The Relationship between Human Capital Readiness and Digital Leadership towards Employee Performance: Case Study of FMC Program at PT Telkomsel Branch Office X

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ABSTRACT: The development of the industrial world in the industrial revolution 4.0 will have an impact on various aspects of organizations and human function in industry is one of the various aspects that will have an impact. PT Telkomsel as a state-owned company must of course answer the challenges of the development of the industrial world by presenting the FMC program means that there will be indirectly organizational restructuring and adjustments to the technology used. This technology is of course related to industry 4.0 such as Cloud Computing, Data Processing, and the Internet of Things. In an effort to answer these challenges, organizations need to increase employee understanding of Industry 4.0 as well as hard and soft skills in using the technology used. Apart from that, the role of leaders in implementing organizational programs is an integral part in the smooth implementation of programs and in responding to the challenges of industry 4.0. The research found that Human Capital Readiness in the aspects of knowledge, hard skills and soft skills regarding industry 4.0 has a positive relationship with increasing Employee Performance. Apart from that, the Digital Leadership indicator in Leader such as being open to technological changes, the way they adapt to technology, and the way they communicate with employees can improve aspects of employee readiness and also have an impact on improving employee performance.

KEYWORDS: Human Capital Readiness, Digital Leaderships, Employee Performance, Hard Skills, Soft Skills.

1. INTRODUCTION

The world of industry is now revolved around the paradigm of Society 5.0 which has been stated by Japan in 2019. Society 5.0 is an era where technology has completely integrated into people. The internet has become a tool for living and not just for exchanging knowledge. It has been developed based on Industry 4.0 theory and believes that the theory of Industry 4.0 considered to end up in a declining number of people in the industry. Hence, Society 5.0 come through and believed that the declining effect could be minimize. PT Telkom Indonesia developed an organizational strategy called 5 Bold Moves that is focused on advancing and developing digital technology and enacting organizational change. The 5 Bold Moves strategy is developed in order to utilizing digital technology to increase business efficiency and productivity. The goals of this strategy are to address both Telkom's and industry 4.0's challenges. One of the priority strategies to be implemented in 2023 is the merger of Fixed broadband with Mobile broadband or so called as 'Fixed Mobile Convergence'. Hence, the FMC program will focus on Telkomsel as Telkom's subsidiary, to carry out the B2C process, Telkom's business plan therefore must be adjusted. In order to ensure a smooth integration of Fixed Broadband and Mobile Broadband, PT Telkom is reorganizing its organization structure.

It is anticipated that the strategy, which has been into practice in August 2023, will be able to accommodate customers' requests to make using internet services easier, affordable, and reliable. The majority of Indonesians populations in the amount of 25.66% who have internet subscriptions admit to using IndiHome services. This is a sign that Telkomsel need to improve their services because and they do believe that the reason why they chose fixed internet connection is because they need a reliable internet connection. Even so, the implementation of FMC is still not optimal where the current achievement for the FMC program is still around 11-13% while the expected goal is at least 30% of the market potential in Indonesia to use products from the Telkom group including Telkomsel. According to the Marketing Manager at Telkomsel Branch Office X, with the FMC program focused on Telkomsel, employees at the X branch office still have to adapt to the technology that used to support the FMC process. They do believe that they need to adjust their skills with the application that used for now. In addition, the X branch's operations manager claims that

FMC activities are still subpar. They believed that it is affected the performance of the program as it evidenced by the achievement percentage amount, which is still less than 40% of the target for *Priangan Timur* area.

2.   HUMAN CAPITAL READINESS

'Human Capital' consist of two fundamental terms they are 'Human' (human) and 'Capital'. The terms of capital in Human Capital can be described as an investment of the capital of the intangible assets which is people itself. Human capital believed that people with their expertise and background is an asset for the organization. As it being said by Agolla (2018) that Human capital is a set of education, experience, knowledge and skills by employees and that is used to create value for the success of the organization. The differences between human capital with human resource that human capital theory appraised employee as an added value rather than just a variable to carrying out the assignment. Human capital believed that people are capital for their organization success. Thus, the skills, talent, and knowledge that the employees possess is the asset of the company (Kaplan and Norton, 2004). Based to the human capital concept, knowledge improves people's cognitive abilities, which boosts their potential for productivity and efficiency in developing activities (Agolla, 2018). Knowledge closely relates to human capital as the resource that is inherent in every member of an organization and human capital is valued by its readiness to execute an organizational strategy (Tjahjadi et al, 2020).

The dimension of Human Capital Readiness can be determined by looking at how they prepared the human or people in organization is to carry out the assignment through the goals of organization, therefore the researcher used the theory developed by Hendarman, et al (2021) stated that there are 3 indicators of Human Capital Readiness;

1. Knowledge, is an intellectual capital which is focused on action-based performance and categorised as explicit knowledge, specific knowledge, and general knowledge (Hendarman, 2021. Sveiby, 2000).
2. Skills, are including Soft and Hard skills. Soft skills are also called as 'Peoples Skills', 'Interpersonal Skills' and 'Transferable Skills'. These are the nuanced actions and ways of communicating that make managing a workplace or interpersonal relationship easier (Vasanthakumari, 2019). While the technical abilities known as "hard skills" are influenced by an individual's IQ and include cognitive functions like reasoning, thinking, and remembering. (Rainsbury & Hodges, 2002. Hendarman et al 2021)
3. Attitude. Conducted based on conscious and unconscious mental concepts that have been created through experience and as tendency for apprehending certain object or behavior which is disliked and liked (Albarrachin, 2005. Venes, 2001)

3.   DIGITAL LEADERSHIP

Leadership is not only talking about affecting other people's behaviour, including their actions, insights, and transformations, but also include task-productivity, system-organization and relationship-people leadership (Cherry and Higgs, 2017). Leaders need to works effectively in people in smalls group, across network, and across organizations (Ibarra, Hildebrand, and Vinck; 2023). Based on the description above, it can be concluded that leadership is a skill to managing people and build task productivity in their group also in their organization. Organization needs a leader who are capable and understand the challenges that they face. Therefore, it is necessary for fostering a Digital Leadership 4.0 culture. Leading an organisation through digital transformation is the main goal of digital leadership where it allows companies and organizations to digitalize their workplace culture and environment by utilising this leadership paradigm (Tulungen, Saerang, Maramis. 2022). Digital leadership (leadership 4.0) is a fast, cross-hierarchical, team-oriented, and cooperative approach, with a strong focus on innovation. Brett (2019) developed a digital leadership dimension which included as

1. Deeply understand people, means the capacity of a leader to foster an environment where workers can assist staff members with innovation and technology.
2. Digital Organization, where the leader can create an atmosphere of digitalization in group to understand how technology impacts people and the organizational model is aligned with human nature.
3. Drive and integrate Tech Trends, it is to determine how new technology can be used to deliver enhanced value.

4.   EMPLOYEE PERFORMANCE

Employee performance means the level of productivity and quality of work that an employee achieves in accordance with the responsibilities given to him (Hermina and Yosepha, 2019). Shamilan (2016) stated that employee performance is an action what

employees do in carrying out the work done by the company. Performance in executing its duties mostly is not independent; rather, it is always correlated with worker job satisfaction and the amount of compensation received, as well as influenced by personal qualities, skills, and aptitudes. It can be concluded that employee performance is the level of productivity of people in organization where they can achieve the goals effectively and efficiently while maintaining the quality of work.

Employee are essential because this performance is not known what can be done by employees in the tasks assigned to them and it is necessary to determine clear and measurable criteria that are jointly determined as a reference (Andri et al, 2021). The dimension of employee performance that apply on this research is measured by its category which is developed by Andri et al (2021) including.

1. *Quality*, is about the quality that requires each employee in the company to meet the precise requirements for delivering the high-quality work required for the role
2. *Quantity*, refers to the total amount of work produced either independently or collaboratively. It establishes the standard of work that employees must meet in order to meet the requirements for abilities, knowledge, and skills.
3. *Cooperative Ability*, refers to the ability of employee to work as a group within the organization to achieve the common goals.

5. CONCEPTUAL FRAMEWORK

The conceptual framework for this study is a guideline for researcher to analyse the correlation between Human Capital Readiness dimension including hard skills, soft skills, and attitude (Hendarman et al, 2021) and Digital Leaderships or Leaderships 4.0 dimensions including deeply understanding people, digital organization, and drive and integrate tech trends (Brett, 2019) towards the 3 dimensions of Employee Performance which are Quality, Quantity, and Cooperative Ability (Andri et al, 2021).
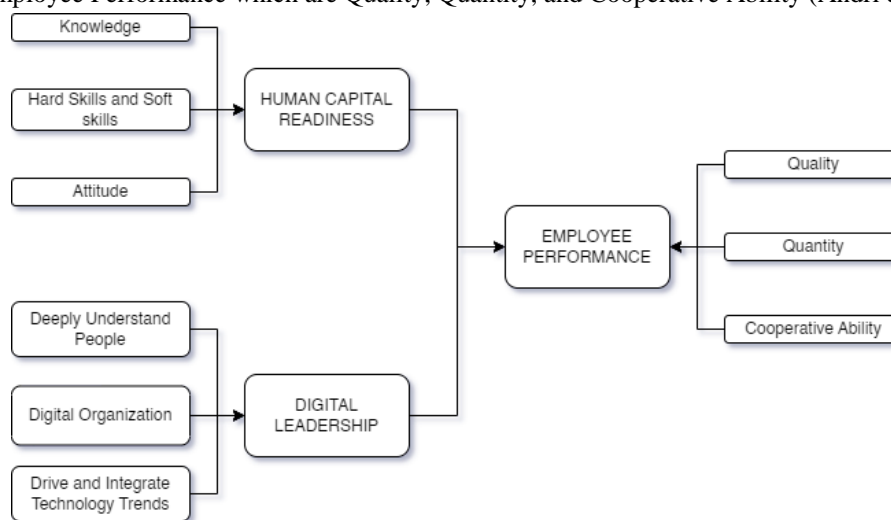
Figure 1 Conceptual Framework
Source: Author

The details of each hypothesis for this research are described below:

|		
Hº1	:	Human capital readiness **has no relationship** on Employee Performance
H1	:	Human capital readiness **has significant and positive relationship** on Employee Performance
Hº2	:	Digital Leaderships **has no relationship** on Employee Performance
H2	:	Digital Leaderships **has significant and positive relationship** on Employee Performance
Hº3	:	Human Capital Readiness moderated by Digital Leaderships **has no relationship** with employee performance

H3 **:** Human Capital Readiness moderated by Digital Leaderships **has positive and significant relationship** with employee performance

6. RESEARCH METHODOLOGY

The objective of this research is to analyse the relationships between various variable. Therefore, the quantitative approach was chosen as the method used in this research. The quantitative approach is a research method based on positivism paradigm that examines a specific population or sample by random sampling and data collecting with equipment; data analysis is statistical (Sugiyono, 2019). As it is mention before that quantitative approach is to examine a specific population or sample, this research also using sampling method as its data sources.

7. RESEARCH ANALYSIS

The information gathered through distributed questionnaires and calculated the sample size in order to dig deeper into the problem that occurred at PT Telkomsel Branch Office X. A 112 respondent were gathered in this research who are the employee of the company. The information divided categorized as gender, working period, and age generation.
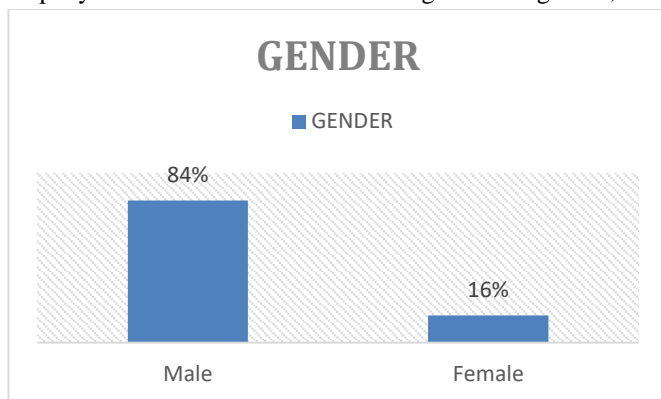
Figure 3. Respondent Gender
Source: Author 2024
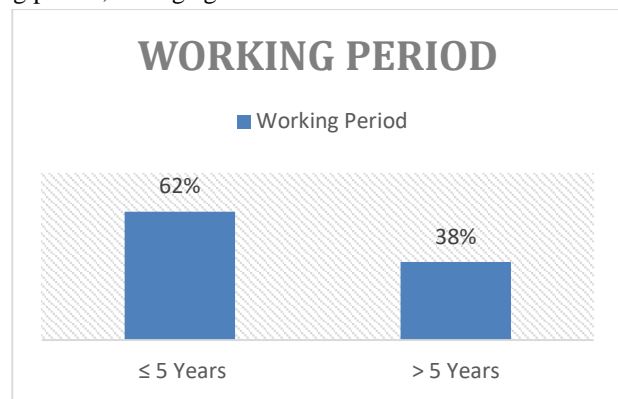
Figure 3. Respondent Working Period
Source: Author 2024
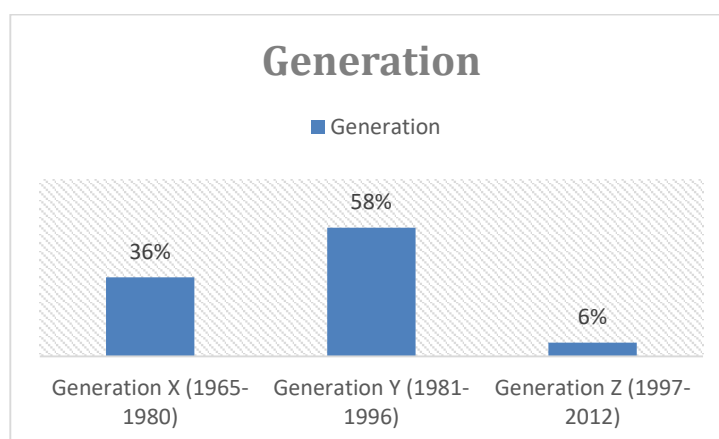
Figure 4. Respondent Generation
Source: Author 2024

The figure shown that from 112 respondent of PT Telkomsel Branch Office X, 84% of the employee are male and 16% of the employee categorized as female. It can be concluded that it is currently owned by male as of February 2024. The survey received responses from 112 Telkomsel Branch Office X employees. Based on the generational distinction, 36% of the respondents were

belonging to Generation X, while the generations Y is a majority as for now at the value of 58% from the respondent, and the last 6% is from generation Z. As for the working period of the respondent shown as estimated around 63% has less than or equal to 5 years working period, and 38% has more than 5 years working period in the company.

A.   Regression Analysis

Regression test carried out by first determining how much is the dependant variable influenced by independent variables of research, then determining the independent variables simultaneously influenced dependant variable with Anova Test. The last one is partially determining the relationship between the independent variable with the dependent variable. As for the independent variable is Human Capital Readiness and Digital Leaderships, while the dependant variable is Employee Performance.

Table 1. Relationship Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.914ᵃ	.835	**.832**	1.876	2.095

The table shown that the value of Adjusted R Square is 0,832 or equal to 83.2%. This figure shows that the variables human capital readiness and digital leadership simultaneously influence employee performance variables as much as 83.2% while the other 16.8% is influenced by others factor outside the variable that currently researched.

Next step is to do T Test approach is utilized in order to determining the partial hypothesis testing. We can interpret the T Test by comparing the value of T count with the T table where:

- If the value of T count > T table then the hypothesis is accepted
- If the value of T count < T table then the hypothesis is unaccepted

Table 2. T Test of Human Capital Readiness and Digital Leaderships towards Employee Performance

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-2.699	1.725		-1.565	.121
Human Capital Readiness (HCR)	.202	.022	.557	9.375	.000
Digital Leadership (DL)	.376	.054	.417	7.011	.000

From the table above, we can see that the T count value of Human Capital Readiness is 9.375 and for the value of T table is equal to 1.659. Therefore, the T count > T table (9.375 > 1.659). While the T count value of Digital Leaderships is 7.011 and for the value of T table is equal to 1.659. Therefore, the T count > T table (7.011 > 1.659) then both of hypothesis is accepted. The regression equation model is generated in accordance with the table above.

Y = -2.099+0.202X₁+0.376X₂

B.   Regression Analysis Moderated Variable and Control Variable

According to Suliyanto (2011), a moderating variable is a variable that is able to strengthen or weaken the relationship between the independent variable and the dependent variable.

International Journal of Current Science Research and Review

ISSN: 2581-8341

Volume 07 Issue 07 July 2024

DOI: 10.47191/ijcsrr/V7-i7-48, Impact Factor: 7.943

IJCSRR @ 2024

www.ijcsrr.org

Table 3. Moderated Variables of HCR and DL

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	36.672	.233		157.479	.000
	Zscore (HCR)	2.582	.269	.564	9.582	.000
	Zscore (DL)	1.898	.269	.414	7.052	.000
	X3	.640	.336	.073	**1.907**	.059

The third hypothesis of this research is said as "Human Capital Readiness moderated by Digital Leaderships **has positive and significant relationship** with employee performance". From the table IV.18 above we can see that Digital Leaderships moderates the relationship between Human Capital Readiness and Employee Performance. We can see that the value of T count is 1.907 and for the value of T table is equal to 1.659. Therefore, the T count > T table (1.907 > 1.659) then the hypothesis is accepted.

X_3 is equal to the moderated value of HCR with DL (X_3 = HCR x DL) and for the regression equation model of the moderated variable is generated in accordance with the table above.

$$Y = 36.672 + 2.582X_1 + 1.898X_2 + 0.640X_3$$

According to Sugiyono (2019), a control variable is a variable that is made constant so that the influence of the independent variable on the dependent is not influenced by external factors that are not examined. In this research, the control variable consists of 3 variable they are, Gender, Work Period, and Generation.

Table 4. Regression of Control Variable

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	**-3.492**	1.844		-1.894	**.061**
	HCR	**.209**	.022	.576	9.376	**.000**
	DL	**.367**	.055	.407	6.611	**.000**
	X3	**.667**	.340	.076	1.961	**.053**
	Gender Male	**-.148**	.497	-.012	-.298	**.766**
	Work Period ≤ 5 Years	**.665**	.628	.071	1.060	**.292**
	Generation Y	**-.435**	.640	-.047	-.680	**.498**
	Generation Z	**-.051**	.968	-.003	-.053	**.958**

a. Dependent Variable: EP

Table 4 is the result of calculation Multiple Regression of Control Variable. The result means that the control variable of Gender does not have significant relationship with Employee Performance and has lower Employee Performance than female. As for work period variable, employee who has work experience less than or equal to 5 years does not have significant relationship with employee performance but has higher Employee Performance than employee who has work experience more than 5 years.

The result with the control variable of generation where Generation Y and Z employee still does not have significant relationship with Employee Performance but Generation X has higher Employee performance based on the negative value of both Gen Y and Z. Therefore, this research can be concluded that only independent variable has significant and positive relationship towards Employee Performance.

Gender is symbolized as X_4, Work period is X_5, Gen Y and Z respectively as X_6 and X_7 and for the regression equation model of the control variable is generated in accordance with the table above.

$$Y = -3.492 + 0.209X_1 + 0.367X_2 + 0.667X_3 - 0.148X_4 + 0.665X_5 - 0.435X_6 - 0.051X_7$$

C. HDI Gap Analysis

The way to determining the employee readiness is by subtracting the expected value from the current value. Here only the final gap score will be used to establish the calculation formula for minimum values, maximum values, and for the HDI values. This research found that the variable of attitude has the lowest gap value which has 0.14 while the highest gap value owned by hard skills which has 0,76.

Dimensions	Current Value	Expected Value	Gap	HDI	Level
Knowledge	3.98	4.23	0.25	**0.18**	**Optimal**
Hard skill	3.54	4.30	0.76	**1.00**	**Not Ready**
Soft skill	4.03	4.33	0.30	**0.25**	**Receptive**
Attitude	4.10	4.24	0.14	**0.00**	**Optimal**

We could explain from the table above that the level of hard skill indicator in Human Capital Readiness has poor HDI based on the formulation and for the HDI level of hard skill indicator is in "Not Ready" state. Therefore, there is necessity to improve the hard skills indicator of the employee of PT Telkomsel Branch Office X.

8. CONCLUSION

Author manages to evaluate the company especially in Branch Office X about its Human Capital Readiness, Digital Leaderships, and Employee Performance in order to enhance the goal of FMC Program. From the first chapter, it is stated that the root cause of employee performance in PT Telkomsel Branch Office X is related to the hard skill of the employee where they still cannot operate optimally the technology used and still need to adapt. As it seen from the survey that the human capital readiness in Hard skill dimension is categorize as "Not Ready" with the gap value of 0,76 and HDI of 1.00. It indicated that employee readiness in this dimension need to be improve in order to be able to execute the technological changes made. It is also stated that the Digital Leaderships in Branch Office X has significance effect on employee performance based from the regression model that has been done by Author. Since it has a significance effect on the employee performance, the values of digital leaderships such as how the leaders communicate with their partner, how they quickly respond and adapt to the technological changes need to be maintained. That way, the Digital Leadership values can be continued every year in order to enhance the employee performance. In addition to the result of the survey, it is indicated a strong connection between human capital readiness and digital leadership towards employee performance.

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