

## BUSINESS STRATEGY FORMULATION OF INDIHOME PT. TELEKOMUNIKASI INDONESIA AREA OF WEST NUSA TENGGARA

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### ABSTRACT

*This study aims to determine the priority strategies of several alternative strategies in IndiHome which are formulated using SWOT analysis. This research is a qualitative descriptive study. The data used are primary. Sampling using a purposive sampling technique and get seven informants. Primary data generated from the interviews were analyzed using SAP and ETOP to diagnose factors including strengths, weaknesses, opportunities, and threats. After that, these factors are formulated in the SWOT matrix to determine alternative strategies. Strategy alternatives are then formulated in the QSPM matrix to obtain priority strategy results for IndiHome. The validity test in this study was carried out by triangulation of sources. The results showed that there were four alternative strategies for IndiHome Telkom Area of West Nusa Tenggara. Based on four alternative strategies, the priority strategy for IndiHome which is determined by QSPM matrix is to upgrade the quality of services provided to customers regularly with a total weight of 7,051. The results of this study are expected to be able to assist in the framework of thinking about strategic management knowledge in the Internet Service Provider (ISP) industry and also provide additional information and insights in the selection of alternative strategies as well as new insights about the condition of the company from an external perspective.*

**Keyword :** SWOT Matrix, QSPM Matrix

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### ABSTRAK

Penelitian ini bertujuan untuk mengetahui strategi prioritas dari beberapa alternatif strategi pada IndiHome yang dirumuskan dengan menggunakan analisis SWOT. Penelitian ini termasuk penelitian deskriptif kualitatif. Data yang digunakan adalah data primer. Pengambilan sampel menggunakan teknik purposive sampling dan mendapatkan tujuh narasumber. Data primer yang dihasilkan dari wawancara dianalisis dengan menggunakan SAP dan ETOP untuk mendiagnosis faktor-faktor yang termasuk dalam kekuatan, kelemahan, peluang, dan ancaman. Setelah itu, faktor-faktor tersebut dirumuskan dalam matriks SWOT untuk menentukan alternatif strategi. Alternatif strategi kemudian dirumuskan dalam matriks QSPM untuk mendapatkan hasil strategi prioritas bagi IndiHome. Uji validitas pada penelitian ini dilakukan dengan triangulasi sumber. Hasil penelitian menunjukkan terdapat empat alternatif strategi bagi IndiHome PT Telekomunikasi Indonesia Witel Nusa Tenggara Barat. Dari empat alternatif strategi tersebut, strategi prioritas bagi IndiHome yang ditentukan berdasarkan hasil pada matriks QSPM adalah mengupgrade kualitas layanan yang diberikan kepada pelanggan secara berkala dengan total bobot sebesar 7,051. Hasil penelitian ini diharapkan mampu membantu dalam kerangka pemikiran tentang pengetahuan manajemen strategis dalam industri Internet Service Provider (ISP) dan juga memberikan informasi dan gambaran tambahan dalam pemilihan strategi alternatif serta sebagai wawasan baru tentang kondisi perusahaan dari perspektif eksternal.

**Kata Kunci :** SWOT Matrix, QSPM Matrix

### Introduction

Organisasi pemerintah The needs of the local market for digital connectivity to regional and global markets is increasing, that is led to the increasing level of demand for digital telecommunications services in Indonesia (Simamora et al., 2019). According to the survey results from the Association of

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Indonesian Internet Service Providers (APJII, 2019), the number of internet users in Indonesia in 2018 was 171,176,716.8 users. The percentage of internet users with a total population of Indonesia is 64.8%. With these very high users, it shows that the public demand for the internet is growing every year. Internet provider companies as the main business actors who benefit from the above internet usage rates are required to continue to make improvements to the internet speed (bandwidth) that continues to be requested by users.

Indonesia Digital Home (IndiHome) is a service product from PT Telekomunikasi Indonesia in the form of data and communication service packages such as home telephone (voice), internet (Internet on Fiber or High-Speed Internet), and interactive television services (USee TV Cable, IP TV) (IndiHome, 2019). Dual play and triple play are service packages that can be enjoyed by customers. At the end of 2018, there was an increase in the number of IndiHome customers by 5.1 million from the end of 2017 by 2.96 million (PT.Telkom Indonesia, 2018). With the increasing needs of the community for the internet, home internet services from IndiHome have enormous opportunities to expand the market and also increase sales volume.

Based on Presidential Decree No.2 of 2015 concerning the 2015-2019 National Medium-Term Development Plan (RPJMN), West Nusa Tenggara is one of the areas included in Eastern Indonesia (Infrastructure Development Agency Region Ministry of PUPR, 2017). Eastern Indonesia (KTI) still has low fixed broadband penetration. With very little competition conditions, this could be an opportunity for IndiHome to become a market leader in the region as well as at the national level. To become a market leader, the right strategy is needed (Dwidhyana and Krisnadi, 2020). Understanding the threats and opportunities of the competitive environment, can be used as a companies' source of competitive advantage (Barney and Hesterly, 2012 in Hapsari et al., 2017). Likewise, PT Telekomunikasi Indonesia Area of West Nusa Tenggara (Telkom Area of NTB) in achieving sales targets and providing the best performance, must be able to see opportunities carefully and pay attention to various threats and also reduce weakness with the strengths of the company.

In selling IndiHome services, there are targets that must be achieved by Telkom Area of NTB. The average number of daily targets set is 60-75 new sales of IndiHome products. However, on certain days there is a program called HIT, which is the highest number of daily targets and exceeds the normal day target that must be achieved on that day is around 125-130 new sales. In 2018, the number of IndiHome subscribers in the NTB region reached 31,000, a very low number when compared to the total population of NTB at that time, which was 2,433,731. Based on targets to be achieved by Telkom Area of NTB in 2019 and the number of achievements from January to September 2019, the target can be achieved only in July with the target size and achievement is 3,912. In other months, Telkom Area of NTB did not reach the predetermined monthly target. Even in January sales achievement only 43% of the target set. From January to September 2019, of the total target of 43,144 sales, Telkom Witel NTB was only able to achieve sales of 64.38% or 27,779 new sales (Internal of telkom area NTB, 2019).

Based on comparison of 2P, and 3P service sales, sales 3P shows the number of IndiHome product sales with the Triple Play service type, while Sales 2P shows the number of IndiHome product sales with the Dual Play service type. The ratio of the number of dual play subscribers is higher than triple-play subscribers. So that for 2019 until now Telkom Area of NTB also focused on offering service upgrades from dual play to triple play and adding service features requested by customers. This will have an impact on the value or amount of revenue each year which can continue to increase even though the target new customers are not achieved.

By comparison of the data, Telkom Witel NTB is still not maximized in achieving its monthly sales target and the low level of service upgrades performed by customers. This is one of the reasons for all Telkom Witel NTB employees, especially the sales forces, to keep working optimally every day in order to achieve the target. Even though Telkom Witel NTB has a very large market opportunity in the NTB region both in the housing segment or in the business segment. Moreover, NTB which is a Special Economic Zone has a very broad development impact, such as the construction of hotels, restaurants, housing, and other facilities. For development that is currently being intensively carried out in the construction of the 2021 MotoGP Circuit which has a domino effect on other developments.

In 2019, the total number of IndiHome customers reached 68,375 customers spread throughout the West Nusa Tenggara region (Internal of PT Telekomunikasi Indonesia Area of West Nusa Tenggara, 2020). In the range of 2018 to 2019, it means that there was an increase in the number of customers which was very significant as many as 37,375 customers. The increase in the number of customers obtained by IndiHome has not met the monthly target set in 2019, which is 54,750 new sales. However, the value of income obtained by Telkom Area of NTB continues to increase every year. This is due to the additional revenue derived from the addition of service features made by customers and customers who have switched from dual play to triple-play services.

In its competition in the NTB region, IndiHome as a fixed broadband provider in NTB has greater competition with mobile internet compared to its competitors in fixed broadband services. That is because based on the number of sales and technology used, IndiHome's fixed broadband competitors in NTB are still relatively small in scale. With the tendency of the community to use mobile internet, it is a challenge for IndiHome to convince the public to switch and or use fixed broadband services. Also, factors from the perspective of consumers who prefer to use mobile internet can be used as a reference for IndiHome Telkom Area of NTB in formulating relevant strategies. However, the comparison of IndiHome with its competitors on fixed broadband services is also important to be able to know the company's current position. What's more, each provider continues to develop different offers and advantages each year.

The business opportunities owned by Telkom Area of NTB in the NTB region especially the island of Lombok are very large, seen from the growth of tourism which has an impact on the amount of development that continues to be

done. The right strategy in its formulation will be able to reduce risks in the future and also be a foundation for companies to become stronger in the future. The results from the research conducted by Ndambuki et al., (2017) shows that the effects of strategies on market share have been positive and the results of this study indicated that implementation of strategies led to improved turnover.

Currently IndiHome's fixed broadband business and development in Eastern Indonesia is still a market leader that does not rule out a better development. By identifying the company's internal and external conditions on IndiHome products in Eastern Indonesia, it will be clearer about IndiHome's current positioning in facing the market (Dwidhyana and Krisnadi, 2020). The result from research in Telkom Kenya also shows that the study led to the conclusion that Telkom Kenya faces the challenges from the external and internal environment (Ndambuki et al., 2017). From the literature review, it is vital for an organization to examine both its internal and external environment so as to identify drivers of competition in the industry and adopt strategies that provide the highest competitive advantage (Kithamba, 2014).

In previous research, Efrata (2020), Rismayani and Sari (2019) Rismayani dan Sari, (2019) at the input stage in strategy formulation using the IFE and EFE matrices to determine the factors of company strengths, weaknesses, opportunities, and threats. Research on the same object conducted by Priyono, (2019) also uses the IFE and EFE matrices. The use of SAP and ETOP in this study is a fundamental differentiator from previous studies. The use of ETOP and SAP in this study aims to provide a qualitative analysis reference in identifying the factors of strengths, weaknesses, opportunities, and threats by analyzing the internal and external environment according to previous research conducted by Purnomo (2000).

Another motivation for conducting this research is to motivate further researchers to conduct similar research in the West Nusa Tenggara region. This is because research in the NTB region, especially the Telkom region in NTB, is very rare. Even previous research references that use the object Telkom Witel NTB do not exist. This can be seen from the absence of reputable secondary sources of information in the form of articles, journals, or previous research conducted at IndiHome Telkom NTB Area.

Currently, previous research on the same object is mostly carried out in regional I and II areas such as research conducted by Simamora et al., (2019), Rizky and Suyanto (2020) Siddiq (2019), and Priyono (2019). Also, research with the same object tends to examine customer satisfaction and loyalty and marketing strategy rather than business strategy. Research conducted by Ulkhaq et al. (2017) examined customer satisfaction at IndiHome PT. Telekomunikasi Indonesia, Tbk, Regional 1 Sumatra. The same is the case with research conducted by Siddiq (2019), namely the effect of service quality through customer satisfaction on customer loyalty at IndiHome Telkom Witel Lembong Bandung. Simamora et al. (2019) examined the strategy of achieving the marketing target of PT Telkom Regional I licensed operator products. Another research conducted by Rizky and Suyanto (2020) examined the analysis of the factors that shape IndiHome

customer loyalty with triple-play services in the city of Jakarta. Even though the business strategy is the foundation or basis for determining a marketing strategy. Therefore, it takes the right business strategy to be able to formulate a marketing strategy that fits the company's goals.

Based on the scarcity of research conducted on this object, it is important to do as a reference for further research. Due to limited information and references related to the telecommunications industry in West Nusa Tenggara region makes research in this area much needed. Addition, its important for telecom companies to know the position and condition of the company from an external point of view. The contribution of this research is to assist in the framework of thinking about strategic management knowledge in the Internet Service Provider (ISP) industry. This research is expected to be able to provide additional information and descriptions for selecting alternative strategies to increase the company's competitive advantage and sales volume. Also, this research can be used as a new insight into the company's condition from an external perspective.

## Literature Review

### Strategic Management

David (2017:33) revealed that, "Strategic management can be defined as the art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives." David, (2017:33) also revealed that the strategic management process consists of three stages, namely:

1. Strategy formulations include developing a vision and mission, identifying external opportunities and threats of an organization, determining internal strengths and weaknesses, setting long-term goals, determining alternative strategies, and choosing specific strategies to achieve.
2. Implementing strategies requires companies to build annual goals, devise policies, motivate employees, and allocate resources so that strategy formulation can be executed. Strategy implementation includes developing strategies with cultural support, creating effective organizational structures, directing marketing efforts, preparing budgets, developing and utilizing information systems, and linking employee compensation with organizational performance.
3. The final stage in strategic management is strategy evaluation. Managers need to know when certain strategies don't work well; Strategy evaluation is the main way to get information. Strategy evaluation consists of three basic activities including (1) reviewing external and internal factors based on the current strategy, (2) measuring performance, (3) taking corrective action.

### Business strategy

David (2017:44) revealed that the business strategy (Business Strategy) is a strategy that emphasizes the competitive position of the company's products or services and also certain market segments. This strategy is formulated and determined by the middle management level which was previously given

responsibility by top management. The business strategy shows how the company's long-term goals are achieved. The business strategy focuses on determining how the company will compete and position itself among its competitors. Nilasari (2014) revealed that companies need to do things differently from competing companies to create differences in the relative position of the company. This is one function of the business strategy. Business level strategy in the form of some commitments and activities determined by the company to provide more value to customers in an integrated and coordinated manner.

### **Internal Environment**

According to Pramudiana dan Rismayani (2013:39), the company's internal environment will provide conclusions about the company's business strength in competing with its competitors (business strength). Internal parameter analysis aims to determine the company's strength to have a competitive advantage. David (2013:35) states that the company's internal environment is needed as data for strategy formulation, namely its strengths and weaknesses. If the formulator of the strategy can identify properly it will be one of the basic strategies implemented. This strategy will later make the company's strengths become more optimal and the company's weaknesses can be managed well.

### **External Environment**

According to Pramudiana dan Rismayani (2013:25), the external aspects of the company are environmental conditions that are beyond the control of the company which are the basic characteristics of the industry and the competitive structure in which the company acts. Analysis of the company's external parameters is done to determine the opportunities of companies that have competitive advantages. David (2013:35) also revealed that "The environment outside the company will bring opportunities and threats. Strategy formulation needs to detail the opportunities and threats that exist and may occur around the company."

### **Methodology research**

The type of this research is descriptive qualitative. In this study, describing the results of the research descriptively obtained from the results of interviews with seven sources from internal and external parties in the Telkom Area of NTB. The validity test in this research used source triangulation, namely examining information obtained from various sources. The results explain that the alternative strategies are formulated with a SWOT analysis based on the strengths, weaknesses, opportunities and threats of the IndiHome Telkom Area of NTB. Furthermore, the priority strategy is presented which is determined by the QSPM matrix.

### **Data Types and Sources**

The type of data from this research is qualitative data. The data sources used is primary data. Interviews and observations were conducted to obtain primary data.

## Population and Research Samples

In qualitative research, "Population is an object or subject that is in a research topic area and meets certain conditions relating to the research problem." (Satori dan Komariah, 2012:46). The population used in this study is internet service provider business people in the West Nusa Tenggara region. Sampling in this study uses a purposive sampling technique because researchers only take samples or informants who are in accordance with the research topic. The following are some of the sources chosen by researchers who are described in the table below.

In this research, there were seven informants consisting of internal parties and external parties of the Telkom Area of NTB. Internal informants come from the internal Telkom Area of NTB including Consumer Service Manager, WarRoom Manager, and BGES Manager. Meanwhile, external informants consisted of Telkom Area of NTB competitors, namely Chief Executive Officer of PT Andira Infomedia and Account Manager of D-Net, consultants namely the Chairperson of West Nusa Tenggara Consumer Protection Foundation, and academics, namely lecturers at the Telkom University faculty of economics and business.

## Collecting Data Method

Data was collected through interviews conducted with internal and external sources. Internal resource persons consisted of three managers from Telkom Witel NTB. External informants consisted of two Telkom Area of NTB competitors, academics, and consultants. The selection of internal informants was chosen with the criteria for the position at Telkom Witel NTB at least a managerial level to be able to obtain clear information related to the research topic. For external sources, namely competitors, also selected sources with a minimum level of a managerial position. In addition, external parties, namely academics and consultants, are selected based on the mastery of knowledge related to the telecommunications industry and regulations on the industry.

## Data Analysis Technique

Internal conditions of the company (strengths and weaknesses of the company) and external conditions of the company (threats and opportunities of the company) present information related to qualitative data. The determination of internal and external factors of the company is done by using the diagnostic tool Strategic Advantage Profile (SAP) and the Environmental Treath and Opportunity Profile (ETOP). In addition, qualitative data in this study presents a SWOT analysis based on the internal and external conditions of the company. In the presentation of data derived from the use of QSPM, data are presented in the form of quantitative data. This quantitative presentation is only a tool in the process of determining the final strategy. However, data collection and processing is entirely qualitative. The following is a description related to qualitative and quantitative data.

## Strategic Advantage Profile (SAP)

According to Jauch dan Glueck (1988:180), SAP is a tool to provide a more critical area, which can have a relationship with strategic or corporate postures in the future. SAP is used to identify the strengths and weaknesses of the company based on the results of interviews with speakers by following per under predetermined

indicators. If first-generation planning is used, this diagnosis is based on the best possible future. If second-generation planning is used, several future scenarios are prepared - assuming the best, most likely, and worst cases. Then some diagnoses are made. The results of the SAP diagnosis are then used for the formulation of the SWOT analysis.

In the SAP table 1, the + sign indicates the strength of the company, the 0 sign indicates a neutral impact, and the sign - indicates the company's weakness. The following is a SAP table framework for diagnosing the company's internal environment.

**Table 1. SAP Matrix**

Internal Area	Competitive Strength or Weakness
Regulasi	+/0/-
Teknologi	+/0/-
Pendanaan dan Keuangan	+/0/-
Struktur Industri	+/0/-
Pemasaran dan Penjualan	+/0/-
Operasi Perusahaan	+/0/-
Sumber Daya Oganisasi	+/0/-
Sumber Daya Manusia	+/0/-

Source: Jauch and Glueck (1988)

### **Treath and Opportunity Profile (ETOP)**

According to Jauch dan Glueck (1988:138), ETOP makes it possible to summarize diagnoses from various environmental sectors that are considered most important for the strategic center facing the company. A summary of ETOP can be prepared so that top management can identify the most critical environmental sectors and focus intensively on their potential impact on the overall corporate strategy and key aspects of its operations. ETOP is a diagnostic tool that will be matched with SAP. Together, these diagnostic tools provide input to generate alternative strategic changes and determine whether there might be an expected and desired outcome and why. In other words, ETOP is a tool to diagnose opportunities and threats of a company. The results of the ETOP diagnosis are then used for the formulation of the SWOT analysis.

In the ETOP table 2, the + sign indicates the opportunity the company has, the 0 sign indicates a neutral impact, and the sign - indicates the company's treat. Following is the ETOP table framework for diagnosing the company's external environment.

**Table 2. ETOP Matrix**

Environmental Area	Impact of Each Sector
Regulation	+/0/-
Technology	+/0/-
Economy	+/0/-
Demography	+/0/-
Market	+/0/-
Industrial Structure	+/0/-

Source: Jauch and Glueck (1988)























