Assessment of Organization Readiness in the Implementation of Change Management (Case Study: PT. IMS)

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ABSTRACT: PT. IMS is one of the local companies, classified as medium enterprises, that produce bottled drinking water and distribute its products in the Aceh province area. The CEO of IMS initiated a change implementation, namely digital transformation in IMS business process Phase 1, by upgrading their management software system. The purpose of this change is for IMS to be digitized, more efficient and faster, in order to be more close to the customers and accurately analyze the customer's expectations. This research aim to assess IMS Organizational readiness for change before implementing it, the readiness is assessed based on McKinsey 7S elements and its factors.

This research collected data and information using qualitative method by conducting depth interview with the CEO of the company and managers of every departments, and desk research is also conducted to support the results. After doing a thematic qualitative analysis, the result shows that IMS is stated as ready for change by the CEO and the line managers in all elements. Moreover, if we dig deeper to 14 element's factor, one of them is rated as not ready, namely organizational culture. The rest of it rated as ready, 7 of them (consist of Goals/Objectives, Strategic Plan, Size, IT infrastructure, Training & Education, Staff Skills, and Share Belief) still need minor improvement and 6 of them (Centralization, Data, Top Management Support, Project Team, Management skills and Company-wide Commitment) are ready to go ahead.

The researcher also propose several solution that IMS could do to increase its organizational level of readiness to change, consist of create a change communication plan, create a facilities upgrading schedule and monitoring it, launch new policies to support the change, create training list, and plan continuous socialization events. Moreover, this research also proposed that IMS could better use Kotter's 8 steps model as a strategy to ensure the change successfulness.

KEYWORDS: Bottled Drinking Water Industry, Change Management, Kotter's 8 Steps, 7S McKinsey

INTRODUCTION

The bottled drinking water industry is filled with many companies, The Ministry of Coordinating for Economic Affairs stated in 2021 there are 641 companies in this industry, engaged with the production and distribution of bottled drinking water consist of Small Medium Enterprise (SME) and Large Enterprise. PT. IMS is one of the local companies, classified as medium enterprises, that produce bottled drinking water and distribute its products in the Aceh province, Indonesia. However, for the past 4 years (2019-2022) IMS sales performance only could achieve less than 85% from its sales target expected by the management. Even after doing a significant upgrade of their production capacity, IMS still could not fulfill the management expectations in sales and profitability growth.

Chairman of the Association of Indonesian Bottled Drinking Water Companies (ASPADIN) mentioned that this industry has been through a significantly decreased growth in 2020 and 2021. The average industry growth was around 7-9% in 2019, but has decreased to only around 0%-2% in 2020 due to pandemic Covid-19 that causes a law change and government change. However, in 2022 and 2023, the growth in this industry is expected to keep increasing, reaching 9-10% with different customer needs and expectations [1]. Change is unavoidable for individuals, organizations, and society, such as values change, resource availability change, technology change, laws change, including political and government change. In dealing with changes, change management is becoming a systematic approach from the perspective of an organization and individual level [2]. There are many factors contribute to the effectiveness of implementing such organizational change, one of which is the readiness for change. Readiness represents the beliefs, attitudes, and intentions of organizational members about the scope to which changes are needed and the ability of organization to successfully implement those changes [3][4]. Many previous research have described the failure of change programs in organizations mostly caused by the inability of organizations to create and generate the readiness for change before attempting a change induction

and mentioned that organization's readiness for change has become one of the important aspects that need to be considered before implementing the change program [5].

BUSINESS ISSUE

IMS as a Bottled Drinking Water company also relies on its sales performance to sustain and expand. However, since 2019 IMS has faced declining sales growth and has always achieved less than 85% of its sales target from management's expectation, shown in data below:

Table 1. Sales Data of PT. IMS
(Source: IMS's internal data of Annual Sales Performance in 2018-2022)

ALL PRODUCTS	2018	2019	2020	2021	2022
Target	39,52,	43,211	40,695	45,261	47,071
Actual Sales	38,42721	32,757	34,968	38,352	40,072
% Achievement	97%	75%	85%	84%	85%
% Sales Growth	7.28%	-14.76%	6.75%	9.68%	4,48%

* In IDR Million

After doing an internal evaluation, the CEO found out that the several main reason regarding this issue is semi-manual data recording that most likely leads to error in stock calculation and furthermore affects the sales and delivery schedule, inaccurate data for the sales and distribution, since all the transactions are recorded semi-manually, and lead to wrong analysis, poor database especially for the secondary sales database that made IMS far to its end-customer, unlink and not synchronize databases between departments. This situation got worse due to the technology acceleration pace during pandemic Covid-19 (such as companies introducing new products, new manufacturing methods and distribution system) has contributed to the competitive pressure. The CEO emphasized that IMS needs to change in the way of recording and doing its business process, be digitized, more efficient and faster to be more close to the customers and accurately analyse the customer's expectation. The CEO initiated a change project implementation namely Digital Transformation in IMS Business Process Phase 1, that will be implemented in Q1 2023. He selected to use and collaborate with 2 software application, an integrated online accounting software that have a core features in financial report, product inventory, accounting and distribution software that creating supply chain automation and saving up to 30% on distribution costs. It offers a distribution management system, sales automation, delivery & route optimization).

The CEO, as the top management, never does an assessment to analyse whether the IMS itself as an organization is ready to implement the change.

LITERATURE REVIEW

Change is unavoidable for individuals, organizations, and society, such as values change, resource availability change, technology change, laws change, including political and government change. In dealing with changes, change management is becoming a systematic approach from the perspective of an organization and individual level [2]. Many factors contribute to the effectiveness of implementing such organizational change, one of which is the readiness for change [3]. Therefore, Organizational readiness for change and change management process are two important variables that need to be considered before implementing an organizational change.

Readiness indicates the beliefs, attitudes, and intentions of organizational members about the scope to which changes are needed and the ability of organization to successfully implement those changes. There are several theories and frameworks that are often used to measure the organization readiness for change, however the researcher uses McKinsey 7S Model as the framework. McKinsey 7-s model was firstly developed in the 1980s by McKinsey Consultants, it is one of the tools that researchers could use to analyse the company's organizational design, it highlights seven interrelated elements in the organization that would lead to a

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powerful contribution to the firm's effectiveness. The purpose of the model was to show how the 7 elements of the company: structure, strategy, skills, personnel, style, systems and shared values can be aligned to achieve efficiency in the company. Below is the McKinsey 7-S Model that is described further.
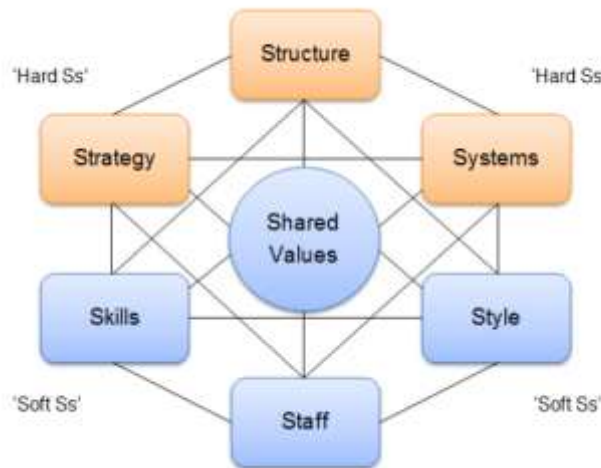

Figure 1. The McKinsey 7-S Model

The researcher use additional factors from the 7 main elements referring from preliminary research that expand the factors from the 7 main elements in McKinsey model used for readiness assessment [6]. Below are explanations of each primary dimension and its corresponding factors.

Table 2. McKinsey 7S Model Factors Explanation

Elements	Factors	Explanation
Strategy	1. Goals/Objectives	The goals or objective statement supposed to consist of critical business necessity and business value. It have to be clearly specify, measurable, and easy to understand within departments.
	2. Strategic Plan	To constantly evaluate and monitoring the project or business goals, a company need a strategic planners in order to specify any capabilities requires towards the goals.
Structure	3. Centralization	Describes the extent to which top management or project managements are control the project in every project decision. Strict supervision of project decisions can guarantee that implementation stage is in line with the objectives of the company and that problems can be effectively solved.
	4. Size	Previous study stated that the larger the firms the higher possibilities the have high level of professionals and able to operate the IT departments than do smaller firms. It can be classified by the number of employee and annual revenues.
System	5. IT Infrastructure	Sufficient IT infrastructure, hardware, and networking are important for the success of system implementation. Moreover, it is also notable for company to carefully evaluate the current company IT situation to determine any issues that may the company faced during the implementation.
	6. Data	The availability and timeless of accurate data, as well as data quality and accuracy. It is important to do data quality control in the project and educating users on the importance of data accuracy and correct data entry procedure.

Style/Culture	7. Organizational Culture	This factors include could be shown by tolerance for risk and conflict, learning and development, participatory decision-making, power sharing, support, and teamwork.
	8. Top Management Support	It is necessary, top management must act as a mediator between various interest groups to end disputes. Additionally, management must oversee each phase of the project, keep track of its development, and direct the project staff.
Staff	9.Project Team	For the project to be successful, it is essential to include individuals with both technical and business skills. The project team should consist of full-time key personnel and be cooperative, balanced, and cross-functional.
	10. Training & Education	Employees can gain a general understanding of the change through training. It should cover the evolution of corporate procedures and methods. The project's first priority must be training, and the necessary time and financial resources must be devoted to it.
Skills	11. Staff skills	Competent users are more likely than less skilled users to comprehend the necessity of process adjustments.
	12. Management skills	List of abilities as necessary managerial abilities, including interpersonal, communication, and team-building abilities. They also need to ideally have managerial, business, and change management expertise.
Share Values	13. Share Belief	Shared beliefs refer to an opinion about how the system will ultimately affect the organization in terms of its advantages. Both managers and employees share this opinion about the advantages.
	14. Company-wide commitment	The workforce needs to be persuaded and given reasons why the company is dedicated to using the ERP system. To avoid opposition during the implementation stage, they must understand the need for change and be adequately prepared for it.

Change management is becoming a systematic approach from the perspective of an organization and individual level in dealing with change. There are several change management models that are often used as reference for implementing the change management process. This research use Kotter's 8 Steps model, one of the widely applied stage models of change that developed based on the analysis of several organizations that have the objective to overcome external challenges when implementing a change. This model stated that there are 8 steps that the organization needs to do, in order to implementing an organizational change [7] [8].

Table 3. Kotter's 8 Stage Model of Transformational Change

Stage	Explanation
1. Create a sense of Urgency	This stage aims to raise awareness among individuals about the important reason (urgencies) to do an organizational change, in order to motivate the achieving the change goals.
2. Build a powerful guiding coalition	At this stage, the organization forms a team change with the right individuals that meet the ability, knowledge, and commitment.
3. Form a strategic vision & initiatives	This stage involved creating a vision to direct the change effort and develop strategies to achieve that vision.
4. Communicate the vision	Communicate about the vision of the change with the parties involved and the need of the change.

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5. Empower action on the vision	This stage focuses on enabling action by removing obstacles to change, shifting the system or structures that undermine the vision, and encouraging the parties involved.
6. Generate and focus on short-term wins	This stage focuses on creating and appreciating short term goals of the organizational change. Plan for visible performance improvements and continues with reward for employees involved in improvements.
7. Sustain acceleration	This stage focuses on the change management progress and the persistence needed in implementing an organizational change. Such as maintaining momentum with new themes, projects, and change agents.
8. Institutionalize new approaches	This stage focuses on managing the change effectively by linking the new behaviors clearly with corporate success.

METHODOLOGY

This research is purposely done to assess the organizational readiness for change of IMS before implementing a change management and also aims to proposed what kind of change management process/strategy is most feasible to be implemented in IMS. The researcher collected the data and information for this research purpose by using primary and secondary data. For the primary data, this research will gather the information by qualitative methods consisting of semi-structured Interview and Focus Group Discussion (FGD) that will be held with the CEO and managers of involved department (1 CEO and 4 managers consist of Finance & Accounting, Marketing, Technical & PLANT Manager)) in IMS. On the other hand, secondary data is conducted by desk research, such as company's report and documentation.

The researcher will process its qualitative data that is collected by both, interview and FGD process. The deductive approach is used in this research to analyse the data, where the interview and FGD result are classify based on a theme that already expected from theory and conceptual framework used, in this case McKinsey 7S and Kotter's 8 steps. The interview process involving the respondent to rate and scoring IMS readiness for change in every factor from each 7S elements, therefore this research will find a conclusion by performing calculations based on statements obtained from experts. There are 4 statements in the final result, namely: not ready needs a lot of work, not ready needs some work, ready but needs a few improvements, and ready.

Table 4. Readiness Scale Assessment

Results	Parameter	Meaning
Not ready, needs a lot of works	1 – 2.6	Not ready, and still needs a lot of work to reach readiness.
Not ready, needs some works	2.6 –3.4	Not ready, but still able to implement the change and needs to do some works to solve the deficiencies.
Ready, need a few improvement	3.5 – 4.2	Ready, but still needs improvement in perfecting the condition in each factors of the elements.
Ready	4.3 - 5	Ready & Go ahead.

RESULT & DISCUSSION

The result of this research is going to emphasize the analysis of IMS organizational readiness to face change, specifically digital transformation in its business process, using McKinsey 7S Model as the tool. The result shows in Table 5 below, IMS is stated as ready by its CEO and line managers in all elements, even though all of the elements except structure need improvement to make the company readiness better.

Table 5. Result of IMS Organizational Readiness

Elements	Score	Result
Strategy	4	Ready, but needs a few improvement
Structure	4.3	Ready
System	4.2	Ready, but needs a few improvement
Style/Culture	3.85	Ready, but needs a few improvement
Staff	4.2	Ready, but needs a few improvement
Skills	4	Ready, but needs a few improvement
Share Values	4	Ready, but needs a few improvement

However, if we dig deeper based on the 14 factors in Table 6 below, it is shows that one of the factors is rated as not ready, namely organizational culture. The rest of it rated as ready, 7 of them still need minor improvement and 6 of them are ready to go ahead.

Table 6. Result of IMS Organizational Readiness (with the Sub-Dimensions)

Elements	Factors	Score	Result	Explanation
Strategy	1. Goals/ Objectives	4	Ready, but needs a few improvement	IMS already has well-defined and measurable goals of the change. The CEO already discussed and explained clearly to all managers regarding the objectives, including the urgency of this change, whether it is accessible or not, and the measurement of it. However, they are still looking for the best communication tools that would be used to avoid any resistance from the employee.
	2. Strategic Plan	4	Ready, but needs a few improvement	A good strategic plan had been set by the PIC and CEO. However, only point 1 and 2 from this strategic plan above that was already explained clearly to the managers, while the action and monitoring plan has not been discussed clearly.
Structure	3. Centralization	4.75	Ready	The CEO already selected a PIC of this change project that is responsible to execute, report progress to the top management, make sure the timeline, and help the team to solve any kind of problem that might occur in this project. Every decision regarding this change project implementation is all decided by the CEO and the PIC.
	4. Size	4	Ready, but needs a few improvement	There is no specific IT department/division in IMS. Every issue regarding information technology is mostly handled by the Technical Department manager (who chosen as the PIC), and still considered as effective for medium enterprise. To support this change, IMS have already prepared to upgrade its facilities (such as new PC, laptop, tablet, television for meeting and conference call, as well as new Wi-Fi capacity)
System	5. IT Infrastructure	4	Ready, but needs a few improvement	IMS now is in the process of upgrading and adding its hardware & software facilities. Consist of PC, tablet, and Wi-

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				Fi capacity for its hardware. They also upgraded its software infrastructure, by use 2 new software applications that could be synergize. The first one is for managing its financial, production, and logistic activities, and the other one for managing its sales & distribution activities. Moreover, IMS need to make sure that the upgrading plans are done on schedule.
	6. Data	4,5	Ready	All the data needed for implementing the project are available in the IMS database. Some of the team might find difficulties preparing the data, especially for the finance & accounting team, since some data are spread in different applications and some of them are still prepared manually, yet still available and possible to do.
Style/Culture	7. Organizational Culture	3.1	Not ready, need some works	More than 70% from its total number of employees in IMS having worked there for more than 10 years which lead them to feel complacent about their job and not eager to learn new things. They might feel very comfortable with their way of working, manually and conventionally. The management might find difficulties but does not mean IMS could not do that. However, there is no such an apprehensive problem regarding IMS current culture in collaboration and team-work, have a high spirit to collaborate and work together.
	8. Top Management Support	4.6	Ready	The CEO has declared and committed to fully support this change implementation, in both aspect funding and morale. Certain budget alreadt set to fulfil several aspects (such as upgrading its hardware and software, etc). Every budget and preparation are decided based on the discussion with the line of managers considering every team's needs. The CEO also gives moral support by always encouraging the managers, as well as spending time to discuss and brainstorm to monitor every issue, solve it, and could achieve the objective of this change.
Staff	9.Project Team	4.5	Ready	The PIC has been selected directly by the CEO to lead this change implementation. The techniques manager chosen as the PIC, since IMS does not have an IT division and all the issues regarding IT are mostly handled by the Techniques divisions. The specific project team has not been formed yet because the execution is still helped by other managers. However, the CEO stated that IMS is ready enough, since it is still classified as a medium enterprise and starts the change step by step and may not affect all employees and divisions yet.
	10. Training & Education	4	Ready, but needs a few improvement	The CEO and the project PIC has confirmed that there will be special training in data preparation and user training initiated by each of the software's vendors, as well as additional user training initiated by the project PIC for the team to ensure that

					the change could run smoothly. The details list of training have not been scheduled and declared yet.
Skills	11. Staff skills	3.8	Ready, but needs a few improvement		IMS employee's skill and ability might not be 100% sufficient, but still acceptable. The business process is not very much different to the previous one. However they used to do it manually so this change may force them to learn a new way of working and digitize their work, while some of them may not have a good basic skill in operating a computer/smartphone.
	12. Management skills	4.3	Ready		Top management had capabilities to implement this new strategy in leading their team, communicate the urgency, monitoring the implementation, and team building. All of them are already aware of the urgency of this change, more understanding the business process and have experience with basic IT skills. In term of monitoring and controlling the progress, the management also already held a weekly meeting with the managers of department that involved to this change implementation.
Share Values	13. Share Belief	3.75	Ready, but needs a few improvement		The CEO and managers all optimistically believed that this change will bring a lot of good impact. However, they are aware that not all of IMS employees will agree to these beliefs, and they might find some difficulties of resistance. There must be few employees who might assume that this change is something unimportant, not urgent, and out of their comfort zone.
	14. Company-wide commitment	4,3	Ready		This change project implementation only involves 3 departments, consisting of Finance & Accounting, PLANT, and Marketing department. Each department is already aware of the need of the change and fully supports it. They also believes that this implementation, of a new application software that synergizes between the department transaction and activity, will bring a lot of benefits.

PROPOSED BUSINESS SOLUTION

Based on the analysis mentioned above, one of the factors is rated as not ready and 7 factors rated as ready but still need improvement to improve IMS Organizational readiness for change. After doing a Focus Group Discussion (FGD) with the CEO and managers in IMS, the researcher highlights 5 main improvement to increase its readiness for change. It is consisting of:

1. Conduct a Communication Plan. Since all the objectives, as well as the strategic planning, have been set but not communicated with all employees yet, it is better for IMS management to choose and prepare the most effective & efficient communication tools to do it (could be by a regular meeting / discussion or email). The plan should show the detail plan about what kind of topic that would be deliver, who would be the recipients of the information, what kind of communication method could be used, when would be the schedule, and the person who responsible to communicate the info.

2. Created a Purchasing Schedule & Monitoring. Towards that ideal condition of readiness in size and IT infrastructure, IMS already declared and plan a IT facilities upgrade before implementing the change. However, to ensure the plan realization, IMS need to create a purchasing and upgrading schedule that could be monitored by the top management and assure the plan is implemented on schedule.

3. Launched New Policies. About more than 70% of IMS employees have been working there for more than 10 years, which leads them to complacent culture, especially in their job and not eager to learn new things, therefore this solution is proposely forces the employee to involve in the change and grow new culture to improve the readiness in organization culture factors.

4. Created a Training & Education List. Since IMS has confirmed that there will be several trainings related to this change implementation and stated that the employee's skill and ability is still acceptable, it is better for IMS to construct a training list and schedule in order to keep it on track and on time. The CEO and managers could make the training list that IMS employee needed, so furthermore the top management and PIC could monitor the realization of the expected training.

5. Plan a Regular & Continuous Socialization. The CEO and managers all optimistically believed that this change will bring a lot of good impact, as well as most of the employees who will be directly involved in this change. However, to mitigate the risk of any resistance from its employee and imp, IMS is needed to plan a regular and continuous socialization activities. There are several events within a year where could be used to deliver and remind its share value to the whole team. IMS could maximize the momentum in yearly event to increase the employee togetherness, as well as grow the company share belief.

Continuing the improvement to increase IMS readiness for change that mentioned above, it is also necessary for an organization to developing a proper change management strategy, this research also proposed steps for IMS in doing a change management using Kotter's 8 Steps Model.

1. Create Sense of Urgency. It could be done by identifying that the current system, product, service, or whatever needs to change. It is also requiring identification not only from the internal problems, but also from the outside. In order to start the change implementation correctly, the CEO / top management have to create and state that the main urgency for IMS to do this change.

2. Build a Powerful Guiding Coalition. It is necessary for IMS to find a coalition with both, powerful position in the employee and an expert or consultant to ensure the implementation of the change could execute successfully. IMS could proposed a Change project Team and select collaboration partner, in this case a software application.

3. Form a Strategic Vision & Initiatives. The CEO already conduct and form a strategic vision, shown in Table IV.1 above. However, to ensure all employee aware and remember about the visions, IMS could generate a tagline for the vision that easy to remember. During the FGD session, the researcher and the respondent generate a tagline "To be Effective and Efficient", which summarize the main objectives of this change implementation.

4. Communicate the Vision and Enlist Supporter. IMS could use the momentum of monthly general morning briefing to firstly introduce the vision to all teams. Moreover, IMS could conduct a formal meeting attended by all managers and every personnel that will be directly affected by this implementation in every department to discuss furthermore about the vision. On the other hand, any email and WhatsApp group messages have to be sent to the IMS team to remind them of the vision of this change.

5. Empower Action on the Vision. Since IMS may find difficulties and resistance during the implementation stage, as explained earlier due to its complacent culture, a tight regulation could be applied to support and empower the team to involve directly in the change.

6. Generate and Focus on Short-term Wins. IMS could generate a short- term goals or improvement after starting the change implementation that could be clearly seen within 3 months. The CEO and line managers could create short-term wins that could be seen within 3 months after the new software application go live and could be used to generate reward or recognitions.

7. Sustain Acceleration. In this stage, a company should do a consistence monitoring of the system and implementation, as well as maintain a policy that will further improve the system that were implemented. They also prepare an additional project to be implemented, in order to improve the system changes on another level. IMS has a plan to make all data in all department are digitalized and synchronized between department. It believed it will help the top management in doing a data access which will lead to accurate data analysis and decision making. By those statement, IMS could create a continuous improvement plan in order to make this change sustain and expanding.

8. Institutionalize New Approaches. This stage focuses on managing the change effectively by linking the new behaviours clearly with corporate success, or making this new culture stick. IMS top management could continuously monitoring the usage of the software application, as well as its improvement planning. Quality control and assurance are needed in this step to ensure that the employee stick to the new behavior. Furthermore, IMS could generate a quality monitoring and control plan that could be used by IMS in this eighth steps of change management process. If the realization is not fulfilling the target of quality, the top

management have to investigate and evaluate the problem happened in the team and remind again the team about the urgency and the objectives of this project.

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