

THE ROLE OF TRANSFORMATIONAL LEADERSHIP AND ORGANIZATIONAL CULTURE ON COMPANY READINESS IN TRANSFORMATION AT PT TELKOM INDONESIA TBK TELKOM REGIONAL II DIVISION

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Abstract

The readiness of Telkom Regional II to undergo transformation remains suboptimal due to several factors. Issues include inadequate allocation of corporate resources to support transformation initiatives, insufficient technological infrastructure integration, and low employee enthusiasm. This research aims to examine the influence of transformational leadership and organizational culture on the organization's readiness for transformation, focusing on the telecommunications industry in Indonesia. The study used a quantitative methodology that included partial least squares (PLS) and structural equation modeling (SEM). Structured surveys were used to gather information from 120 Telkom Regional II workers. Convergent validity, discriminant validity, and reliability tests were used to assess the validity and reliability of the outer model. Hypothesis testing showed significant positive impacts: transformational leadership influence organizational readiness (path coefficient = 0.149, $p = 0.005$), and organizational culture influenced both transformational leadership (path coefficient = 0.345, $p = 0.000$) and organizational readiness (path coefficient = 0.718, $p = 0.000$). Findings highlight the importance of leadership integrity, cultural collaboration, and resource optimization. However, challenges such as employee resistance and insufficient digital skills persist. This study recommends regular leadership training, strategic resource investment, and cultural development initiatives. Future research could broaden the scope by including more variables and comparing organizational dynamics across sectors.

Keywords: Organizational Culture, Organizational Readiness, Telecommunication Industry, Transformational Leadership, Structural Equation Modeling.

A. INTRODUCTION

Organizations operating in the VUCA era characterized by volatility, uncertainty, complexity, and ambiguity must demonstrate agility, collaboration, and adaptability to remain competitive (Rimita, 2019). PT Telkom Indonesia, a leading State-Owned Enterprise in telecommunications, is undergoing a significant transformation, transitioning from a B2C to a B2B business model and implementing the ambitious "Five Bold Moves" initiative (Ulkhay et al., 2017). Despite obstacles such as dwindling employee engagement, change aversion, and corporate culture misalignment, these adjustments seek to address market conditions (de Sa Dinis, 2023).

Transformational leadership plays a critical role in fostering a shared vision, driving innovation, and promoting collaboration across teams (Zhiqiang, 2024). An adaptive

organizational culture, characterized by flexibility and a focus on learning, is equally essential in building readiness for transformation (Madi et al., 2023). However, current gaps in leadership clarity, cultural implementation, and communication effectiveness hinder the organization's ability to fully align its workforce with transformation objectives (Metwaly, 2024).

This study looks at how organizational culture and transformational leadership affect PT Telkom Indonesia's Regional II Division's preparedness for change. By exploring these dynamics, the research seeks to provide actionable insights to optimize leadership strategies, strengthen cultural alignment, and enhance the company's overall readiness to navigate complex changes in the telecommunications industry (Djati, 2023).

B. LITERATURE REVIEW

The literature on organizational transformation emphasizes the pivotal roles of transformational leadership and organizational culture in preparing companies to navigate change effectively (Bagga et al., 2023). Transformational leadership, as highlighted by (Bass & Avolio, 1993), fosters vision, inspiration, and individual support, creating a foundation for organizational adaptability. Studies by (Ogbonna & Harris, 2000) demonstrate that "Transformational leadership positively influences organizational culture and readiness for transformation, with a particular focus on promoting innovation and collaboration". As proposed by (Denison, 1991), "Organizational culture significantly impacts an organization's capacity to align internal processes with external challenges, fostering an environment conducive to successful transformation". Previous research by also underscores "The necessity of a strong cultural framework and adaptive leadership in achieving organizational readiness". By analyzing the relationship between organizational culture and transformational leadership in the context of Indonesia's telecom sector, particularly PT Telkom Regional II, this study fills knowledge gaps about how these elements work together to affect transformation readiness.

C. RESEARCH METHODOLOGY

This study uses a cross-sectional survey design and a quantitative methodology. 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 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)

Every item has a five-point Likert scale attached to it. Through professional evaluation and pilot testing, the survey instrument is rigorously validated (Burton et al., 2011). Using SmartPLS software, data analysis uses Structural Equation Modeling with Partial Least

Squares (SEM-PLS) (Afthanorhan, 2013).

D. RESULT AND DISCUSSION

The purpose of the outer model was to evaluate the model's validity and dependability. According (Bolen, 1989) "It consists of a set of relationships between indicators and latent variables". Reliability, discriminant validity, and convergent validity were the stages used to assess the outer model (Sarwono, 2012). The following figure displays the study's overall outer model diagram.

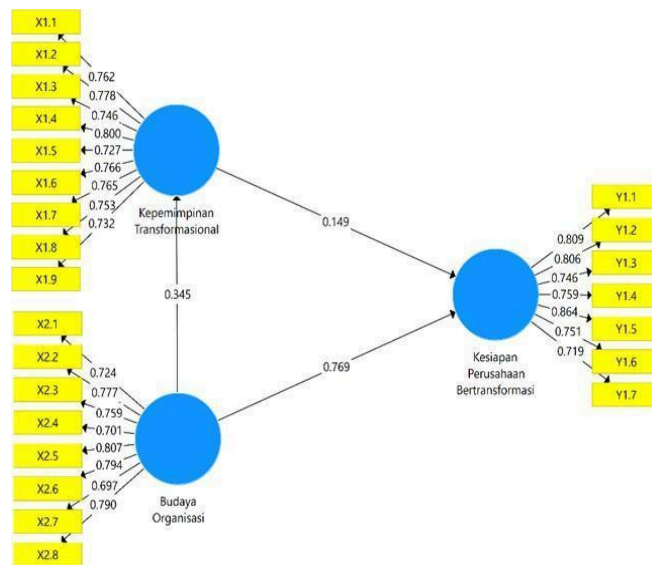


Figure 1. Outer Model

Source: Primary data output PLS 3, 2024

Convergent validity is an overall measure of the reflective measurement model, which shows the extent to which the indicators correlate and explain the variance of the items measured (Evi & Rachbini, 2023). By analyzing the Average Variance Extracted (AVE) from each indicator associated with their construct, convergent validity is evaluated (Furadantin, 2018). According (Judijanto et al., 2024) "AVE is the average of the squared loadings of all indicators associated with the construct".

The criteria used in this study were outer loading values exceeding 0.70 to be considered valid and AVE values exceeding 0.50, indicating that the construct could explain 50% or more of the variance of its indicators (Perkasa & Mulyanto, 2023). Based on the data analysis, the outer loading and AVE values are as follows:

Table 1. Outer Loading Values

<i>Variable</i>	<i>Item</i>	<i>Outer Loading</i>	<i>Criterion</i>	<i>Description</i>
Transformational Leadership (X1)	KT1	0.762	0.70	Valid
	KT2	0.778		Valid
	KT3	0.746		Valid
	KT4	0.800		Valid
	KT5	0.727		Valid
	KT6	0.766		Valid

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	KT7	0.765	Valid
	KT8	0.753	Valid
	KT9	0.732	Valid
Organizational Culture (X2)	BO1	0.724	Valid
	BO2	0.777	Valid
	BO3	0.759	Valid
	BO4	0.701	Valid
	BO5	0.807	Valid
	BO6	0.794	Valid
	BO7	0.697	Valid
	BO8	0.790	Valid
Company Readiness for Transformation (Y)	KPT1	0.809	Valid
	KPT2	0.806	Valid
	KPT3	0.746	Valid
	KPT4	0.759	Valid
	KPT5	0.864	Valid
	KPT6	0.751	Valid
	KPT7	0.719	Valid
	KPT8	0.719	Valid

Source: Primary data output PLS 3, 2024

Based on Table 1, all outer loading values exceed 0.70, indicating that each indicator effectively explains its respective variable. Thus, the research instrument meets the validity requirements and can be used for data collection.

Table 2. Average Variance Extracted (AVE) Values
Variable Criterion AVE

Furthermore, the evaluation of convergent validity using AVE values confirms that all variables have AVE values above 0.50, indicating good validity (Handayani et al., 2019). The degree to which a construct may be differentiated from other constructs is assessed by discriminant validity. According (Halim & Umaroh, 2024) “This is assessed by comparing the uniqueness of the indicators representing the construct with the degree of its correlation with other constructs in the model”. Methods such as cross-loading and the Fornell-Larcker Criterion are used for this purpose.

Indicators meet the discriminant validity criteria if their loading values on their latent variables in cross-loading are higher than on other latent variables (Samroji, 2024). In a similar vein, the Fornell-Larcker Criterion evaluates whether a construct's correlation with other constructs is less than the square root of its AVE (Oktavia et al., 2024). The following are the study's discriminant validity findings:

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Table 3. Cross-Loading Values

	<i>Indicator Leadership Transformational</i>	<i>Organizational Cultur Readiness</i>	<i>Company Transform</i>
KT1	0.762	0.315	0.406
KT2	0.778	0.238	0.279
KT3	0.746	0.260	0.330
KT4	0.800	0.245	0.322
KT5	0.727	0.213	0.197
KT6	0.766	0.338	0.295
KT7	0.765	0.278	0.360
KT8	0.753	0.221	0.212
KT9	0.732	0.154	0.162
BO1	0.205	0.724	0.567
BO2	0.378	0.777	0.554
BO3	0.364	0.759	0.525
BO4	0.149	0.701	0.507
BO5	0.353	0.807	0.629
BO6	0.306	0.794	0.616
BO7	0.060	0.697	0.537
BO8	0.211	0.790	0.701
KPT1	0.305	0.596	0.809
KPT2	0.338	0.612	0.806
KPT3	0.243	0.547	0.746
KPT4	0.311	0.560	0.759
KPT5	0.364	0.647	0.864
KPT6	0.306	0.552	0.751
KPT7	0.287	0.667	0.719

Source: Primary data output PLS 3, 2023

Based on Table 3, all cross-loading values of the indicators on their respective latent variables are higher than their values on other latent variables, demonstrating good discriminant validity. Similarly, the Fornell-Larcker Criterion confirms that all constructs meet the discriminant validity criteria.

Table 4. Discriminant Validity using Fornell-Larcker Criterion

Variable	Organizational Culture	Transformational Leadership	Company Readiness for Transformation
Organizational Culture	0.757		
Transformational Leadership	0.345	0.759	

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Company Readiness for Transformation	0.769	0.396	0.780
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Source: Primary data output PLS 3, 2023

Based on Table 4, each variable's square root of AVE is greater than its correlation with other latent variables. Thus, all variables exhibit sufficient discriminant validity. The precision, accuracy, and consistency of the tools used to measure constructs are evaluated by reliability tests (Chasanah & Mathori, 2021). Cronbach's Alpha and Composite Reliability are used to assess reliability. According (Yuliantini & Santoso, 2018) "A Composite Reliability value above 0.70 indicates good reliability". The reliability test results are shown below:

Table 5. Reliability Test Results

<i>Variable</i>	<i>Cronbach's Alpha</i>	<i>rho_A</i>	<i>Composite Reliability</i>
Transformational Leadership (X1)	0.909	0.918	0.924
Organizational Culture (X2)	0.894	0.900	0.915
Company Readiness for Transformation (Y)	0.892	0.895	0.916

Source: Primary data output PLS 3, 2024

E. CONCLUSION

The purpose of the study was to investigate how organizational culture and transformational leadership affect Telkom Regional II's preparedness for organizational change. The findings offer critical insights into the relationships among these variables and address the research objectives. Key conclusions drawn from the study are as follows:

Telkom Regional II's readiness for transformation remains suboptimal due to several underlying issues. Employees reported that insufficient allocation of resources, fragmented technological infrastructure, and a lack of integrated systems impede the success of transformation efforts. Furthermore, a portion of employees expressed hesitancy in adapting to new systems and workflows, transitioning from B2C to B2B operations. Limited training opportunities and underdeveloped human resource capabilities further hinder the company's transformation readiness.

Transformational leadership positively and significantly impacts Telkom Regional II's readiness to transform. Leadership characterized by integrity, motivation for innovation, and open communication empowers employees to align with transformative organizational goals. These attributes foster an environment that supports innovative and forward-thinking processes.

Organizational culture significantly influences transformational leadership at Telkom Regional II. A robust organizational culture underpinned by strong values, collaborative work environments, and consistent evaluation drives the adoption of transformational leadership practices. This dynamic demonstrates that leadership development is closely tied to the cultural fabric of the organization.

The study also concludes that organizational culture has the most substantial effect on the company's readiness for transformation. A collaborative and innovative culture strengthens

internal relationships and promotes the exchange of forward-thinking ideas, creating a foundation for competitive advantage in the telecommunications industry. Additionally, the organization's strategic planning reflects careful consideration of long-term objectives, resource optimization, and risk management.

These findings are aligned with the research objectives and contribute to a deeper understanding of the organizational dynamics that influence transformation readiness.

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