

Abstract

Despite low penetration, low literacy, inadequate consumer protections, and mis-selling practices, the life insurance industry in Indonesia contributes significantly to the country's financial sector. The digital era and the recent pandemic have posed challenges to the sustainability of the life insurance industry, compelling insurers to adopt digital transformation throughout their processes. This qualitative study employed a case study methodology which explored the current Indonesian life insurance companies' digital-based dynamic capabilities and service-providing transformational capability to create a digitally sustainable competitive advantage as a conceptual framework. It consisted of two stages: Stage One explored the digital transformation experiences of the leadership teams of Indonesian life insurance companies, and Stage Two confirmed the propositions generated in Stage One with the new observations. The first stage identified three critical themes as critical success factors for developing and exercising the capabilities above: designing the optimal customer journey, earning customer trust, and overcoming key challenges. It resulted in three propositions, which were confirmed through an explanation study in stage two. Stage two of the study confirmed all of the claims made in stage one and came up with new digital strategies based on how the two capabilities interacted together. These included the need for the life insurance company to use digital to deal with customers' pre-existing conditions, reach out to lower customer segments, improve the quality of distributors to earn trust, improve transactional relationships through life-style engagement, and adopt the agile method.

The study concluded the conceptualization of digital and service provisioning transformational capabilities within the Indonesian life insurance sector through the existence of digital strategy and the evidences of the key activities conducted by insurance companies in exercising their digital based dynamic capabilities, service provisioning transformational capabilities and the interaction of both capabilities to attain sustainable competitive advantage. It confirmed the applicability of the conceptual framework, which is this study's most significant contribution to the existing body of knowledge by filling the research gaps on the interaction of both capabilities and the study conducted in the context of life insurance in Indonesia. This study also included management recommendations outlining the step by step roadmap that life insurance companies must take to achieve digitally sustainable competitive advantage which covers the structured literacy program, customer need assessment, development of digital unit to lead the transformation, adoption of agile approach through innovation lab, security certification, designed end to end customer journey, and regulatory engagement. In addition, this study recommended future research on the applicability of the proposed conceptual framework to other industries, including an in-depth examination of the interaction between capabilities and quantitative research to validate the hypotheses.

Keywords:

Digital based dynamic capability, service provisioning transformational capability, life insurance