

Critical Leadership Capabilities Analysis for Business Diversification in Indonesian Retail Company using AHP

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Abstract: *The rapid transformation of the retail industry with business diversification driven by factors of risk reduction and financial performance requires leaders with critical capabilities those aligned with business diversification context. This study aims to identify and prioritize critical leadership capabilities required for sustaining business diversification in Blue White Group, an Indonesian retail company. Using the Analytic Hierarchy Process (AHP), the study collected expert evaluations through structured pairwise comparisons from executive leaders across different business verticals. The findings reveal that Strategic Management Capability and Financial Capability are the most critical leadership competencies, followed by Marketing, Research & Development, and Operational Capability. These results highlight the need to develop leaders with strong strategic and financial acumen to align corporate growth strategies with diversification initiatives, ensuring long-term organizational growth.*

Keywords: Leadership Capabilities, Business Diversification, Retail, Analytic Hierarchy Process

1. Introduction

The retail industry is one of the fastest-changing due to new technologies, rapid changes in consumer behaviors, and rising competition (Md Isa et al., n.d.). One of the critical challenges retail organizations is recruiting leaders who can master the complexity of the global marketplace, lead diverse teams, and cultivate innovation (Bianconi et al., 2024). This has been a growing concern of late, further highlighted by the recent COVID-19 pandemic-driven accelerate transition to digital platforms and globalization (Heins, 2023). It demonstrated the importance of having flexible and adaptive leadership to sustain healthy business operations and seamless working (Pakneiat et al., 2010).

Blue White Group is one of the major retail companies in Indonesia, initially started with the retail and distribution of smartphone devices in 1996. Guided by its new vision (Become the largest lifestyle smart retailer in SEA 2025) and mission (Leveraging unified commerce to deliver the best customer experience and services) in 2019, Blue White Group has undertaken a transformation through diversification across four key business verticals—digital, active lifestyle, food and beverages, and beauty and wellness—alongside expansion and operational growth in both domestic and international markets.

According to the new vision and mission of Blue White Group towards business diversification, the future business development and expansion plans have created a demand for 326 leadership positions (from manager to director levels) across Blue White Group's business sectors by 2025. The total leadership positions required, generated through the talent management division via the talent identification process, validated by top leader representatives of each vertical and directorate at Vice President and Director level. It shall be achieved through building a framework on talent development by way of prioritization of critical leadership competencies, and a guaranteed strong leadership pipeline that will support Blue White Group's long-term growth strategy.

This research investigates critical leadership capabilities prioritization to be applied within talent development outputs to fulfill leadership positions needed in across business verticals of Blue White Group sustaining business diversification, regional expansion, and international growth.

2. Literature Review

2.1 Business Diversification

Business diversification is a business strategy whereby companies venture into new industries, markets, or products to achieve growth, decrease risks, and optimize the utilization of resources (Le, 2019). It was established by H. Igor Ansoff in 1957 when he wrote "Strategies for Diversification," an article for the Harvard Business Review. Ansoff has identified diversification as a strategy of creating new products for new markets with the profitability orientation in the long run.

Diversification may be done through related diversification, similar to existing strengths, and unrelated diversification into completely different kinds of industries. Performance of diversification is indeterminate; it will contribute towards business performance in terms of the creation of synergy or detract from efficiency owing to complexity and management problems (Holzmayer & Schmidt, 2020). The prime reason for diversification is to minimize the risk of dependence on one market or industry, as well as to increase potential profit by finding a new area in which to grow (Pakneiat et al., 2010).

The required performance in business diversification can be evaluated through various lenses; financial performance, reduction of risk, strategic fit and innovation & growth (Pakneiat et al., 2010; Wang et al., 2020). Those lenses of performance and business diversification are positively mediated by leadership capabilities of business managers (Hsu, 2022).

2.2 Leadership Capabilities in Diversification Performance

Leadership capabilities, diversification strategy, and success interconnect (Wang et al., 2020). The firms with strong connections and general skills are more likely to go for unrelated diversification, while those with tech and organization skills prefer related diversification (Pakneiat et al., 2010).

Several capabilities are crucial for successful business diversification consisting of marketing capability, operational capability, research & development (R&D) capability, financial capability and strategic management capability (Pakneiat et al., 2010; Wang et al., 2020). Wang (2020) points out that in order for a company to perform well, it has to match the diversification strategy with its existing capabilities.

2.3 Talent Development

Talent development refers to systematic approaches adopted by organizations to develop and enhance the competencies, capabilities, and potential of their workforce (Kafetzopoulos, 2023). Talent development entails systematic programs and initiatives that foster growth and development of employees to enable them to realize their full potential within the organization (Pruis, 2011).

Talent development naturally follows from talent management, since both activities are aimed at improving the human capital of an organization. The scope of activities in talent management is wider—it includes attraction, retention, and strategic deployment of talent—while talent development focuses on the building and developing of competencies and skills of the existing workforce (Kaliannan et al., 2023; Schreuder & Noorman, 2019). That effective talent management requires integrating strategic talent development in line with organizational objectives in order to enhance the overall performance (Schreuder & Noorman, 2019).

The scope of talent development encompasses several activities and programs designed to develop employees' skills—ranging from formal training and learning programs to informal learning experiences such as mentoring, coaching, and on-the-job training (Garavan et al., 2012; Pruis, 2011). The effective talent development needs a clear policy that defines what is considered talent in the organization and a coordinated process that combines all relevant human resource functions (Pruis, 2011).

2.4 Talent Readiness

Talent readiness refers to the state of readiness of employees to undertake higher responsibilities or leadership positions in an organization. The concept is one of the important talent management strategy indicators; it guarantees the organization has at its disposal a pool of qualified people ready to be slotted into critical positions when needed (Garavan et al., 2012). Talent readiness is closely aligned with succession planning and strategic workforce management, acting as a bridge between the current workforce capabilities and future organizational demands (Gallardo-Gallardo et al., 2013). Several factors impact talent readiness are competency development, career development programs, learning & development (L&D) interventions, and assessment mechanisms (Garavan et al., 2012; Kafetzopoulos, 2023; Kaliannan et al., 2023; Schreuder & Noorman, 2019).

Entities with high talent readiness levels are better positioned to react to changes in the market, implement strategic plans, and sustain growth. The concept of talent readiness strengthens innovation, strategic agility, and financial performance since it ensures that competent leaders are available to drive organizational objectives (Kafetzopoulos, 2023; Panda & Sahoo, 2015).

2.5 AHP

Analytic Hierarchy Process (AHP), invented by Thomas L. Saaty in the late 1970s, transformed decision-making by ranking options when decision-makers must address multi-criteria issues by breaking down the problem into a hierarchical framework of goals, criteria, sub-criteria, and alternatives (Saaty & Katz, 1990). Decision-makers define the relative importance of each alternative and criterion using pairwise comparisons, creating a quantifiable and formalized decision-making process (Ho, 2008).

3. Research Methodology

This research is focused on the Blue White Group carried out within a stipulated period—precisely between October 2024 and January 2025. Geographically, this study will be largely restricted to the operation areas of Blue White Group in Indonesia, which may impact the generalizability of the findings to other regions. Analytic Hierarchy Process (AHP) is applied to identify prioritized critical leadership capabilities. There are four criteria selected referring to the lenses of business diversification performance (Pakneiat et al., 2010; Wang et al., 2020), consisting of financial performance (FP), reduction of risk (RR), strategic fit (SF) and innovation & growth (IG). Meanwhile, the alternatives of critical leadership capabilities are referring to (Pakneiat et al., 2010; Wang et al., 2020), consisting of marketing capability (MC), operational capability (OC), research & development (R&D) capability (RDC), financial capability (FC) and strategic management capability (SMC).

The questionnaire instrument is printed and structured as a pairwise comparison matrix. interviewees are asked to compare each pair of criteria and capabilities using a 9-point scale. The questionnaire is administered using purposive sampling to executive leaders from different business verticals with expertise in Blue White Group's business operations, leadership, and diversification strategy. These include:

- Group Deputy Director: 1 person
- Board of Director (Level 7-8) from each vertical: 4 Representatives (4 verticals)
- Board of Director (Level 7) from group holding: 5 Representatives

The analysis is conducted structurally as follows:

- Pairwise Comparison Matrix: interviewees' evaluations of criteria and capabilities are organized into matrices and the comparisons are converted into numerical weights using Saaty's (2008) method.
- Consistency Ratio (CR) Check: Ensures the logical consistency of pairwise comparisons. A CR below 0.1 is deemed acceptable.
- Priority Calculation: Weighted priorities for each leadership capability under each criterion are calculated to derive overall rankings.

4. Result & Discussion

4.1 Important Criteria of Critical Leadership Capabilities

On criteria comparisons, the interviewees compare pairs of criteria of critical leadership capabilities in the context of Blue White Group (e.g., Finance Performance vs Risk Reduction, etc.) to assign their relative importance using a predefined Saaty scale (which ranges from 1 for equal importance and 9 for extreme importance of one criteria over another). The rows of the matrix are then summed to calculate the raw priorities, which represent the unnormalized weight of the criteria (see in Table 1). These raw weights are further normalized in subsequent steps to ensure they sum to 1 (see in Table 2), providing a consistent basis for multi-criteria decision-making. This initial step reflects the subjective input of interviewees and lays the foundation for deriving consistent and objective weights in AHP.

Table 1: Weight Value of Criteria

Criteria	FP	RR	SF	IG
FP	1.00	2.94	0.44	2.43
RR	0.34	1.00	0.21	1.00
SF	2.28	4.79	1.00	1.97
IG	0.41	1.00	0.51	1.00
Total	4.03	9.73	2.16	6.40

Table 2: Normalized Criteria Matrix

Criteria	FP	RR	SF	IG	Average
FP	0.25	0.30	0.20	0.38	0.28
RR	0.08	0.10	0.10	0.16	0.11
SF	0.57	0.49	0.46	0.31	0.46
IG	0.10	0.10	0.24	0.16	0.15
EigenVector					1.00

Table 2 showed that the normalized weights indicate the relative importance of each criteria based on the Interviewee’s judgments:

- Strategic Fit (0.46): This criteria is the most important, contributing nearly half of the overall weight, suggesting that aligning with the organization’s strategic objectives is the most top priority.
- Financial Performance (0.28): The second most important criteria, indicating significant consideration of financial outcomes in organizational capability for business diversification efforts.
- Innovation and Growth (0.15): Ranked third, this criteria is moderately important, reflecting an emphasis on fostering long-term growth and innovation.
- Risk Reduction (0.11): The least important criteria, although still a factor, suggesting that minimizing risks has a relatively lower priority in this context.

The normalized weights resulted in the Lambda (λ) max close to the number of criteria ($n = 4$), indicating that the matrix is consistent. The λ_{max} value of 4.13 suggests slight deviations from perfect consistency, but within acceptable limits. The Consistency Index (CI) of 0.04 indicates a low level of inconsistency, suggesting that the judgments provided by the interviewees are relatively coherent. The Consistency Ratio (CR) 0.05 (below 0.1) confirms that Interviewee’s comparisons are consistent, and the result is trusted.

4.2 Priority of Critical Leadership Capabilities

Pairwise comparisons of alternatives under each criteria, based on interviewees’ assessments, are summarized below in Table 3.

Table 3: Alternative Pairwise Comparison under Each Criteria

Alternative of Capabilities	Normalized Value
Criteria: Financial Performance	
Marketing Capability	0.18
Operational Capability	0.11
R&D Capability	0.08
Financial Capability	0.33
Strategic Management Capability	0.31
<i>Consistency Index (CI)</i>	<i>0.05</i>
<i>Consistency Ratio (CR)</i>	<i>0.05</i>
Criteria: Risk Reduction	
Marketing Capability	0.07
Operational Capability	0.18
R&D Capability	0.08
Financial Capability	0.33
Strategic Management Capability	0.35
<i>Consistency Index (CI)</i>	<i>0.03</i>
<i>Consistency Ratio (CR)</i>	<i>0.02</i>
Criteria: Strategic Fit	
Marketing Capability	0.19
Operational Capability	0.07
R&D Capability	0.07
Financial Capability	0.31
Strategic Management Capability	0.36
<i>Consistency Index (CI)</i>	<i>0.08</i>
<i>Consistency Ratio (CR)</i>	<i>0.07</i>
Criteria: Innovation & Growth	
Marketing Capability	0.24
Operational Capability	0.08
R&D Capability	0.25
Financial Capability	0.22
Strategic Management Capability	0.21
<i>Consistency Index (CI)</i>	<i>0.03</i>
<i>Consistency Ratio (CR)</i>	<i>0.03</i>

Calculating the final results involves multiplying the EigenVector of the alternatives for each criteria with the EigenVector of the criteria, followed by summing up the total weight values for each alternative and The final conclusion of the AHP analysis regarding the prioritized strategic capabilities for future leaders in a diversified retail company (Blue White Group) is presented in Figure 1.

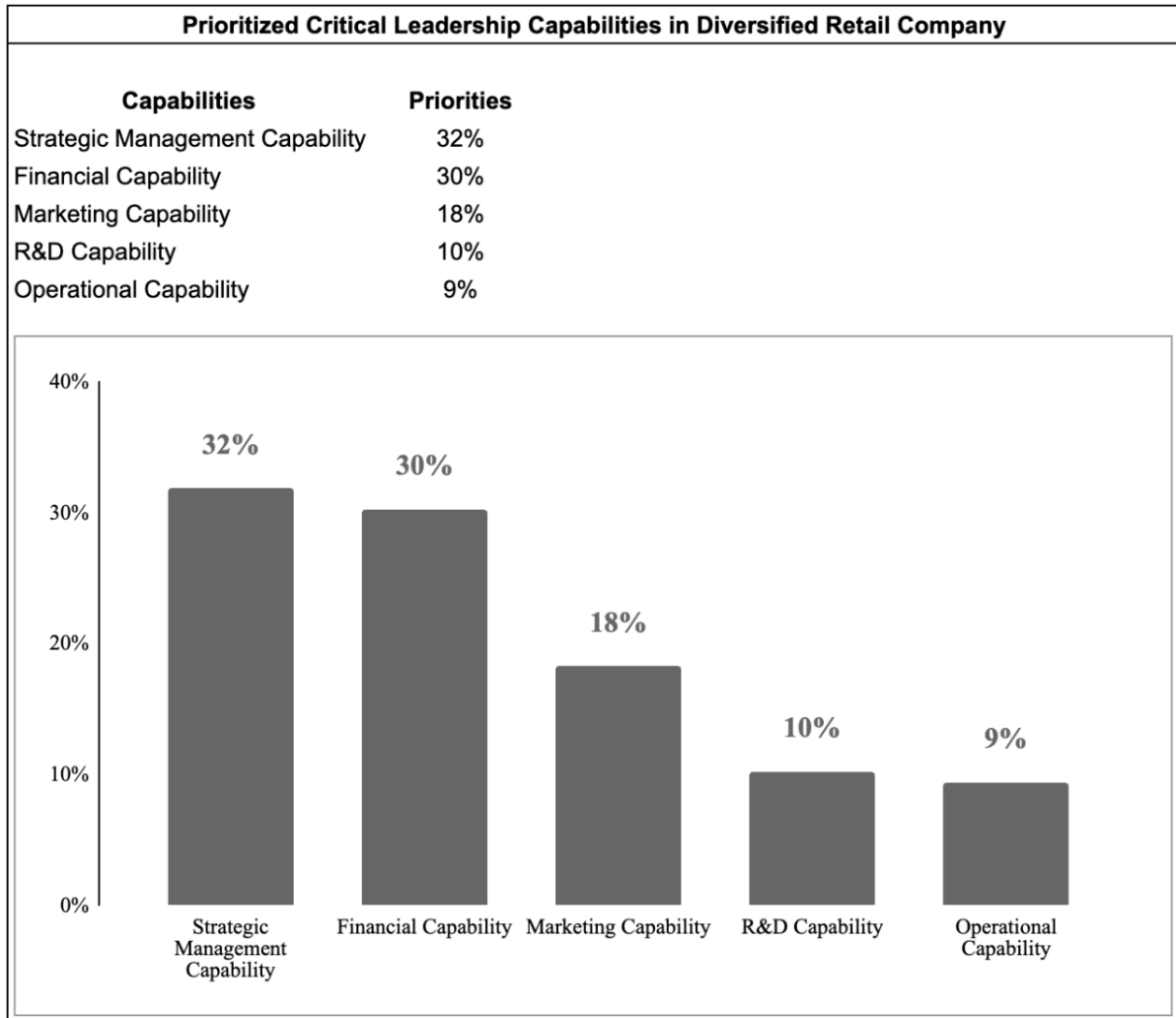


Figure 1: Prioritized Critical Leadership Capabilities in Diversified Retail Company (Blue White Group)

The Figure 1 explained that the Strategic Management Capability emerges as the most critical competency required for future leaders in the diversified retail company (Blue White Group), with a weight of 32%. Strategic Management Capability is always highly rated under Financial Performance (0.31), Risk Reduction (0.35), and Strategic Fit (0.36) and emphasizes the central position that it plays to link strategic objectives, aligning risks, and facilitating financial achievement. This indicates its essential role in aligning diversification initiatives with the company’s strategic goals and ensuring effective leadership decision-making to navigate complex challenges. Leaders or talents with strong strategic management skills are better equipped to drive the company’s growth and maintain alignment with its long-term objectives. Financial Capability, with a weight of 30%, ranks as the second most important competency. This reflects the significant role of financial acumen in managing resources, maintaining financial stability, and enabling sustainable growth in a diversified business environment. The close weighting between Strategic Management and Financial Capabilities underscores the dual importance of these competencies in achieving leadership success.

Marketing Capability, carrying a weight of 18%, holds a moderate priority. It emphasizes the importance of connecting the company’s diversification efforts to market needs enhancing brand positioning and driving revenue growth. While less critical than strategic and financial competencies, marketing remains a vital component of successful leadership in the retail sector.

Both Research & Development and Operational Capabilities are weighted at 10% and 9%, respectively, indicating their supportive roles in leadership priorities. Research and Development (R&D) Capability highlights the relevance of innovation and adaptability, which are necessary to sustain competitive advantage. Operational Capability, though ranked lowest, plays a crucial role in ensuring the efficient execution of strategies and optimizing business processes.

The alignment of these critical capabilities to Blue White Group's diversification goal and strategy is symbiotic. Financial and Strategic Management Capabilities' emphasis on sound decision-making and capital planning is directly responsible for the company's diversification into expanding its retail outlets to 2,049 stores, and new geographical areas in Indonesian Tier-2 and Tier-3 cities. These are also the drivers to deal with the scalability and measurability of operations and finance required by such expansions, yet also provide the contribution of every unit to the business bottom line. Furthermore, the continued focus on Strategic Management Capability underpins regionalization strategy, change management programs, organizational effectiveness, and culture change.

Most specifically in venturing into new business divisions (Digital, Active Lifestyle, Beauty & Wellness, and Food & Nourishment), the escalating role of R&D and Marketing Capabilities within Innovation and Growth is especially crucial. These capabilities drive the creation and promotion of fresh brands and merge such brands based on market demand and customer experience. Marketing Capability is also the foundation of Blue White's strengthened omnichannel strategy, whereby online-to-offline (O2O) platforms and smart retail solutions are integrated to provide an uninterrupted customer experience. R&D Capability also aids in enabling the advancements of supply chain management (e.g., last-mile delivery innovations and smart logistics innovations), as required by the group's vision of embracing cloud-based technologies. All of these endeavors fall within Blue White Group's mission to be Southeast Asia's largest lifestyle smart retailer by 2025 with a broad and scalable diversification and sustainable growth strategy.

Overall, the findings suggest that Strategic Management and Financial Capabilities are the cornerstone competencies for future leaders in the Blue White Group. Marketing, R&D, and Operational Capabilities complement these priorities, offering critical support to sustain and enhance the company's competitive position. These insights can inform further talent development framework to align with the organization's long-term goals.

5. Conclusion

The study identified the prioritized leadership capabilities for supporting Blue White Group's talent development in diversification strategy:

- Strategic Management Capability (32%): Essential for aligning corporate strategy and making complex decisions.
- Financial Capability (30%): Vital for resource management and sustainable growth.
- Marketing Capability (18%): Important for connecting diversification efforts to market trends.
- Research & Development (10%): Support innovation and adaptability.
- Operational Capability (9%): Focuses on executing strategies effectively.

To expand the applicability and depth of the findings, future research should consider a comparative analysis of similar frameworks in other diversified retail companies, both within and outside Indonesia, to assess adaptability and scalability. Broadening a more diverse group of participants, including regional managers and junior-level employees, would provide a more comprehensive understanding of critical leadership capabilities in business diversification performance. Cross-industry benchmarking offers an opportunity to refine the framework by comparing it with practices from other sectors, such as technology, manufacturing or finance, to identify innovative approaches.

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