

# Is Business Model Transformation the Future Strategy of the Ideal Telco's Business Model?

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This paper aims to evaluate the relationship between business model transformation (BMT) and firm performance. It proposes modeling the transformation process and outlines why and how a business model is important during the development process through the future strategy of an ideal telecommunications business model with influencing factors that emerge as important business value drivers for internet service providers in Indonesia. The research data was collected by conducting a preliminary questionnaire survey of 73 ISP companies with ISP top management respondents. Furthermore, to strengthen the hypothesis and enrich the conceptual paper that is more comprehensive, in-depth interviews were conducted with 7 of the companies. This paper provides a conceptual research framework model and insights into how effectively a company has adapted its traditional core business to transform due to disruptive innovation and new life to old business. Define driven factors influence BMT then lead to firm performance, such as Integrative Strategy and technology orientation that positively affect BMT and Firm Performance. This paper fulfills the need and expands knowledge of the BMT process, which is activated through the reconceptualization of Business Model Innovations into Business Model Transformation with paradigm shift innovations. This study highlights that BMT needs to be framed with Integrative Capability and technology orientation to create added value for customers. However, previous research states that IC does not affect OT in various service industries. Reconceptualizing IC by embracing new dimensions of risk prevention, this research will create strong collaborations with OT and BMT. Therefore, IC alone is not enough, and organizations need OT to strengthen BMT and achieve optimal performance. Since this research approach was chosen, the research results can be used as a reference for designing a transformation business model. Therefore, researchers have



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further explored the proposed proposition with a large-scale quantitative survey through the resulting model framework and used it as a basis for designing new business models.

**Keywords:** *Business Model Transformation, Integrative Capability, Technology Orientation, Firm Performance*

## **Introduction**

The telecommunications industry has been categorizing as a high-tech industry full of new technology and significant capital investment (Pereira, Lima and Santos, 2020). The rapid evolution of technology's impact on the business that has uncertain conditions requires the integration of a variety of new capabilities (McKinsey, 2017), (Yole Developpement, 2017) (Blyler, 2017) resulting from the involvement of technology and innovation influence to many organizations and various industries (Eisenhardt and Martin, 2000). Technology creates new services in the market, resulting in consumer behavior (Faeste and Hemerling, 2016) and customer preferences changes (Bodlaj and Čater, 2018). Change occurs through social media, online lifestyle, digital, and by adopting OTT services en masse (Hacklin and Björkdahl, 2018) (Frost & Sullivan, 2018). Therefore, towards the era of technology orientation.

Regarding technological and communication developments, internet services are an important key in the internet technology chain ecosystem. Indonesia's internet penetration rate is 53.7%, lower than in many countries in the Asia Pacific region. The communication and information sector recorded a growth of 9.41%, or the third-highest under other service businesses (Central Statistics Agency, 2020). Coupled with the level of active internet users of 64.8% of Indonesia's total population, this is a strong potential capital to take advantage of business opportunities (Indonesia Central Bureau of Statistics, 2020). According to (McKinsey & Company, 2018), potential customers' global market is still growing. Currently, the position of ISPs in Indonesia has been challenging by the emergence of strong content service providers, which results in profitability that tends to stagnate. Even though service providers receive data traffic growth, they can still not cover the revenue decline that impacts company performance (Plate and Ismail, 2020) (Sennaar Kumba, 2018; Stefan, 2018). Various causes are due to technology disruption, innovation, Covid-19, and Over the Top (OTT) penetration in different industrial sectors, impacting changing customer behavior (Wyman, 2020).

Indonesia's telecommunication industry revenue growth has been negative since the second quarter of 2017. Total industry revenue has decreased, both gross and revenue data (Puslitbang, 2018). According to ATSI (All Indonesia Telecommunications Association) data in 2015, OTT covers more than 80 percent of mobile applications and controls nearly 90 percent of revenue. Refer to



previous literature, and this study highlights that telecommunications providers in Indonesia still face obstacles to increasing company performance. As indicated by a decrease in the company's financial performance on revenue (Plate and Ismail, 2020) (Analysis Mason, 2020), these profit margins tend to be stagnant and decrease, increase costs and cash flow (cash flow is financial stability, which is an indicator of company development and business continuity) (Konak, 2018) (Munasinghe, 2018) (Simon et al., 2015).

In terms of satisfaction, data in 2016 shows that 40 million people (30.2%) are satisfied, and there are around 91.8 million users (69.2%) who say they are not satisfied with the internet services they receive (García-Sánchez, García-Morales and Martín-Rojas, 2018) (Suryanegara, 2016). Amit & Zott (2011) stated that BMT emerged as an alternative to process and product innovation. Managers and entrepreneurs create additional value for pursuing new markets or adopting new technologies. In this condition, an integrative ability needs to integrate external and internal resources (Synnes and Welo, 2016). According to Jiang (2016) and Guercini et al., (2017), integrative capabilities directly impact company performance (marketing effectiveness and financial performance) and increase productivity to create new markets in an integrated manner in realizing the industrial revolution 4.0 and innovation in new services that support every industry and social life (society 5.0)(Japan Government, 2018).

This study discusses the relationship between BMT and company performance. Based on previous literature, the researcher suggests several important factors that influence technology orientation and integrative ability and the relationship between BMT and company performance simultaneously. Based on the description above, the company's performance is currently weakening. Therefore, it is crucial to analyze what factors affect Internet Service Provider companies' performance in Indonesia. Based on this background, this study aims to evaluate:

1. The effect of business model transformation on company performance
2. The influence of integrative capabilities on company performance through technology orientation and business model transformation
3. The influence of technology orientation strategies on company performance directly or indirectly through BMT
4. The influence of integrative capabilities on company performance



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### ***Literature review***

#### Firm performance and Business Model Transformation

Good strategic management is necessary for long-term business performance sustainability (Hoskisson et al., 1999). However, organizations have considered a multi-perspective approach to address the specific demands of strategic objectives and provide the theoretical basis and tools for an in-depth understanding of business problems (Hoskisson et al., 1999; Jenkins M; Ambrosini, 2016). According to Sommer (2012) from his book "Managing Green Business Model Transformations," it has been explained about fundamental business logic changes improving or maintaining company performance. However, (Wilson and Raynor, 2015) argue that business transformation is a fundamental core change process in how a business or organization operates. Previous studies examined cloud and digital computing as disruptive innovations. It has built a reflection on the understanding resulting from business model innovations of cloud benefits for business growth (Brook and Feltkamp, 2014). However, (Rao and Prasad, 2018) argue that business has become a global market that encourages the need for a BMT because companies must overcome global challenges and continue to compete. Several reasons that BMT can improve company performance are the transformation; and the target to create new value for corporate customers (Hacklin and Björkdahl, 2018). The business model's transformation depends on the coordination of internal and external resources (Zott *et al.*, 2011) (Pang et al., 2019). It ensures innovative activities have a synergistic effect on resource management (Braganza et al., 2017). Several studies have confirmed the relationship between BMT and firm performance (Brook and Feltkamp, 2014; Osei, Ackah and John, 2015; Anwar, 2018; Kranich and Wald, 2018) (Lan and Liu, 2017; Frishammar and Parida, 2018; Kotarba, 2018).

However, this study reconceptualizes the dimensions of firm performance from intangibles into perceiving intangible processes, and from tangibles into perceiving tangible processes focusing on financial aspects (Afuah and Tucci, 2003; Meunier-FitzHugh and Piercy, 2007; Taouab and Issor, 2019). According to several studies, the financial aspect consists of several factors, such as profit margin (Michael E. Raynor, 2015; Kamaşak and Yavuz, 2016; Farrington, 2018; Konak, 2018), cost reduction (Meunier-FitzHugh and Piercy, 2007; Mavlutova and Mavlutov, 2019), and cash flow (Neely, 2004) (Hilman and Kaliappen, 2014). Meanwhile, those that focus on non-financial aspects adapted from (Ginsberg and Venkatraman, 1985; Ng and Kee, 2011; Wirtz *et al.*, 2016) consist of productivity, customer satisfaction, innovation, motivation, and quality. Therefore, company performance has defined the achievement of any tangible and intangible processes offered by the company to generate financial health and increase added value for the company and customers. It has characterized by two dimensions, perceived tangible processes consisting of Market Share, Sales Turnover Growth, Cost Reduction, Financial Investment, and perceived



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intangible processes such as Customer Loyalty, Management Innovation, Intellectual Capital, and Productivity.

In recent years, the transformation strategy has come to researchers' attention because it has considered making a significant contribution to business success, not just innovation. This research discusses the BMT that enables organizations to respond more quickly and creatively to changing market conditions, business needs, and customers. Meanwhile, according to (Massa and Tucci, 2017), from an organizational perspective, business model change is a process where management deliberately and actively changes and builds new organizational systems or activities caused by environmental changes. However, the previous empirical study argues that the internal drivers of BMT focus on experimental processes (Achtenhagen, Melin and Naldi, 2013), leadership characteristics (Doz and Kosonen, 2010), and the ability to manage two business models simultaneously (Ferreira, 2011; Khanagha *et al.*, 2013). A successful BMT is essential in a strategic alliance where high-tech small and medium-sized companies with innovative technology complement strategic capabilities and partners (Clauss *et al.*, 2019). In another study (Christensen and Bower, 2005; Innovations, 2018), BMT seeks to align the innovation business model's elements with a specific environment (Westerman and Calm ejane, 2011). Based on preliminary studies, this study argues that the business model applied in the company is a living process (J. Barney, 1991; JB Barney *et al.*, 2011) (Kotarba, 2018).

The theoretical foundation of the Business Model Transformation from the previous literature illustrates from two company perspectives: organizational and market, shown in Figure 1.

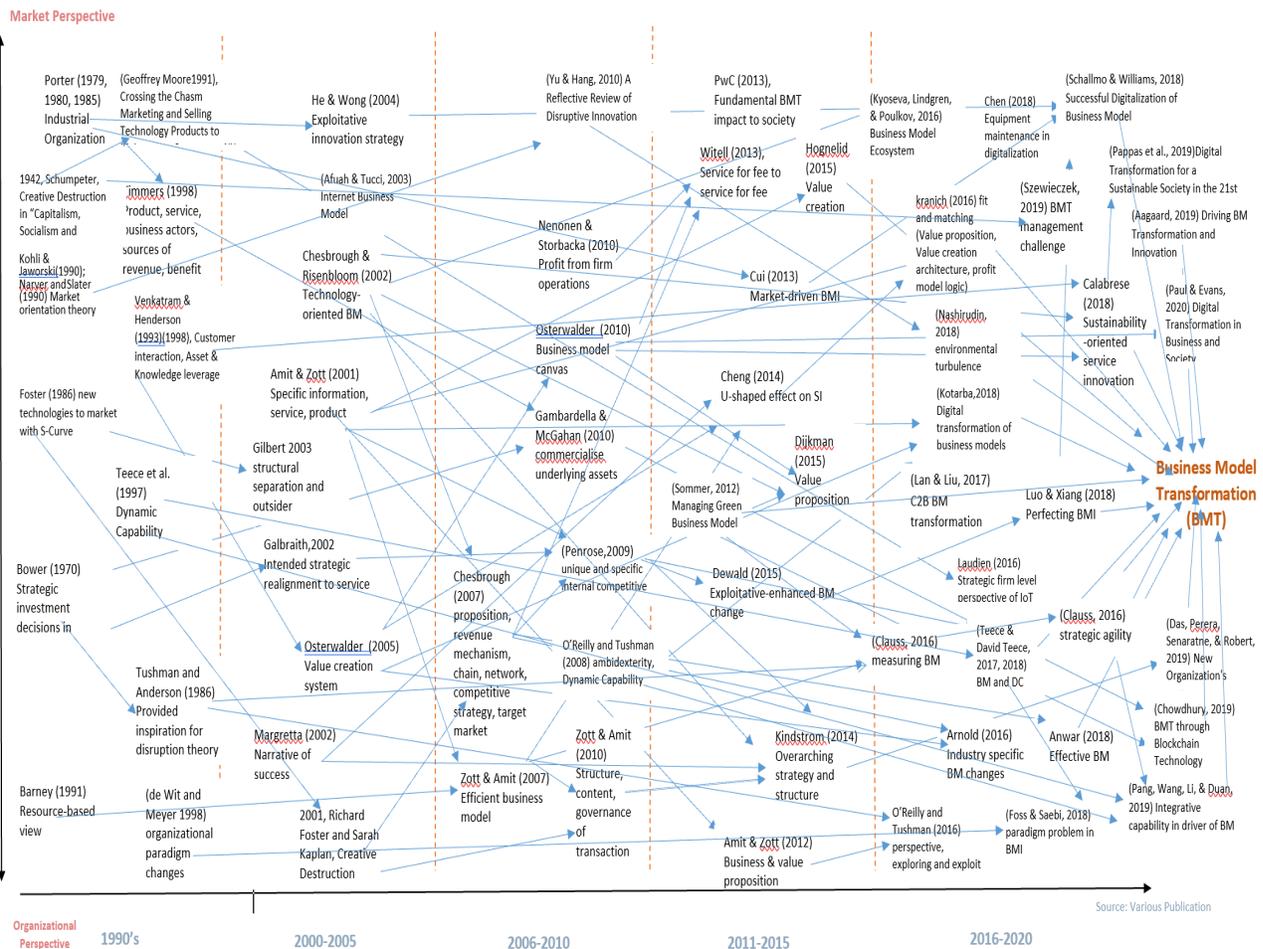


Figure 1 Theoretical Foundation of Business Model Transformation

Business Model Transformation is about rethinking the business fundamentally about customer needs, aligning resources, processes, and revenue formulas (Hamelink and Opdenakker, 2019). It is necessary due to the old business model is no longer functioning optimally in the face of high competition and an unpredictable environment (Arnold, Kiel and Voigt, 2017)(Mikusz *et al.*, 2017) and due to high market competition (Plattini, Weber and Castillo, 2012). Until now, there is no ideal BM for the telecommunication internet industry in Indonesia (Analysys Mason, 2020)(Plate and Ismail, 2020), so companies need to change their business models, shifting from old business models to new business models fundamentally for competitive advantage (McKinsey&Company, 2018). This study reconceptualizes Business Model Innovation (BMI) to Business Model Transformation (BMT), where Business Model Transformation (BMT) is part of a broader concept of business model innovation (Massa and Tucci, 2017)(Savic *et al.*, 2016). As far as researchers know, examining the driving forces for the transformation of the business model



is still limited, especially to the telecommunications ISP industry in Indonesia, which has no ideal business model for ISP operators in Indonesia (Analysys Mason, 2020). According to (Christensen, 2006), the company will not sustain itself if it only makes product innovation. It takes not just innovation, but innovation that can change the paradigm (Bogers, Afuah and Bastian, 2010). It is not enough for a surviving company to innovate in its product, service, or business model. In many cases, when a company innovates only, for example, on a product or service, it will not survive (Xerox, Nokia, and Fortune-listed companies crash) (Mckinsey, 2017). The concept of BMT is adapted to the telecommunications business situation in which is very volatile and unpredictable. The high level of uncertainty indicates many new technological opportunities (Greenacre, Gross and Speirs, 2012; K. Smith et al., 2017). Therefore, a technology-oriented strategy is needed to synergize old business models' transformation into new business models (Szewieczek, 2019). To demonstrate, develop, and investigate the relationship between BMT and firm performance, this study conclude with the definition of BMT is the company's capability to create new value, develop and discover new methods of fundamentally different business models that focus on improving performance by generating new revenue models. It has demonstrated new management capabilities, developing new processes/structures, new customers/market segments, and new revenue models. The dimensions and indicators of all constructs used in the framework are presented in Table II.

Table I Business Model Transformation construct and dimension

Variable	Dimension	Concept	Indicators	Source Literatures
Business Model Transformation	New Capabilities	Organization capability to generate the new strategy to elaborate on the opportunities that arise from the external environment and capability management to synergies all the business components	Technology Update	(Hamelink & Opendakker, 2019)(Claus, 2016)(Foss & Saebi, 2018)(Teece & David Teece, 2017)(Osterwalder & Pigneur, 2010)
			Leadership Capabilities	
			Knowledge updated	
			Resources Competencies	
Business Model Transformation	New processes /structures	Organization ability to reengineer the process structure in an activity system to determines the degree of efficiency from exploitative innovation of a new structure	Governance and Policy	(Hamelink & Opendakker, 2019)(Claus, 2016)(Foss & Saebi, 2018)(Teece & David Teece, 2017)(Osterwalder & Pigneur, 2010)
			System structure	
			Effectiveness Organization and Process	
			Resource velocity	
Business Model Transformation	Customer segments/markets	Management capability to determine the focus on the strategy of future markets <u>segment</u> , that includes the redefinition of existing markets or the entering of new markets	(New target) markets	(Hamelink & Opendakker, 2019)(Claus, 2016)(Foss & Saebi, 2018)(Teece & David Teece, 2017)(Osterwalder & Pigneur, 2010)
			Market Positioning	
			Customer experience	
			Customer segments	
Business Model Transformation	New revenue models	Organization capability to encouraging the customer to pay for value propositions that transform revenue models from traditional transactions with monetizing the idle business to new revenues structure generated	Monetization	(Hamelink & Opendakker, 2019)(Claus, 2016)(Foss & Saebi, 2018)(Teece & David Teece, 2017)(Osterwalder & Pigneur, 2010)
			Structure of revenues	
			Financial Barrier	
			Cost structure	
			Model Business	

Several studies have confirmed the results of the relationship between BMT and firm performance. Previous studies have described the positive effect of BMT on company performance. From the description above, this study has an interpretation that the higher the organization's ability to provide the right solutions with the BMT strategy, the more it can provide added value to organizational performance. Therefore, based on the above arguments, we hypothesize that:



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**H1:** Business Model Transformation has a positive influence on firm performance.

### ***Integrative capabilities, technology orientation, and business model transformation***

The first set of integrative capabilities (sensing and shaping) contribute to selecting new activities and new customers, thereby contributing to the acquirers to shape the market demand and new technologies needed (Ahuja and Lampert, 2001). Furthermore, integrative capabilities can help companies transfer the benefits of technology capabilities from superior alliance partners (Helfat *et al.*, 2016). However, according to (Yu, 2012; Jiang, 2016), the ability of integration from the perspective of the growth of a company, four stages can contribute to increasing growth capability, namely searching (scanning) capability, gathering capability, combination (organization) capability, and innovation capability. Reconceptualization from (Franco *et al.*, 2018; Pang *et al.*, 2019) this study concludes with the definition of IC is a company's dynamic and systematic ability to integrate business components, optimize external and internal competencies, and innovate by transforming resources through four dimensions: (i) external knowledge acquisition (Tiwana and McLean, 2005; Jiang, 2016); (ii) Internal knowledge integration; (iii) Risk control (Das and Teng, 2001; Liu, Chen and Tsai, 2004); and (iv) Opportunity recognition (Pang *et al.*, 2019).

However, the telecommunications industry has faced changes in the business direction by technology development orientation (ITU, 2018). The technology orientation accelerated business models' changes through human behavior changes (Halac, 2015) (Khare and Stewart, 2017). Therefore technology orientation is crucial in supporting the BMT models and company performance (Voss and Voss, 2000; Ramani and Kumar, 2008).

Digital transformation has become crucial for top management, where digital technology has expected to be widely integrated and have a significant impact on technology orientation and business performance (Evans, 2015; Hess and Matt, 2016; Wageeh, 2016). However, Brühl *et al.*, (2013), Raguseo *et al.*, (2013), and Beltran and Ramesh (2018) argue the value of integrative capabilities must be stronger in a dynamic environment to drive BMT. Besides, the collaboration and capturing of emerging market opportunities through technology-oriented make strengthen the BMT process. However, according to (Petrikina *et al.*, 2014; Prasetyawan, Maulida and Lutvitasari, 2018; Tweedie *et al.*, 2018), in examining the role of technology orientation in company performance, integrative capabilities play an important role in building, integrating and reconfiguring the resources. However, several studies conclude that integrative ability only positively affects BMT (Doleski, 2015) and not on firm performance or technology orientation. However, this study believes that high integrity capabilities can quickly develop different technology-oriented strategies from a business perspective. In line with that, the business model will adapt to the development of technology that occurs. It means that the higher an organization's



ability to provide appropriate and integrated solutions with technology-oriented strategies, the more it can provide added value to the BMT process and company performance. Therefore, we conclude that integrative ability positively affects business performance mediated by technology orientation and Business Model Transformation. Therefore, based on the above arguments, we hypothesize that:

**H2** Integrative capability has a positive influence on company performance mediated by Technology orientation and Business Model Transformation

### ***Technology orientation strategy, business model transformation, and firm performance***

Opportunities to innovate in products and services require companies to pay attention to new technologies. It can then align customer expectations by combining emerging technological opportunities with changes that impact technology-supported value propositions through changes in business models that can change the customer paradigm (Schiavi and Behr, 2018). Previous research partially confirms that the focus on improving technology has a significant impact on the transformation process of new business models so that the success of changing business models based on customer preferences can improve performance (Foss *et al.*, 2017; Vorbach, Wipfler and Schimpf, 2017; Nasiri *et al.*, 2018). However, according to (Foss *et al.*, 2017), the importance of new business models or reconfiguring existing business models to create new business structures through technology orientation is very important to remain competitive. Then, technology orientation has a positive effect on company performance. It has suggested excellent organizational resources and dynamic capabilities as factors that will enhance performance (Guo *et al.*, 2020) (Gatignon and Xuereb, 1997). However, this study argues that the telecommunications industry's technology orientation has a broader view, not only on the component of organizational resources. The definition is the company's strategic capability to being connected between customers and organizations by conducting research, learning, and development by adopting new technological capabilities, continuous innovation in the process of organization synergy by taking advantage of opportunities including of customer, competitor, market, and knowledge, which are characterized by three dimensions of Technology Capability (Halac, 2015), Management Strategic Ability (Daghman and Ghadeer, 2018), Commitment to Learning and Commitment to change (Halac, 2015) (Bashir and Long, 2015).

However, according to (Cuofano, 2019) industrial companies are increasingly realizing the importance of customer service. Based on the above arguments, the higher the organization's ability to provide appropriate technology-oriented solutions, it can provide added value to the organization. Therefore, it is necessary to assume that the Technology Orientation directly or



indirectly impacts company performance through the BMT for Telco ISPs in Indonesia. Therefore, based on the above arguments, we hypothesize that:

**H3:** Technology Orientation has a positive influence on company performance directly and indirectly through Business Model Transformation for the ISP industry in Indonesia.

### ***Integrative capabilities and company performance***

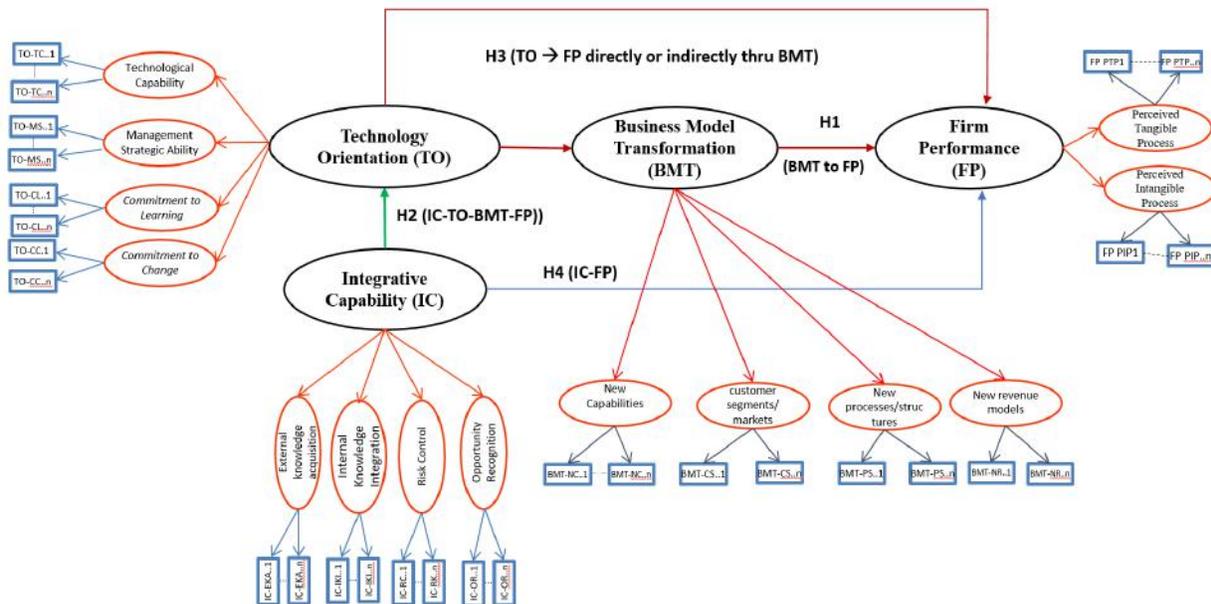
From the perspective of dynamic capabilities (DC), integrative abilities are the key to dynamic capabilities. Effective integrative abilities can overcome combination and resource difficulties between companies (Jiang, 2016; Teece, 2007). According to (Pang *et al.*, 2019), *the* integrative capability is the ability to continuously reconfigure company resources and the ability to seize market opportunities. Besides, integrative capability plays an important factor, such as integrating new business models through existing organizational infrastructure (Jiang *et al.*, 2016) and can improve superior performance (Jiang, 2016; Liao *et al.*, 2018). According to (Foss and Saebi, 2018), the capabilities needed to take advantage of various changes in business models successfully include the capabilities of evolution, innovation, and adaptive change. Thus, integrative abilities include communication and coordination that reflects direct organizational and managerial involvement. Regarding organizational mechanisms, Tushman and Nadler (1978) pointed out the role of planning and control systems in interdependent cross-functional teams. Henderson and Cockburn (1994) and Henderson (1994) also highlight the importance of interdisciplinary teams and resource allocation committees from various fields.

Helfat and Campo Rembado (2016) argue that support systems for integrative capabilities have costs, including the time and effort of employees in cross-functional teams and separate organizational units tasked with monitoring integration and managerial involvement in investment decision making. According to (Pang *et al.*, 2019), business models' mediating effect changes the relationship between integrative ability and firm performance. Besides, BMT can also improve company performance (Zott *et al.*, 2011; Hacklin and Björkdahl, 2018; Pang *et al.*, 2019). However, previous research confirms that several studies related to integrative capabilities positively affect company performance (Doleski, 2015; Davies and Chambers, 2018; Olgyay and Campbell, 2018; Pang *et al.*, 2019). Therefore, it assumes that Integrative Capability affects Company Performance in the Telecommunication industry in Indonesia. Therefore, based on the above arguments, we hypothesize that:

**H4:** Integrative capability has a positive influence on company performance

**Research study and development of a model framework**

An integrated activity in transforming a business model (BMT) is the best approach to overcome high environmental uncertainty, instability, and turbulence (Jansen J., 2005; Kollmann and Stöckmann, 2010) (Michael L Tushman, 1997). Mintzberg (1979) and (Crocitto and Youssef, 2003) further argue that having the flexibility and ability to adapt in business, organizations need to promote sharing information sourced from various sources, collaborated and integrated. Adaptive strategies in terms of regulation, market, or competition have expected to bring companies to high performance by taking advantage of existing opportunities compared to organizations that cannot recognize opportunities that arise and try to anticipate balanced risk management capabilities (Rogers and Shoemaker, 1962). Kohli & Jaworski (1990) and Lawrence and Lorsch (1967) argue that high-performance organizations, especially those loaded with rapid technological developments, need to emphasize cross-functional collaboration (Arifiani et al., 2019). Based on the explanation above about the relationship between BMT, integrative strategy and technology orientation, and company performance, it is very reasonable to propose the research model and the proposed hypothesis and developing the framework model see Figure 2.



**Figure 2** Framework Research Model



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## ***Research method***

### *Data collection*

Data sampling has focused on how companies respond to changes and the transformation business model's role in company performance due to the rapid development of technology in the internet industry. We collected data on management's new capabilities regarding uncertain environmental business turbulence, business process structures, customer segments, and revenue streams as driving factors for its business model. We used interviews as the primary data collection method because interviews provide a rich explanation of the respondents' experiences, knowledge, and perceptions (Fontana and Frey, 1994). We conducted interviews with the top management of several companies with a preliminary survey of 73 companies and conducted seven formal in-depth interviews to enrich the conceptual paper comprehensively. The interviews were recording and transcribed word for word. Interviews were organized according to semi-structured guidelines and were conducted either in person, by telephone or follow-up conversations by email to fill gaps in the data.

### *Data analysis*

For an overview of the data collected, data analysis follows an approach. First, it briefly describes how companies respond to technological changes very quickly to remain competitive. Second, we describe the old business models relevant to business development and the factors that drive the business model towards transformation for each company. We represent all business models in new capabilities, new process structures, customer/market segments, and revenue models. To do this, we developed a model framework with variable construct indicators, which was developed by reviewing the business model literature and then processed, refined, and completed when data analysis was carrying out, see Figure 2. Finally, we assessed the BMT drivers that affect each stage by investigating their impact on a company's ability to create and capture the value and improve firm performance.

### *Validity and reliability*

In the iterative process of collecting and analyzing our data, various measures have taken to ensure that the data quality was good. Based on Gibbert and Ruigrok (2010) suggestions, we follow a series of guidelines to strengthen validity and reliability. First, the main research activities of the study have centered on collecting interview data and documents. Our primary data source consists of our informants, mostly top management (Board of Directors, CEOs, Head of Sales or Marketing, General Managers and Senior Managers) of each company as a unit analysis, who, based on their experiences, perceptions, and roles in their organizations, represent experts



knowledgeable in their fields. To increase objectivity, we complement our analysis with reports on the latest developments in this business. Furthermore, documenting how data and information were collected and analyzed to build a chain of evidence (Eisenhardt and Martin, 2000). Finally, this study has been designing to place it in a well-defined industrial context.

### *Discussion*

From the Telco industry phenomenon where revenue decreases even though data consumption increases and ironically, the Telco industry has not been able to respond to attacks caused by disruptive innovations such as OTT. This paper aims to evaluate how the role of business model transformation (BMT) can improve company performance. This study provides a conceptual research model and insights on how effectively a company adapts its traditional core business to transform due to disruptive innovation, giving new life to old businesses, with the driving factors that affect the Business Model Transformation that leads to company performance.

Three main observations have made it clear.

- (i) First, innovating by changing the new paradigm of BMT is done by not just only innovating business models. As a result, the transformation performance will be affected by the time lagging in the transformation. This process is carried out on company performance, measured, and captured to see how much impact BMT has on company performance, influenced by the constructs and indicators of technology orientation strategies and integrative capabilities strategies.
- (ii) Second, proactively reengineering key business models to produce new paradigms that change the customer or community paradigm, rather than reactive changes or reactivation of old responsive business models.
- (iii) Third, with BMT, companies can increase value creation and capture value internally and externally to give new life to the old business.

Reengineering key business models also allow companies to undergo an iterative cycle of learning and experimentation to adapt their capabilities to market needs, reducing the risk of strategic failure and seeking opportunities (Pang et al., 2019). This deconstruction mechanism allows us to discuss the main possible strategies model in the literature on business models. Adaptive to market changes make companies develop an integrative ability to collaborate through sharing technology and sharing inventory. Companies can rely on transforming their primary business model and their old model to find a better fit between capabilities and changing environmental conditions. The necessity to leave the old business can also come from changes in the business environment. The higher the business model changes the paradigm, the higher the monetization gap of the old technology. The more important its performance will be to increase the company's revenue and remain competitive. Therefore, creating a new business does not always result in abandoning the



old business. Both can exist synergistically. However, if a new business takes off, the company may consider growing this business instead of investing in the old business and then deciding to leave the old, less profitable business. The more companies can transform BM well, the better the company's performance, and the company can develop appropriate infrastructure for customers and communities that can utilize to become a community 5.0. Adaptive regulation to technological developments and society is needed. Therefore, the rapid development of technology needs to be supported by regulation and business certainty to drive the growth of the telecommunications industry.

### ***Conclusions, limitations, and future research***

Based on preliminary surveys, interviews and secondary data, this study explains how companies can transform their business models with the driving factors of variable technology orientation and integrative capabilities, either directly or indirectly, on company performance. Innovation is no longer an important thing because corporate innovation will not last long, but innovation can change the community paradigm by transforming it. Most telecommunication company businesses show a high degree of uncertainty, changes in customer preferences, and ever-increasing expectations and pressures. Besides, revenue streams have decreased due to being taken over by other players such as over-the-top (OTT) and technology giants. Thus, challenging the traditional business model of telecommunications companies to be able to maintain a competitive advantage. However, the faster-than-expected transformation of their core business is pushing Telcos to break away from their traditional thinking and become innovators. To run this business model successfully, an organization requires a fundamental paradigm shift. Telco had to turn to a highly efficient and automated organization with a very sleek and agile structure. Thus, telecommunications companies need to determine which business model is most helpful for generating revenue from the transformation process. Thus, this study concludes that the Business Model Transformation is a strategy for the future of the telecommunications business model to improve performance and competitive advantage.

First, we provide a model and insight to determine how effective the strategy is to apply a new business model. Second, we argue that companies can separate and concurrently combine different technology orientation strategies and integrative capabilities of various approaches to reach resource-limited customer segments and increase company revenue with the new revenue model. Third, to our knowledge, this paper is among the first to use an internet service provider as a unit of observation in the Indonesian market. The results incorporate a broader possibility framework that allows contributions to the development of key business models and company performance in the face of the uncertainties of today's internet business environment and rapid technological. However, it has limitations due to the qualitative nature of quantitative data, which is small in



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scale, and a conceptual framework that needs to be studied further through large-scale quantitative surveys.

Therefore, this study provides managers with a comprehensive perspective on improving their discernment in seeing opportunities that occur due to unpredictable business conditions and the rapid development of technology. Understanding related to integrative capabilities is to address customer preference through inter-functional and inter-partner coordinated actions effectively. Related orientation technology, managers have recommended developing three capabilities that underlie management technical capability development. Second, collaboration across technology and companies, creating a balance control function due to collaboration and the possibility of strategic mergers. Third, managers must develop a team that is ready to accept change continuously. The team acts as an adaptive change agent system to review and identify deficiencies for sustainable improvement. Managers must develop communication and build relationships between internal and external team members. The government needs to improve the existing regulation to be an adaptive regulation for business and society.



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