Change Management in the VUCA Era

Agus Priyanto
Universitas Terbuka, South Tangerang
e-mail: guspri@ecampus.ut.ac.id

Abstract

Advances in technology had driven globalization so that the business environment changes very quickly. If previously changes could be planned, change was uncontrollable or even unpredictable now. This condition mastered the organizations had no other choice except to change. Of course, it was not easy for organizations that preferred to stay in the safe zone. It must be realized that indeed change was not easy and required a process. This paper aimed to look at the role of change management in organizational change based on references and studies related to change management. Change was not just transfer of technology or digitaliization but changes that were followed along with changes in mindset and changes in organizational culture of all members. Couples of examples of failures in change cases because they were not being followed by change in mindset. An alternative solution that could be done is to implement change management, the way of how to manage the people affected by these changes. In other words, change management was a way of changing from resistance to change advocates.

***Keywords**: globalization, change management, process, mindset.*

INTRODUCTION

Business organizations are now faced with new challenges in line with changes in the business environment caused by developments in technology and information. There are three important elements that play a role in creating changes in the business environment as it is today, namely customers, competition, and change (Hammer & Champy, 1993, p. 17-23). First, advances in information technology make it easier and faster for customers to gain access to the various kinds of information they need. Ease and speed make customers have complete data as reference material in making purchasing decisions. This condition encourages the customer's position in the customer-seller relationship to be stronger than that of the seller.

Second, advances in information technology are able to open the horizons of the world and encourage the birth of globalization which allows free trade throughout the world (Nilakant, & Ramnarayan, 2006, p. 18). Globalization has erased regional boundaries and changed the map of business competition to be open. Business competition is not only regional but international. This means that business competitors now do not only come from the surrounding area but from all over the world. The presence of increasingly complex competitors causes the competition to become very tight.

Third, this world is not static but always changing. Human creativity continues to develop so that it stimulates to create innovations in information technology-based products and services. The growth of new innovations in the business world has brought society to the era of the innovation economy (Davenport et al., 2006, p. 16). An example of an innovation based on technological and information advances in business is an electronic payment service system that makes business transactions easy and fast. Ease, speed and convenience in transactions has become a trend in business which then brought the world community into a new era known as e-commerce (Barnes & Hunt, 2001, p. x). The rapid development of e-commerce has had an impact on changes in consumer behaviour (Barnes, 2007, p. xvii).

Environmental changes triggered by consumer behaviour and competitive landscapes must be immediately responded by business organizations. Delay in responding to environmental changes will make the organization abandoned by customers which can have a negative impact on the company's survival. The effective way that can be done is change because change can bring the company to the goals to be achieved (Salaman & Asch, 2003). The company's success in making changes, such as PT. Kereta Api Indonesia (Persero) provides evidence of the importance of change for business organizations.

The issue of organizational change today is crucial as the business environment changes rapidly. In fact, this change will accelerate in the future. It must be acknowledged that the role of technology and information in changing the business environment is very dominant so that it is only natural that an inaccurate view appears on the part of industry players that to make changes to an organization it is enough to rely on technology. They do not realize that technology is only a means of supporting the program. This view must be corrected immediately because the most important element in the organizational change process is human beings as stated by Jeston and Nelis (2006, p.7):

> "It is the people who will determine the success (or otherwise) of your project. You can have the most effective and efficient new or redesigned processes in the world, but unless you can convince people to use them efficiently or at all then you have nothing. People need to be included as an integral part of the development journey. They need to be consulted, listened to, trained and communicated with on a regular basis. If they do not understand the processes, the reasons for the new processes and why changes to the existing processes are necessary, how do you expect people to take ownership and responsibility for them?
>
> People need to understand clearly what is expected of them and how they fit into the new structure and processes. Their performance measures need to be developed in consultation and agreement with them."

This was reinforced by the results of a 1992 MIT study which revealed that the failure of organizational change in the banking industry was caused by a mistake in treating technology as a driver of change rather than as a means of supporting change (Harrington et al., 2000, p. 5). Even a great organizational change program cannot be implemented if it is not supported by the readiness and involvement of all individuals who are the core of the organization (Carnal, 2007, p. 206). Thus, in carrying out organizational changes, companies must include change management that focuses on individual factors and functions to assist individuals in carrying out the change process (Hiatt & Creasey, 2003,

p. 10).

Discussion

The study of organizational change is an endless topic in business. The study will continue to develop over time. The study of organizational change is an interdisciplinary study in several fields, such as psychology, sociology, economics and management (Black cited in Burnes & Bernard, 2009, p. 183). Then, what exactly is meant by organizational change? Organizational change is a process of transition from current conditions to expected conditions in the future by utilizing all potential (Conner, 1992, p. 6). Another definition states that organizational change is an effort to maintain the organization in its current condition and can continue to live in the future (Robbin 1994, p. 418). Meanwhile, according to Kundray and Klainer (cited in Davidson, 2005, p. 4) change is a process of continuous alignment of an organization with its market in a more responsive and effective manner than its competitors. Changes can occur due to internal and external factors of the organization.

Based on the three definitions of change mentioned above, three conclusions can be drawn. First, change is a process of adaptation to current conditions in order to achieve the planned goals. An organization if it wants to exist must always be ready to face changes in the environment. Second, in the process of change, organizations must optimize their resources, namely superior human resources because superior resources contribute to company profits that exceed competitors (Conner, 1992). Superior resources are able to put the company in a safe position compared to competitors. Resource advantages are also able to encourage business organizations to expand into new markets (Hammel & Prahalad, 1990, p. 89-91). Third, the output of the organizational change process is continuous innovation produced through a learning process to create new knowledge for employees (Nonaka & Takeuchi, 1995, p. 71-73) in an effort to meet changing consumer tastes.

Changes in business organizations are commonplace. There are several factors that drive organizational change including business competition, technology, finance (Chandler, Jr. cited in Berger, 1994, p. 24), and demands for environmental change (Watkins & Mohr cited in Rashford 2006, p. 47) . While the reasons for the organization to make changes are: as an effort to adapt to environmental changes that are increasingly difficult to predict; responding to increasingly fierce business competition, and efforts to realize organizational goals that have been proclaimed (Ven de Ven & Pole, 2004, p. 89).

Related to the process of change, there is a fundamental theory put forward by Lewin (1951) which is known as Lewin's framework of Change. Although this theory became popular around 1951, it is still relevant to current conditions and in fact, until now there has been no fundamental change in the theory of change itself. Lewin's theory was chosen as a reference because most of the existing literature talks more about pragmatic issues (Carnal, 2007, p.78). Another theory of organizational change introduced by Hammer & Champy (1993) is known as "Reengineering". The main idea of reengineering is how a business organization develops a business by creating a new process to achieve a more advanced leap in performance. The Reengineering approach focuses on quality aspects, improving company performance, creating value for customers, and most importantly sustainable change. Reengineering is defined as a combination of fundamental rethinking and radical redesign of a business process to achieve dramatic improvements in critical contemporary performance measures such as cost, quality, service, and speed (Hammers & Champy, 1993, p. 32-35). This definition contains four key words, which include:

a. Fundamental

   In carrying out the change process, business organizations should concentrate more on the question "What should be" and not on the question "what is". That is, the changes made must be able to answer correctly the question of what the corporation should do, why it is done this way and what are the foundations and assumptions of the changes made.

b. radical

   Change is about reinventing the business - not just making superficial changes or marginal enhancements to old ways of doing things. Changes must be fundamental to the body of the corporation.

c. dramatic.

   Change causes a quantum leap in performance - not incremental improvements. Change is said to be successful if it produces an input in the form of a new innovation that is worth the cost and time sacrificed.

d. Process.

   Change develops around business processes. A business process requires input or input and produces output that is of value to the customer. A business process only works if it generates added value.

Organizational change itself consists of several kinds or forms. Based on the scale of the resulting changes, organizational change can be divided into (Tushman & Romanelli, 1985):

a. First-order for incremental changes

   Changes that imply small adaptations to the status quo or are called step-by-step processes. Changes only revolve around adjustments in systems, processes and structures, but do not involve fundamental changes in strategy, values and corporate identity or fundamental issues in development such as adjustments to systems, processes and structures.

b. Second order or discontinued change:

   Unlike incremental change, discontinuous change is transformative, fundamental, and radical. Change is also capable of changing the organizational environment. This change has a general characteristic where the change presents a very significant effect on the resources or technology in the organization.

Different from the opinion of the experts above, Salaman & Asch (2003, p. 3-12) distinguishes organizational change from the point of view of organizational elements consisting of structure, process and culture. Based on the elements, organizational change is divided into:

1. structural change,

   Structural changes are organizational changes related to changes in form, changes in authority from centralized to decentralized, changes in spans of control and so on, changes in the number of jobs, and changes in structural principles based on regions, functions, or customer groups. The purpose of the structural change is to create flexibility and efficiency in meeting the demands of users of the products or services offered.

2. Process Business Change

   Business process changes are organizational changes related to operations or a series of processing activities from input to output. The purpose of changing business processes is to fulfill consumer or market desires, or also to provide added value to consumers.

3. Cultural Change

   Cultural change is an organizational change related to changes in individual behavior within the organization. The goal of cultural change is to achieve organizational success by creating individuals who reflect, represent and implement organizational priorities in their attitudes and behaviour.

Organizational change is a necessity for all organizations, including today's business organizations. The pace of environmental movement is running very fast and cannot be inhibited, forcing organizations to constantly change and change. Before getting caught up further in pursuing change, there is one thing that organizational leaders must pay attention to that the problem of organizational change is not only limited to restructuring, reorganization, downsizing, mergers, acquisitions, six sigma, Total Quality Management, and Business Process Reengineering. Organizational changes must be followed by changes in the mindset, mentality, and behaviour of members in the organization (Nilakant, & Ramnarayan, 2006, p. 16).

Various thoughts on organizational change emerged inspired by Lewin's ideas, such as motivation theory, organizational development theory, management theory and several other theories. However, there is one important thing to note that organizational change must be based on several ideas about the psychological and personality traits of workers (Collin, 1998, p. 4). So, whatever the form and name of organizational change must touch on the human dimensions such as motivation, cooperation, commitment, trust and organizational values. Only in this way will changes have value. Without touching this dimension, change will only be short-lived in one day. (Kasali, 2005, p. 112).

A warning about the important role of human resources in organizational change was also stated by Caluwé and Vermaak (cited in Green, 2007: 18) as follows:

> " .... - recognizes that change in an organization is predominately done through people, and for the outcome of any change initiative to be successful it will not only

need to have addressed the concerns of the organization's people but to have engaged with them in order for new attitudes, skills and behaviours to have been acquired or learnt and certainly demonstrated."

This suggests that in carrying out organizational change projects, organizational leaders should pay more attention to the individual dimensions of organizational members. This message indirectly sends the message that organizational change projects must be managed properly and need to include a tool called change management, which is an effort to eliminate the status quo by minimizing the negative impacts of change on productivity and at the same time preparing people not to be surprised and careless when facing change (Kliem & Ludin, 1992, p. 72). By including change management, companies can minimize the risk of early resistance.

Change management is a relatively new discipline that focuses on why and how organizations change. Change management offers practical advice to managers in dealing with rapid environmental change. There is an important thing to know that change management is different from organizational change. The absence of a clear delineation will give rise to confusion and a lack of clarity about what is needed to advance change initiatives (Creasey 2015). Organizational change is a movement from current conditions towards future conditions, while change management is encouragement to each employee who is affected by change during their transition period - from current conditions to future conditions.

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To achieve success in a change program, organizations must consider two sides in a balanced way, namely the technical side and the human side as the parties affected by the change. The technical side refers to how to design, develop and implement programs (such as: restructuring and mergers) to run effectively and efficiently. While the human side refers to how to embrace, elevate and empower members of the organization who are affected by change to accept and at the same time play a role in change.

Dempsey et al. (2021) revealed that there are four main factors that support success and three factors that cause organizational change to fail. The four supporting factors for success include: communication, preparing mission/change messages, active participation from all members of the organization, and leadership commitment. The three factors that cause change failure include: resistance to change, rigid concepts, and the erroneous understanding that change is only a short-term process. The failure factors included; resistance to change, standardised concepts and viewing change initiatives as short-term. Complementarity and dependency links between failure factors and success factors were highlighted. Solutions for resolving three failure factors were found using Ishikawa-Diagrams and applying root cause analysis.

Identifying key factors that affect project success is part of handling change. To support any necessary change a consistent change management framework that is adaptable to individual organisations is also recommended. Hiatt and Creasey (2003, p.15-41) remind that there are two things that company leadership must pay attention to if they want to implement change management. First, a leader must understand the following seven basic principles of change management:

1. Every change can be seen from two perspectives: sender and receiver.
   The sender is the party that conveys information about changes, while the receiver is the party that receives information about changes. The change plan will work effectively if there is synchronized information from both parties.
2. Change will always be faced with resistance and comfort.
   Resistance is a negative reaction to change because change will disrupt the current stability and comfort or status quo. Facing this resistance, change agents and organizational leaders should not be surprised because resistance is something that is normal so that they can think clearly in finding solutions to problems.
3. Change requires authority
   Change requires encouragement from the leadership as the owner of the power to legitimize the change program. The strength or weakness of the leadership's drive for change is an indicator of the success or failure of the change. The driving force of this leader can also weaken a resistance position.
4. Change is closely related to the value system.
   Change must be aimed at individual change because it is very necessary to encourage employees who hold values of empowerment, accountability and the value of daily work.
5. Radical change and incremental change
   Based on the type and size, changes can be divided into incremental and radical. Incremental changes are small and long. On the other hand, radical changes are fast and significant. Both size and type of change can be used by a leader according to the situation and conditions.
6. In the change, the correct answer is still not enough
   A solution that is decided unilaterally even though it is considered correct does not guarantee the implementation of change because decision making should be the result of a process that involves the participation of various elements.
7. Change is a process
   Change is an elaboration of a course of time in which the change initiator can arrange change strategies and techniques in stages company leadership if you want to implement change management. First, a leader must understand the following seven basic principles of change management:

Second, to apply the seven basic principles above, two approaches are needed, namely: change management from the perspective of employees (individual change management) and from the perspective of managers or leaders (organizational change management). Individual change management is a process of educating employees so that they are able to adapt to change. Employee-based change management is very useful in assisting employees in going through the change process, creating feedback to company leaders and identifying resistance, diagnosing signs that cause failure of the change process, and providing corrective actions during the change process.

Meanwhile, organizational change management is an activity framework in carrying out a change process based on individual participation. Activities are divided into three stages: a) preparation for change which includes: preparation of change management strategy, checking the readiness of the change team, confirmation of leadership support, b) implementation of change which includes the development of a change management plan and its implementation, c) reinforcement of change which includes: collection and analysis feedback, diagnosing gaps and managing resistance, as well as implementing corrective actions and celebrating successful change programmes.

CONCLUSION

The issue of organizational change today is crucial as the business environment changes rapidly. In fact, this change will accelerate in the future. It must be acknowledged that the role of technology and information in changing the business environment is very dominant so that it is only natural that an inaccurate view appears on the part of industry players that to make changes to an organization it is enough to rely on technology . They do not realize that technology is only a means of supporting the program. This view must be corrected immediately because the most important element in the organizational change process is human beings

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