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Corporate Culture and Digital Transformation Strategy in Universities in Indonesia

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ABSTRACT

All business entities, including private universities, have always to deal with changes in their environment. One of the keys to address such changes is digital technology. The present study examines the extent to which corporate culture affects the implementation of a digital transformation strategy in private universities. Data were collected through a survey addressed to 39 top management executives from different private universities in Garut, West Java, Indonesia. Data analysis was carried out by means of SmartPLS. The results showed that corporate culture in private universities had a significant effect on the implementation of digital transformation strategy in their organizations. This is associated with factors other than technological aspects such as human resources, behavior, and organizational culture.

Keywords: Digital Transformation Strategy; Corporate Culture; Higher Education Institutions.

JEL Classification: C1, L2

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Cultura Corporativa y Estrategia de Transformación Digital en las Universidades de Indonesia

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RESUMEN

Todas las entidades empresariales, incluidas las universidades privadas, tienen que hacer frente siempre a los cambios de su entorno. Una de las claves para afrontar dichos cambios es la tecnología digital. El presente estudio examina en qué medida la cultura empresarial afecta a la aplicación de una estrategia de transformación digital en las universidades privadas. Los datos se recogieron a través de una encuesta dirigida a 39 ejecutivos de alta dirección de diferentes universidades privadas de Garut, Java Occidental, Indonesia. El análisis de los datos se llevó a cabo mediante SmartPLS. Los resultados mostraron que la cultura corporativa en las universidades privadas tenía un efecto significativo en la implementación de la estrategia de transformación digital en sus organizaciones. Esto se asocia con factores distintos de los aspectos tecnológicos, como los recursos humanos, el comportamiento y la cultura organizativa.

Palabras clave: Estrategia de transformación digital; Cultura corporativa; Instituciones de educación superior.

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1. Introduction

Changes and adaptability are two buzzwords in the era of the industrial revolution 4.0 and society 5.0. All business entities, including universities, are encouraged to adapt to dynamic changes in order to survive (Ebert & Duarte, 2018). Technology has become a fundamental foundation to deal with current changes, so universities need to be equipped with sufficient information technology resources as a strategic asset to face today's global competition (Hamdani & Maulani, 2020; Galih Abdul Fatah Maulani & Hamdani, 2018).

Higher education institutions especially private universities need to be prepared to face changes caused by the industrial revolution 4.0 and society 5.0. Technological innovation is a central issue for private universities because it involves not only technological aspects but also human, financial, and cultural resources (Ghosh et al., 2018; Galih Abdul Fatah Maulani & Hamdani, 2019b).

Figure 1. Number of Private HEIs in the Last 3 Years in Indonesia (Kementerian Riset, 2018)

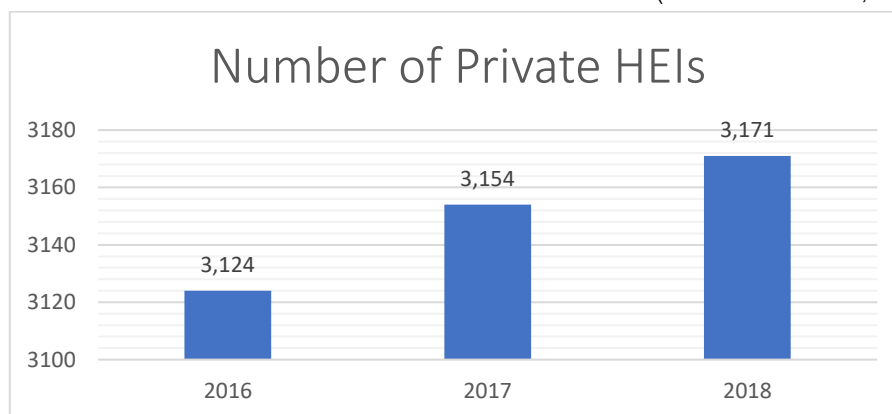


Figure 1 shows that in 2018, there are as many as 3,171 private universities throughout Indonesia. This number is the highest in Asia. What this entails that there is fierce competition between them (Kementerian Riset, 2018; Galih Abdul Fatah Maulani & Hamdani, 2019a).

A striking change is the implementation of technology-based business processes in all business and non-business entities (Albukhitan, 2020; Nwankpa & Roumani, 2016). Technology provides a very big change to existing businesses (Garzik & Donnelly, 2017). But some organizations that are not ready with technology consider digital or technological change as an obstacle to their organization. Therefore, organizations such as small private universities located in remote areas cannot survive (Mediani, 2019) despite their contribution to the development of human resources (Galih Abdul Fatah Maulani & Hamdani, 2018).

The ability of organizations to deal with digital transformation is also down to their existing corporate culture (Guiso et al., 2015). It takes organizational adaptability to respond to changes (Supeno et al., 2015). Private universities have a very strategic position in these changes. Private universities that survive are characterized by a flexible corporate culture (Sriwidadi et al., 2016). Referring to existing phenomena, the extent to which corporate culture in private universities affects the implementation of digital transformation strategies in their organization is worth scrutiny.

2. Literatur Review

2.1. Digital Transformation Strategy

Digital transformation strategy is a very interesting research topic related to both profit and non-profit organizations. It is an unavoidable condition that demands the use of technology. Technology is an organizational resource and an indicator of whether an organization is effective and efficient (Galih Abdul Fatah Maulani & Hamdani, 2019b). A digital transformation strategy is a cross-functional strategy for organizations. It is about how technology contributes to all business processes and organizational functions (Shaughnessy, 2018).

Digital transformation strategy involves many elements that emphasize the use of new digital technology comprehensively (Ismail et al., 2017). The implementation of the digital transformation strategy indicates that we are in the era of industrial revolution 4.0 and Society 5.0 (Chanias et al., 2019).

Digital transformation is a big challenge contemporary business organizations have to deal with (Saarikko et al., 2020; Tekic & Koroteev, 2019) as there is a need for the use of digital technology to develop and implement new business models (Nwankpa & Roumani, 2016). Thus, organizations need to reevaluate their existing capabilities and culture to identify relevant technologies to apply. The transformation is required by the demands of the globalization era (G A F Maulani et al., 2021; Ritala et al., 2021).

There are several steps an organization can take to implement a digital transformation strategy. These steps include: to create digital transformation vision and objectives, to assess the organization's digital transformation capability, to design the end user and employee experience, to review and select solutions and vendors, to create the implementation roadmap, to adjust organization culture and infrastructure (Albukhitan, 2020; Güler & Büyüközkan, 2019). When implementing the strategy, an organization needs to analyze its internal and external environments in order to assess if it is ready to make changes (Galih Abdul Fatah Maulani et al., 2021; Tekic & Koroteev, 2019).

Previous studies suggest that technology is the key to the implementation of a digital transformation strategy (Kotarba, 2018; Ulas, 2019). However, there are several other important factors such as management factors and organizational factors (Gerster, 2017); (Tabrizi et al., 2019). Dimensions of a digital transformation strategy include the use of technologies, changes in value creation, structural changes, and financial aspects (Ghosh et al., 2018; Kitsios & Mitroulis, 2019).

2.2. Corporate Culture

Corporate culture at the university is an integral system of standards, rules, beliefs, values, behavior patterns and interactions for the academic community (Blynova et al., 2020). Corporate culture plays a role as a means of collaboration between the academic community to achieve the vision, mission and goals of university development (Li et al., 2020; Nasillovovich, 2020). Corporate culture is established when an organization faces a problem, related to internal and external changes, that threatens its sustainability (Barth & Mansouri, 2021; Košičiarová et al., 2021). Therefore, corporate culture has a very significant impact on the performance, attitudes and behavior of the academic community in universities (Bakhov et al., 2020; Porcu et al., 2020).

Many studies define corporate culture as an intangible asset designed to meet the possibility of unforeseen conditions in the future (Guiso et al., 2015; Pacelli, 2019; Supeno et al., 2015). Culture includes the values and norms shared by all members of the organization that help them understand appropriate and inappropriate behaviors. Several other studies suggest that there is a relationship between organizational culture and performance (Fiordelisi et al., 2019; Mullakhmetov et al., 2019).

Several factors can enhance an organization's ability to implement digital transformation strategies, one of which is corporate culture (Bock et al., 2012; Fenech et al., 2019). Corporate culture in private universities refers to a set of norms and values that are widely shared and firmly held by all members of the organization. (Guiso et al., 2015; Hamdani & Ramdhani, 2019; Turró et al., 2014). Basically, corporate culture has a very strong impact on individuals in the organization which in turn shapes the way how the organization in question responds to existing changes (Zahra et al., 2008). There are several indicators used by previous researchers in measuring company culture including clan culture, adhocracy culture, hierarchy culture, and market culture (Gordon, 1991; Hitka et al., 2015; Supeno et al., 2015).

3. Methodology

This quantitative study collected data from four private universities in Garut, West Java, Indonesia. Questionnaires were addressed to a sample size of 33 respondents using a non-probability sampling

technique consisting of top management executives like rectors, deans, heads of departments and programs, and so on. Data analysis was performed using PLS-SEM. The studied variables were corporate culture and digital transformation strategy. The first variable was measured using some indicators including clan culture, adhocracy culture, hierarchy culture, and market culture (Gordon, 1991; Hitka et al., 2015; Supeno et al., 2015), and the latter was measured using the use of technologies, changes in value creation, structural changes, and financial aspects (Ghosh et al., 2018; Kitsios & Mitroulis, 2019)

4. Results and Discussion

Table 1. Construct Reliability and Validity

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)	Validity	Reliability
Corporate Culture	0.719	0.857	0.828	0.572	Yes	Yes
Digital Transformation Strategy	0.731	0.858	0.834	0.579	Yes	Yes

Table 1 presents the construct reliability and validity resulted from SmartPLS data processing. The average variance extracted (AVE) values of 0.572 and 0.579 (> 0.5) indicates that the two studied variables were valid. The composite reliability values of 0.828 and 0.834 (> 0.7) mean that both variables were reliable.

Table 2. Outer Loadings

	Corporate Culture	Digital Transformation Strategy
X1	0.944	
X2	0.935	
X3	0.370	
X4	0.620	
Y1		0.947
Y2		0.930
Y3		0.413
Y4		0.618

Table 2 shows that some indicators scored lower than the suggested factor loading value of 0.7, namely X3, X4, Y3, and Y4. Therefore, these indicators were removed from the modeling.

Table 3 present the result of the goodness of fit test.

Table 3. R Square

	R Square	R Square Adjusted
Digital Transformation Strategy	0.975	0.974

The R-square value of 0.975 in Table 3 means that the digital transformation strategy in the studied private universities was influenced by their corporate culture approximately as much as 97%, and the other 3% was influenced by other factors. This implies that the coefficient of determination in the endogenous construct was very high.

To find out how significant the effect the corporate culture had on the implementation of the digital transformation strategy, the bootstrapping technique was performed. The result is summarized in Table 4.

Table 4. Path Coefficient

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Corporate Culture -> Digital Transformation Strategy	0.987	0.988	0.007	134.495	0.000

In Table 4, the original sample value of 0.987 indicates the effect of corporate culture on the implementation of the digital transformation strategy in the studied private universities was positive. This result confirms the findings of some previous studies suggesting that one of the determinant factors in the successful implementation of digital transformation strategy is corporate culture (Gordon, 1991; Kotarba, 2018; Sanchez, 2017). In addition, the T-Statistics value of 134.4, which is higher than the critical value of 1.96, implies that the effect was significant.

This study has found that private universities have different characteristics from other business organizations in general in a way that the implementation of digital transformation strategy is not restricted to technological and financial aspects, but also human resources. This is justified by some previous studies suggesting that there is much more to digital transformation strategy than technology (Ebert & Duarte, 2018; Guiso et al., 2015; Tabrizi et al., 2019).

5. Conclusion

Universities must continue to strive to make innovations to maintain their sustainability. The era of globalization requires universities to carry out digital transformation to anchor their significance in the wider community. Universities need to implement a digital transformation strategy to bring about adaptive and qualified human resources. To this end, it is necessary for universities to focus not only on IT infrastructures but also the existing culture in their organization. In other words, digital transformation is not only about a system digitalization, but it is necessary to change the human mindset to be more adaptable to current organizational conditions. This could be quite difficult because universities in Indonesia have different characteristics.

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