# Parenting Strategy Implementation Model In PT.Telkom Indonesia

**Heru Basuki Purwanto, Agus Rahayu, Disman, Lili Adi Wibowo**
Doctoral Program of Management, Universitas Pendidikan, Indonesia
Jalan Setiabudi 229, Bandung
herbas76@student.upi.edu. agusrahayu@upi.edu.. disman@upi.edu. liliadiwibowo@upi.edu.

## Abstract

Multi-business companies in Indonesia face a changing industrial environment, from a political, economic, social, technological, and other environmental factors. Multi-business companies are also facing intense competition pressure, both from local, national and global companies. Therefore, many multi-business companies are unable to survive to the existing competition. For multi-business companies, strategy is very important, especially corporate strategy, because multi-business companies are so complex that they have to manage many subsidiaries. This is different from a single business company that only manages one business unit. In a multi-business company, the parent company is in charge of managing existing production lines and business units. in order to generate maximum value for the parent company. It seems that Parenting Strategy is the best solution for managing multi-business companies according to the industrial environment at hand. This research was conducted to determine how the implementation of the parenting strategy at the business unit level of a multi-business company in Indonesia, in this case PT. Telkom Indonesia. Tbk, which has 32 subsidiaries. This research is descriptive, using explanatory survey method and cross sectional method. Based on the results of analysis and mapping according to the Parenting Matrix, the following results are obtained, 14 business units are in Heartland Business, 11 business units are in the Ballast Business, 6 business units are in Value Trap Business and 1 business unit is in Alien Business.

## Keywords
Parenting Strategy, Multi Business, Parenting Matrix.

## 1. Introduction

Multi-business companies are companies that operate in many markets through several different business units (Paroutis & Pettigrew, 2007) which are usually the result of company growth or the result of acquiring other businesses (Alzate Fernández & Rivas Montoya, 2018). The development of a business environment that continues to develop dynamically (Bisbe & Malague, 2012; Gleason, 2018) increasingly requires players to continuously observe and adapt their business to changes (Hunger & Thomas. L. Wheelen, 2004, (Furrer, Thomas, & Goussevskaia, 2008). Right now, new products are emerging very quickly to replace existing products, as well as existing services will quickly become obsolete and no longer in accordance with the demands of society with patterns and styles of new community life (Denning & Denning, 2014, Schmidt & Cohen, 2014). This of course has an impact on players, especially for multi-business companies and the situation will be more complicated because management will be more complex than a single business company (Chandler Jr., 1991; Afuah, 2009). Some of the things that become the biggest challenges of multi-business companies are the level of competition between business players is very tight, risks from various factors ranging from local, regional and global levels are very large influences, such as economic, political, regulatory, demographic, social, cultural and technological factors that can have an impact on the level of competitiveness of each business player, depending on the type of industry occupied and the readiness of each company (Bisbe & Malague, 2012; Gleason, 2018).

Multi-business companies or business groups in countries such as Korea, China, India and the United States are continuously expanding their business scope (Lee & Gaur, 2013) so that their business continues to grow, improve business performance and create greater and higher value than the costs and investment incurred for operating (Munir, 2017). Forbes magazine 2020 issued the 18th Global 2000 The World's Largest Companies (Asia, 2020), where Chinese and US companies still dominate 40% of the Forbes 2000 list, and occupy the top 10 in the world (Finance,

second, 2020). Based on Global 2000 The World's Largest Companies, Indonesia has contributed six of its companies to become part of thousands of giant corporations from around the world. It is recorded that 4 State-Owned Enterprises (BUMN) and 2 private companies are included in the 2020 world ranks of giant companies (Asia, 2020), namely PT. Bank Rakyat Indonesia.TBk, PT. Bank Central Asia.Tbk, PT. Bank Mandiri.TBk, PT. Telekomunikasi Indonesia.Tbk, PT Bank Negara Indonesia.Tbk, and PT. Gudang Garam.Tbk (Asia, 2020). Table 1, Global 2000 The World's Largest Companies 2016-2020 according to Forbes Magazine shows 6 Indonesian companies that are included in the ranks of the world's largest corporate companies as seen from the company's performance in the past five years. PT. Bank Rakyat Indonesia is always in the first rank, defeating the other 5 corporate companies either in the same field or in different fields.

Table 1. Global 2000 The World's Largest Companies 2016-2020

| No | Company Name | Global Rank | | | | |
|---|---|---|---|---|---|---|
| | | 2016 | 2017 | 2018 | 2019 | 2020 |
| 1. | PT. Bank Rakyat Indonesia.Tbk | 457 | 386 | 415 | 363 | 347 |
| 2. | PT. Bank Central Asia. Tbk | 620 | 564 | 574 | 553 | 487 |
| 3. | PT. Bank Mandiri. Tbk | 490 | 494 | 489 | 481 | 495 |
| 4. | PT. Telekomunikasi Indonesia. Tbk | 783 | 653 | 720 | 748 | 708 |
| 5. | PT Bank Negara Indonesia. Tbk | 927 | 924 | 903 | 835 | 1053 |
| 6. | PT. Gudang Garam. Tbk | 1679 | 1373 | 1494 | 1448 | 1516 |

Source: (Forbes.com, 2016,2017,2018,2019,2020)

Forbes noted that one multi-business company that was ranked 4th for the last five years was defeated by three other local companies with a stagnant rating, namely PT. Telekomunikasi Indonesia.Tbk (Asia, 2020). PT.Telkom Indonesia.Tbk is an Indonesian multi-business company engaged in providing information services and communication technology ICT (Information and Communication Technology), where its business fields include mobile services, cellular subscribers, mobile broadband, enterprise services, customers. corporate customers, SME (Small and Medium Enterprises) customers and customers of government institutions by managing 32 subsidiaries (Telkom, 2018). The data explains that multi-business companies have a very tight competitive pressure pattern, both from local, national and global companies. Therefore, a lot multi-business companies are unable to keep up with the demands of existing competition. For multi-business companies, strategy is very important, especially at the corporate strategy level, because of the complex activities that have to manage many units or subsidiaries. This situation will certainly be different, when compared to a single business company that only manages one business unit. In a multi-business company, basically, the parent company will be involved in regulating and managing all production lines and business units with very diverse types and fields of business, in order to continue to produce maximum value. In such a complex condition, it seems that Parenting Strategy is the right solution for managing multi-business companies well according to the conditions of each company and its industrial environment at hand.

## 2. Literature Review

Strategic management is defined as an art and also a science to formulate, implement and evaluate various cross-functional decisions so that the company can achieve its goals (F. R. David & David, 2017). With this definition, the focus of strategic management based on how to integrate existing management functions such as marketing, finance,

operations, R&D and information systems to achieve corporate success (F. David, 2015; F. R. David & Carolina, 2011).

The role of management strategy for a company or organization, which is to provide a long-term direction to be aimed, helping a company or organization adapt to the changes that occur, making a company or organization more active, identifying the comparative advantage of a company or organization in an increasingly risky environment. . Overlapping activities, reluctance to change can be reduced, employee involvement in strategy changes will be more motivated at the implementation stage, strategy formulation activities will be more accurate, thereby reducing the emergence of problems in the future. In general, in the formulation of corporate strategy, there is a hierarchy, namely, the Corporate Strategy Level, the Business Strategy Level and the Functional Strategy Level. Corporate Strategy Level, is the highest level for corporate strategy with the main role of providing overall direction for strategy formulation at all levels of existing business units. Business Strategy Level, is the next level whose main objective is how companies determine competitive strategies and / or work together for existing business units. Meanwhile, the Functional Strategy Level is at the lowest level, namely the operational level with the main objective, how the company is able to manage its resources in order to produce maximum productivity.

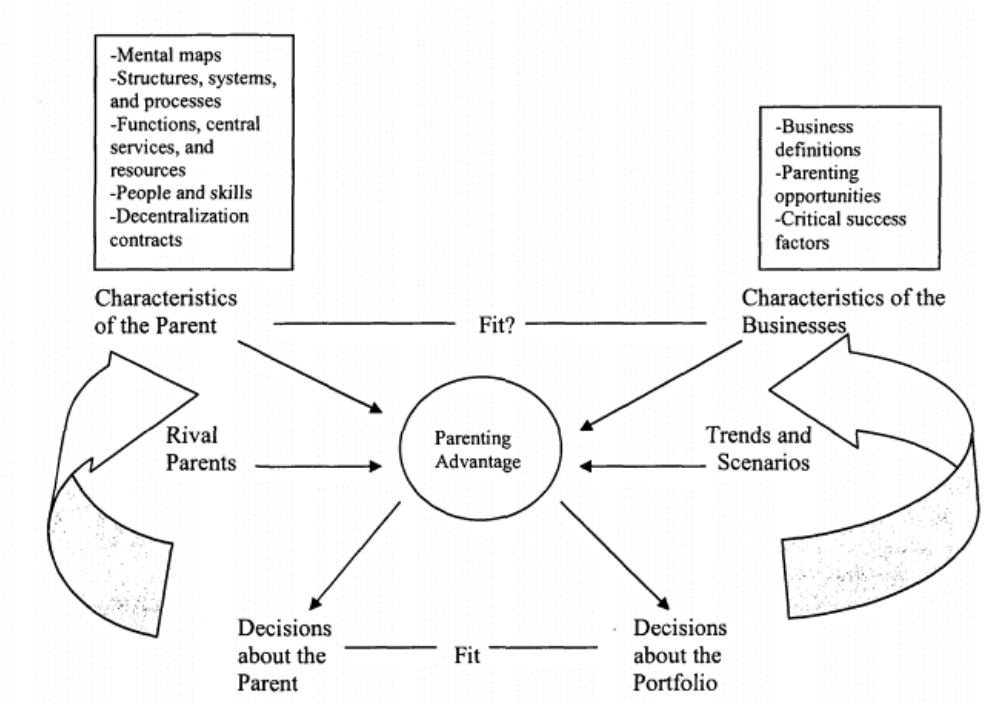
As a corporation, a multi-business company in charge of many business units, a corporate strategy is needed to regulate and manage various production lines and business units under it in order to achieve maximum results according to company's goals. In this regard, the corporate office plays an important role as a parent organization which in turn will have a lot to do with various production lines and business units it manages. However, in practice, each production line and business unit continue to carry out their respective work programs independently to achieve targets and competitive advantages according to industrial conditions, while the corporate office remains coordinating the various production lines and business units to achieve the overall company's goals according to the predetermined targets. The corporate strategy in general will always talk about how the arrangement of resources in all production lines and business units, including how to develop the capabilities of existing functions, it will be found a series of coordination activities and transfer of expertise from one production line other production lines and from one business unit to another where the corporate office must be able to create synergy potentials between the various production lines and business units in order to be able to create greater results than the sum of each business unit separately. (Hunger & Thomas. L. Wheelen, 2004).

The problems faced by multi-business companies that have many businesses or business groups are substantially different from those faced by small companies that manage only a single business. As an organization, multi-business companies will face complexities in the management process, both in terms of products and geographic markets. This will affect the form of business or divisions which are very diverse which in turn will also affect the structure and level of control in the main office over the business units and the relationship between business units. Conditions at the business unit level, problems survival and achieving corporate success (Wheelen, T. L., Hunger, 2012). Overall, the corporate strategy can be divided into three levels as follows: 1) Directional Strategy, namely the overall orientation of the company to achieve growth, stability and savings. 2) Portfolio Analysis, which is the orientation of the company towards the industrial and market environment in which the company competes, through its products and business units. 3) Parenting Strategy, which is the way for management to coordinate activities, transfer resources, and cultivate capabilities between production lines and business units. The directional strategy policy is more directed at company growth, the portfolio strategy is more focused on managing the company's cash flow, while the parenting strategy is how companies build corporate synergy through resource sharing and development (Wheelen, T. L., Hunger, 2012).

According to Porter in (Ololo, 2009) states that the ideal Parenting Strategy has portfolio management, restructuring, skills transferring and sharing activities.

1. Portfolio Management. Demanding the parent company to identify undervalued assets, divest low-performing SBU (Strategic Business Unit), obtain better performance, incur lower costs, and so on.

2. Restructuring. Enable the parent company to intervene in business units in order to improve performance and transfer knowledge, so that the business unit can autonomously improve its performance.
3. Transferring skills. Skills transfer that facilitates the deployment of skills to business units to establish a competitive advantage and regard company staff as integrators.
4. Sharing activities. Enable the parent company to share activities across the portfolio and reduce business unit resistance to corporate initiatives through strategic planning.
(Katsioloudes, 2006) argues that the dimensions of Parenting Strategy in practice consist of Programs, Procedures, Budget, and Organizations.
1. Program is a series of activities related to planning, systems and the results to be achieved. Often programs include a large number of activities. The company needs to design a program to identify growth opportunities, evaluate the suitability of its organization, and refine activities.
2. Procedure is a series of work procedures that are interconnected with one another, in which there is a step-by-step sequence that must be followed in an effort to complete a task. The existence of a procedure serves as a means of coordination between business units in carrying out work to achieve the same target.
3. Budget is the available budget needed to run a business. Budgeting is able to identify the existence of currently available capital, provide estimated expenditures and anticipate incoming income. By referring to the budget, companies can measure performance against expenditure and ensure that resources are available to support business growth and development. It also allows the parent company to concentrate more on cash flow, reduce costs, increase profits and increase returns on investment. The budget is the basis for all company success. This helps the company's financial planning and control. If there is no control over expenses properly, planning will be in vain and if there is no good planning, then business goals will not be achieved properly.
4. Organization is the procedure for how to manage the company. A comprehensive approach to organizing will help management in many ways. Organizing align various resources towards achieving a common mission.
Basically, all multi-business companies strive to find a match between the characteristics of the parent company and the business units it manages in order to achieve parenting advantage. Figure 1 Parenting Advantage Model explains some important things that need attention, so that parenting advantage can be achieved properly, namely:
1. The characteristics of the parent company must match the characteristics of the business unit, and vice versa.
2. The decision on the parent company must be in accordance with the decision regarding the preparation of the portfolio of the business unit and vice versa.
3. Parent companies are more focused on corporate-level competitive factors.
4. Business units focus more on trend factors and business unit implementation scenarios in the field.




Source : (Goold, Campbell, & Alexander, 1994)

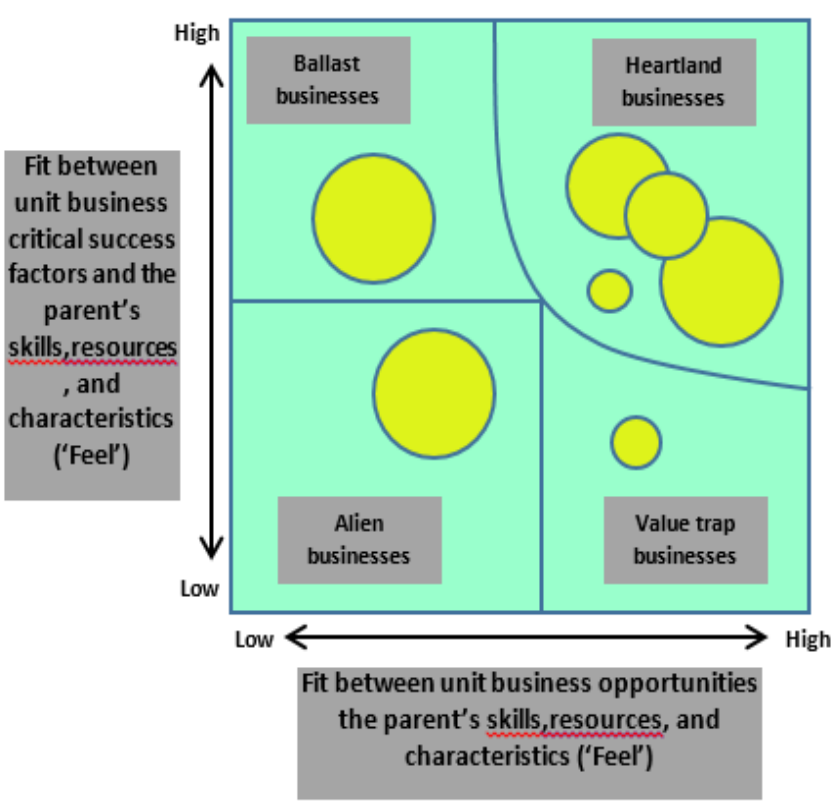
Figure 1. Parenting Advantage Model

Parent Company Characteristic, Table 2 describes the various characteristics of the parent company.

Table 2. Parent Company Characteristic

| | Characteristics of Parent | Description |
|---|---|---|
| 1 | M*ental maps*; | Roles division |
| 2 | *Structures;* | Organization structures |
| 3 | *System;* | System that applied at all functions |
| 4 | *Processes;* | Procedures for all business unit relationships |
| 5 | *Functions;* | The function of each unit business |
| 6 | *Central Services & Resources;* | Integrated services and resources need it |
| 7 | *People and Skills;* | Available human resources and skills need it |
| 8 | *Decentralization Contracts.* | Delegation of authority to business units |
| 9 | *Business Definition* | Job description of the business unit |
| 10 | *Parenting Opportunity* | Parenting opportunities to be faced |
| 11 | *Critical Success Factors* | Critical Success Factors |

Furthermore, an attempt was made to map using a parenting matrix, which is a method used to explain the suitability of parent characteristics and ones of business units (Alexander, Campbell, & Goold, 1994; Nilsson, 2000). Figure 2 Parenting Matrix illustrates that the Parenting Matrix is a method used to map business units according to their characteristics, so that the position of all business units can be described. in the company's portfolio, where each position has different strategic implications for the future strategic development of each business unit concerned.




Source: (Alexander, Campbell, & Goold, 1994; Nilsson, 2000)

Figure 2. Parenting Matrix

The following is an explanation of the parts of the matrix including:
1. Heartland Business Unit. It is a business unit where if the parent company wants to add value, it will not cause any difficulties and dangers at all. This means that the business unit has critical success factors and opportunities according to the skills, resources and characteristics of the parent company. This type of business unit is the main consideration for the company's future development.
2. Ballast Business Unit. Is a business unit the parent company understands well, but the company can't do much if it wants to add value. This means that the field of this business unit is not very suitable, between the critical success factors and the opportunities it has with the skills, resources and characteristics of the parent company. If a business unit of this type is to be further developed in the future, then maybe this type of business should be given the freedom to become its own independent business unit. The parent company does not need to interfere too much and the main office does not need to spend too much to.
3. Value Trap Business Unit. This type of business unit is very dangerous for the parent company, because the field of business is completely different from the skills, resources and characteristics of the parent company itself. In general, this type of business often creates a lucrative appeal to the parent company because of its business-sexy appearance, when in fact, this is simply not the case. If the parent company wants to continue to develop this type of business, it should be included in the company's long-term program, with the intention that if one day the opportunity becomes more real, it can be shifted to be part of the Heartland Business Unit. Besides being dangerous, this type of business, companies also have to spend no small amount of effort, to prepare existing skills, resources and characteristics.
4. The Alien Business Unit. It is a business in which it can be ascertained that there is no match at all in terms of skills, resources and characteristics possessed by the business unit concerned with the parent company. This type of business unit provides almost no added value at all to the parent company. The act of leaving or going out of this type of business is the best move.
In the parenting strategy, two basic principles that are always a concern are Corporate Strategy and Synergy Potential, which believe that the corporate office and the business units it manages have a relationship that will be able to create

value for the company as a whole through appropriate system design and followed by an action plan. hereinafter known as Parenting Styles (Nilsson, 2000). The aim to be achieved by applying this parenting style is so that corporate offices can identify and implement the parenting strategy appropriately at both the corporate level and the business unit level. There are several types of parenting styles in the application of strategic management. Table 3 Parenting Styles Framework describes the types of parenting styles that are widely used.

1. Financial Control, namely the application of the parenting strategy method prioritizing stand-alone influence, through controlling individual business units. Usually, this financial control technique is chosen because it is easy to implement, does not require too much potential synergy between existing business unit functions (Low synergy potential), while the resulting value creation process is fully enjoyed by the business units concerned (Low planning influence). The follow-up monitoring system is sufficient to look at the annual financial reports only. Deviation that is allowed, only if there are conditions that are outside the planning (tight financial control influence) (Nilsson, 2000).
2. Strategic Planning, namely the application of the parenting strategy method by prioritizing linkage influence through efforts to maximize the potential synergy that exists in each business unit as a business group. The strategic formulation plan is prepared by corporate management down to the business unit level (High planning influence). The main goal to be achieved is to get synergy through various operational integrations between existing business units. The decision-making process is carried out by corporate management and the monitoring system is carried out through the non-monetary information system (Flexible control influence) (Nilsson, 2000).
3. Strategic Control, namely the application of the parenting strategy method by combining the strategic planning method with the financial control method. Based on this approach, the management group will see the business unit groups as clusters.

Table 3. Parenting Style

| | **Parenting Strategic** | **Management Control** | **Value Creation** | **Decision Making** | **Monitoring System** | **Strategy Typology** |
|---|---|---|---|---|---|---|
| **Financial Control** | Stand-alone influence | Single business | Low synergy potential | Business Unit | Annual budget | Portfolio management |
| **Strategic Planning** | Linkage influence | Group of business | High synergy potential | Group Management | Non-monetary | Activity sharing |
| **Strategic Control** | Combine | Cluster system | Combine | Decentralized | Various | Combine |

Source: Extracted from (Nilsson, 2000)

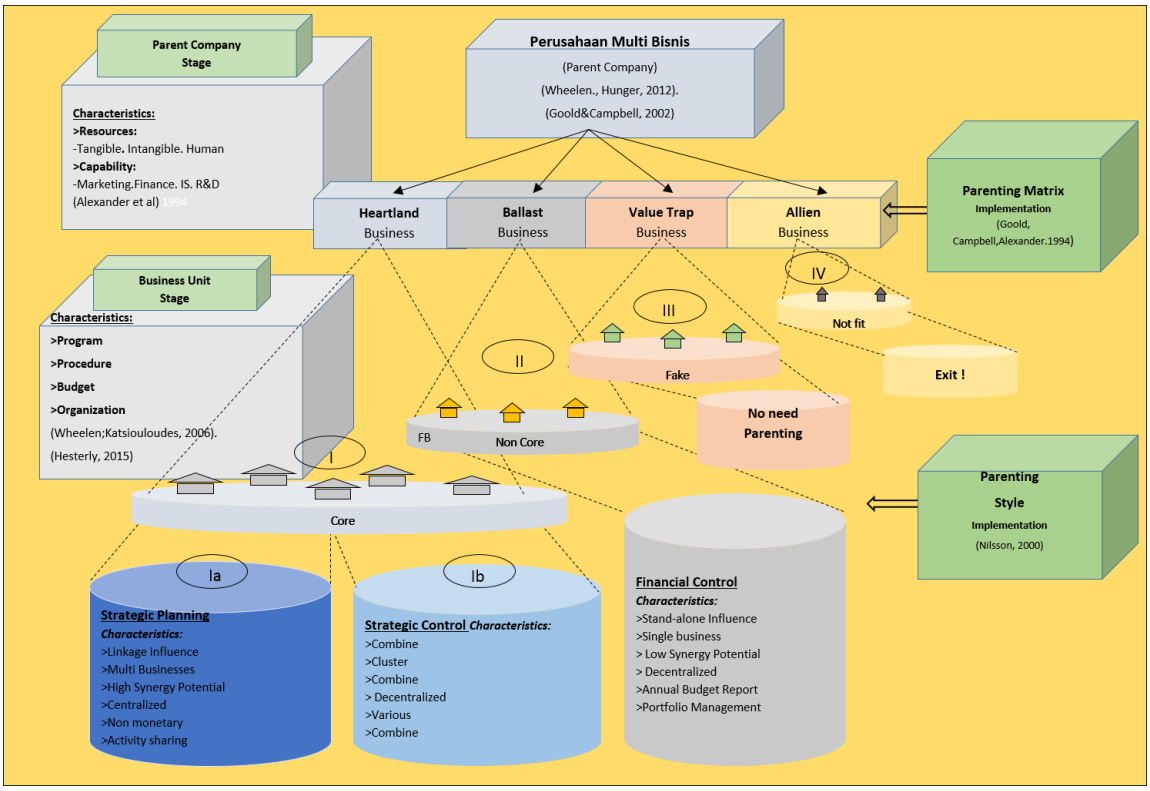



Figure 3. Parenting Strategy Model

Furthermore, Figure 3 Parenting Strategy Model is the result of mapping conducted on the subsidiary group of PT. Telkom Indonesia.Tbk as one of the multi-business companies in Indonesia that has implemented a parenting strategy in managing its business since 2015 (Telkom, 2016). With the parenting matrix technique, Telkom can classify each business unit into clusters according to their business characteristics. In this way, the results can explain which position each business unit is in, whether it is in the Heartland Business, Ballast Business, Value Trap Business or Alien Business groups.

## 3. Methods

This type of research is descriptive in order to obtain an overview of the application of parenting strategy at the business unit level of PT.Telkom Indonesia.Tbk. The research instrument used in this study was a questionnaire. Furthermore, based on the results of the questionnaire conducted on 32 business units as units of analysis representing PT Telkom, the classification was carried out based on the assessment of business units on variables categorized as 1) High, 2) Medium and 3) Low. These three classes have intervals obtained from the search for values based on the results of variable calculations. The formula that can be used to create class interval. After getting the class range and class interval length, the next step is to classify the business units based on the total score of the variable answers. The method used to categorize the calculation results is by using the percentage interpretation criteria taken from 0% to 100%. This study uses several data collection techniques, including 1) Distribution of questionnaires, which is a primary data collection technique carried out by distributing a set of written questionnaires online and offline to the business unit of PT.Telkom Indonesia.Tbk. 2) Conducting literature studies through collecting theories related to the problems and variables studied. Sources are obtained from: a) Libraries b) Journals, and c) Electronic Media (Internet), 3) Interviews and 4) Observations.

## 5. Results and Discussion

Parenting Strategy analysis aims to analyze the extent to which the parenting strategy carried out by the Telkom Group is currently running. Parenting Strategy is a management method to coordinate activities, transfer of resources, and

cultivate capabilities between product lines and business units. Parenting Strategy is the implementation of a corporate strategy and synergy potential between corporate office and business units which, if implemented properly and harmoniously, will be able to create value for the company as a whole through an appropriate planning system and then implemented properly at the business unit level (Nilsson, 2000 ).
Based on the results of the research that has been carried out, the overall Parenting Strategy variables are based on 4 dimensions, namely Program, Procedure, Budget and Organization (Thomas L. Wheelen & Hunger, 2012). Figure 4 Recapitulation of Telkom Group Business Unit Responses regarding the Implementation of Parenting Strategy shows that the highest score percentage is the Procedure dimension of 25.3%, followed by the Program dimension of 25.1%. Meanwhile, the lowest score was obtained in the Budget and Organization dimensions with the same percentage.


Figure 4. Recapitulation of Telkom Group Business Unit

The procedure succeeded in getting the highest assessment in the implementation of the Parenting Strategy, where the procedure is defined as coordination between business units in the implementation in order to achieve the same target (Thomas L Wheelen & Hunger, 2012). This shows that the ability to coordinate between Telkom Group business units is one of the most important indicators in the implementation of a parenting strategy at the business unit and main office levels, of course. This result is in accordance with the statement put forward by (Gurkov, 2015) that the key to the success of a company that manages many business units is the ability of the main office to coordinate roles and cooperation between the various functions of existing business units, in order to obtain a high level of capability according to the demands of competition in the industry.
Based on the results of the data processing that has been carried out, the implementation of the Parenting Strategy in the Telkom Group can be measured through the scores on each dimension. The total score on the Parenting Strategy is equal to 1197 with an ideal score of 1280 for 8 statement items, while looking for a continuum area that shows an ideal area of business unit responses to Parenting Strategy.
Determining the Percentage:
Score Percentage = (Total Score: Maximum Score) x 100%
Score percentage = (1197: 1280) x 100% = 94%
The ideal score in the Parenting Strategy variable is 1280 for eight statements, while for the total score of 1197 with a percentage of 94%, which is presented very good of the parenting strategy continuum.
The parenting strategy continuum, the value of the parenting strategy continuum is 1197 according to the research data, which is included in the very good category, more precisely in the good range. This is because the implementation of Parenting Strategy in Telkom Group's business units has been going on for a long time, where in order to support business growth effectively, Telkom Group has implemented strategic control to align the functions of business units, so that the process can run more directed, synergize and be effective in achieving company goals (Telkom, 2016).
In practice, the use of strategic control for business units is believed to be very important for the success of the Telkom Group. In general, the treatment of subsidiaries will touch the aspects of planning and optimizing the synergy of the Telkom Group. One form of implementation of the parenting strategy at Telkom is by managing existing business units into five segments, namely mobile, consumer, enterprise, wholesale international business, and others, besides that Telkom also classifies business units into 3 business domains namely digital connectivity, digital platform, and digital service (Telkom, 2019)

Furthermore, from the classification of Telkom Group business units based on the parenting matrix typology and the feel of the main office, it was found that as many as 14 business units were in the Heartland Business group. that is, the core business of the Telkom Group, then 11 business units are included in the Ballast Business group, not the main business but as the main business supporters of the Telkom Group, 6 business units are included in the Value Trap Business group. A business that is not a core business, but is needed by Tekom Group. One business unit is included in the Alien Business group because it is confirmed that its characters there is not match at all in terms of skills, resources, and characteristics with the parent company.

Based on these results it can be interpreted according to the Parenting Matrix (Alexander et al., 1994) (Nilsson, 2000) that most of the Telkom Group business units, 14 business units are in the Heartland Business group, or including Core Business, where if the Telkom Group wants to develop a business furthermore, in the future, there will not be many difficulties, because there is a match between the subsidiary and the parent company, both in terms of critical success factors, existing opportunities with their own skills, resources and characteristics.

There are 11 business units that are in the Ballast Business position as supporting businesses, although Telkom Parent can understand them well, but because they are not part of the core business group, the company will not be able to do much if it wants to further develop the business, because its critical success factors and opportunities that are not in accordance with the skills, resources and characteristics of the parent company. If Telkom wants to maintain this type of business, then it should be free to become its own independent business unit and the company does not need to interfere too much and pay too much for the business units concerned. Furthermore, the other 6 Telkom Group business units that are in the Value Trap Business position, it can be interpreted that this type of business unit is significantly different from the skills and characteristics possessed by the parent company. If Telkom wants to maintain this business unit in the future, it should be included in the company's long-term program with the aim that if one day these opportunities become more real, the business units can be shifted or included in the Heartland Business group. And for 1 business unit identified into the Alien Business group because it is clear that its business fields are very different and have nothing to do with the characteristics of the parent company, Telkom Group should be more careful and even quit this business. Figure 5 Parenting Matrix of Telkom Group Business Units, which depicts the mapping of Telkom Group business units according to their clusters.

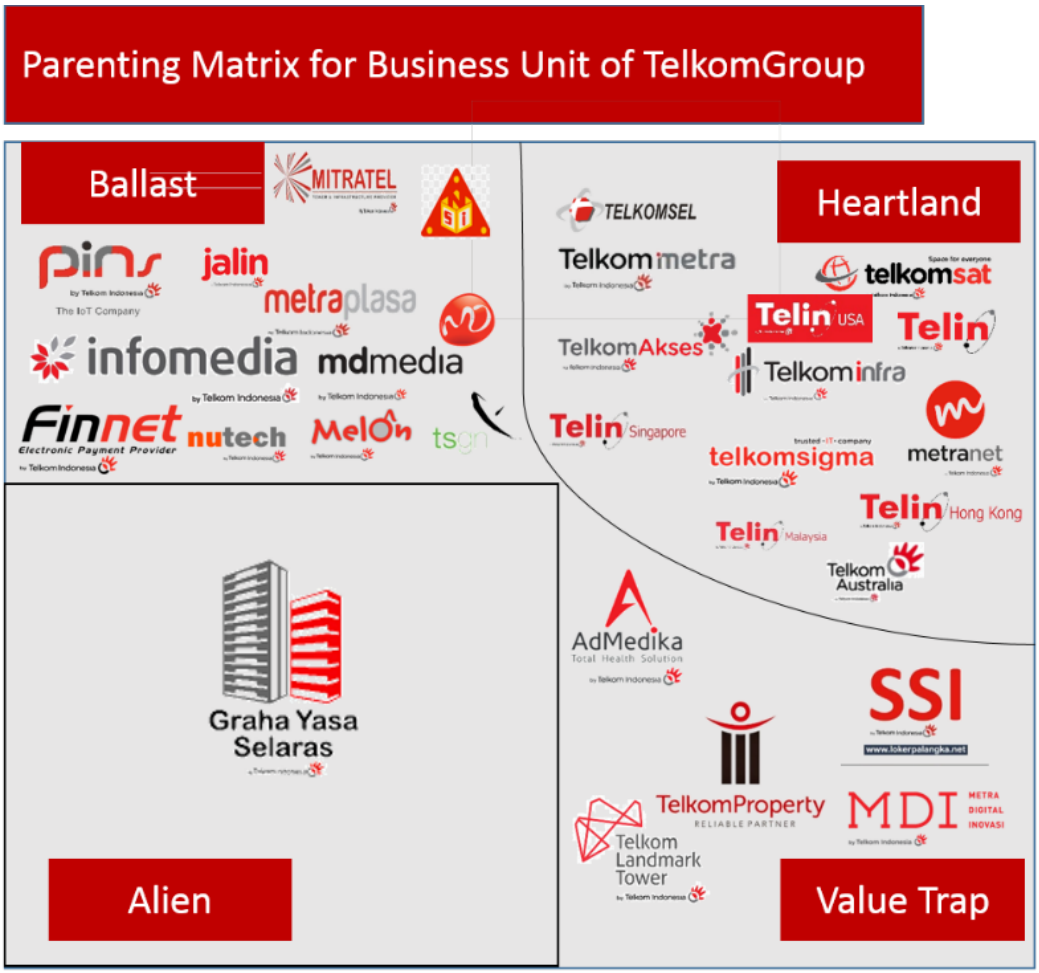



Figure 5. Parenting Matrix Mapping of Business Unit Telkom Group

The mapping results as shown in Figure 5 above, show that the Telkom Group has implemented a parenting strategy properly, which is proven by the number of business units that have characteristics that match with their parent company.

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## 6. Conclusion

From the results of this study, it can be concluded as follows:

1. Parenting Strategy is implemented in PT.Telkom Indonesia which is as one of multi-business companies in Indonesia, was suitable and running successfully.
2. The implementation of the Parenting Strategy that received the highest rating was the Procedure. This shows that the coordination ability between Telkom Group business units has been implemented well, and has become one of the key success factors in implementing parenting strategies in the Telkom Group.
3. Based on the mapping carried out using the Parenting Matrix method, it was found that the majority of Business Units are in the Heartland Business group, 14 business units, 11 business units in the Ballast Business group, 6 business units in the Value Trap Business group and 1 business unit located in the Alien Business group.
4. The implication of applying the parenting strategy technique is that multi-business companies will be able to manage their activities, transfer resources, and cultivate the capabilities of the production lines and their business units in a more coordinated and synchronized manner, so that the company can run more effectively and efficiently.

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## Biography

Heru Basuki Purwanto is a freelance consultant on business and management development for industries and SME in Indonesia. Graduated from Surabaya Institute of Technology, ITS and as Magister Management from Management and Business Technology and Information Department at Telkom University Indonesia. Heru's research interests include strategic management, marketing, entrepreneurship, business & management, in scope of industries and SME.

Agus Rahayu is a Professor and as a Dean on Economic and Business Faculty at Indonesia Education University. Agus's research interests include strategic management, marketing, entrepreneurship and business & management.

Disman is a Professor and as a Director at Doctoral Business and Management School at Indonesia Education University. Disman's research interests include statistical science, strategic management, entrepreneurship and business & management.

Lili Adi Wibowo is an Assistant Professor, and as Vice Dean of Economic and Business Faculty and as a Senior Lecturer at Doctoral Business and Management School at Indonesia Education University. Lili's research interests include strategic management, marketing, entrepreneurship and business & management.