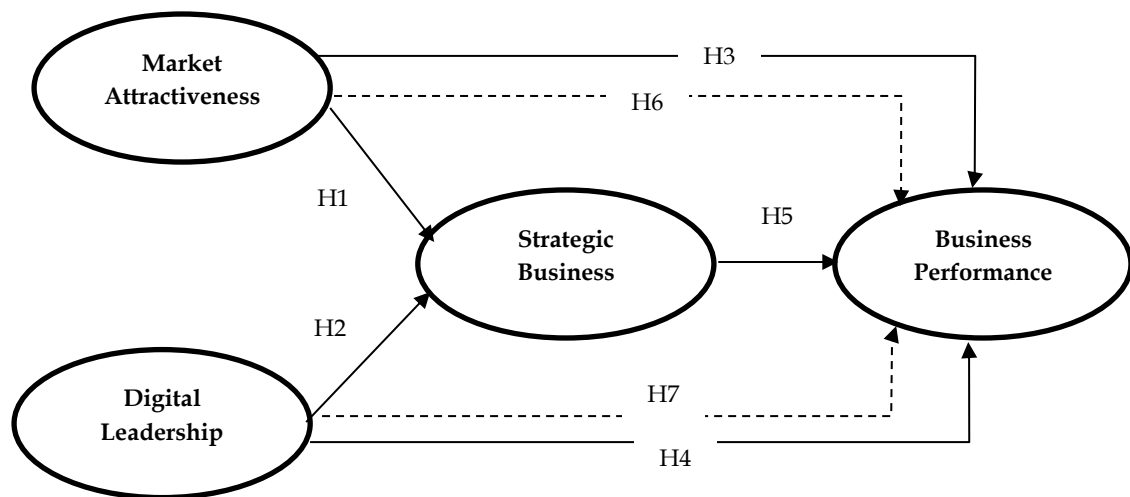


Figure 1. Conceptual Framework

METHODOLOGY

This study applies a quantitative approach with the type of research verification. The research is aimed at knowing the relationship of each variable by using hypotheses carried out in the field. The unit of analysis in this study is a telematics industry company in the city of Bandung. The unit of observation in this study is the management of telematics industry companies in the city of Bandung. The research data were collected in a cross-sectional/one-shoot timeframe, namely in 2023.

The research data is primary data obtained through questionnaires to a sample of 55 telematics industry companies in the city of Bandung. Questions in the questionnaire using 5 Likert scale. Based on the confirmation results with the association and digital valley coordinators within Telkom, the business actors who were used as respondents in this study were business people who had been carrying out this activity for more than 3 years, assuming that the company's business had begun to settle. The data is then processed using Partial Least Square (PLS).

RESULTS

Measurement Model

The validation of the measurement model was carried out on 50 respondents. This validation process is looking at the indicators of a construct with a convergent validity test, namely the indicators that compose a data

construct that has a high loading factor with construct internal reliability and composite reliability which are commonly used to evaluate construct reliability. And convergent validity is achieved through Average Variance Extracted > 0.50 and factor loadings with an expected value of > 0.50.

Table 1. Average Variance Extracted (AVE), Cronbach Alpha, and Composite Reliability (CR)

Construct	AVE	Composite Reliability	Cronbachs Alpha
Governance	0.883	0.938	0.868
Access	0.589	0.784	0.740
Business Performance	0.746	0.897	0.829
Competitive Intensity	0.829	0.935	0.896
Digital Leadership	0.638	0.954	0.947
Engaging	0.665	0.887	0.828
Envisioning	0.693	0.870	0.774
Market Attractiveness	0.588	0.908	0.884
Market Forces	0.566	0.836	0.736
Strategic Business	0.658	0.920	0.896
Technology	0.770	0.909	0.849
Competitive	0.701	0.903	0.857
Cooperative	0.761	0.864	0.785

Each construct discussed the reliability and validity of the model (Table 1). AVE is an adequate measure of convergent validity which means that one latent variable is able to explain more than half of the variance of its indicators on average. Average Variance Extracted (AVE) is expected to be more than 0.50 (Chin & Todd, 1995). Table 1 shows that all constructs have an AVE value > 0.5 and the composite reliability (CR) is sufficient because each latent variable has a value above 0.7 so that all models have high reliability.

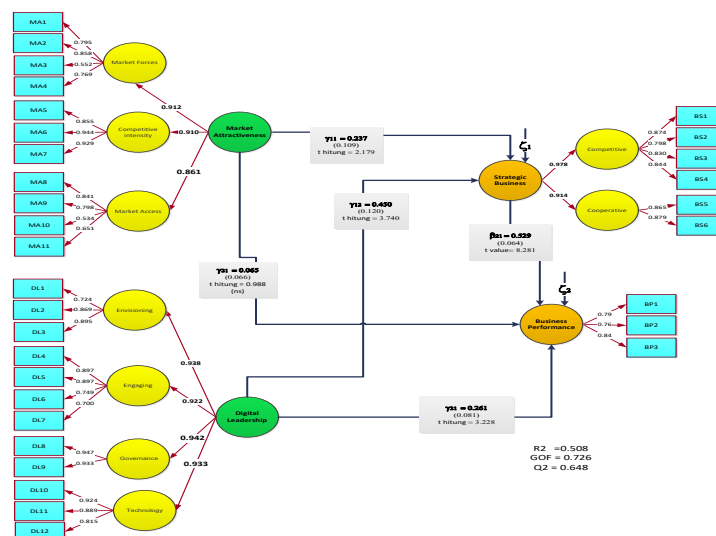


Figure 1. Estimate Model Results

Figure 1 is showing that loading factor > 0.50 , with t value > 1.98 (Table 2) the t-table at a significance of 5%. It shows that dimensions and indicators are valid in measuring latent variables.

Table 2. Measurement Model-loading factor

Dimension- Indicators	Loading factor (λ)	t value	Prob.
BP1 <- Business Performance	0.903	50.456	0.000
BP2 <- Business Performance	0.758	15.486	0.000
BP3 <- Business Performance	0.921	64.225	0.000
Strategic Business -> competitive	0.978	286.793	0.000
BS1 <- competitive	0.874	68.670	0.000
BS2 <- competitive	0.798	18.688	0.000
BS3 <- competitive	0.830	29.525	0.000
BS4 <- competitive	0.844	33.896	0.000
Strategic Business -> cooperative	0.914	58.205	0.000
BS5 <- cooperative	0.865	43.036	0.000
BS6 <- cooperative	0.879	60.804	0.000
MARKET ATTRACTIVENESS -> Market Forces	0.912	55.361	0.000
MA1 <- Market Forces	0.795	24.569	0.000
MA2 <- Market Forces	0.858	29.841	0.000
MA3 <- Market Forces	0.552	5.880	0.000
MA4 <- Market Forces	0.769	15.397	0.000
MARKET ATTRACTIVENESS -> Competitive intensity	0.910	42.805	0.000
MA5 <- Competitive intensity	0.855	20.648	0.000
MA6 <- Competitive intensity	0.944	97.348	0.000
MA7 <- Competitive intensity	0.929	63.286	0.000
MARKET ATTRACTIVENESS -> Access	0.861	23.015	0.000
MA8 <- Access	0.841	32.787	0.000
MA9 <- Access	0.798	19.043	0.000
MA10 <- Access	0.534	2.961	0.005
MA11 <- Access	0.651	6.696	0.000
DIGITAL LEADERSHIP -> Envisioning	0.938	95.043	0.000
DL1 <- Envisioning	0.724	9.169	0.000
DL2 <- Envisioning	0.869	39.806	0.000
DL3 <- Envisioning	0.895	43.839	0.000
DIGITAL LEADERSHIP -> Engaging	0.922	58.737	0.000
DL4 <- Engaging	0.897	49.236	0.000
DL5 <- Engaging	0.897	27.557	0.000
DL6 <- Engaging	0.749	15.654	0.000
DL7 <- Engaging	0.700	9.918	0.000
DIGITAL LEADERSHIP -> Governance	0.942	94.409	0.000
DL8 <- Governance	0.947	85.478	0.000
DL9 <- Governance	0.933	57.219	0.000

DIGITAL LEADERSHIP -> Technology	0.933	100.660	0.000
DL10 <- Technology	0.924	68.652	0.000
DL11 <- Technology	0.889	41.933	0.000
DL12 <- Technology	0.815	40.153	0.000

Structural Model

Evaluation for assessing if a theory-based model fits empirical data or the resulting model describes actual conditions is shown on the following Fig.1, R^2 is 0.508 and $GOF = 0.726$. R-Square values of 0.67 are strong, 0.33 are moderate, and 0.19 are weak. GoF is used to validate measurement and structural models with values of 0-0.25 is small, 0.25-0.36 is moderate, and >0.36 is large. The values of Q-Square are 0.35 (large), 0.15 (medium) and 0.02 (small). Chin (2000). Then it is concluded that the research model is fit with an empirical condition. The structural model framework in this study is formulated as follow:

$$\text{Strategic Business} = 0.237 * \text{MarkAttractiveness} + 0.450 * \text{Digital}, \\ R^2 = 0.284 \dots \dots \dots (1)$$

$$\text{BusinessPerf} = 0.529 * \text{StrategicBus} + 0.065 * \text{MarkAttractiveness} + 0.261 * \text{Digital}, \\ R^2 = 0.508 \dots \dots \dots (2)$$

Hypothesis Testing

The results of hypothesis testing are shown in table 3 below:

Table 3. Hypothesis Testing

No	Structural Model	Path Coeff.	Std . Error	t-value	p value	R^2	Conclusion
1	Market attractiveness -> strategic business	0.237	0.109	2.179	0.034	0.056	significant
2	Digital leadership -> strategic business	0.450	0.120	3.740	0.000	0.203	significant
3	Market attractiveness -> business performance	0.065	0.066	0.988	0.328	0.004	Not significant
4	Digital leadership -> business performance	0.261	0.081	3.228	0.002	0.068	significant
5	Strategic business -> business performance	0.529	0.064	8.281	0.000	0.280	significant
6	Market attractiveness -> strategic business -> business performance	0.126	0.060	2.106**	0.040	0.126	significant
7	Digital leadership -> strategic business -> business performance	0.238	0.070	3.415**	0.001	0.238	significant

**sobel test

The results of hypothesis testing revealed with a significance level of 95% ($\alpha = 0.05$), in table 3. conclude that:

- Market attractiveness and Digital leadership have a positive and significant direct effect on strategic business, with of t-value > 1.98 (Prob < 0.05). Digital leadership have the dominant influence on strategic business with $R^2 = 0.203$
- Digital leadership have a positive and significant direct effect on business performances, but Market attractiveness have not significant direct effect on business performances with t value < 1.98 and prob > 0.05 with $R^2 = 0.004$.
- Strategic business give a positive and significant indirect effect on business performances with $R^2 = 0.280$.
- Market attractiveness and digital leadership have a positive and significant effect on business performance through strategic business, with of t-sobel > 1.98 (Prob < 0.05). Digital leadership have the dominant influence on strategic business with $R^2 = 0.238$.

The findings of this research are showing on Figure 2 based on the results of hypothesis testing.

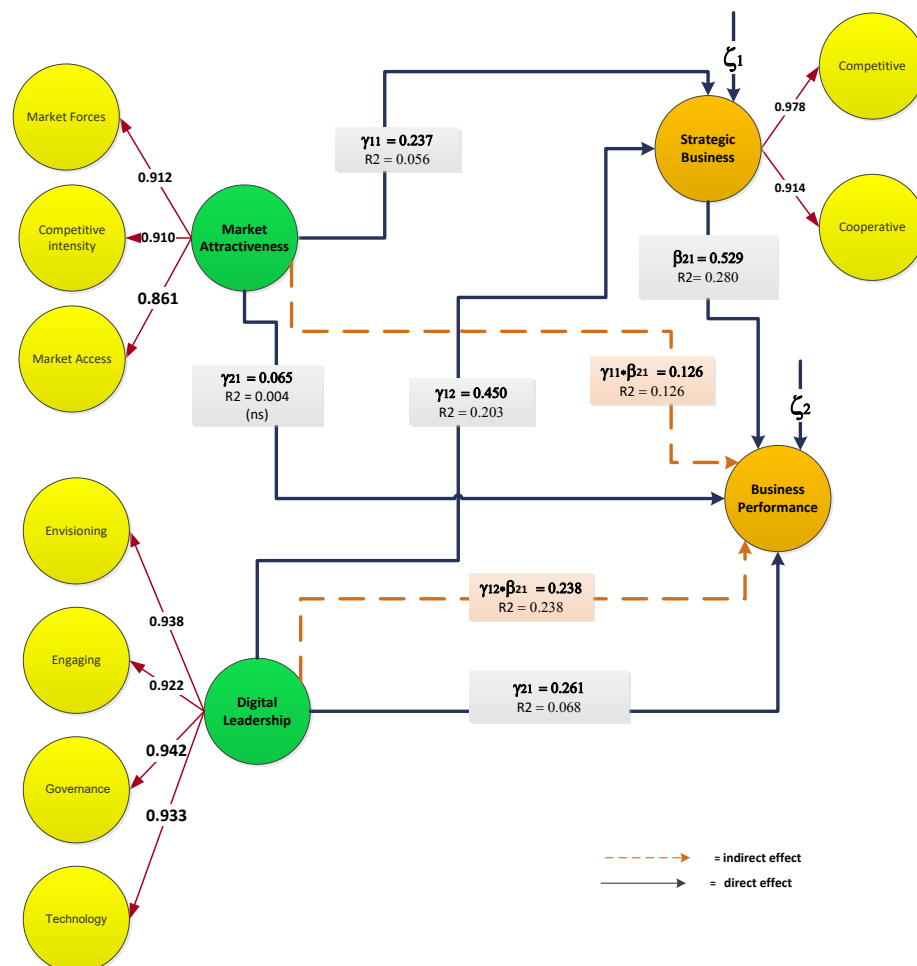


Figure 2. Research Finding

DISCUSSION

The findings of this study show the role of market attractiveness and digital leadership in shaping strategic business, where digital leadership has the dominant influence on strategic business. Digital leadership can encourage business performance, but market attractiveness is not able to directly increase business performance. Strategic business can increase business performance. Market attractiveness and digital leadership can improve business performance through strategic business.

Based on the results of this study, it was found that the implementation of strategic business in telematics industry companies has the most dominant role in improving business performance. Strategic business is also able to increase the contribution of market attractiveness data and digital leadership in driving business performance improvement. Therefore, companies in the telematics industry are expected to prioritize strategic business implementation through competitive strategies and cooperative strategies in their efforts to improve business performance. The formulation and implementation of this strategic business need to be driven by strong digital leadership so that management can understand and adapt the attractiveness of the telematics industry market so that the right strategy can be found to boost business performance.

CONCLUSIONS AND RECOMMENDATIONS

This research examines seven hypotheses that result in findings that market attractiveness and digital leadership play a role in shaping strategic business, where digital leadership has the dominant influence on strategic business. Digital leadership can encourage business performance, but market attractiveness is not able to directly increase business performance. Strategic business can increase business performance. Market attractiveness and digital leadership can improve business performance through strategic business. The implementation of strategic business in telematics industry companies plays the most dominant role in improving business performance. Strategic business is also able to increase the contribution of market attractiveness and digital leadership in driving business performance improvement.

These findings provide managerial implications for company management in the telematics industry to prioritize the implementation of strategic business through competitive strategies and cooperative strategies to improve business performance. The formulation and implementation of strategic business need to be driven by strong digital leadership so that management can understand and adapt the attractiveness of the telematics industry market so that the right strategy can be found to boost business performance findings of this study show the role of market attractiveness and digital leadership in shaping strategic business, where digital leadership has the dominant influence on strategic business. Digital leadership can encourage business performance, but market attractiveness is not able to directly increase business performance. Strategic business can increase business performance. Market attractiveness and digital leadership can improve business performance through strategic business.

FURTHER STUDY

This research has a limitation in that it was only conducted in Bandung, so it cannot be generalized to telematics companies in Indonesia. Therefore, future research can be conducted by testing the variables in this study by expanding the sample coverage to telematics companies in other major cities in Indonesia.

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