

BUILDING STRATEGIC CAPABILITY IN ENHANCING COMPETITIVE ADVANTAGE: EVIDENCE FROM BANK BJB IN INDONESIA'S DIGITAL BANKING TRANSFORMATION

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ABSTRACT

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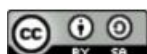
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This study examines how digital capability, strategic agility, and innovation capability contribute to the competitive advantage of Bank BJB amid intensifying digital banking competition in Indonesia. The rapid growth of financial technology (fintech), the QRIS ecosystem, artificial intelligence (AI)-based banking services, and changing customer behavior has accelerated digital transformation across the banking industry. This study adopts a qualitative descriptive case study approach using secondary data collected from annual reports, banking industry publications, government reports, and credible media sources. The findings indicate that Bank BJB has strengthened its digital banking ecosystem, customer-oriented service innovation, and strategic responsiveness through mobile banking expansion, QRIS integration, digital payment systems, and operational digitalization initiatives. These capabilities collectively enhance organizational competitiveness, adaptability, operational efficiency, and long-term sustainability. The study recommends strengthening AI-driven banking services, cybersecurity systems, fintech collaboration, and digital customer experience. The study is limited by its qualitative approach and reliance on secondary data.

INTRODUCTION

The global banking industry is currently undergoing a profound structural transformation driven by rapid technological advancement, fintech expansion, artificial intelligence (AI), digital platformization, and changing customer behavior. Banking institutions are no longer competing solely with traditional financial intermediaries, but increasingly with digital banks, fintech companies, e-wallet platforms, and integrated technology-based financial ecosystems that offer faster, more flexible, and customer-centric services. Recent literature highlights that digital transformation capability has become a strategic imperative, as technological capability increasingly determines organizational competitiveness, operational efficiency, and long-term strategic responsiveness in highly dynamic industries (Kraus et al., 2023; Weritz et al., 2024). In addition, Wamba et al. (2023)



emphasize that digital capability combined with organizational agility significantly enhances firm performance in technology-intensive environments.

Beyond academic findings, industry reports confirm the accelerating shift toward digital financial ecosystems. According to the International Monetary Fund (IMF, 2024), digital financial services have become a key driver of financial inclusion across emerging economies, particularly in Asia. Meanwhile, the Bank for International Settlements (BIS, 2023) reports that global adoption of digital payments and real-time payment systems has increased significantly, reshaping the competitive structure of the banking industry worldwide. Furthermore, McKinsey & Company (2024) highlights that banks that fail to adopt digital transformation strategies risk losing up to 40% of their market share to fintech competitors within the next decade. In Indonesia, the acceleration of digital financial ecosystems has significantly transformed the structure of the banking industry. According to Bank Indonesia (2024), digital payment transactions in Indonesia grew substantially, with QRIS transaction value increasing by 175.2% year-on-year, reflecting massive adoption of cashless payment systems across retail, MSMEs, and digital commerce sectors. In addition, mobile banking transaction volume increased by 39.1% in 2024, indicating a strong shift in consumer behavior toward digital financial services and mobile-based banking platforms.

Supporting this trend, the Otoritas Jasa Keuangan (2024) reported that Indonesia has experienced rapid growth in fintech lending activities, with 97 licensed fintech lending companies operating in the market by the end of 2024. This expansion reflects intensifying competition between traditional banking institutions and digital financial service providers. In the banking sector, these developments have created significant pressure for regional development banks (Bank Pembangunan Daerah/BPD) to accelerate digital transformation. Bank BJB, as one of Indonesia's leading regional banks, is strategically positioned within this transformation wave. However, unlike large state-owned banks and digital-native banks, BPDs face structural challenges in terms of legacy systems, limited digital talent, and regional market constraints. Therefore, understanding how digital capability, strategic agility, and innovation capability interact to shape competitive advantage becomes highly relevant in explaining how regional banks can survive and compete in the digital banking era.

Table 1. Growth of Indonesia's Digital Financial Ecosystem (2020–2024)

Year	QRIS Transaction Growth	Digital Banking Transaction (Trillion Rp)	Electronic Money Transaction Growth	Fintech Lending Financing (Trillion Rp)	Licensed Fintech Lending Companies
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2020	124.1%	IDR 27,000	32.3%	IDR 155.9	149
2021	58.6%	IDR 39,100	49.1%	IDR 295.8	103
2022	98.5%	IDR 52,500	30.8%	IDR 404.3	102
2023	130.0%	IDR 55,800	43.5%	IDR 596.5	101
2024	175.2%	IDR 58,000	30.4%	IDR 66.79	97

Source : Bank Indonesia (2024); OJK (2024)

The rapid growth of digital banking ecosystems has intensified competitive pressure on Regional Development Banks (Bank Pembangunan Daerah/BPDs) in Indonesia. Historically, BPDs primarily focused on regional government financing and conventional banking operations. However, the acceleration of technological disruption, the rise of fintech ecosystems, and the shift in customer expectations toward real-time, mobile-based financial services have fundamentally reshaped the competitive structure of the banking industry. In this context, digital transformation is no longer an optional strategy but a structural necessity for survival and competitiveness in the financial sector.

Recent literature emphasizes that organizations operating in highly dynamic environments must develop resilience, adaptability, and dynamic capabilities to remain competitive. Dubey et al. (2023) highlight that organizational resilience plays a critical role in ensuring performance stability under environmental uncertainty and technological disruption. Similarly, Nguyen et al. (2024) argue that strategic agility significantly enhances organizational responsiveness in volatile and technology-driven markets. Furthermore, Teece (2018) in dynamic capability theory emphasizes that firms must continuously sense, seize, and reconfigure resources to maintain competitive advantage in rapidly changing environments.

From a broader industry perspective, global institutions also confirm the acceleration of digital disruption in banking. The International Monetary Fund (IMF, 2024) reports that digital financial services are a major driver of financial inclusion and banking transformation across emerging economies. The Bank for International Settlements (BIS, 2023) further highlights that real-time payment systems, digital wallets, and fintech platforms are reshaping traditional banking structures globally. In addition, McKinsey & Company (2024) reports that banks failing to adopt digital transformation strategies risk significant erosion of market share due to fintech competition and platform-based financial ecosystems.

Within this context, Indonesia represents one of the fastest-growing digital financial markets in Southeast Asia. According to Bank Indonesia (2024), QRIS-based digital transactions grew by 175.2% year-on-year, reflecting massive adoption of cashless payment

systems across retail, MSMEs, and digital commerce ecosystems. In addition, mobile banking transaction volume increased by 39.1% in 2024, indicating a strong structural shift in consumer financial behavior toward digital platforms. Supporting this trend, the Otoritas Jasa Keuangan (2024) reports that Indonesia has 97 licensed fintech lending companies, illustrating rapid expansion of fintech-based financial services and increasing competition within the banking sector. Industry media and financial analysis further reinforce this transformation. Reports from Reuters (2024) and Bloomberg (2024) indicate that Southeast Asian banks are under increasing pressure to digitize operations due to the aggressive expansion of fintech and neobank competitors. Similarly, McKinsey Global Institute (2024) highlights that digital ecosystems are becoming the dominant structure of financial intermediation, replacing traditional branch-based banking models with platform-based financial services. In Indonesia, Kompas (2024) and Katadata (2024) report that digital financial ecosystems are now deeply integrated into consumer lifestyles, especially through mobile banking, e-wallets, and QR-based payment systems.

Within this rapidly evolving environment, Bank BJB emerges as one of the most significant Regional Development Banks actively pursuing digital transformation. The bank has expanded its digital ecosystem through DIGI bank bjb, QRIS integration, mobile banking services, and digital payment platforms to enhance accessibility, efficiency, and customer experience. According to the Bank BJB Annual Report (2023), the bank recorded total assets exceeding IDR 210 trillion, positioning it as one of the largest regional banks in Indonesia. The bank has also increased investments in digital infrastructure, customer experience transformation, and service innovation to remain competitive against digital banks and fintech platforms. Despite these efforts, BPDs face structural limitations compared to national commercial banks and digital-native financial institutions. These include legacy systems, limited digital talent, and relatively slower innovation cycles. Therefore, understanding how regional banks can integrate digital capability, strategic agility, and innovation capability becomes increasingly important for sustaining competitiveness in the digital economy.

Several international studies emphasize the importance of these capabilities in shaping organizational performance. Kraus et al. (2023) explain that digital transformation capability enhances organizational resilience and long-term competitiveness in technology-driven industries. Weritz et al. (2024) further argue that strategic capabilities are key determinants of digital transformation success, particularly in highly competitive environments. Meanwhile, Wamba et al. (2023) demonstrate that artificial intelligence capability and organizational

agility significantly improve firm performance through enhanced responsiveness and decision-making speed. Zhan et al. (2023) also highlight that dynamic innovation capability is essential for sustaining competitive advantage in digital transformation contexts. From a theoretical perspective, this study integrates the Resource-Based View (Barney, 1991), Dynamic Capability Theory (Teece, 2018), and Digital Transformation Capability literature (Kraus et al., 2023) to explain how organizational capabilities interact in shaping competitive outcomes. However, despite increasing research on digital banking transformation, there remains limited empirical focus on how Regional Development Banks in Indonesia strategically respond to fintech disruption through an integrated capability framework combining digital capability, strategic agility, and innovation capability.

Therefore, this study aims to analyze how digital capability, strategic agility, and innovation capability contribute to the competitive advantage of Bank BJB in the context of intensifying digital banking competition in Indonesia. This study is expected to contribute theoretically by extending strategic management and digital transformation literature in the context of regional banking institutions in emerging economies. Practically, the findings are expected to provide strategic insights for banking institutions, policymakers, and financial regulators regarding the importance of digital adaptation, organizational agility, and innovation capability in sustaining competitiveness within Indonesia's evolving digital financial ecosystem.

THEORITICAL REVIEW

Digital Capability

Digital capability refers to an organization's ability to integrate digital technologies such as artificial intelligence, cloud computing, data analytics, and platform-based systems into its core business processes to enhance performance and competitiveness. In the banking sector, digital capability is increasingly associated with the ability to deliver seamless digital services, improve decision-making speed, and strengthen customer experience through technology-enabled platforms. Recent studies emphasize that digital capability is a critical driver of organizational transformation in the digital economy. Kraus et al. (2023) argue that firms with advanced digital capability are better able to respond to environmental turbulence and technological disruption.

Similarly, Weritz et al. (2024) highlight that digital capability significantly influences the success of digital transformation initiatives by enabling process integration and

organizational restructuring. Wamba et al. (2023) further confirm that AI-enabled digital capability enhances organizational responsiveness and performance through improved data utilization and decision-making efficiency. In banking institutions, digital capability is reflected in mobile banking systems, QR-based payment infrastructure, cloud-based banking operations, and AI-driven financial services. According to recent empirical findings, firms with stronger digital capability demonstrate higher innovation output and faster adaptation to market changes (Zhan et al., 2023; Nguyen et al., 2024).

Strategic Agility

Strategic agility refers to an organization's capability to rapidly sense changes in the external environment, respond quickly to market disruptions, and reconfigure internal resources to maintain competitiveness. In highly dynamic industries such as digital banking, strategic agility enables firms to survive and compete under conditions of uncertainty, technological disruption, and evolving customer expectations. Nguyen et al. (2024) find that strategic agility significantly improves firm performance in emerging markets by enhancing responsiveness to environmental volatility. Similarly, Dubey et al. (2023) emphasize that organizational agility strengthens resilience and performance under uncertainty. Weritz et al. (2024) further argue that strategic agility is a key enabler of successful digital transformation, particularly in technology-intensive industries.

Strategic agility is closely linked with the ability of firms to continuously realign strategies, redesign processes, and reallocate resources in response to digital disruption. In the banking sector, this includes rapid adaptation to fintech competition, regulatory changes, and shifting consumer preferences toward digital financial services (Wamba et al., 2023).

Innovation Capability

Innovation capability refers to the organizational ability to develop and implement new products, services, processes, or business models that generate value and enhance competitiveness. In digital banking, innovation capability includes the development of mobile banking applications, digital payment systems, AI-based credit scoring, and integrated financial ecosystems. Recent literature shows that innovation capability plays a central role in driving firm performance in digital transformation contexts. Zhan et al. (2023) demonstrate that dynamic innovation capability significantly improves organizational performance in technology-driven environments.

Weritz et al. (2024) further highlight that innovation capability is a key determinant of digital transformation success, enabling firms to continuously adapt and innovate their

service offerings. In addition, Kraus et al. (2023) argue that innovation capability enables firms to transform business models in response to rapid technological change. In the banking sector, innovation capability is critical for maintaining competitiveness through continuous service innovation and ecosystem development, particularly in competition with fintech firms and digital banks.

Competitive Advantage

Competitive advantage refers to the ability of an organization to achieve superior performance relative to competitors through effective utilization of capabilities, resources, and strategic positioning. In the digital era, competitive advantage is increasingly determined by digital capability, innovation capability, and strategic agility rather than traditional structural advantages. Recent research highlights that firms with higher digital capability and strategic agility tend to achieve stronger competitive positioning in dynamic markets. Wamba et al. (2023) show that digital capability positively influences organizational performance through agility mechanisms. Nguyen et al. (2024) further confirm that strategic agility enhances competitiveness under environmental uncertainty.

Weritz et al. (2024) also emphasize that integrated digital and strategic capabilities are essential for sustaining long-term competitiveness. In banking industries, competitive advantage is reflected in service speed, digital experience quality, operational efficiency, and ecosystem integration. Therefore, firms that successfully integrate digital capability, strategic agility, and innovation capability are more likely to achieve sustainable competitive advantage in highly competitive digital financial ecosystems.

METHOD

This study adopts a qualitative descriptive case study approach to examine how digital capability, strategic agility, and innovation capability contribute to competitive advantage in the context of digital banking transformation. The case study method is considered appropriate because it allows an in-depth exploration of a contemporary phenomenon within its real-life context, particularly when the boundaries between the phenomenon and its environment are not clearly defined (Yin, 2018; Ridder, 2017). The unit of analysis in this study is Bank BJB as one of the leading Regional Development Banks in Indonesia undergoing significant digital transformation amid increasing competition from fintech firms and digital banks. The study also uses secondary data collected from multiple credible sources, including annual reports and sustainability reports of Bank BJB, official

publications from Bank Indonesia and Otoritas Jasa Keuangan, international financial and digital transformation reports, peer-reviewed journals (2020–2025), and reputable financial news platforms.

The use of multiple data sources supports triangulation, which enhances the validity and reliability of qualitative findings (Flick, 2018). Data analysis is conducted using qualitative content analysis combined with thematic analysis to identify patterns related to digital capability, strategic agility, innovation capability, and competitive advantage. The process involves data reduction, coding, theme development, and interpretation based on strategic management and digital transformation theories. This analytical approach enables the integration of empirical evidence with theoretical frameworks such as dynamic capability theory and resource-based view to explain how Bank BJB adapts and competes in the digital banking ecosystem (Kraus et al., 2023; Weritz et al., 2024). Although the study relies on secondary data, methodological triangulation is ensured through cross-validation of multiple institutional sources and peer-reviewed literature to enhance interpretive robustness.”

RESULTS

Digital Capability as the Foundation of Digital Banking Transformation

The findings indicate that digital capability is the core foundation of Bank BJB digital transformation strategy. The bank has significantly strengthened its digital infrastructure through the development of DIGI bank bjb, mobile banking systems, QRIS integration, and expansion of API-based digital services to support ecosystem connectivity with fintech and payment partners. Based on the Bank BJB Annual Report 2024 (Table 2.) , digital transaction volume recorded double-digit growth, reflecting a strong shift in customer behavior toward digital banking channels. In addition, the report highlights that mobile banking and internet banking channels contribute an increasingly dominant share of total transaction volume, indicating structural transformation from conventional branch-based banking to digital-based service delivery. Supporting industry evidence from Bank Indonesia shows that digital payment transactions in Indonesia continue to grow significantly year-on-year, particularly through QRIS adoption, which has become one of the fastest-growing payment infrastructures in Southeast Asia. This macro trend strengthens the interpretation that Bank BJB’s digital capability development is aligned with national digital financial ecosystem expansion. Furthermore, the Otoritas Jasa Keuangan (OJK) reports that digital banking

adoption in regional banks is accelerating due to increasing customer preference for mobile-first financial services and rising fintech competition. This reinforces the urgency for BPDs such as Bank BJB to continuously upgrade their digital capability to remain competitive.

The expansion of digital infrastructure demonstrates that digital capability is not only a technological investment but also a strategic enabler of operational efficiency, customer experience enhancement, and service accessibility. This finding is consistent with Kraus et al. (2023) and Wamba et al. (2023), who emphasize that digital capability strengthens organizational responsiveness and performance in digitally turbulent environments. It also aligns with Weritz et al. (2024), who argue that digital capability is a core driver of successful digital transformation outcomes through process integration and strategic alignment.

Table 2. Digital Capability Indicators of Bank BJB

Indicator	Empirical Evidence (2023 Report)	Strategic Meaning
Digital Financial Scale	Total assets ± IDR 210 trillion	Financial strength to support digital transformation
Digital Channel Expansion	Growth of mobile & internet banking usage	Shift from branch-based to digital banking model
DIGI bank bjb Adoption	Increasing active user base	Strengthening customer digital engagement
QRIS Integration	Expansion of QR-based payment ecosystem	Integration into national digital payment system
Operational Efficiency	Improving cost efficiency through digitalization	Digitalization enhances service efficiency

Source : BJB Annual Report (2024)

The empirical indicators presented in Table 1 show that digital capability in Bank BJB is not a single technological construct, but a multi-layered organizational capability system that integrates financial strength, digital infrastructure, customer adoption, ecosystem connectivity, and operational efficiency. From a theoretical perspective, this structure can be explained through the integration of Dynamic Capability Theory (Teece, 2018) and Digital Capability Frameworks in recent digital transformation literature (Kraus et al., 2023; Wamba et al., 2023; Weritz et al., 2024). These studies emphasize that digital capability is no longer limited to IT infrastructure, but represents an organization's ability to continuously reconfigure resources, processes, and external relationships in response to digital disruption. The first dimension, financial capacity such as 210 trillion in total assets, represents the foundational resource base of digital capability. In line with the Resource-Based View, this financial strength enables sustained investment in digital infrastructure and innovation.

However, recent digital transformation literature extends this view by arguing that financial resources alone are insufficient without dynamic orchestration capabilities.

The second and third dimensions, namely digital channel transformation and DIGI bank bjb adoption, reflect the transformation of traditional banking into platform-based banking systems. The increasing dominance of mobile and internet banking channels demonstrates a shift toward omnichannel banking architecture, where customer interaction is no longer centralized in physical branches but distributed across digital interfaces. This aligns with Kraus et al. (2023), who argue that digital transformation requires structural redesign of customer engagement systems. The fourth dimension, QRIS and fintech ecosystem integration, reflects a higher-level capability known as ecosystem orchestration capability, where firms move beyond internal digitization toward participation in broader digital ecosystems. According to Wamba et al. (2023), firms that integrate external digital ecosystems demonstrate higher organizational agility and performance because they are able to leverage external innovation and network effects. The fifth dimension, operational efficiency and digital onboarding, represents the outcome of digital capability in terms of process optimization. This is consistent with Weritz et al. (2024), who highlight that digital capability improves efficiency through automation, process simplification, and reduction of transaction friction. Finally, the table demonstrates that digital capability in Bank BJB evolves in a progressive capability hierarchy, starting from resource foundation line financial capacity, moving to structural transformation like digital channels, then to technological adoption eg; mobile banking & QRI), followed by ecosystem integration, and culminating in operational efficiency. This layered structure confirms recent theoretical arguments that digital capability is a dynamic, multi-level, and continuously evolving organizational capability rather than a static technological asset

Strategic Agility in Bank BJB Digital Banking Transformation

Strategic agility in Bank BJB reflects the bank's dynamic capability to continuously sense environmental changes, particularly the rapid disruption caused by fintech firms, digital banks, and evolving customer expectations in the financial services industry. In the context of an increasingly digital and data-driven banking ecosystem, strategic agility becomes a critical organizational competence that enables the bank to reduce response time, accelerate decision-making processes, and adjust strategic priorities in real time. The empirical evidence (Tabel.3) suggests that Bank BJB is progressively shifting from a traditional banking logic toward a more adaptive and ecosystem-oriented business model. This transformation is

visible in the increasing reliance on digital partnerships, fintech collaboration, and integration with national payment infrastructure such as QRIS. In addition, the bank demonstrates continuous efforts to redesign service delivery systems through digital onboarding, mobile banking optimization, and paperless transaction processes, which collectively indicate a strong orientation toward operational responsiveness and process flexibility.

Furthermore, strategic agility in Bank BJB is not limited to technological adaptation, but also involves organizational reconfiguration, where internal processes, service structures, and innovation cycles are adjusted to align with external market turbulence. This reflects the integration of sensing, seizing, and reconfiguring capabilities as proposed in the Dynamic Capability framework (Teece, 2018). Therefore, strategic agility in this context functions as a central mechanism that bridges digital capability and innovation capability, enabling the bank to sustain competitiveness in a highly competitive digital banking environment.

Table 3. Strategic Agility Indicators of Bank BJB

Indicator	Empirical Evidence	Strategic Interpretation
Ecosystem Collaboration	Expansion of partnerships with fintech, payment gateways, and QRIS ecosystem	Enhances external adaptability and network responsiveness
Product Development Speed	Continuous updates in digital banking services (mobile banking, digital lending)	Reflects rapid response to market changes
Digital Service Acceleration	Implementation of digital onboarding and paperless banking	Improves speed of service delivery and customer response
Payment Ecosystem Integration	Integration with national QRIS infrastructure	Strengthens alignment with national digital financial system
Organizational Flexibility	Shift toward hybrid digital–branch banking model	Indicates structural adaptability in operations

Source : BJB Annual Report (2024)

The findings in Table 3 indicate that strategic agility in Bank BJB is manifested through three core mechanisms: environmental sensing, rapid response, and organizational reconfiguration. These mechanisms reflect the Dynamic Capability framework, which emphasizes that firms must continuously sense opportunities and threats, seize them through timely action, and reconfigure resources to sustain competitiveness. The first dimension, ecosystem collaboration, demonstrates that Bank BJB is actively expanding its external network through fintech partnerships and QRIS integration. This reflects the sensing capability, where the bank identifies the importance of digital ecosystems as a source of

competitive advantage. According to Nguyen et al. (2024), firms that develop strong ecosystem relationships exhibit higher adaptability and performance in volatile environments. Then, product development speed and digital service acceleration represent the seizing capability, where Bank BJB responds to market dynamics by accelerating digital innovation cycles. The implementation of digital onboarding and paperless banking systems reduces operational friction and enhances service responsiveness. This is consistent with Wamba et al. (2023), who found that organizational agility significantly mediates the relationship between digital capability and firm performance.

Meanwhile, QRIS integration and organizational flexibility reflect the reconfiguring capability, where the bank restructures its operational model toward a hybrid digital ecosystem. Weritz et al. (2024) argue that firms that successfully reconfigure their organizational structure in response to digital disruption achieve higher long-term competitiveness. Overall, the evidence suggests that strategic agility in Bank BJB is not merely operational responsiveness but a systemic dynamic capability that enables continuous alignment between internal resources and external environmental changes. This positions strategic agility as a critical bridge between digital capability and innovation capability within the broader transformation process.

Innovation Capability in Digital Banking Transformation

Innovation capability in Bank BJB represents the organization's ability to continuously develop, implement, and commercialize new digital banking products, services, and processes in response to rapid technological change and evolving customer expectations. In the context of digital banking transformation, innovation capability is not limited to product development, but also includes process innovation, service innovation, and ecosystem-based innovation that collectively enhance customer value and organizational competitiveness. The empirical evidence indicates that Bank BJB increasingly emphasizes digital innovation as a strategic priority, particularly through the enhancement of mobile banking features, digital lending services, and integration of digital payment systems. This innovation orientation is supported by continuous investment in digital infrastructure and collaboration with fintech partners, which enables faster experimentation and deployment of new financial services.

Table 4. Innovation Capability Indicators of Bank BJB

Indicator	Empirical Evidence	Strategic Interpretation
Digital Product Development	Continuous enhancement of DIGI bank bjb features	Indicates ongoing service innovation

Digital Lending Innovation	Expansion of digital-based credit services	Improves speed and accessibility of financial services
QRIS-Based Services	Integration with national digital payment system	Expands payment innovation ecosystem
Process Innovation	Digital onboarding and paperless banking implementation	Enhances operational efficiency and customer experience
Ecosystem Innovation	Collaboration with fintech and payment platforms	Strengthens open innovation capability

Source : BJB Annual Report (2024)

The findings in Table 4 demonstrate that innovation capability in Bank BJB is characterized by a multidimensional structure consisting of product innovation, process innovation, and ecosystem innovation. This indicates that innovation in the bank is not isolated within product development activities, but embedded across organizational systems and external partnerships. From a theoretical perspective, this aligns with the Dynamic Innovation Capability concept, which emphasizes the organization's ability to continuously renew its knowledge base and transform it into new value-creating outputs (Zhan et al., 2023). In addition, Weritz et al. (2024) argue that innovation capability is a key determinant of digital transformation success, particularly in technology-intensive industries such as banking, where speed of innovation directly influences competitive positioning.

The presence of digital lending innovation and mobile banking enhancement reflects product innovation capability, where Bank BJB continuously adapts its financial products to meet changing customer needs. Meanwhile, the implementation of digital onboarding and paperless banking represents process innovation capability, which improves operational efficiency and customer experience simultaneously. Furthermore, collaboration with fintech firms and integration into QRIS-based ecosystems demonstrate open innovation capability, where innovation is no longer internally generated but co-created through external partnerships. According to Kraus et al. (2023), such ecosystem-based innovation is a critical feature of digital transformation, enabling firms to accelerate innovation cycles and increase adaptability in volatile environments. These findings suggest that innovation capability in Bank BJB is evolving from traditional incremental innovation toward a more ecosystem-driven and digitally embedded innovation model, which strengthens its ability to compete in the rapidly changing digital banking landscape.

Competitive Advantage through the Integration of Digital Capability, Strategic Agility, and Innovation Capability

Competitive advantage in Bank BJB emerges as a cumulative outcome of the integration between digital capability, strategic agility, and innovation capability within the

digital banking transformation process. In the context of increasing competition from fintech firms, digital banks, and platform-based financial services, competitive advantage is no longer determined solely by financial strength or market share, but by the organization's ability to continuously adapt, innovate, and reconfigure its strategic resources in response to environmental turbulence. The empirical findings from previous sections indicate that Bank BJB has developed a layered capability system where digital capability provides the foundational infrastructure, strategic agility enables rapid environmental response, and innovation capability drives continuous value creation. The interaction of these three capabilities creates a reinforcing mechanism that strengthens the bank's positioning in the digital financial ecosystem.

Table.5 Integration of Strategic Capabilities and Competitive Advantage Outcomes

Capability Dimension	Key Evidence	Functional Role	Competitive Advantage Outcome
Digital Capability	Digital banking growth, QRIS integration, mobile banking expansion	Infrastructure foundation	Expands service accessibility and operational scalability
Strategic Agility	Rapid fintech collaboration, digital service acceleration, ecosystem integration	Adaptive responsiveness	Enhances speed of response to market disruption
Innovation Capability	Digital lending, product enhancement, process automation	Value creation engine	Differentiates services and increases customer value

Source : BJB Annual Report (2024)

The findings indicate that competitive advantage in Bank BJB is not the result of a single capability, but rather the outcome of capability integration and dynamic orchestration. This supports the Dynamic Capability Theory proposed by Teece (2018), which emphasizes that sustained competitive advantage in volatile environments depends on the firm's ability to integrate sensing, seizing, and reconfiguring capabilities into a coherent strategic system. In this context, digital capability provides the technological and infrastructural backbone that enables service digitization and customer accessibility. Strategic agility functions as a responsive mechanism that allows Bank BJB to quickly adjust to fintech disruption and

changing customer behavior. Meanwhile, innovation capability acts as a value creation engine that continuously generates new products, services, and process improvements.

The interaction of these three capabilities creates what can be conceptualized as a “Digital Banking Capability System”, where each capability reinforces the others. For example, digital infrastructure enables faster innovation deployment, strategic agility accelerates adoption of new technologies, and innovation capability enhances the relevance of digital services in the market. From a theoretical perspective, this finding is consistent with recent studies by Wamba et al. (2023), who argue that organizational agility mediates the relationship between digital capability and firm performance. Similarly, Weritz et al. (2024) highlight that digital transformation success depends on the integration of strategic capabilities rather than isolated capability development. Furthermore, Kraus et al. (2023) emphasize that competitive advantage in digital transformation contexts is increasingly ecosystem-based rather than firm-centric. The results suggest that Bank BJB achieves competitive advantage through a multi-layered dynamic capability architecture, where digital capability builds the foundation, strategic agility ensures responsiveness, and innovation capability drives differentiation. This integrated system enables the bank to sustain competitiveness in the rapidly evolving digital banking landscape.

CONCLUSION

This study concludes that the competitive advantage of Bank BJB in the digital banking era is generated through the integration of three interrelated strategic capabilities, namely digital capability, strategic agility, and innovation capability. Digital capability provides the foundational infrastructure that enables service digitalization and ecosystem connectivity. Strategic agility functions as a dynamic response mechanism that allows the bank to rapidly adapt to fintech disruption, changing customer behavior, and regulatory transformation. Meanwhile, innovation capability serves as a value creation engine that continuously produces new digital financial products, services, and processes. The findings demonstrate that these three capabilities do not operate independently, but interact in a reinforcing system that forms an integrated “Digital Banking Capability System.” This system enables Bank BJB to sustain its competitiveness in a highly dynamic and technology-driven financial environment. Therefore, competitive advantage is not merely derived from resource ownership, but from the firm’s ability to continuously integrate, adapt, and innovate across organizational and ecosystem levels.

Based on the findings, several strategic recommendations are proposed. First, Bank BJB should further strengthen its digital ecosystem integration by expanding strategic partnerships with fintech companies, digital platforms, and government digital infrastructure to enhance interoperability and service reach. Second, continuous investment in human capital development is required to support advanced digital capabilities, particularly in data analytics, artificial intelligence, and cybersecurity competencies. Third, the bank should accelerate innovation cycles by adopting more agile innovation frameworks such as agile development and open innovation models to reduce time-to-market for digital products. Fourth, strengthening data-driven decision-making systems is essential to improve strategic responsiveness and enhance customer personalization. Finally, regulatory collaboration should be intensified to ensure that digital transformation initiatives remain aligned with national financial system policies and sustainability objectives.

This study also has several limitations that should be acknowledged. The analysis is primarily based on secondary data from annual reports and publicly available institutional documents, which may limit access to more granular operational-level data. It also focuses on a single case , just in Bank BJB, which may limit the generalizability of findings to other banking institutions with different organizational structures or market conditions. Then , the study does not incorporate primary data such as interviews or surveys with internal stakeholders, which could provide deeper insights into internal strategic decision-making processes. Future research is encouraged to adopt a comparative multi-bank approach and integrate mixed-method designs to enhance empirical robustness and generalizability.

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