

The Impact of Transformational Leadership and Organizational Culture on Company Readiness for Digital Transformation: A Case Study of PT Telkom Indonesia

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Abstract. The digital transformation imperative presents unprecedented challenges for state-owned enterprises (SOEs) that must balance public service obligations with market competitiveness. This study aims to examine the relationship between transformational leadership, organizational culture, and digital transformation readiness within PT Telkom Indonesia's Regional II Division. Despite growing literature on digital transformation, research specifically addressing SOEs' transformation challenges remains limited, particularly regarding the interaction between leadership and cultural factors. The study proposes a quantitative approach using stratified random sampling across 16 organizational units, with data collection through comprehensive surveys measuring transformational leadership, organizational culture, and transformation readiness. The research's significance lies in its potential to bridge critical gaps in current literature while providing practical insights for SOEs navigating digital transformation challenges. The findings are expected to contribute to both theoretical understanding of digital transformation in SOEs and practical implementation strategies for organizational leaders..

Keywords: Digital transformation, transformational leadership, organizational culture, state-owned enterprise, organizational readiness

Introduction

The telecommunications industry faces unprecedented challenges in today's volatile, uncertain, complex, and ambiguous (VUCA) business environment. Recent studies indicate that 70% of digital transformation initiatives fail to reach their objectives, with leadership and cultural factors frequently cited as critical barriers (Westerman, 2014). This concerning statistic is particularly relevant for state-owned enterprises (SOEs) that must balance public service obligations with competitive market demands..

PT Telkom Indonesia exemplifies this challenge through its ongoing transition from a Business-to-Consumer (B2C) to a Business-to-Business (B2B) focus. The company's implementation of the "Five Bold Moves" transformation program, coupled with the recent adoption of the AKHLAK value system, presents a unique research opportunity (Rahmawati & Suharnomo, 2023). Initial observations suggest significant variations in transformation readiness across different organizational units, raising important questions about the role of leadership and culture in this variation..

Current literature reveals several critical gaps. While studies have examined digital transformation in private sector organizations (Westerman, 2014), research specifically addressing SOEs' transformation challenges remains limited. Furthermore, the interaction between transformational leadership and organizational culture in the context of digital transformation readiness, particularly within SOEs, remains understudied (Iskandar, 2023).

Methods

This study employs a quantitative approach using cross-sectional survey design. The research population comprises 397 employees of PT Telkom Regional II Division, from which a sample of 120 respondents will be

drawn using stratified random sampling across 16 organizational units. This sampling approach ensures proportional representation from all organizational levels and functional areas.

Data collection utilizes a comprehensive survey instrument incorporating three validated scales:

1. Transformational leadership (24 items based on Bass & Avolio's MLQ)
2. Organizational culture (20 items adapted from Denison's organizational culture survey)
3. Transformation readiness (15 items developed from Weiner's organizational readiness framework)

All items are measured on a five-point Likert scale. The survey instrument undergoes rigorous validation through expert review and pilot testing. Data analysis employs Structural Equation Modeling with Partial Least Squares (SEM-PLS) using SmartPLS software.

Result and Discussion

This research promises several significant theoretical and practical contributions. First, it extends existing models of digital transformation by incorporating SOE-specific factors and developing a comprehensive framework for understanding transformation readiness in SOEs. This addresses a critical gap in current literature, which predominantly focuses on private sector organizations.

Second, the study provides practical insights for SOE leaders managing digital transformation initiatives. The findings will help identify key leadership behaviors and cultural elements that facilitate successful transformation. This is particularly relevant given the ongoing implementation of the AKHLAK value system across Indonesian SOEs.

Third, the research contributes to understanding how transformational leadership and organizational culture interact during periods of significant organizational change. This knowledge is crucial for organizations seeking to enhance their transformation readiness and improve the success rate of digital transformation initiatives.

Conclusion

Conclusion

This proposed research offers significant contributions to understanding the relationship between transformational leadership, organizational culture, and digital transformation readiness in state-owned enterprises (SOEs). Through a case study of PT Telkom Indonesia Regional II Division, this research will fill the knowledge gap regarding how SOEs can effectively manage digital transformation while maintaining a balance between commercial objectives and public service obligations.

Theoretically, this research will enrich the change management literature by integrating transformational leadership perspectives and organizational culture within the SOE context. The proposed conceptual model has the potential to provide a new framework for understanding digital transformation dynamics in public sector organizations.

From a practical standpoint, the findings of this research are expected to provide guidance for SOE leaders in managing digital transformation initiatives. Specifically, understanding the role of transformational leadership and the influence of organizational culture will assist in designing more effective implementation strategies for digital transformation programs.

The limitations of this research lie in its focus on a single SOE in the telecommunications sector. For future research, it is recommended to expand the scope to SOEs in other sectors to gain a more comprehensive understanding of digital transformation dynamics in Indonesian SOEs. Additionally, longitudinal studies could provide deeper insights into the evolution of digital transformation processes and their impact on organizational performance in the long term.

Acknowledgments (Optional)

The authors would like to thank PT Telkom Indonesia Regional II Division for their support in conducting this research.

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