



## BARRIERS TO CHANGE: A CASE STUDY INVESTIGATION ON FACTORS HINDERING ORGANIZATIONAL TRANSFORMATION

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### ABSTRACT

*Regardless of the size, organizations need to transform themselves to meet the demand of the current competitive era. Nevertheless, many organizations were failed to implement change despite having a clear organizational strategy. The aim of this research is to investigate factors hindering organizational transformation and change. To achieve such aim, a qualitative case-study investigation was conducted in a State-owned Enterprise located in Greater Semarang, Central Java, Indonesia, involving 10 participants which consist of top manager, middle managers, line managers, and the workers. The findings of this study reveal that transformation efforts in the company were hindered due to several factors: commitment and initiatives issues, change management issues, language issues, communication issues, and time constraint issues. The implication for theory and managerial practice were also discussed.*

**Key Words:** *Transformation, Change Management, Qualitative, Case Study, Barrier to Change.*

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### I. INTRODUCTION

Organizational transformation is an inevitable process for every organization. Due to the dynamic change of the external environment, an organization should transform itself to keep pace with their competitors and remain competitive (Benn, Dunphy, & Griffiths, 2014). However, conducting organizational transformation is not an easy task, and many companies were failed to transform successfully (Kotter, 1995).

In the case of Prometheus Company (pseudonym), the transformation process has not come easy. Prometheus is a national state-owned enterprise of Indonesian government. Having been established for several decades, there were periods when Prometheus become the prominent player in Indonesia's distribution services. At the current period,

however, Prometheus has received business contestation from its competitors which mostly came from private sector.

To cope with the current business challenges, Prometheus' top management committed to conducting radical changes in its internal business process. The first was started in 2013 when the company decided to change its vision and mission statement. Despite the positive reviews from its stakeholders, the changes in company's vision and mission statement did not have a clear indicator of the implementation stages. Many argued that the first transformation attempt was failed due to the unclarity of how the company must act to achieve its dream. In 2016, the company's management decided to establish another vision and mission statement. The new statement was considered

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better compared to the previous since the action plan already consisted there were clear indicators and strategy. The focus of the second transformation strategy was (1) 50% customer complaint reduction, (2) 10% cost reduction, and (3) double revenue.

Nevertheless, based on the preliminary survey toward 50 employees in a prominent Prometheus branch in the city of Semarang, it was revealed that 76 percent of them did not know that Prometheus has started its second transformation. They consider their daily activities as 'business as usual'. Referring to the finding, the head of the branch said that the dependency between subordinates and their superiors was high. Furthermore, he considers that Prometheus' employees were often incapable and having lack of initiative at work.

It was interesting that the nationally-declared transformation of Prometheus was not realized by their own employees. Thus, the aim of this research is to investigate factors hindering the organizational transformation of Prometheus. This research utilized a qualitative case study approach, involving 10 participants from a prominent Prometheus branch in Greater Semarang area, Central Java, Indonesia.

## **II. LITERATURE REVIEW**

There were several research investigating organizational transformation over the last consist of years. The first research was conducted by Sridarran & Fernando (Sridarran & Fernando, 2016), who investigated the organizational transformation toward outsourcing practices in Sri Lanka. The finding revealed that the failure of organizational transformation was due to the inability of organization's executives to reach an agreement toward outsourcing practices. In another research conducted by Al-Moosa & Sharts-Hopko (Al-

moosa & Sharts-hopko, 2016), the support of the organization's membership is vital in order to transform Oman's health professions education sector. To gain such support, the readiness of the organization members to transform must be ensured; and the proposed changes have to be realistic to be implemented.

Using data from 167 employees from prominent technological firms, Wadood, Gharleghi, and Samadi (Wadood, Gharleghi, & Samadi, 2015) discover the significant relationship between the successful implementation of change management by managing strategies and technological innovation. Another study conducted by Waal and Heijtel (Waal & Heijtel, 2015) in Netherlands discover the importance of change intervention to increase the commitment of managers and employees to transform. Based on the 21 intervention cases, they found that 75 percent of the intervention was either successful or very successful.

The role of a leader is also crucial during the transformation process, as noted by Viitala (Viitala, 2014). During the transformation process, leader would likely take a more active leadership role, but they were also criticized the change process. Finding from Zhao, Seibert, Taylor, Lee, & Lam (Zhao, Seibert, Taylor, Lee, & Lam, 2016) revealed that the collaboration between the past and the new leaders were argued to support the organizational change in one of the largest hospitality company in China. However, both the past and the new leader must exhibit transformational leadership style.

Despite the findings from previous researchers on factors affecting the success of organizational transformation, a gap could still be identified. Considering the differences between culture and values across the world (Hofstede, Hofstede, & Minkov, 2010), there



might be differences in the antecedents of successful organizational transformation. Organizational transformation is a unique phenomenon and what makes transformation successful in one country might not be the same in different regions. Thus, investigating organizational transformation in an Indonesian state-owned enterprise is vital in order to reveal the factors hindering organizational transformation Indonesia. As noted by Sturman, Shao, & Katz (Sturman, Shao, & Katz, 2012), there is a need to test the applicability of Human Resources Management practices which is successful for one particular country in another country. The finding of this study aims to reveal whether factors influencing the successful organizational transformation in Indonesia are similar to the previous research mentioned in this section.

### III. METHOD

This study aims to investigate factors hindering organizational transformation at Prometheus Company, a state-owned enterprise in Indonesia. To achieve this aim, this study utilized qualitative case study approach. According to Creswell (1998), the aim of qualitative research is to give meaning to the observed phenomenon. A prominent Prometheus branch located in Semarang was selected for the case study. Observation and interviews were conducted during the data collection process to obtain detailed answers about the transformation process happened in Prometheus.

This study involved 10 interview participants. All of the participants were Prometheus employees from different managerial levels. Since finding participant who willing to participate in this study was not easy, snowball sampling was utilized to help the researcher obtain access to new participants inside the organization (Noy,

2008). Firstly, the researchers contact the principal of the selected Prometheus branch and declared the intention to study the transformation barrier phenomenon. After the approval was obtained, the Prometheus principal becomes the first interview participant in the study. Researchers then ask the principal to refer other participants to be involved in this study. In total, 10 participants were obtained with the composition as follows: One principal, three managers, two supervisors, and four office staff.

The interview for each participant lasted for about one hour. Before the interview, the participants were assured that all answers given were confidential and cannot be accessed except by the researchers. For confidentiality purposes, the names of all participants were changed into pseudonyms. Although the interview was designed as structured interview, researchers utilized probing techniques to gain deeper understanding of the respondents' answers (Whiting, 2008). Each interview was recorded and transcribed, followed by the theme analysis to obtain answers toward factors hindering the transformation process in Prometheus.

### IV. RESULTS AND DISCUSSION

The findings of this study were divided into two themes. The first theme addressed the antecedents of the poor employee performance in Prometheus, while the second theme addressed the unawareness antecedents of Prometheus employees toward the transformation in their organization.

#### A. *Antecedents of Poor Employee Performance*

In general, the participants' answers toward the contributing factor of the poor employee performance at Prometheus was

due to the decline of work quality. According to the Prometheus principal, Dharmawangsa, although each employee already has their own job description and responsibilities; they often need to be constantly reminded to complete their work targets by the supervisors. Another participant, Riza, confirm what has been said by her superior with her following statement:

*“..... the problem that we faced so far is the laziness and the lack of initiatives from the employee. It frustrates me! They ask everything to their boss despite having told many many times that they can make decision in things related to their job responsibilities. If I don't give them a “slap” – like firm and harsh words, their job won't be finished. On average, all employees in this office share similar characteristics”.* (Riza, 48 years old, Manager).

Interestingly, when participants from the supervisory level and staff were interviewed, they acknowledge that sometimes they overly rely on their superior, especially when it comes into decision making process. From the perspective of Roy, a 48-year-old supervisor, it is better to wait for the superior's approval when making any decision, since such practice would keep him safe in the future. In Prometheus, there was a tendency that staffs tend to wait for the instructions of their leader. They believe that the superior knows best about things that they did, and they will do anything that their superior ask them.

An exception of such a condition can only be observed in the customer service department. Clara, a customer service officer, said that her position has the clearest job description and job evaluation indicators. Each complaint from the customers must be processed immediately. If a customer service postponing incoming complaints, the supervisor could immediately be noticed because everything was recorded in the computer system.

## *B. Antecedents of Employees' Unawareness toward Transformation Process*

This study revealed three antecedents of the Prometheus employees' unawareness toward the transformation process. The first antecedent was caused by the employee's educational attainment. Prometheus principals and managers argued that the education level is an important factor in helping employees' understanding of the transformation. In Prometheus, employees' education levels were ranging from junior high school until Bachelor's degree. Employees with higher education levels were quicker in learning and absorbing information related to the transformation. Such ability enables them to work quicker and faster compared to their peers with lower education levels.

The evidence that Prometheus employees have different abilities in absorbing new information was given by Thomas, who works as a staff in delivery section. Thomas acknowledges that his peers were mostly high-school graduates. In most cases, older employees holding high school diplomas often have difficulties in doing simple tasks, such as in utilizing barcode scanner. Nevertheless, their friends with higher education levels were ready to help them.

In the case of information absorption, a Prometheus supervisor named Raffi stated that employees with low educational level tend to have their own perception toward any instruction given to them. Thus, the supervisor must always conduct tight supervision so that they did not make any mistakes. Their action was totally different compared to the employees with university degree, either university Diploma or Bachelor holder. An employee with university degree



tends to have better information processing and ability to comply with the established rules and regulations.

The second antecedent was the use of “foreign” language during the communication and information sharing process toward the employees. Information sharing from principal to the subordinates was given in daily briefing which starts at 8 am every morning. The briefing was attended by the principal, managers, supervisors, and foreman. After the briefing, information was being forwarded to each of their subordinates.

According to one of the staff, Karno, over the times he managed to understand the meaning of the instruction given by his superior. However, he faced difficulties when the superior utilized words that come from foreign language. The words such as “KPI – Key Performance Indicators”, “TKG – Top Key Goals”, “TPA – Top Pareto Actions” were hard to understand even for those in supervisory position. Karno added the following statements:

*“How we are supposed to understand words that cannot be understood by our direct superior? If my boss cannot understand it, how am I supposed to understand?? I asked my friend but each of them gives me different answers.” (Karno, Prometheus staff).*

Obviously, the inability of Prometheus employees in understanding foreign and specific languages were related to their educational attainment. It is interesting that this phenomenon was not only happening at the staff level but also at the supervisory level. Karno’s statement could also explain why employees with low education levels tend to describe instructions according to their own perceptions. The use of “foreign language” might not be understood by all organization

members. Thus, those who could not understand the exact meaning of the instructions tend to translate it using their own interpretations.

The third antecedent was the gap in the information sharing intensity. As mentioned previously, Prometheus principal gathers all managers, supervisors, and foreman for daily briefing. After the briefing, each of them sent instructions to their subordinates mostly using the online messenger service. In contrary to the management, briefing involving all organization members was held once every two months. Such conditions create noise in superior-subordinate communication process. Staffs have to wait for two months before being able to clarify their superior’s instruction in a face to face meeting. When the researcher asks why the subordinates did not immediately ask their superior on thing they do not understand, a staff member, Titania, give the following reply.

*“Sometimes it was hard to see your superior directly. Not that I’m not allowed to... it just awkward you know... Especially when you reveal that you don’t understand the command. I just think that it is better to wait for the opportunity when my boss gathers all staff in my section in a bi-monthly meeting” (Titania, Prometheus staff).*

The fourth antecedents were related to the communication process that was conducted hastily. According to Prometheus principal, Dharmawangsa, he tends to distribute any new information spontaneously. This is in line with the work nature of Prometheus where employees in certain departments need to be ready 24 hours a day in case a new shipment came. When a new instruction was shared with employees who work in the night shift, they tend to misunderstand the information due to the unfit physical condition. Night-shift employees have tendency to be more prone to



fatigue while working compared to the morning and afternoon-shift employees.

### C. Discussion

The current transformation process in Prometheus can be linked with Lewin's Change Management Model (Lewin, 1947). According to Lewin, the transformation could be divided into three stages: unfreezing, moving and freezing. The first stage, unfreezing, refers to the organization's motivation to change. In this case, Prometheus principal has stated that over the last four years, the company has made two attempts to transform. The first transformation in 2013 was considered a failure since there were no clear indicators on how company's vision can be achieved. The second transformation attempt has clearer indicators to measure the progress and achieve the company's goals. It can be concluded that Prometheus already did the first stage of transformation – unfreezing the old values with the attempts to change it with the new one.

The second stage of transformation was moving. In the moving stage, the organization learns to absorb new information, new work methods and new way of thinking (Lewin, 1947). Finding from this study revealed that currently Prometheus was still on the moving stage. Prometheus is still on the struggle changing the mindset of its employees. Additionally, there were problems with the employee's competency; where a large portion of the staff still have relatively low education. Changing the mindset of the employee and elevating their initiatives requires a strong commitment from the principal since it was not an easy task. When internal problem mentioned in the results of this study has been solved, Prometheus is ready to move into the third transformation stage: freezing (Lewin, 1947) – to retain the positive effect of the transformation.

This study also revealed that Prometheus is a typical large power-distance (Hofstede et al., 2010) corporation. The employees feel that there was a barrier to interact with their superior, due to their unconfidence on whether such action will be pleased or displeased their superior. Such practice has to be changed since, in the organization, the unwillingness of the employees to report bad incidents could lead to fatal results (Lawton & Parker, 2002; van der Schaaf & Kanse, 2004).

### V. CONCLUSIONS, SUGGESTIONS, AND LIMITATIONS

It can be concluded that the employee performance of Prometheus was declined over time due to the low quality of work. Prometheus workers are uncommitted and afraid to take initiatives. This becomes a great challenge for Prometheus management since changing the already established work culture was not easy.

The barriers to the transformation process in Prometheus were caused by four factors. The difference in employee education level, the use of "foreign" language, communication intensity gap and time pressure in disseminating new information hindered Prometheus' transformation attempt to become a better organization. The findings could be used by Prometheus' management to take further action changing the current organizational culture.

Despite the important findings, the qualitative case study conducted only in one Prometheus branch located in Greater Semarang becomes the limitation of this study. Although the branch used in this study have hundreds of employees, it should be remembered that Prometheus is a state-owned enterprise with hundreds of branches spread throughout Indonesia. The transformation barriers introduced in this study might not be the same for another



Prometheus branch, especially branches located outside the Central Java region.

It is necessary that further research on change management focuses on the implementation of change management in another Indonesian state-owned enterprise.

Currently, Indonesian state-owned enterprise was faced with strong contestation from the private sector. If change is not be implemented, then state-owned enterprises in Indonesia will be left behind by its private competitors.

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