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Servant Leadership, Business Transformation, and Corporate Competitiveness

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Abstract

The purpose of this research is to examine the effect of Servant Leadership and Business Transformation on Corporate Competitiveness and Corporate Sustainability. In this research, Service Innovation is the mediating element. The sample of this study was made up of all ship leaders in all crossings of PT ASDP Indonesia Ferry (Persero), which consisted of 150 Commanders or Chief Commanders (Mualim I). The location of the research is the Vessel PT. ASDP Indonesia Ferry (Persero) is used on all crossings of the company. It is a survey research using questionnaires given to 150 respondents. The validity and reliability were checked using Pearson correlation and Cronbach's Alpha. The analysis used the WarpPLS statistical method and WarpPLS software. The results from this research show that the increased Servant Leadership will improve Service Innovation. Business Transformation developed by PT ASDP has not been able to improve Service Innovation. To our knowledge, there is no study on the concept of comprehensive competitiveness and sustainability involving Servant Leadership, Business Transformation, and Service Innovation in an integrated and simultaneous manner. Therefore, the novelty of this research is the development of concepts or models of Corporate Competitiveness and Corporate Sustainability Theory through Servant Leadership, Business Transformation, and Service Innovation.

Keywords: Corporate Sustainability, Corporate Competitiveness, Business Transformation, Servant Leadership

JEL Classification Code: D01, C70

1. Introduction

Resource-Based View (RBV) Theory states that competitive advantage occurs when a business organization successfully creates strategies based on resources that are difficult to duplicate by competitors (Barney, 1991). Competitive pressure encourages the organization to increase Corporate Competitiveness, and ultimately, its

selling points. At present, competition considers strategy warfare, which depends on anticipation and quick response to market demands (Stalk et al., 1992). Competitiveness encourages superior creative capability to attract customers, hence generating value and benefit. It generates results through market share and profitability performance (Coyne, 1986; Day & Wensley, 1988; Prahalad & Hamel, 1994).

According to Gal (2010), Corporate Competitiveness must be able to detect changes in the internal and external environment. It reacts immediately to other companies by offering more competitive goods and services. Excellence in Corporate Competitiveness is the ability obtained through company resources and characteristics. It ought to possess higher performance compared to other companies in the same industry or market. A successful organization excels in market competition and possesses a sustainability level (Fernandes et al., 2014).

Corporate Sustainability is an essential aspect of strategic management and organizational behavior practice. Corporate Sustainability indicates that a company can continue to grow and survive in the globalization era. In addition, Corporate Sustainability is related to the company's performance in

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sustainable development. Sustainability measured at the organizational level takes into account consumed resources and the extent these resources can be regenerated or renewed (Lee & Kim, 2019). The corporate sustainability indicates that an organization successfully maintains its existence among competitors (Dang et al., 2020).

The increasing competition between similar companies encourages business strategy in the form of Service Innovation (Oke, 2007; Momaya, 2016; Dulambayeva & Temerbulatova, 2019; Nguyen et al., 2018; Sun & Pang, 2017). Specifically, innovation within public institutions can be defined as the application of new ideas in implementation, characterized by significant procedural changes. It occurs on a long term and large scale to ensure that the implementation process has a significant impact on organizational change and organizational relations. Public-service innovation is intangible. Service and organizational innovation are not merely product-based. However, it is exhibited through the relationship between service providers and users, as well as the relationships between various parts within the organization or their partners (Hutahayan & Yufra, 2019).

In an increasingly consumerist era, customers prefer to set aside a little more money to acquire more service. Therefore, it is a necessity for the ferry industry to improve quality. In order to improve service quality and company performance, it is necessary to conduct Business Transformation. Business transformation can influence the Corporate Competitiveness level (Gruner et al., 2013). Business transformation is one of the important aspects of management strategy, especially in developing the company's competitive advantage.

In conducting Business Transformation, it is necessary to focus on HR readiness. Business Transformation is often followed by changes in systems and culture. After Business Transformation has been carried out, however, the ferry industry can further improve its HR and service quality by implementing customer service-oriented HR (Hutahayan & Wahyono, 2019).

Leaders have an important role in creating Corporate Sustainability and Corporate Competitiveness. Leaders must treat others as individuals, consider individual needs, listen, educate, and train subordinates, and provide personal attention to their subordinates (Bass & Avolio, 1994). Furthermore, Stone et al. (1974) state that people-oriented actions distinguish between Transformational Leadership and Servant Leadership. Therefore, the company is suggested to implement Servant Leadership.

According to Vondey (2010), Servant Leadership is a leadership style concerning personal, followers, and community growth as well as life dynamics. Leaders give the community precedence over personal ambition and preferences. Therefore, to achieve the company's sustainability, its leaders are expected to be able to implement Servant Leadership and formulate strategic

plans by examining existing problems (Fernandes & Solimun, 2017).

Based on the descriptions above, the researcher conducted research on PT ASDP Indonesia Ferry (Persero), abbreviated as PT ASDP, as the sole Ferry BUMN in Indonesia. The main function of PT ASDP is to provide access to public transportation between neighboring islands. It connects large islands and provides public transportation access to areas lacking ferry services to accelerate development (Fernandes & Fresly, 2017). PT ASDP requires a Servant Leadership role and conducts Business Transformation to improve Corporate Competitiveness and Corporate Sustainability. Servant Leadership, Business Transformation, and Service Innovation variables were expected to be a driving force in achieving Corporate Competitiveness and Corporate Sustainability in Indonesian shipping companies in a comprehensive, integrated, and simultaneous manner. This research is a novelty in this field of study and, thus, fills a gap.

In previous studies, Diliello and Houghton (2006), Waite (2014), Ahmed et al. (2018), Zheng et al. (2016), and Borins (2002) examined the relationship of Servant Leadership to Service Innovation. Research results showed that Servant Leadership had a significant positive effect on Service Innovation. Furthermore, Ling and Jaw (2011) found a significant and positive relationship between Servant Leadership and Corporate Competitiveness. Burawat (2019), Opoku et al. (2015), Fernando (2019), and Peterlin et al. (2015) conducted research to examine the relationship between Servant Leadership and Corporate Sustainability. The results unveiled a significant and positive direction. However, Fernando's research exhibited an insignificant relationship. Momaya (2016), Sun and Pang (2017) examined the relationship between Service Innovation and Corporate Competitiveness. The research results showed a significant and positive relationship. Gruner et al. (2013) conducted a study examining the relationship between Business Transformation and Corporate Competitiveness. The research found a positive and significant relationship.

Previous studies merely exhibited a few relationships regarding the concept of transformation examined in this study. However, there is a study on the concept of comprehensive Competitiveness and Sustainability, involving Servant Leadership, Business Transformation, and Service Innovation in an integrated and simultaneous manner. Therefore, the novelty in this research is the development of concepts or models of Corporate Competitiveness and Corporate Sustainability Theory through Servant Leadership, Business Transformation, and Service Innovation. In addition, this research analyzed PT ASDP resource management in order to encourage high company sustainability by identifying the factors affecting Corporate Sustainability.

2. Theoretical Review

This study used the Grand Theory, namely, Strategic Management and Resource View (RBV), with supporting theories (applied theory), Servant Leadership Theory, Business Transformation, Service Innovation, Corporate Competitiveness, and Corporate Sustainability.

2.1. Corporate Competitiveness

According to Porter (1989), there are five strengths of business strategy, which constitute the framework of industry analysis and business strategy development. These are the threat of new entrants, bargaining power of suppliers, threat of substitute products, bargaining power of buyers, and rivalry among competing firms. At present, competition considers one thing, namely, strategy warfare, which depends on anticipation and quick response to market demands. Ajitabh and Momaya (2004) state that corporate competitiveness is the company's contribution to a competitive market. Koufteros et al. (1997) describe five dimensions for Corporate Competitiveness, namely, Competitive pricing/cost, Value-to-customer quality, Delivery Dependability, Product innovation, and Time to market.

2.2. Corporate Sustainability

The definition of sustainability in the corporate context is as follows: A sustainable corporation is one that creates profit for its stakeholders while protecting the environment and improving the lives of those with whom it interacts. Based on these definitions, it is implied that corporate sustainability is related to the company's ability to generate profits, protect the environment, and improve social life. Sustainability considers including additional criteria in evaluating business performance, known as the "Triple Bottom Line." The word triple bottom line refers to the integration of ecological performance and social performance in relation to financial performance. The triple bottom line is also often referred to as the three pillars of social, environmental, and economic demand. Therefore, the combination of people, planet, and profit effectively explains the purpose of sustainability (Salimath & Jones, 2011).

2.3. Servant Leadership

According to Spears (1996), Servant Leadership is a leadership style that prioritizes service, starting with the natural feelings of someone who wants to serve and to prioritize service, brings aspirations and encouragement in leading others. The main goal of Servant Leadership, compared to other leadership styles, is organizational well-being. This leadership style truly exhibits care through serving followers (Graham, 1991; Stone et al., 2003).

According to Kineman and Poli (2014), Servant Leadership is a process of reciprocal relations between the leader and followers. In the process, the leader initially appears as a party serving the followers' needs. It ultimately allows a leader to obtain recognition and acceptance.

2.4. Business Transformation

Business Transformation is the entire process of change needed by a corporation to position itself better in responding to new business challenges. The rapidly changing business environment and new desires that arise from within the company. Business changes such as sustainability, technological innovation, globalization, economic conditions, and the changing nature of the workforce have a profound impact on the way organizations do business (Arthurs & Busenitz, 2006; Eisenhardt & Sull, 2001). There are five main stages in business transformation. The first stage is visioning, strategic positioning, and corporate strategy development to set the direction and objectives of the company and position themselves to be more competitive. The second stage is improving organizational capability. The third stage is the development of human resources to make fundamental changes to the management and human resources system. The fourth stage is strengthening the corporate culture to ensure that every company's strengths can be bound together and directed to the desired goals. The fifth stage is achieving business goals and value creation.

2.5. Service Innovation

For De Jong and Den Hartog (2003), innovation involves developing and implementing something new. Innovation enables one to add value to products, services, work processes, marketing, delivery systems, and policies. Innovation in the public sector is more emphasized on improvement based on innovative activities. It allows the government to provide high-quality public services at affordable prices. Wijayanti (2008) defines Service Innovation as the ability to anticipate changes in customer behavior, needs, and expectations, and consequently, the competence to design better services and create new concepts. Salunke et al. (2011) describe Service Innovation as a new level of knowledge integrated into service that directly or indirectly creates value for the company.

3. Methodology

This research used a quantitative approach with a survey method. In accordance with its objectives, this type of research is explanatory in nature. This research is included in the empirical research category with data in the form of perception, and the unit of analysis is PT ASDP Indonesia Ferry (Persero). Research data in the form of primary

data were obtained from the assessment questionnaire or perception of respondents. The study population was all ship captains in all PT ASDP Indonesia Ferry (Persero) shipping lines. The respondents were Captains or Vice-Captains (Mualim I), totaling 150 people. A list of PT ASDP Indonesia Ferry (Persero) vessels is presented in Table 1.

Because the population is relatively small, the entire population was taken as a research sample. The sampling technique used in this study is the Saturated Sampling method. All members of the population are taken as samples. Therefore, the sample in this study included 150 captains and vice-captains. Statistical analysis used is the WarpPLS statistical method using the computer program package or WarpPLS 6.0 Software to test the research hypotheses.

There were two exogenous variables, namely, Servant Leadership (X1) and Business Transformation (X2), and three endogenous variables, namely, Service Innovation (Y1), Corporate Competitiveness (Y2), and Corporate Sustainability (Y3). The conceptual framework connects the relationship between variables. Servant Leadership influences Service Innovation, Corporate Competitiveness, and Corporate Sustainability. Business Transformation influences Service Innovation, Corporate Competitiveness, and Corporate Sustainability. Service Innovation acts as a mediator. The conceptual framework of this study is presented as follows (see Figure 1):

Table 1: List of PT ASDP Indonesia Ferry (Persero) Vessels

No	Ship Type	Number of Ships
1	Commercial Track Boat	78
2	Land Pioneer Boat	67
3	Cattle ship	1
4	Container Ship	2
5	Long Distance Track Boat	2
Total Ship of PT ASDP		150

Source: Track and Ship Data PT ASDP, 2019

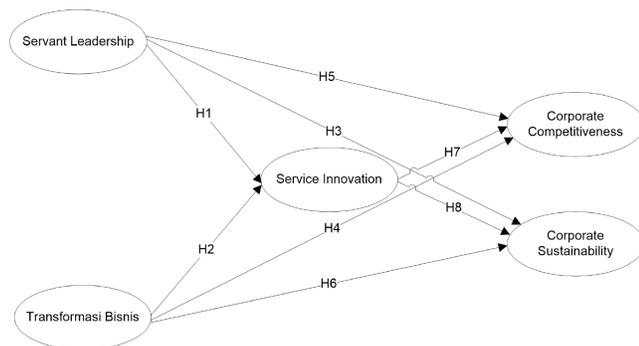


Figure 1: Conceptual Framework

Based on the conceptual framework in Figure 1, the research hypothesis is described as follows:

H1: Servant Leadership significantly influences Service Innovation.

H2: Business Transformation significantly influences Service Innovation.

H3: Servant Leadership significantly influences Corporate Sustainability.

H4: Business Transformation significantly influences Corporate Competitiveness.

H5: Servant Leadership significantly influences Corporate Competitiveness.

H6: Business Transformation significantly influences Corporate Sustainability.

H7: Service Innovation significantly influences Corporate Competitiveness.

H8: Service Innovation significantly influences Corporate Sustainability.

4. Results and Discussion

4.1. Results

Research data was obtained from the questionnaire. The questionnaire used a 5-point Likert Scale – from Strongly Disagree to Strongly Agree. Before the questionnaire data can be used for the next analysis, it is necessary to check the validity and reliability of the instrument. The research instrument is declared reliable if the value Cronbach’s Alpha > 0.6. From the test results obtained, the Cronbach’s Alpha value of four research variables is higher than 0.6. It can be concluded that Servant Leadership (X1), Business Transformation (X2), Service Innovation (Y1), Corporate competitiveness (Y2), and Corporate Sustainability (Y3) are valid and reliable. Therefore, the data taken through a questionnaire can be used for data analysis at a later stage.

The first stage in WarpPLS research is the measurement of the outer model. The test results obtained present the measurement model, measurement weight values, and *p*-values of each variable indicator. From the test results obtained, it can be concluded that all latent variables have valid and reliable indicators. The test is conducted to determine the most dominant indicators contributing to latent constructs. The best indicator in forming the Servant leadership variable (X1) is the character-oriented leader (X11), exhibiting the biggest loading factor, 0.828. It has an average variable of 3.95. It indicates that Servant Leadership in PT ASDP has developed well/high among leaders. The strongest indicator that forms the Business Transformation (X2) is the Strategy Transformation (X22), with the highest loading factor of 0.801 and an average variable of 3.96. It indicates that PT ASDP has conducted a good business transformation.

The best indicator in forming the Service Innovation (Y1) variable is Consumer Interaction (Y12), which has the highest loading factor, 0.870, with an average variable of 3.90. According to PT ASDP respondents, Service Innovation has been conducted well. The best indicator forming the Corporate Competitiveness (Y2) variable is Product Innovation (Y24), which has the highest factor loading value of 0.793 with an average variable of 3.81. The best indicator that forms the Corporate Sustainability (Y3) variable is Social (Y31), which has the highest factor loading value of 0.814 and an average variable of 3.92. Therefore, the level of Corporate Sustainability at PT ASDP is in the high category.

The second stage in WarpPLS research was to measure the inner model or structural model. A structural model presents the relationship between research variables; the structural model coefficient states the magnitude of the relationship between one variable to another variable. There is a significant influence between one variable on other variables if the p -value < 0.05 . In WarpPLS, two influences are known, namely, the direct effect and the indirect effect.

The hypothesis assessment of direct effects based on the test results obtained are described as follows:

H1 Accepted. There is a positive significant effect of the Servant Leadership (X1) variable on the Service Innovation (Y1) variable. The higher the Servant Leadership (X1), the higher the Service Innovation (Y1) variable. The coefficient obtained is 0.371, with a p -value of < 0.001 .

H2 Rejected. There is an insignificant influence between the Business Transformation (X2) variable and the Service Innovation (Y1) variable. The level of Business Transformation (X2) will not affect the condition of the Service Innovation (Y1) variable. It has a path coefficient of -0.119 with a p -value of 0.069.

H3 Accepted. The Servant Leadership (X1) variable has a significant positive effect on the Corporate Sustainability (Y3) variable. This indicates higher Servant Leadership (X1) increases the Corporate Sustainability (Y3) variable. The Path coefficient obtained was 0.150, with a p -value of 0.003.

H4 Accepted. There is a significant positive direct effect of the Business Transformation (X1) variable on the Corporate Competitiveness (Y2) variable. Higher Business Transformation (X2) will increase the Corporate Competitiveness variable (Y2). The path coefficient obtained was 0.345, with a p -value of < 0.001 .

H5 Accepted. Servant Leadership (X1) has a significant positive effect on Corporate Competitiveness (Y2). It indicates that better Servant Leadership (X1) increases Corporate Competitiveness (Y2). The path coefficient obtained was 0.206, with a p -value of 0.005.

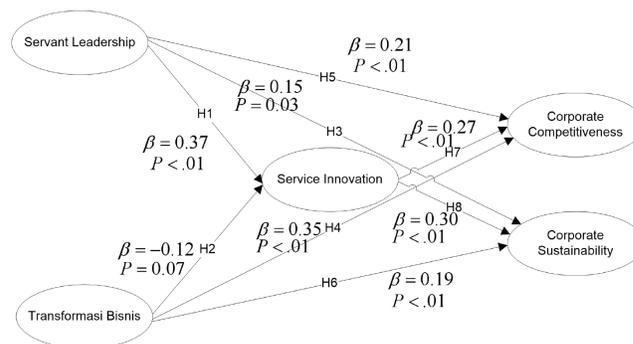


Figure 2: Assessment Results

H6 Accepted. There is a significant positive effect of Business Transformation (X2) on Corporate Sustainability (Y3). Better Business Transformation improves Corporate Sustainability. The coefficient value was 0.138, and the p -value was 0.009.

H7 Accepted. There is a positive significant effect of the Service Innovation (Y1) on Corporate Competitiveness (Y2). Higher Service Innovation (Y1) increases Corporate Competitiveness (Y2). The coefficient obtained was 0.272 with a p -value of < 0.001

H8 Accepted. Service Innovation (Y1) has a significant positive effect on the Corporate Sustainability (Y3) variable. Higher Service Innovation (Y1) will increase the Corporate Sustainability (Y3). The coefficient obtained was 0.298, with a p -value of < 0.001 .

Analysis of the effect of indirect relationships through Service Innovation mediation exhibits that there is a significant positive indirect relationship of Servant Leadership on Corporate Competitiveness. It exhibits a significant positive indirect relationship of Servant Leadership on Corporate Sustainability. The indirect relationship of Business Transformation to Corporate Competitiveness shows no significance; therefore, the indirect relationship of Business Transformation to Corporate Sustainability is not significant (see Figure 2).

4.2. Discussion

Based on the research results, changes in Servant Leadership would influence Service Innovation. The positive coefficient sign indicates that increasing Servant Leadership influences Service Innovation at PT ASDP Indonesia Ferry (Persero). Specifically, innovation in public institutions can be defined as the application of new ideas in implementation, characterized by a significant change in steps, in the long term and on a large scale. It would ensure that the implementation process has a significant impact on organizational change and organizational relations.

De Jong and Den Hartog (2003) defines that innovation involves developing and implementing something new. Based on this theory, PT ASDP continues to strive to realize the policy of digitizing the ferry industry to facilitate the process. It is conducted through E-ticket, Online System, and Manifest System. In realizing superior Service Innovation, the Leaders of PT ASDP are open to the new ideas in adhering to globalization development. It is expected that PT ASDP will focus on improving Servant Leadership to be able to improve Service Innovation. To achieve the company's goals, the leader of PT ASDP must be able to make decisions quickly and effectively. In addition, it also requires the following leadership character: capable of involving themselves in the work field, solve problems faced by the company, and determine solutions with the employees. Based on the characteristics, Servant Leadership is required.

In addition, Servant Leadership influences changes in Corporate Competitiveness. Improving Servant Leadership increases Corporate Competitiveness at PT ASDP Indonesia Ferry (Persero). PT ASDP possesses reliable and competent leaders to compete in the market. The globalization era strategy development focuses on technology-based competition strategy. PT ASDP leaders should be open to changing trends in the industry. A leader determines the company's progress be followed by the employees. The Servant Leadership at PT ASDP can be developed in answering this challenge. Competitive pressure encourages PT ASDP to increase Corporate Competitiveness to improve selling value. Servant leadership is believed to be suitable for increasing the level of corporate competition. Leaders who are able to consider long term plans and marketing strategies would be able to bring organizations ahead of other similar companies. Buckley et al. (1988) points out that strong competitiveness is influenced by the capability to produce, sell goods and services with superior quality and lower costs than domestic and international competitors.

Changes to Business Transformation influence Corporate Competitiveness. Improving Business Transformation increases Corporate Competitiveness at PT ASDP Indonesia Ferry (Persero). PT ASDP requires an excellent transformation process to maintain a competitive advantage. Business Transformation is used to instill competitive business structures that work effectively and efficiently. It is explained that, in general, the success of Business Transformation was assessed through revenue, profit, turnover, etc., which push the company in a better direction through competitive advantage. Business transformation is one of the important aspects of management strategy, especially in developing the company's competitive advantage.

Servant Leadership possesses significant indirect influence over Corporate Competitiveness mediated by Business Transformation and Service Culture. Better Servant

Leadership, followed by the improvement of Business Transformation and Service Culture, increases Corporate Competitiveness. PT ASDP Indonesia Ferry (Persero), in dealing and determining competitor, indirectly determines how the company deals with it. PT ASDP leaders ought to determine a plan to compete in the market. The technology-based business competition strategy must be aligned with the company's business. PT ASDP leaders ought to be open to changing trends in the industry. Thus, PT ASDP Indonesia Ferry (Persero), through servant leadership, may improve Corporate Competitiveness by paying attention to Business Transformation and Service Culture.

In the ferry industry, dealing and determining competitor indirectly determines how the company faces it. It is defined that Service Innovation is the ability to anticipate changes in customer behavior, needs, and expectations, and consequently, the competence to better design services and create new concepts. Also, Buckley et al. (1988) supported that strong competitiveness is the capability to produce and sell goods and services of superior quality and lower costs compared to domestic and international competitors. PT ASDP Indonesia Ferry (Persero) needs to create products/services that are renewable and able to answer the needs of consumers in the market to create a competitive advantage.

To achieve company sustainability, PT ASDP leaders can implement Servant Leadership and formulate strategic plans by examining some of the existing problems to become a sustainable company. Obtaining a large profit is inseparable from the role of a reliable leader in running the company and coordinating with various parties to realize the company's targets. PT ASDP is a company that provides services to customers in port crossing services (external stakeholders) and must also provide services to employees (internal stakeholders). Sustainability is long-term system maintenance in accordance with environmental, economic, and social considerations. PT ASDP is concerned with economic, environmental, and social developments around the company. PT ASDP's hope to become a superior and reliable sea transportation service with international standard services can be realized through business development. It allows the company to face external and internal environmental factors changes. It would ensure a company to become a sustainable national company.

Once the PT ASDP's internal and external aspects are improved, the company could focus on supporting factors. Infrastructure aspects such as port capacity, port depth, shipyard capacity, and navigation technology can be improved to increase PT ASDP's corporate competitiveness and corporate sustainability. Infrastructure could be improved the last to ensure no gap between infrastructure quality and human resources. It would ensure that the infrastructure can be utilized as well as possible.

5. Implications

There are benefits for developing concepts and theories related to leadership and strategic management studies. The results of this study could be utilized as a source of information for designing company strategies and policies to encourage business growth and the realization of company goals at PT ASDP Indonesia Ferry (Persero). In addition, empirical evidence for academics and society in general about the benefits and importance of organizational transformation carried out by PT ASDP Indonesia Ferry (Persero) has implications for Corporate Competitiveness and Corporate Sustainability. The results of this study are also an input for the government to determine the conditions that apply at the level of hybrid organizations such as BUMN. It could be utilized as the basis for decision-making, and business policy formulation for BUMN, in general, and especially BUMN engaged in the related sector.

6. Conclusion

The conclusions obtained for PT ASDP Indonesia Ferry (Persero) are described as follows:

1. Increased Servant Leadership will improve Service Innovation
2. Business Transformation developed by PT ASDP has not been able to improve Service Innovation.
3. Improving Servant Leadership will affect the level of Corporate Sustainability and Corporate Competitiveness at PT ASDP
4. There is a significant and positive influence between Business Transformation on Corporate Competitiveness and Corporate Sustainability.
5. Service Innovation is a significant mediator for the relationship between Servant Leadership to Corporate Sustainability and Corporate Competitiveness

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