

# Partnership's competence and capability to increase business performance: A study on Telecommunication company in Indonesia

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**Abstract.** This research discusses the importance of partnerships in improving company business performance. The qualitative case study was conducted at a telecommunication company in Semarang City involving various parties such as manager, assistant manager, head of representative office, owner, supervisor, and sales agent using in-depth interview method. The research results show that the required competencies include motives, skills, and knowledge, with motives being the most difficult characteristic to develop. The types of competencies that are important for improving business performance involve achievement orientation, relationship building, teamwork, technical ability, strategic direction, information search, and customer service orientation. In addition, the capabilities required by partners include technical capabilities, human capabilities, and conceptual capabilities. Important partnership criteria involve procedural compliance, financial position, training aids, performance history, and volume of past business. Competitiveness factors that can be applied include good organizational and management systems and capital availability.

**Keywords:** strategic management, business performance, partnership

## 1 Introduction

In the era of globalization which is influenced by the rapid development of telecommunication information technology, companies must adapt to major changes in their strategy to survive in a highly competitive business environment. The internet, which is the result of this technological development, connects computers all over the world and has seen a significant increase in its use every year. Currently, around 77% of Indonesia's population uses the internet, with total users reaching around 210 million people. The COVID-19 pandemic has also increased the demand for internet services, especially fixed broadband services, because many people must stay at home. Based on research by the Central Statistics Agency (BPS) in 2021, in 2019, there were 10.29 million internet service subscribers (Internet Service Providers or ISPs), with 400 service providers. In 2020, the number of customers increased to 11.7 million, with 473 service providers. Peak growth will occur in 2021, with 12.5 million customers and 611 internet service providers.

This data shows that the number of ISP customers continues to increase every year, in line with the increase in the number of internet service providers. This increase reflects the increasing competition in the fixed broadband service market, with many providers competing.

Company x is the market leader with a market share of 67.54% compared to competitors with a total revenue of 23.7 trillion rupiah in 2021. In carrying out its business operations, company X is given a target number of new customers that must be achieved each year.

To achieve the specified targets, company X cooperates with third parties, namely sales agency partners to manage sales that offer products to the public. Based on the new customer data table, in 2020, there were 44,900 new customers using the company's services, but there was a decrease in 2021 to 29,600 customers, and in 2022 to only 25,500 customers. This is inversely proportional to the increase in the number of internet subscribers in Indonesia. Percentage of new subscribers based on the two channels used, namely digital and non-digital, for 2021 and 2022. Company data for 2023 shows that non-digital channels dominate with 82.38% in 2021 but has decreased to 74.78% in 2022. Digital channels, on the other hand, saw an increase from 17.62% in 2021 to 25.22% in 2022. This change has an impact on the company's total customers. The significant decline in non-digital channels, which are channels of collaboration with third parties, shows the importance of partner business performance and is the background of this research. This also reflects that digital strategy is increasingly playing an important role in the growth of new customers.

## **2 Literature Review**

### **2.1 Business Performance**

According to [1], assessment criteria should focus on results because management's goal is to create a continuous flow of value. Performance is the entire process that will guide management in taking appropriate actions in the present that will create organizational performance in the future. Causal models are generally divided into 3 models, namely outcomes, processes, and foundations. The following model is described as a performance tree to illustrate how organizations go through the process of creating performance.

The output result is a consequence of the product attribute which is the fruit of the tree. These attributes are elements of the product that are valued by consumers, including price, availability, service, and quality. These attributes are the basis of customer satisfaction and stakeholder satisfaction in general. Costs that appear quite large as a descriptor of financial performance, whether by minimizing costs or maximizing revenues, do not play a large role in the causal model. The quality of the process depends on the nutrients in the soil such as competence, awareness of brand values, maintenance policies, existing negotiation structures, partnerships with customers and suppliers, and the organization's responsibility structure.

The concept of performance includes both individual and organizational performance. Individual performance reflects individual employee achievements, while organizational performance measures the results of the work of the entire organization. The close relationship between individual and organizational performance allows the organization's internal resources to be used to achieve organizational goals. Performance descriptions only have value if they are used for decision making. Internally defined causal models focus on outcomes through actions, while externally defined models predict the probability of future outcomes and are used in decision making.

### **2.2 Partnership**

A cooperative bond between two or more parties formed in an alliance based on an agreement and a sense of mutual need with the aim of increasing the capability and capacity of the company so that the company gets better output is the definition of a partnership according to [2].

In industrial relations, partnership rules can be described where both parties (management and employee unions) agree to work together for mutual benefit and to achieve a more cooperative industrial relations climate. Partnership agreements can include efforts from both parties [3]. [4] states that a partnership is a strategic relationship that is deliberately built or designed by two or more parties to achieve the goals set by both parties, has mutual benefits and high dependability. The aim of this partnership is the possibility to access new things such as new markets and new technologies, broader bargaining capabilities, economies of scale in joint research or products, open access to knowledge, risk sharing and access to complementary capabilities. Partner selection is linked to many negotiations and many decision parameters regarding criteria (which can be measured objectively and subjectively) such as finance, contracts, exchange of information, and organizational structure (e.g supply management, and production). In the context of supply management, 23 commonly used selection criteria were identified [5]. These financial and non-financial criteria can be interpreted as quantitative and qualitative performance measures of partners that need to be evaluated, as described in the following table:

**Table 1.** Selection Criteria. List of selection criteria for partnership

No	Competency	No	Competency
1	Delivery	13	Operating control
2	Performance History	14	Repair service
3	Warranties and Claims	15	Attitude
4	Production Facilities	16	impression
5	Price/Cost	17	Packaging ability
6	Technical Capability	18	Labor relations record
7	Financial position	19	Geographical location
8	Procedural compliance	20	Amount of past business
9	Communication system	21	Customer service
10	Reputation and position	22	Training aids
11	Desire of business	23	Reciprocal arrangements
12	Management and organization		

### 2.3 Competitive Advantage

According to [6] Competitive advantage is the ability gained through the resources and characteristics of a company so that the company has a higher performance when compared to competitors in the same industry or market. The company's ability is the origin of competitive advantage to be able to utilize its internal strengths to respond to external environmental opportunities and at the same time, avoid external threats and internal weaknesses [7].

According to [8], there are seven factors that determine the competitiveness of a company, namely:

- a. Availability of information
- b. Technology availability
- c. Availability of capital
- d. Skills or educational level of workers
- e. Entrepreneur skills
- f. Good organization and management system
- g. Availability of other inputs such as energy and raw materials

[6] states that there are 3 (three) general strategies (generic competitive strategies) to increase competitive advantage, including cost leadership, differentiation, and focus.

## 2.4 Competence

Competence is a basic characteristic that is related to the effectiveness of individual performance in accordance with organizational expectations in achieving its goals [9]. An additional definition of competency is individual will and ability or character attitudes and behavior that tends to be stable when faced with situations that are formed from interactions that occur between character, self-concept, internal motivation, and conceptual knowledge capacity. 5 (five) competency characteristics according to [9], namely motive, trait, self-concept, knowledge, and skill. The results obtained from the identification carried out are the positive influence of work performance on various types of competencies so that they can be grouped based on intent, starting from the most abstract level to visible behavior.

The following table describes 20 types of competencies in general, including:

**Table 2.** Type of competency

No	Type of Competency	No	Type of Competency
1	Achievement (ACH)	11	Directiveness (DEV)
2	Concerns for order (CO)	12	Teamwork (TW)
3	Initiative (INT)	13	Team Leadership (TL)
4	Information seeking (INFO)	14	Analytical thinking (AT)
5	Interpersonal understanding (IU)	15	Conceptual thinking (CT)
6	Customer service orientation (CSO)	16	Self-confidence (SCF)
7	Impact and Influence (IMP)	17	Technical/professional expertise (EXP)
8	Organizational understanding (OA)	18	Self-Control (SCT)
9	Relation building (RB)	19	Flexibility (FLX)
10	Developing others (DEV)	20	Organization Commitment (OC)

## 2.5 Capability

Organizational Capabilities or organizational capabilities are the process of adjusting and or adapting to a changing environment carried out by companies by combining components that are closely related to organizational capabilities. Flexibility and dynamics in organizational capability is demonstrated by the existence of the concept of organizational capability. Therefore, organizational capabilities may differ from one another, or between companies in different industries [10]. Improving the organizational performance of a company can be influenced by competitive advantage. In addition, competitive advantage that has a direct effect on company performance can influence the company's organizational resources and the ability to manage its resources.

According to [11], the ability to work in its formation refers to several indicators, including:

### 1. Technical skills

- a. Expertise with work equipment,
- b. Expertise in work procedures and methods,
- c. Understanding of the rules of the task or job.

### 2. Human skills

- a. Able to work with colleagues,
- b. Able to work with a team,
- c. Able to empathize.

### 3. Conceptual skills

- a. Understanding company policies,
- b. Understanding company goals,
- c. Understanding of company targets.

## 2.6 Research Framework

The provided theoretical framework outlines a research strategy aimed at enhancing the business performance of "X" in Semarang. It starts by addressing the competencies and qualifications necessary for sales agency partners to join the Semarang branch. The objective is to identify how these partners can contribute to improving "X's" business performance. Qualitative research methods were employed, involving in-depth interviews with "X's" management team.

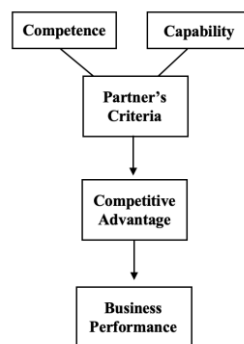


Fig. 1. Research Framework

## 3 Research Methods

The qualitative research method in this research is used to analyze the competency and capability of partnership sales agencies to improve business performance in company X. The data source used in this research is primary data or main data obtained directly from the research source, namely Company collected from readily available sources and can also be called secondary data, namely from documents, observations, documentation, and relevant previous research. This research was carried out using in-depth interviews, observation, and documentation so that it could produce dimensions of developing a framework of thought and developing research questions. This data collection method is called triangulation. This method combines various methods of collecting data from the same source. Previously, triangulation was one way to strengthen the validity of the data [12].

## 4 Results

In the context of partnerships or partnerships, partner qualifications are very important to improve the company's business performance. Qualifications involve aspects such as skills and knowledge that can influence business performance, especially in the case of certain products. However, in practice, it is sometimes difficult to improve a company's business performance due to a lack of motivation from sales agency partners. Ideally, sales agency partners must have intrinsic motivation to achieve targets and develop their own strategies, including managing teams and conducting evaluations.

“Partner sales agency should really be capable to promote X. However, In reality, this is what is still lacking, or you could say, this is an opportunity that must continue to be improved, so the OFI (Opportunity for Improvement) is like that, so let's just say OFI, so for the OFI in this agency it is clear that even though they are already dominant, their level of independence is still very, very weak” (MAN)

Competency factors that need to be considered in partnerships between companies and sales agency partners include achievements, the ability to build relationships and work together in teams, as well as technical abilities, information search and customer service orientation. In addition, companies can improve their business performance by managing resources more efficiently. This includes managing knowledge and tasks that can help achieve the desired performance.

“Then, regarding this, for example, we also have Key Performance Indicator (KPI) achievement sales targets for our agency partner. In achieving the targets we set, in my opinion, our agency partner still can't determine what strategy should be employed to reach those targets. To achieve those targets, they tend to go with the flow, not preparing specific targets. That's what might need to be changed.” (HER)

“In fact, agency competencies are not evenly distributed. From what I observe, competencies vary among agencies. Some are excellent in field activities, some excel in digital marketing management, while others are lacking in both aspects.” (HER)

In terms of partnerships with sales agency partners, the company needs to pay attention to partner qualification criteria. These criteria include procedural compliance, adequate financial position, availability of training aids, partner performance history, and amount of business in the past. The process of selecting a sales agency partner involves several stages, such as filing, checking administration, checking readiness, signing a cooperation agreement, and starting a partnership with a sales agency partner.

“We require several things that must be possessed as basic requirements for agencies partnering with us. Among them, it's clear that they must have financial sufficiency. When they are weak in financial aspects, it will have an impact on many things. Ultimately, they will be weak in terms of leading their team.” (MAN)

“The first thing is that the agency must have an office, whether it's in a shop-house or anywhere, at least they have a place to gather their team. That's the first requirement.” (ASM)

To improve business performance through partnerships, companies can take advantage of competitive advantages by developing and strengthening the competitiveness factors of sales agency partners, including good organizational and management systems, as well as the availability of sufficient capital. Apart from that, companies need to pay attention to partner sales agency strategies, such as the use of digital and non-digital sales channels, as well as the

ability to manage teams and human resources. Obstacles that may be faced include the unattractive fees offered by the company to sales agency partners and the lack of attraction to join the company.

“Agency support includes, first and foremost, activity fees for our field team. Additionally, support is provided for materials related to promotional content such as brochures, and sometimes we even support roundtext and more. Furthermore, for digital marketing, the company has already allocated a budget which we assign to the new sales force for market testing in the digital space.” (CEO)

“I prefer agency XY for two main reasons. Firstly, transparency, especially concerning finances, fees, incentives, and bonuses for both the sales force and supervisors we get from X. Everything is transparent. Secondly, in terms of operational systems, agency XY is very well-structured. There's a daily operational evaluation, and if there are any issues or obstacles, there's a direct escalation from supervisors to the agency.” (SPV)

It is also important to straighten out the organizational structure and coordination pathways, as well as to review the partnership scheme. The management and training activities of the sales agency partner team must also be improved to ensure competitive advantage in marketing products. All of this is expected to contribute to the overall improvement of the company's product business performance.

## **5 Discussion**

This research found that the competency characteristics that sales agency partners need to have been divided into two based on the level of difficulty in developing them. The first characteristic is skill and knowledge, and the second characteristic is motive. The first finding is the characteristics that team members from sales agency partners need to have which can be known at the time of recruitment, namely the characteristics of skills and product knowledge. The second finding is that there are difficulties in improving company X's business performance due to a lack of motive from sales agency partners. It was stated that the level of independence from sales agency partners is still very low even though they are dominant in terms of achieving targets. This phenomenon is in line with the characteristic theory of competence according to [9] which states that competency motives and core traits are more difficult to assess and develop. For these characteristics, it is more cost-effective to "select" candidates who suit the company.

Based on the research results, it was stated that sales agency partners already have achievement orientation competencies but are not yet optimal. This happened because the sales agency partner did not have the right strategy to achieve the target. The next type of relationship building competency has been carried out by the sales agency partner in the form of a morning briefing conducted by the supervisor, a review of achievements by the owner of the sales agency partner, and the sales agency partner giving attention to team members as a form of relationship building competency. Then in this study it was conveyed that teamwork is a type of competency that sales agency partners already have through work-related coordination between supervisors and sales force. In line with the results of research conducted by [13] that the profitability of a business unit is caused by four competencies, particularly team leadership, developing other people, achievement orientation, and impact and influence.

The second finding is that there is a need to increase the competence of technical skills, strategy direction, information search, and customer service orientation. Based on the results of the study, the technical expertise competencies possessed by sales agency partners are not equally distributed among their sales agency partners. Then the sales agency partner has not been able to provide good strategic direction to team members, is still not pro-active in seeking the latest information regarding daily operations and does not yet have customer service orientation competencies. Most of the sales agency partners who work with the company do not yet possess these four types of competencies. Whereas customer orientation is a type of non-financial competence that is very important in company performance in line with research results which explain that customer orientation is proven to be a very important main indicator in non-financial company performance. While non-financial metrics are widely used such as customer satisfaction, number of complaints, number of new customers and regular customers, employee competence, and staff capabilities [14].

This research found that the capabilities needed by sales agency partners to improve Company X's business performance are divided into three based on their skills. The first finding is technical skill or technical ability. It was found that there was a need for standardization of work equipment specified by the company for sales agency partners such as the availability of means of transportation to support daily operations, provision of uniforms and team member ID cards, and promotional materials such as brochures, MMT, and stickers. The second finding is human skills. The cooperation that occurs between sales agency partners and companies is still unbalanced. Therefore, sales agency partners need to improve teamwork to improve business performance. This is supported by research conducted by [15] that teamwork has a significant positive relationship with organizational performance.

The third finding related to the capabilities that sales agency partners need to have is conceptual skill. Based on the results of the research, it was stated that the sales agency partner did not yet have the ability to adapt well enough to the company's goals. In fact, adapting to company goals is something that cannot be avoided in the business world because of the rapid pace of change. This is in line with the results of research conducted by [16] which stated that organizations are currently facing an increasingly complex and unpredictable environment, which leads to continuous change.

This study succeeded in identifying the criteria for partner sales agencies that can be applied by companies to improve business performance consisting of procedural compliance, financial position, training aids, performance history and optional criteria that are better owned by sales agency partners, namely the number of businesses owned in past. These five criteria need to be a concern for the company before continuing the cooperation agreement with the sales agency partner so that this cooperation can help the company to improve its business performance. The next research finding is that the process of selecting a sales agency partner is not as easy as the chart made by the company. The sales agency partner selection process chart consists of 5 stages, namely the filing process, checking administrative files, checking team readiness requirements, signing cooperation, and starting partnerships. The phenomenon that occurs is in line with the results of previous studies which state that alliance partners are selected through a complex negotiation process and not through rational selection. Overall, the problem of selecting collaborative partners turns out to be much more complex than expected [17].

This study found competitive advantage strategies that can be applied by sales agency partners to improve Company X's business performance are determined by organizational and management system factors, as well as the availability of capital from the sales agency partners themselves. Then the competitive advantage strategy implemented by the sales agency partner is a differentiation strategy focusing on offline and digital channels. If all sales agency partners



have a competitive advantage strategy, they can improve business performance. This is in line with the results of previous research on efficiency-based strategies, differentiation-based strategies, and mixed strategies, only differentiation-based strategies have a positive relationship with performance [18].

## **6 Conclusion**

### **6.1 Conclusion**

To improve business performance in company X, here are some important points that can be taken:

1. **Competency Characteristics:** Sales agency partners need to have competency characteristics that involve intrinsic motivation, especially the desire to manage the team independently. In addition, competencies such as achievement orientation, relationship building, teamwork, technical ability, strategic direction, information search, and customer service orientation are also important and must be improved.
2. **Capabilities:** Sales agency partners need to have several capabilities, including technical abilities, human abilities such as empathy and cooperation, as well as conceptual abilities, especially in adapting to company goals.
3. **Partnership Criteria:** The criteria for selecting a sales agency partner must include procedural compliance such as meeting administrative requirements, sufficient financial position, training aids, performance history of the sales agency partner, and number of businesses in the past.
4. **Partner Selection Process:** The sales agency partner selection process involves the filing stage, checking administrative files, checking the readiness of team members, signing a cooperation agreement, and carrying out the partnership according to the agreement.
5. **Competitive Advantage:** Sales agency partners can have a competitive advantage by having a good organizational and management system and having sufficient capital available. This will assist in operational management and target achievement. Sales agency partners can implement a focus differentiation strategy, especially in terms of sales through digital and conventional channels.

By paying attention to the aspects above and making the necessary changes, it is hoped that company X's business performance can experience a significant increase.

### **6.2 Scientific Contribution**

The research findings aim to influence company policies to enhance existing sales agency partnerships and it is hoped that this research can contribute to strategic management, especially partnerships with third parties to improve business performance. Key implications include the need to improve the independence of sales agency partners by restructuring the organizational framework and communication channels. The company should also reassess partnership schemes for a win-win relationship with third parties, particularly sales agency partners. Additionally, sales agency partners should actively motivate and educate their teams to market X products effectively, boosting sales in Semarang branch and improving overall business performance in the region.

### 6.3 Research Limitation

In this research, there are still limitations, and therefore, the presentation is not yet perfect. The limitations in this research are related to the competence and capabilities of third parties within the sales agency partnership, which is limited due to time constraints in the study.

### 6.4 Recommendation for future research

The study suggests two research agendas:

1. Conduct additional case studies to analyze the competencies necessary for third parties in partnerships, identifying the skills that the company should develop for mutually beneficial collaborations.
2. In future research, employ observational studies to directly observe the partnership processes carried out by the involved parties.

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