

**INFLUENCE OF DIGITAL TRANSFORMATION ON SUZUKI DEALER'S PERFORMANCE
THROUGH INNOVATION AS INTERVENING VARIABLE**

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Abstract: The purpose of this study was to determine the effect of digital transformation and innovation on Suzuki automotive Dealers in Indonesia. Digital transformation is a trend and a necessity to survive in the current pandemic era. Automotive dealer as part of automotive industry as one of the industries that is required to be very responsive and fundamental in nature also needs to carry out digital transformation. The research method used is descriptive qualitative and quantitative analysis. The analysis model used SPSS. The population in this study were 51 Suzuki dealers in Indonesia, with sample 42 dealers. Based on data analysis known that Digital Transformation affect the Performance of Suzuki Dealers partially, Digital Transformation affect the Innovation partially, and Innovation affect the Performance of Suzuki Dealers partially. But in this case Innovation can't provide improved between Digital Transformation and Suzuki Dealers Performance.

INTRODUCTION

The development of digital technology today, especially in the automotive industry, is very fast, not only in terms of products, but also in business processes. Car dealers as the spearhead of automotive sales play an important role in understanding the dynamics that occur in their business activities. In the current era of industry 4.0, it requires dealers to carry out transformations in all fields, especially innovation. Dealer can be supported to do innovation through digital transformation. Because the main characteristic of industry 4.0 is characterized by digitalization. Every company strives to further improve the quality of its performance in order to excel in the competition. For that we need to do digital transformation.

DIGITAL TRANSFORMATION

Digital transformation is a change that affects digital technology used in all aspects of human life (Stolterman and Forst, 2006). Fundamentally, digital transformation is a new capability created in business, government and people's lives to increase productivity and efficiency (MK Tarigan, 2019). Digital transformation is an update of business models with value creation logic in the industry (Makinen, 2017) Digital transformation is a comprehensive change process in creating value with various technologies centered on digitization (Pasaribu and Widjaja, 2020). Digitization can create major benefits for a company's business, namely: (1) better customer experience; (2) leaner operation; (3) a new business model with a wider scope (Fitzgerald et al (2013). Leaner operations and better customer experience are to increase the organization's competitive advantage (Reis et al, in Pasaribu and Widjaja, 2020).

According to McKinsey, 2016; Sri Adiningsih, 2019) there are 4 types of digital technology that affect human life: mobile internet, cloud computing, internet of things, and big data and advanced analytics. According to Reis et al (2018), digital technology can be categorized into three different elements, namely (1) digital-technology transformation based on the use of new digital technologies such as social media, mobile devices, big data analysis, or deep learning; (2) organizations in digital transformation that make changes to organizational processes or the creation of new business models; (3) social-digital transformation that affects all aspects of human life, for example improving customer experience. So digital transformation is the use of new digital innovations (social media, mobile, big data analysis, cloud computing, or embedded devices) to increase the competitive advantage of each company's business (Pasaribu and Widjaja, 2020). Digital transformation is a change that fundamentally improves an

DOI: <http://dx.doi.org/10.35137/kijms.v2i2.758>

organization's business model and its value chain (Heilig et al, 2017; Riasanow et al, 2018). Meanwhile, the business model is the alignment of the company's targets to build or expand its value by integrating a new technology ecosystem into the business strategy (Liu et al, 2012). Digital transformation must be carried out in five dimensions (Immelt, 2007), namely:

1. Radically change the portfolio or type of business being engaged in by leaving non-digital-based industries and entering digital infrastructure driven businesses
2. Become a company that is actively present in global markets, especially emerging markets
3. To accelerate business growth, companies must dare to enter new product innovation efforts and new technologies
4. Shifting competitive advantage from hardware-based manufacturing, to software-based, sensor and analytics-based manufacturing
5. The organizational pattern has changed from top-down to agile and decentralized

According to a study from the NTT Innovation Institute, INC in "Automotive as a Digital Business", there are 3 main attributes of technology to realize digital transformation, including flexibility, scalability, and interoperability.

Digital transformation is defined as the use of technology to radically improve company performance (Westerman, et al, 2011). Fitzgerald et al (2013) emphasize that digitalization can create major benefits for a company's business, namely: (1) better customer experience; (2) leaner operation; and (3) a new business model with a wider scope. Leaner operations and a better customer experience are to increase an organization's competitive advantage. As a measure of the success of digital transformation is the Key Performance Indicator (KPI) which is compiled in multi-dimensional way to describe the company's performance in achieving its goals through the Balanced Scorecard (BSC) (Stalmachova et al, 2021)

Digital transformation is the final level of digital literacy, at this level it allows innovation and creativity and stimulates significant changes in the professional and knowledge environment (Lankshear and Knobel, 2008), Digital transformation is the use of information and communication technology, as an umbrella (Martin, 2008) So that , digital transformation enables the creation of new ideas and communications within business processes and among business partners in the value chain.

INNOVATION

Is a very widely used word. It is a continuation of invention and innovation activity is the creation of value (Baregheh et al, in Arman and Kartawijaya (2018). Innovation is a concurrent, interactive, and nonlinear activity. It includes not only science, engineering, and technology, but social, political, and economic interactions as well..... and the public policy that either enables or mutes the whole wealth creation process (Bordogna (1997) in Arman and Kartawijaya (2018)

According to Peter F. Drucker (1984), there are seven (7) source areas of innovation. The first four areas of this resource are:

1. The unexpected—unexpected success, unexpected failure, unexpected external event;
2. Incompatibility—between reality as it is and reality as assumed or “should”;
3. Innovation based on process needs;
4. Changes in industry structure or market structure that not everyone is aware of.

The second set of sources of innovative opportunities, involves changes outside the company or industry:

5. Demographics (population change);
6. Changes in perception, mood, and meaning;
7. New knowledge, both scientific and non-scientific

Companies really need to implement innovation to compete and survive in the financial crisis. The circle of innovation is spinning faster and is urgently needed by the company (Jeschke, 2015). Innovation is divided into 2 categories, namely: continuous innovation evolution and gradually increasing more

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sophisticated in technology and processes, then innovation is classified into: material and tool innovation and business process innovation. (Sezi Cevik Onar et al, 2018 in Ustundag and Cevikan, 2018).

Innovation is a very important word today. Companies care about their ability to innovate, on which their future is thought to depend (Christensen and Raynor, 2003; Paul Trott, 2017). Companies must be able to adapt and thrive if they are to survive. Businesses operate with the knowledge that their competitors will inevitably come to market with products that change the basis of competition. The ability to change and adapt is essential for survival. (Trott, 2017). Innovation can be done with Digital Business Model Innovation (Pasaribu and Widjaja, 2020).

Digital transformation is basically a means to improve innovations that will improve dealer performance. In innovating, the Digital Innovation Business Model (Aagaard et al, 2019 in Pasaribu and Widjaja 2020) is a step in carrying out innovation at Dealers through the following channels: (1) improving interactions with consumers, (2) installing digitization technology on the value creation network. (value chain), (3) data production for business intelligence purposes, (4) business service models, and (5) network-based digital experiments.

Digital transformation is the big picture. Efforts to carry out digital transformation basically focus on large-scale and multi-aspect changes within the company, involving: processes, systems, and operating models (Freshminds team, 2022). Furthermore, the main goal of digital transformation is to improve the overall performance of the company in the long term and be realized in the growth or increase in competitive advantage. On the other hand, digital innovation has the same goal as transformation, but in type it is smaller and more focused on short-term needs. Innovation is related to activities such as upgrading existing product lines to be more competitive and increasing revenue in the short term. Although digital transformation and digital innovation are distinct concepts, they work together. Any business that wants to succeed will need to employ a combination of two. Transformation to build and maintain the right infrastructure and culture for ongoing success and innovation to take quick, agile actions within that landscape to ensure business stay at the forefront of the market (Freshmind team, 2022)

As an automotive dealer, you will be faced with supply chain issues, economic uncertainty, and consumer concerns in personal shopping. So that innovation is the key in surviving and achieving success (Lauren M. Loew, 2020). The main types of changes and innovations in automotive dealerships that are needed today are the ability **to carry out contactless processes at the dealership** and **home delivery for vehicles** (Lauren M. Loew, 2020). Dealers must quickly adapt to the situation.

DEALER'S PERFORMANCE

Dealer in this case is an authorized agent representing the Brand Holder Agent (APM) and its performance is fully determined by APM including the achievement of sales targets.

Dealer performance is often focused on the targeted level of car sales that realize the target in the financial aspect as the main indicator, this applies in general. However, the actual achievement of performance is a comprehensive picture of the organization which is measured from multiple dimensions. The Balanced Scorecard (BSC) is a measure of dealer performance. The BSC guides dealers to achieve high productivity and efficiency, focus on performance parameters and improve customer satisfaction (Ravichandran Srinivasan (2015). The BSC complements a set of financial measures of past performance with drivers of future performance. The objective of the scorecard measure is derived from the vision and strategy Objectives and measures view company performance (including dealers) from four perspectives: financial, customer, internal business processes, and learning and growth These four perspectives provide the framework for the Balanced Scorecard BSC is the Performance Management System (PMS) (Kaplan and Norton, 2016).

Small et al (2015) stated that:

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- a. The financial perspective in dealership performance is the capability to drive speed to achieve profitability, which is manifested in innovation to reduce waste and errors, create opportunities for more processes (car sales), sell more jobs per unit, and increase margins per job;
- b. The learning and growth perspective is the capability of staff and managers to create improvements with indicators including improving skills, obtaining information on business situations and empowering for right decision making, continuous improvement, competent and encouraging ideas, manager capability to lead change and improvement;
- c. The business process perspective is a rigorous process to ensure quality and improvement through customer safety as the core of a careful process, ensuring the best quality, identifying and eliminating errors and flexibility for quick repairs; and
- d. The customer perspective is a culture to focus on delivering value to customers through a reputation as an industry of superior quality and 100% on time delivery, “happy” and motivated employees to provide valuable service to customers, and continuous innovation to improve service.

The automotive sector cannot remain static in the face of digital transformation in the global ecosystem. Actors from various sectors must proactively adapt to new products, services, and business models stemming from the undeniable evolution of the customer. There is great uncertainty about the speed at which change will occur. Depends on the technology factor. infrastructure, and regulatory frameworks, which will be considered as catalysts for change (NTT data). So the dealer's performance will be largely determined by the ability to carry out digital transformation and innovation. There is a significant mediating effect through the Innovation of Digital Transformation on Suzuki Dealers Performance.

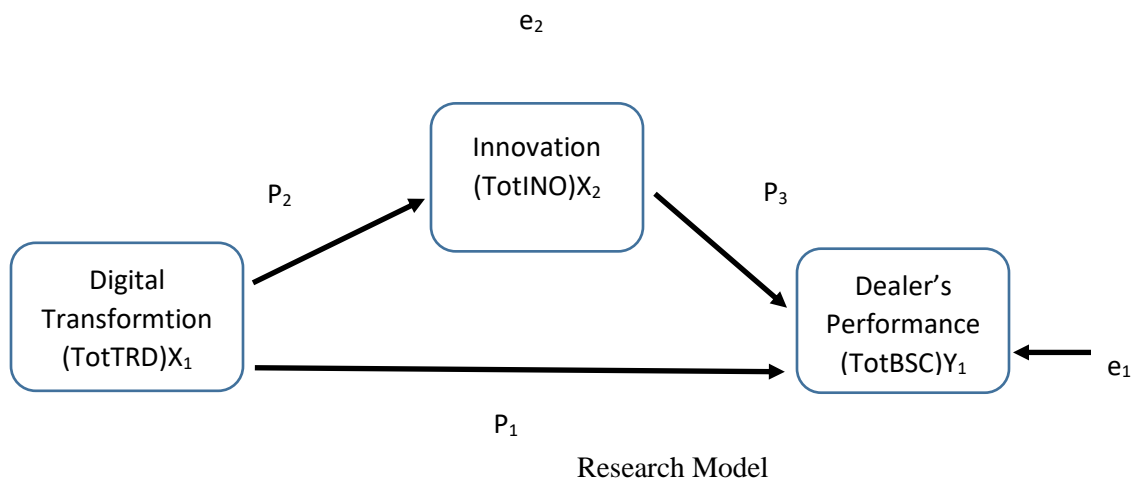
RESEARCH METHOD

The analytical technique used in this research is to use the path analysis method to check the effect of intervening variables. In the measurement, the analysis method uses Statistical Product and Services Solutions (SPSS) software version 23.0. The population in this study were all Suzuki dealers in as many as 51 dealers. The sample based on the Slovin method is 42 dealers by random sampling.

The intended respondent is the head of the dealer because he understands the performance and condition of the dealer in general. Data was collected through a survey that was sent via email to respondents. Data collection was carried out from December 2021 to March 2022. The Digital Transformation measurement used three items adopted from Reis, 2018. All items were measured using seven Likert scales, ranging from 1 (“strongly disagree”) to 7 (“strongly agree”). Measurement of Innovation uses 5 items adopted from Aagaard, Andersen, Presser, 2019. All items are measured using seven Likert scales, ranging from 1 (“strongly disagree”) to 7 (“strongly agree”). The Company's Performance Measurement uses four items adopted from the Balanced Scorecard (BSC). Respondents were asked to evaluate four dimensions of dealer performance, namely from the Finance aspect, Learning and Growth aspect, Business Process aspect, and Customer perspective, relative to the last three years on a scale of 1 (“Very Low/Very Poor”) to 7 (“Very High /Very good”).



The equations that occur are as follows:



Based on the description above regarding the factors that affect dealer performance, this study wants to prove whether there is a positive and significant influence between Digital Transformation on Suzuki car dealer performance and the advantages of information technology in Indonesia through innovation as an intervening variable.

RESEARCH RESULT

1. Effect of Digital Transformation on Dealer's Performance partially

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.718 ^a	.515	.503	8.41327

a. Predictors: (Constant), TotTRD

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	32.558	8.463		3.847	.000
	TotTRD	3.006	.461	.718	6.521	.000

a. Dependent Variable: TotBSC

Hypothesis 1

.From the data analysis, it is known that $TotBSC = 0.718TotTRD$. Because it is known that the Digital Transformation coefficient is 0.718 with a t-value of 6.521, a significance of 0.000, where this significance is smaller than 0.05. This means that the Digital Transformation variable significantly affects Dealer Performance. The magnitude of the effect of Digital Transformation is measured by r-square, which is 0.515, meaning that the magnitude of the effect of Digital Transformation on Dealer Performance is 51.5%, the rest is influenced by other factors that are not included in this equation model.

2. Effect of Digital Transformation on Innovation partially

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.836 ^a	.699	.692	2.38842

a. Predictors: (Constant), TotTRD

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	7.230	2.403		3.009	.005
	TotTRD	1.262	.131	.836	9.641	.000

a. Dependent Variable: TotINO

Hypothesis 2

From the data analysis, it is known that $TotINO = 0.836TotTRD$. Because it is known that the Digital Transformation coefficient is 0.836 with a t-value of 9.641, a significance of 0.000, where this significance is smaller than 0.05. This means that the Digital Transformation variable significantly affects **Innovation**. The magnitude of the effect of Digital Transformation is measured by r-square which is 0.699, meaning that the magnitude of the effect of Digital Transformation on **Innovation** is 69.9%, the rest is influenced by other factors not included in this equation model.

3. Effect of Innovation on Dealer’s Performance partially

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.724 ^a	.525	.513	8.33226

a. Predictors: (Constant), TotINO

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	26.551	9.203		2.885	.006
	TotINO	2.010	.303	.724	6.644	.000

a. Dependent Variable: TotBSC

Hypothesis 3

From the data analysis, it is known that $TotBSC = 0.724TotINO$. Because it is known that the **Innovation** coefficient is 0.724 with a t-value of 6.644, a significance of 0.000, where this significance is smaller than 0.05. This means that the **Innovation** variable significantly affects Dealer Performance. The magnitude of the effect of **Innovation** is measured by an r-square of 0.525, meaning that the magnitude of the effect of **Innovation** on Dealer Performance is 52.5%, the rest is influenced by other factors not included in this equation model.

4. Digital Transformation influence on Dealer’s Performance through Innovation

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.753 ^a	.566	.544	8.05821

a. Predictors: (Constant), TotINO, TotTRD

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	24.283	8.977		2.705	.010
	TotTRD	1.562	.805	.373	1.941	.060
	TotINO	1.144	.533	.412	2.145	.038

a. Dependent Variable: TotBSC

Hypothesis 4

Based on the partial path analysis above, the effect of Digital Transformation on Dealer Performance is 0.718, while the effect of Digital Transformation on Dealer Performance through Innovation is $0.836 \times 0.724 = 0.605$. This means that Innovation cannot mediate the effect of Digital Transformation on Dealer Performance, so the conclusion of Hypothesis 4 is rejected.

Discussion

1. Effect of Digital Transformation on **Dealer** Performance, the acceptance of the first hypothesis (H1) in this study proves that every increase in the efficiency and effectivity aspect through digital of the company represented by the Digital Transformation will be followed by an increase in **Dealer** Performance
2. Effect of Digital Transformation on Innovation, the acceptance of the second hypothesis (H2) in this study proves that every increase in the efficiency and effectivity aspect through digital of the company represented by the Digital Transformation will be followed by an increase in Innovation.
3. Effect of Innovation on Digital Transformation, the acceptance of the third hypothesis (H3) in this study proves that every increase in new idea, or breakthrough aspect to be applied by the company represented by the Innovation will be followed by an increase in **Dealer** Performance.
4. Influence of Digital Transformation on Dealer's Performance through Innovation, ,the acceptance of the forth hypothesis (H4) is rejected, which mean that Innovation ratio is not significant as a mediating variable from the effect of Digital Transformation on **Dealer** Performance

Conclusion

1. The study results conclude that first hypothesis (H1) is proven and acceptable, which mean there is a positive and significant Digital Transformation on Dealer's Performance, the acceptance of the first hypothesis (H1) in this study proves that every increase in the efficiency and effectivity aspect through digital of the company represented by the Digital Transformation will be followed by an increase in BSC Performance
2. The study results conclude that second hypothesis (H2) is proven and acceptable, which mean there is a positive and significant Digital Transformation on Dealer Innovation, the acceptance of the second hypothesis (H2) in this study proves that every increase in the efficiency and effectivity aspect through digital of the company represented by the Digital Transformation will be followed by an increase in Dealer Innovation
3. The study results conclude that third hypothesis (H3) is proven and acceptable, which mean there is a positive and significant Dealer Innovation on Dealer's Performance, the acceptance of the third hypothesis (H3) in this study proves that every increase in the efficiency and effectivity aspect through digital of the company represented by the Dealer Innovation will be followed by an increase in Dealer Performance
4. The study results conclude that forth hypothesis (H4) isn't proven and acceptable, which mean that Dealer Innovation does not mediate the effect of the Digital Transformation on Dealer Perfomance.

Suggestion

1. Related to Digital Transformation
It is necessary to improve and increase Digital Transformation as important variable to support dealer activity for successful dealer performance.
2. Related to Dealer Innovation
It is necessary to improve and increase Dealer Innovation as important variable to support dealer activity for successful dealer performance.
3. Related to Dealer Performance

DOI: <http://dx.doi.org/10.35137/kijms.v2i2.758>

To increase Dealer Performance, dealers have to create effective and efficient innovation to maximize effort of *carry out contactless processes at the dealership and home delivery vehicles service* supported by digital transformation facilities.

4. This research needs to be continued for deeper analysis.

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**Krisnadwipayana International Journal of Management Studies
(KIJMS)**

Volume 2 Issue 2 (July – December) 2022

Printed ISSN : 2776-0413

Electronic ISSN : 2775-5029

DOI: <http://dx.doi.org/10.35137/kijms.v2i2.758>

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