



Adaptation Strategies of Collective Management Institutions in Facing Digital Disruption in The Creative Industry

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Abstract

Digitalization has brought significant disruption to the creative industry, including in Indonesia. This change challenges Collective Management Organizations (CMOs) to adapt their strategies for managing copyrights and royalty distribution in the digital era. This study aims to examine the adaptation strategies implemented by CMOs in Indonesia in response to digital disruption, with a specific focus on the music sector. The research employs a qualitative method with a case study design. Data were collected through in-depth interviews, Focus Group Discussions (FGD), participatory observation, and document analysis. The findings indicate that CMOs face significant challenges in terms of operational efficiency, transparency, and fairness in royalty distribution. To address these challenges, CMOs have adopted digital technologies and developed more efficient management systems. The contribution of this study is to provide insights into how CMOs can effectively adapt to digital disruption, which could serve as a guide for future policy and strategy development.

Keywords: *Collective Management Organizations (CMOs), Copyright Management, Creative Industry, Digital Disruption, Royalty Distribution*

INTRODUCTION

Digitalization has significantly transformed creative processes in the media industry. Traditionally, creative content like music, films, and books was distributed through physical channels such as stores and cinemas. With digital technology, access, consumption, sharing of information, and content creation have been revolutionized. Platforms like YouTube, Spotify, and Netflix have reshaped industry creativity by offering quick and easy access to diverse content (Helles & Flyverbom, 2019). This digital platform has become a market leader that utilizes digital technology to innovate business models, focusing on vision, platform, and innovation strategies open to reach mass criticality and dominate the market, especially distribution and monetization content (Hracs & Webster, 2021; Xue, 2022; Yurui et al., 2024).

With the development of digital technology, content is now accessible online via streaming and download platforms, enabling faster and broader distribution. It presents both challenges and opportunities for creators and the LMK. Digital platforms enhance access and monetization but also introduce issues like rights violations and reduced income from physical sales. Meyn et al., (2023) show that while disruptive technology can boost productivity and efficiency, it often involves exaggerated or false claims, potentially misleading strategic decisions.

The Management Institute Collective (LMK) in Indonesia, which oversees copyright and royalties for creators, composers, and artists, encounters major difficulties due to digital disruption. This disruption, driven by new digital technologies, transforms traditional business operations, presenting opportunities while jeopardizing established business models (Bygstad et al., 2022; Wirtz et al., 2022). For the LMK, digital disruption manifests in changing content consumption methods, new digital platforms, and more efficient business models for distributing and monetizing creative works. Thus, adapting to these changes is not only necessary but also a

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crucial strategy for maintaining the LMK's relevance and sustainability in the digital era.

This influences consumption patterns and significantly impacts the creation and distribution of management rights. LMK, crucial for managing and distributing royalties to creators, faces operational continuity challenges amid changes. Digital disruption affects LMK by necessitating efficient operations, transparency, and fair royalty distribution. In the digital era, LMK's role grows more complex with the emergence of various digital platforms offering music, video, and content streaming services. These platforms challenge rights management, copyright, data collection, and royalty distribution. Thus, adapting to technology and business models is essential for maintaining LMK's relevance.

Another challenge is widespread piracy and unauthorized content use on the internet. The ease of digital file-sharing increases the risk of violating creators' rights. LMK must develop new strategies and technologies to monitor and address rights violations in the dynamic digital realm. However, digitalization also offers opportunities for LMK to enhance efficiency and effectiveness. Big data and artificial intelligence (AI) can streamline data collection, monitoring, and royalty distribution processes (Dubois & Rousset, 2018; Falkowski-Gilski & Uhl, 2020). To leverage these opportunities, LMK requires a comprehensive digital transformation in both technological infrastructure and human resource capacity.

To address these challenges and opportunities, LMK is developing adaptation strategies in various countries. These include investing in digital monitoring technology for accurate content usage tracking, collaborating with major digital platforms to optimize data collection (Setzke et al., 2023), and creating integrated data management systems to enhance information management efficiency (Cozzolino et al., 2018). They are also improving transparency in royalty recording and distribution through blockchain technology (Gjøøl, 2019; Lakhanpal & Samuel, 2021) and educating creators about their rights in the digital era (Thorgersen, 2020). However, implementing these strategies is challenging due to regulatory constraints, funding issues, and internal resistance to change. Additionally, variations in the creative industry characteristics of each country affect the strategies' effectiveness.

In Indonesia, industrial creativity is prioritized by the government for its economic growth potential, yet management rights remain a significant issue. LMKs like Wahana Musik Indonesia (WAMI) and Reproduction Cipta Indonesia (RCI) face challenges from digital disruption. The Indonesian government sought to enhance protection through the 2014 Copyright Law and the establishment of the National Collective Management Institute (LMKN) to coordinate LMKs. Despite this, implementation encounters obstacles, particularly in the public's understanding of creative rights and technological infrastructure limitations.

LMKs must adopt best practices for managing and distributing rights, including international standards, internal and external audits, and dispute-resolution mechanisms. Governments should develop policies and regulations to help LMKs adapt to digital disruption, including legal frameworks that leverage new technology, protect digital-era creative rights, and support innovation in rights management. This study explores the adaptation strategies of Indonesian LMKs to digital disruptions in the creative industry, with a primary focus on the rapidly evolving music sector.

LITERATURE REVIEW

A digital disruption is a form of transformation that fundamentally changes the markets and industries (Correani et al., 2020; Klein, 2020; Massi et al., 2020; Wirtz et al., 2022). Digital disruption fundamentally changes the way creative industries operate, with digital platforms, such as YouTube, Spotify, and other streaming services, becoming major players in content distribution. Digital disruption has led to a paradigm shift in copyright management, where algorithms and data

play a key role in distributing revenue from the use of copyrighted works (Mazziotti, 2020; Singer & Rosenblatt, 2023). Hrac and Webster, (2021) found that digitalization forces creative industries to adopt new business models that are more efficient and technology-based.

In this context, LMKs must adapt quickly to ensure that they remain relevant and can perform their functions effectively. Organizational adaptation to digital disruption has been a major focus in management literature over the past few years (Andersen, 2023; Reynolds, 2024; Sharma et al., 2024). Cozzolino et al., (2018) emphasized the importance of business model innovation and technology adoption in the adaptation process, especially for organizations facing fundamental changes in their external environment. In creative industries, this adaptation often involves the integration of digital technologies into daily operations, including the use of real-time monitoring systems and digital platforms to ensure transparency and accuracy in royalty management (Gjøøl, 2019; Meyn et al., 2023).

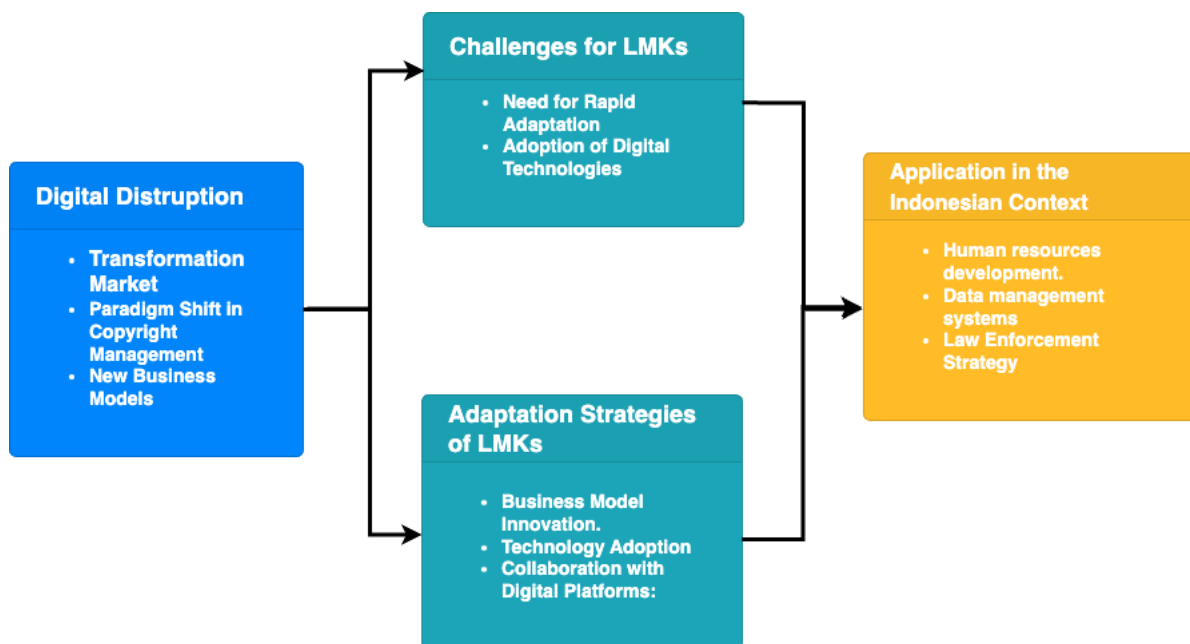


Figure 1. The adaptation strategies for dealing with digital disruption

Figure 1 presents the adaptation process of LMKs to digital disruption. The adaptation strategies implemented by LMKs include investments in digital monitoring technologies, the development of integrated data management systems, and capacity building for human resources to address new challenges (Lakhanpal & Samuel, 2021). Collaboration with major digital platforms such as YouTube and Spotify is a key element in this strategy (Falkowski-Gilski & Uhl, 2020). Moreover, previous research indicates that successful strategies adopted in developed countries can serve as valuable references for LMKs in Indonesia in managing royalties within the music industry.

RESEARCH METHOD

This study used a qualitative approach with a case study, as described previously (Baškarada & Koronios, 2018; Creswell & Clark, 2017; Leavy, 2017). The case chosen for this research focuses on the adaptation strategies implemented by Collective Management Institutions (CMAs) in Indonesia, particularly in the music sector, facing the challenges presented by digital disruption. The research was conducted over six months, from February to July 2024, during which the Indonesian music industry was undergoing significant changes owing to the influence of digital

platforms such as YouTube, Joox, Apple Music, and Spotify. The context of this research is the rapidly evolving digital landscape, which requires substantial organizational adaptation to ensure the sustainability of LMKs, particularly in the Indonesian music sector.

The data collection for this study involved several methods to obtain comprehensive data, as recommended by [Leavy, \(2017\)](#). The data collection methods used in this study include In-depth interviews with key informants, including leaders of LMKN and Wahana Musik Indonesia (WAMI), as well as industry players; Focus Group Discussions (FGDs) were conducted with groups of industry stakeholders, including musicians, copyright lawyers, and digital platform representatives.

Data analysis in the study used the integrative method [Miles and Huberman \(2014\)](#) assisted by the Atlas.Ti.9.0 application. The research began with the Data Condensation process and raw data were selected, focused, simplified, and transformed into a form that is easier to process, with irrelevant data removed and important data identified for further analysis. Second, Data Display, which is reduced and presented in an organized format such as a matrix, graph, table, or diagram to help understand and analyze the relationship between data. Then, initial conclusions are drawn from the presented data and verified by testing validity and reliability through data triangulation to confirm the findings ([Creswell & Clark, 2017](#)).

FINDINGS AND DISCUSSION

This study identifies various adaptation strategies implemented by LMKs in Indonesia in the face of digital disruption. The findings are summarized in Table 1, which lists the strategies faced by LMKs in the context of digital transformation.

Table 1. Adaptation Strategies of Collective Management Institutions in the Face of Digital Transformation

Adaptation Strategy	Description	Objective
Adoption Technology	Integrate internal digital system operational for increase efficiency and transparency.	Increase accuracy and speed in management royalty.
Enhancement capacity	HR Train staff to manage new technology and understand the digital industry's dynamics.	Ensure that source Power man Ready face digital challenges and can utilize technology.
Monitoring and Evaluation	Implement real-time monitoring for usage and royalties, with periodic effectiveness evaluations	Ensure that all use work recorded, and royalties paid with appropriate.
Collaboration with Digital Platforms	Work The same with digital platforms for ensure obedience to right create and facilitate distribution fair royalties.	Build mutual relationship profitable and expanding range distribution work.
New Business Model Development	For streaming and digital distribution services, develop products that meet market needs.	Maintain relevance and sustainability of LMK in the digital era.
Law Enforcement Strategy	For overseeing and addressing rights violations in the digital domain, including employing technology for detection.	Protect right create creator and reducer risk piracy.

Table 1 outlines the primary adaptation strategies, their descriptions, and intended objectives. For instance, the technology adoption strategy entails incorporating digital systems into LMK operations to enhance efficiency and transparency in royalty management. This study

demonstrates that deploying digital technologies, like real-time monitoring systems and the digital platform [lmknlisensi.id](#), effectively tackles key challenges in royalty management within the digital era, introducing new levels of transparency and accuracy in Indonesia. The MCL further elaborates on this strategy.

"The adoption of technology by LMK and LMKN in royalty management addresses issues like collection efforts, unclaimed royalties, and complex recording processes. Utilizing digital systems like [lmknbisnis.id](#) enhances efficiency, transparency, and accuracy in royalty distribution, ensuring proper data recording and timely payments, thereby establishing effective adaptation strategies" (MCL, July 15, 2024).

The interviews indicate that adopting digital technologies is crucial for many organizations, including the LMKN. This shift is essential for enhancing operational efficiency and ensuring transparency and fairness in royalty management and distribution ([Kamaruddin & Hashim, 2024](#)). LMKN began this digital transformation after being criticized for its continued use of conventional royalty collection methods, as explained by the MCL:

In 2022, the LMKN faced corruption allegations due to simple and conventional licensing methods. After clarification, the LMKN promised to improve its system. A new system was implemented in October 2022 to ensure accurate management of the LMKN and its system. (MCL, July 15, 2024).

The adoption of digital technology has helped improve Indonesia's LMK governance system ([Singer & Rosenblatt, 2023](#)). The utilization of digital technology in royalty withdrawal becomes more transparent and accountable, as explained by the MCL.

"Management royalties by MKN use digital technology to ensure transparency, accountability, and good governance. Every work includes songs by artists like, identified, and paid in accordance with their use. All royalties are managed with an efficient system." (MCL, July 15, 2024).

The digital technology system used by the LMKN allows transparency in every transaction ([Wirtz et al., 2022](#)). Every use of musical works can be tracked and recorded properly, so there are no errors or fraud in the royalty collection. With this transparency, creators and artists can be assured that their royalties are managed correctly and accurately, which is supported by good systems and databases that are essential for the withdrawal and distribution of royalties. This strategy is delivered by ADL as follows:

In the digital era, this relies on having an appropriate system and database. In their absence, the process was chaotic. WAMI recognizes the necessity of establishing a robust database to manage substantial funds, such as the 90 billion rupiahs from YouTube. Efficient royalty collection must be complemented by precise distribution, achievable through a reliable system and accurate database. Organized data ensures clear royalty division, prevents disputes, and promotes transparency and fairness throughout the process" (ADL, July 11, 2024).

ADL noted that LMKN's partnerships with platforms like YouTube and Spotify are part of its

strategy to better monitor and manage usage, addressing challenges such as Indonesia's limited public understanding of copyright. LMK has also introduced new business models, including streaming and digital distribution services, and products tailored to market demands to stay relevant and competitive (Keith et al., 2022).

Indonesia's LMK must adapt to digital technology advancements in royalty management. The royalty collection system, previously limited to conventional media, now includes digital platforms like YouTube and Spotify, necessitating sophisticated and efficient methods. This transformation indicates that LMK must develop more efficient strategies to manage royalties from diverse sources, as highlighted by ADL.

WAMI now collects royalties from all digital platforms, including YouTube, Spotify, and Netflix, as well as traditional media like karaoke and shops, expanding beyond previous, less comprehensive efforts to encompass both public spaces and digital outlets (ADL, July 11, 2024).

The interviews revealed that adaptation strategies by LMKs in Indonesia effectively addressed the primary challenges of managing royalties in the digital era. This research introduces a new perspective on using digital technology to tackle transparency and accuracy issues in Indonesia, a topic underexplored in existing literature.

This study contributes to copyright management by examining Indonesian CMAs' adaptation to digital disruption in the music industry, focusing on rarely explored local contexts. It highlights LMKs' adaptation through digital technology and new business models, addressing challenges like public copyright understanding and regulatory issues. The study also underscores HR capacity building and successful global collaborations with platforms like YouTube and Spotify, offering both theoretical insights and practical guidance for LMKs and similar organizations facing digitalization challenges.

CONCLUSIONS

LMK implemented strategies to address digital disruptions in the music industry, as digitalization has profoundly altered management, distribution, and protection processes. While offering broader access and efficient distribution, it also presents complex challenges in rights management and royalty distribution. Key issues include inadequate technological infrastructure, limited public understanding, and insufficient regulatory support. Despite government efforts like the Copyright Law and the establishment of the LMKN, challenges in practical implementation persist. For effective adaptation, LMK must adopt international copyright standards, conduct audits, and develop dispute resolution mechanisms. Government policies are crucial to help LMK adapt to digital disruptions, establish frameworks for technological laws, and protect digital-era rights. Collaboration between LMK, the government, and industry players is essential. Embracing technology, enhancing transparency, and empowering creators will ensure better protection of creation rights and fair royalty distribution in this rapidly changing digital age.

LIMITATION & FURTHER RESEARCH

This study focused on the adaptation strategies of Indonesian Collective Management Organizations (CMOs) in the music sector in response to digital disruption, considering factors like the integration of digital technologies and the regulatory environment. The research was limited to the Indonesian context and the music industry, conducted over a specific period in 2024, which may affect the generalizability and applicability of the findings to other sectors or regions. Future studies could expand the scope to include other creative sectors, conduct longitudinal analysis, and

compare strategies across different countries.

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