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Impact Of Strategic Change on Ericsson Company Performance Through Organizational Learning

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Abstract - **This study examines the role of strategic change on Ericsson's company performance through organizational learning, where to form a strong strategic change requires TMT knowledge capabilities, organizational commitment and transformational leadership. This study uses a quantitative and qualitative approach. Data is collected from 92 business units in Ericsson's 23 regional branches in the Asia & Australia Region. This study uses Structural Equation Modeling (SEM) analysis, where the results of this research analysis indicate that company performance will increase from the indirect influence of TMT knowledge capabilities and organizational commitment mediated by strategic changes and organizational learning. However, transformational leadership does not have a significant effect on strategic change so that transformational leadership has no effect on performance. Some of the factors that hinder transformational leadership at Ericsson include limited authority and cultural differences between leaders and leadership areas.**

Keywords: **TMT knowledge capability, organizational commitment, transformational leadership, strategic change, organizational learning, organizational performance**

I. INTRODUCTION

In an increasingly competitive industrial environment, business people are trying to develop and adapt by making several changes. The purpose of the change is to increase sustainable competitive advantage and obtain the expected performance results (Mohammad, 2019). Organizational efforts in facing an increasingly competitive industrial environment are more directed towards increasing competitiveness, growing market share, increasing cooperation, developing employees and increasing employee satisfaction (Bartunek & Woodman, 2015). Some of these things are done to ensure the long-term viability of the organization.

In a literature, organizational change is defined as the adoption of a new idea or behavior by an organization. Change is defined into the three most common types that occur in an organization, namely developmental change, transitional change, and transformational change (Anderson & Anderson, 2010). Strategic change is defined as the alignment of an organization with its external environment (Müller & Kunisch, 2018). Changes in this alignment include (1) changes in the content of the organization's strategy as defined by its scope, deployment of resources, competitive advantage, and organizational synergies (Porter, 1997) and (2) changes in the external environment force organizations to initiate and implement changes in strategy content (Rajagopalan & Spreitzer, 1997).

Strategic change affects key elements of the organization, such as structure, identity, and strategy and strategic change is initiated and led by the organization's executives. Recent strategic change management literature emphasizes the important role of the top management team (TMT) to be responsible for identifying organizational strengths and weaknesses as well as analyzing opportunities and threats in the organization's external environment (Goll, Johnson, & Rasheed, 2007). The education level of the top management team is expected to influence strategic change because it involves the intellectual ability to evaluate strengths, weaknesses, opportunities, and threats (Smith & Grimm, 1991).

Today, carrying out successful organizational change has become an important issue in the minds of organizational leaders. Changes that are happening are increasing in complexity and the future success of the organization will depend on successful leaders leading the changes (Goll et al., 2007). The key role of top management is to provide strategic objectives or intent in guiding the change journey of a multi-unit organization. This requires in-depth analysis before taking any action, and top management must have considerable power in having complete access to information (Goll et al., 2007). Given the change literature's emphasis on the importance of the leader's role in enacting change, the theory of leadership that is closely related to change is transformational leadership (Aslan, Diken, & endogdu, 2011).

Organizations are made up of different constituencies with their own goals and values. Organizational commitment can be best understood as a collection of several commitments (Lämsä & Savolainen, 2000). This can have an impact on the emergence of conflicts between the commitments of each individual, each individual may have a different commitment object. When the organization thinks that someone is able to keep commitments, then focusing on that commitment can lead to the organization, work, tasks, career, and profession (Gregersen, Hite, & Black, 1996).

Strategic change is seen as an important step for the organization to sustain the shifting competition and environmental changes that usually pose a threat to organizational performance (Kraatz & Zajac, 2001). Therefore, organizations must learn to start making strategic changes that are in accordance with the environment in which the organization operates, making it easier for organizations to obtain high performance and

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competitive advantage over other competitors (Kraatz & Zajac, 2001). Organizational strategy is recognized as having a strong relationship with organizational performance because it provides the organization with increased competitiveness (Vithessonthi & Thoumrungroje, 2011).

Organizational learning is an efficient and effective approach to business challenges and allows flexible adaptation to fast-growing industries (Vithessonthi & Thoumrungroje, 2011). Although organizations need to understand change practices as quickly as possible following the environmental situation, the costs associated with change will be substantial (Vithessonthi & Thoumrungroje, 2011). Some of these studies suggest that organizational learning may have a mediating effect on the relationship between strategic change and firm performance (Mohammad, 2019).

At this time the development of telecommunications technology moves very quickly, companies that are not able to adapt well will be left behind by other competitors who are constantly trying to innovate to keep up with market developments. One example of the rapid development of telecommunication technology is the increase in telecommunication network services from 2G until now it has increased to reach 5G. In addition, there are more and more new competitors in the field of communication technology in China where the communication technology industry in the country in the last 5 years has developed very quickly.

Ericsson is a telecommunications company that has been around for a long time in the telecommunications industry. Ericsson's ability to remain competitive in the telecommunications industry is due to Ericsson's sensitivity to changes in the telecommunications industry environment. In the early 2000s, most people knew Ericsson with mobile phone communication devices, but along with the times, Ericsson's communication devices lost and lag behind other competitors. This form of failure prompted Ericsson to make changes by changing the direction of focus of the products and services offered.

In addition, Ericsson as a telecommunications infrastructure provider with a presence in more than 170 countries is facing a variety of diverse customer demands, such as installing hardware for new infrastructure accompanied by high capital investment. However, with the advent of Cloud Computing innovations, they changed their business patterns towards customers to be more efficient. In modern times the biggest constant that affects organizational success is change(Sterman & Sweeney, 2002). In increasingly tight market conditions, organizations must make changes as a requirement to achieve sustainable success(Anderson & Anderson, 2010).

Ericsson is one of the leading Information and Communication Technology (ICT) providers for service providers, with approximately 40% of the world's mobile traffic running through the Ericsson network. Ericsson develops, delivers and manages telecommunications networks by providing hardware, software and connectivity services. GSM networks generation 1G, 2G, 3G, 4G, 5G, IoT and Cloud System are Ericsson products that take advantage of digital transformation to enhance the development of cellular services. Through Ericsson's products and services, Ericsson is one of the companies in the information and communication technology industry that is able to be adaptive in responding to the challenges of changing market conditions that are increasing.

Ericsson has the opportunity to grow for the better by investing in people and technology. This requires companies to increase operational efficiency and increase investment in automation. With Ericsson's focus on technology development in the form of network platforms that are fundamentally changing the way all employees innovate, collaborate and produce, but this is necessary for a sustainable competitive advantage. Ericsson cannot resist industry change, so it takes commitment, an open mindset and a collective sense of urgency to accept any changes that occur.

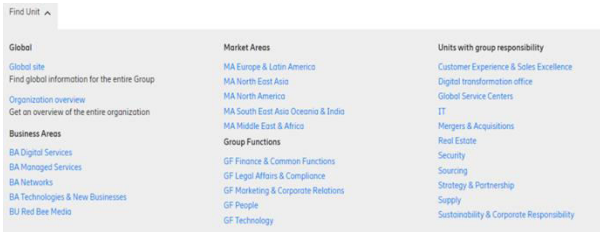

Figure 1.1 Ericsson Market Area & Business Unit Area, Global View

An Ericsson case study conducted by researchers from the Universities in Amsterdam and Rotterdam illustrates Ericsson's approach to transformation. Ericsson's CEO provides direction on the adoption of new technologies which is interpreted in various ways by emphasizing the alignment of each Ericsson business unit in several regions of the country. Through the picture above, it can be seen that the Ericsson company has five market areas in the world with each market area having five business units in it. The five business units include digital services, managed services, networks, technologies and new business and red bee media. However, the emphasis on performance only covers four business units outside the media business unit.

Ericsson center emphasizes proximity to customers, so that each business unit will face different market heterogeneity due to cultural differences in each region of the country. In Ericsson company decision making is decentralized so business units focus solely on the vision of developing the technology that best fits their regional customer base. The vision of the central Ericsson is then translated into actions that are aligned with each business unit's experimentation, implementation strategy and long-term ecosystem strategy.

In more developed geographic areas Ericsson's business units pursue more radical innovation and deployment, while in less developed regions Ericsson's business units focus on incremental improvements. Ericsson basically sacrifices efficiency because the innovation process is very complex, it will cause difficulties in terms of

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strategic direction, resource allocation and organizational structure. However, each business unit has its own way of interpreting and acting on the local information available to business unit managers. Therefore, every top management team in each business unit is required to have good skills and abilities in carrying out the strategic vision of the central Ericsson despite having limited authority or action in carrying out that vision.

This research will focus on the role of top management team capability, organizational commitment and transformational leadership on the performance of each Ericsson company's business units in Southeast Asia, India and Oceania through the role of strategic change and organizational learning. It is hoped that this research will be beneficial for Ericsson's business growth and company performance in the future.

II. METHODOLOGY

2.1 Theoretical Framework

The organization's existing knowledge affects its ability to explore new knowledge (Goll et al., 2007). Differences in organizational performance within an industry may depend on the organization's ability to use its organizational resources and capabilities(Díaz-Fernández, González-Rodríguez, & Simonetti, 2016). Based on the strategic perspective, managers exert a strong influence on organizational outcomes. Recent strategic management literature emphasizes the importance of the top management team (TMT) being responsible for identifying organizational strengths and weaknesses and analyzing opportunities and threats in the external environment.(Goll et al., 2007). Managerial perceptions then influence strategic choices and organizational performance. In most organizations, the top management team (TMT) guides the strategic direction of the organization in conjunction with the CEO(Goll et al., 2007). The manager's functional expertise is expected to be related to his ability to initiate change because the manager's background and experience play an important role in influencing entry into new product markets.(Díaz-Fernández et al., 2016).

Organizational commitment has become a consideration and focus of ongoing research attention. In addition to its positive relationship with organizational performance, organizational member behavior, and willingness to share knowledge, it was found to have a negative relationship with a number of workplace withdrawal behavior outcomes, such as employee turnover, absenteeism, and tardiness.(Keskes, Sallan, Simo, & Fernandez, 2018). Organizational commitment has been identified in a reciprocal relationship with perceived fairness within the organization. Lower commitment due to procedural injustice and distributive justice has an important relationship to the behavior of employees who intend to leave the organization(Jackson, 2018).

Thus, sensitivity is needed within the organization in making strategic changes. Employees will be bound by the organization's strategy for a long time, without any motivational encouragement from the leadership will have an impact on the lack of employee commitment in the change process. Managers must maintain the direct commitment of their employees to act more flexibly in determining the strategic direction of the organization and increase resilience to external shocks that disrupt strategic initiatives.(Mantere, Schildt, & Sillince, 2012).

In the process of implementing a more targeted change in strategy, top managers believe that they have power over their environment and that strategy making in some large organizations involves different levels of top management in a more inspiring way. (Schmitt, Raisch, & Volberda, 2018). As a result of making a top-down strategy, top management explicitly seeks to manage the balance of exploration and exploitation by properly bringing in new competencies and developing existing competencies within the organization.(Rafferty & Griffin, 2004).

The guided change journey model assumes that organizations are purposeful and adaptive. Top management is tasked with setting goals, analyzing the environment, looking for alternatives, and monitoring the change process(Khatri, 2005). In carrying out organizational change requires in-depth analysis before making an action, and top management must have considerable power in having complete access to information.(Carter & Baghurst, 2014). Given the emphasis of change studies on the importance of the leader's role in enacting change, the theory of leadership that is closely related to change is transformational leadership(Rafferty & Griffin, 2004).

Strategic change is defined as the alignment of an organization with its external environment(Chemengich, 2013). Changes in this alignment include (1) changes in the content of the organization's strategy as defined by its scope, deployment of resources, competitive advantage, and organizational synergies and changes in the external environment forcing the organization to initiate and implement changes in strategy content.(Ocasio, Laamanen, & Vaara, 2018). Strategic change affects key elements of the organization, such as structure, identity, and strategy and strategic change is initiated and led by the organization's executives(Bartunek & Woodman, 2015).

Strategic changes are consciously initiated by top managers to create changes in the main activities or structures of the organization(Bartunek & Woodman, 2015). Strategic change is an attempt to change the current modes of cognition and organizational action that cause interactions inside and outside the organization to shift. This is done by the organization in an effort to maintain harmony as a result of environmental, technological, and social changes(Kraatz & Zajac, 2001).

Organizational learning enables organizations to sense and identify internal and external changes and adapt to market environmental conditions (Kohtamäki, 2010). In general, organizational learning includes finding and correcting errors. The relationship between exploration of

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new business opportunities and exploitation is very important in the context of organizational learning(Bouncken, Pesch, & Kraus, 2015). Organizations face problems in allocating resources between exploration and exploitation, especially regarding the distribution of costs and benefits. Organizations need a high learning orientation to achieve competitive advantage(Calantone, Tamer, & Yushan, 2004). Conceptualize and operationalize constructs in terms of commitment to learning, shared vision, and an open mind. These three components are manifested in organizational culture and reflect the process of values of knowledge, increasing insight, and understanding how to improve business performance. Learning can improve organizational performance in terms of market share, new product success, and general results. necessitates the cultivation and creation of knowledge at all levels of the organization(Klammer, Gueldenberg, Kraus, & O'Dwyer, 2017).

2.2 Hypothesis Development

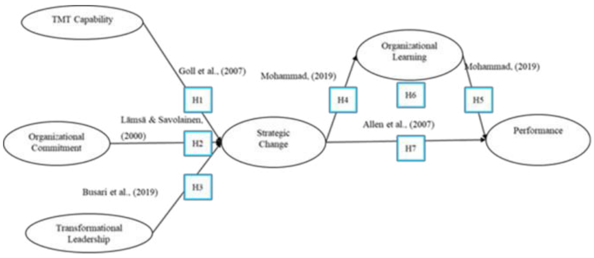

Figure 2.1 Conceptual Model

The picture above is a conceptual model that will be used as a basis for conducting future research. The basis for developing the hypothesis uses several approaches from research that has been done previously. In building the relationship between the knowledge capabilities of the top management team, organizational commitment, transformational leadership to strategic change. Supported by three different studies namely Goll et al.,(2007), Lamsa and Savolainen (2000), and Rafferty and Griffin (2004).

In his research Goll et al., (2007) explained that innovative banks are led by TMTs with higher levels of education, the results of this study are also supported by the research of Diaz-Fernandez et al., (2016). The level of education is expected to influence strategic change because it involves the intellectual ability to evaluate strengths, weaknesses, opportunities, and threats. Later in his research Lamsa and Savolainen(2000) said that employee commitment is very important in determining the success of organizational conditions that are making strategic changes, and finally according to Rafferty and Griffin (2004)in his research emphasizes the importance of the leader's role in enacting strategic organizational change, where leadership theory is closely related to change, namely transformational leadership. Through these three separate studies, the variables of top management team knowledge capability, organizational commitment, and transformational leadership influence the formation of strategic change.

The basis for developing other hypotheses between the variables of strategic change, organizational learning and performance, is supported by research conducted by Allen et al., (2007), Mohammad (Mohammad, 2019), and Van Den Bergh et al, (2008). In this research, strategic changes can affect performance directly or indirectly where there is a role for organizational learning.

Based on several theories that have been discussed, it shows that the success of strategic change depends on the level of education and experience of the top management team, organizational commitment, and transformational leadership style. The better the conditions of these three factors, the greater the success of the organization in making strategic changes. Strategic change is a strategic effort made by the organization to achieve better performance.

The impact of strategic changes on organizational performance can occur directly or through organizational efforts to carry out organizational learning first. In making changes, basically organizations need additional knowledge, training, abilities and experience. Some of these things the organization can get through the learning process. Where in organizational learning can carry out the process of exploitation and exploration in a well and planned manner.

Through the development of these hypotheses, the novelty of this research is how the impact of the knowledge capability of the top management team, organizational commitment, transformational leadership in improving organizational performance through mediating organizational strategic change and organizational learning. Through the explanation above, the hypothesis of this research is as follows:

2.2.1 Knowledge Capability of Top Management Team to Influence Strategic Change

Education is an indication of an individual's skills and knowledge base (Díaz-Fernández et al., 2016). In his research, Smith et al.(2005)argues that there is a positive relationship between education level and knowledge structure because education contributes to explicit knowledge and skills. Higher levels of education contribute to some new ideas and changes. In addition, a higher level of education is expected to be able to provide many limitations that include tolerance for ambiguity, and integrative complexity.

Research conducted by Goll et al., 2007 shows that innovative banks are generally led by TMTs with higher levels of education. A high level of education is closely related to acceptance of innovation and strategic change (Goll et al., 2007). The level of education is expected to influence strategic change because it involves the intellectual ability to evaluate strengths, weaknesses, opportunities, and threats (Díaz-Fernández et al., 2016). Wiersema and Bantel (1992) found that changes in corporate strategy were related to the level of TMT education.

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In addition to the educational level, the variation of knowledge reflected in the diversity of functional backgrounds in TMT is expected to influence the creation of capabilities because it is related to work and reflects the social and personal identity of individuals and is expected to influence team outcomes. (Randel & Jaussi, 2003). The basic assumption of research on the functional background of TMT is that team members with backgrounds and experiences in different functional areas bring different but complementary knowledge and expertise to the team.(Bunderson, 2003). Functional background is expected to influence TMT problem solving and decision making, and is a useful measure of work experience(Bunderson, 2003). Greater diversity of knowledge should positively influence the generation of new knowledge(Boeker, 1997). TMTs with various skills and orientations will be more creative and agile in solving strategic problems related to strategic change(Goll et al., 2007).

Based on the explanation above, the following hypotheses can be generated:

H1: The knowledge capability of the top management team has a positive effect on organizational strategic change

2.2.2 Organizational Commitment Affects Strategic Change

If the company's goal is to develop a stable workforce with a calculable membership, achieving this requires considerable commitment (Lämsä & Savolainen, 2000). There are negative consequences as a result of the low commitment that employees have in the organization such as lack of creativity, resistance to change, tension in social relationships, and unethical actions taken on behalf of the organization.(Mantere et al., 2012).

The study of Meyer and Allen (1997) shows that employee commitment to strive for strategic change is very necessary in responding to the conditions of an organization that is undergoing downsizing (Lämsä & Savolainen, 2000). Downsizing has a potential effect on employee commitment. Organizations will try to maintain a high level of affective commitment among the remaining employees by convincing them (Jaros, 2010).

Studies that directly link organizational commitment and organizational strategic change have not been widely carried out, but several studies have found a possible indirect correlation (Madsen, SR, Miller, D., & John, 2013). When employees participate and commit to change activities, employees are more likely to have higher levels of readiness(Zickfeld et al., 2013). In his research Weber(2005) concluded that the effort of involvement and commitment of organizational employees to participate in change activities is related to organizational readiness to change.

Based on the explanation above, the following hypotheses can be generated:

H2: Organizational commitment has a positive effect on the formation of organizational strategic change.

2.2.3 Transformational Leadership Influences Strategic Change

In the process of implementing strategic change, top managers believe that they have power over their environment and that strategy making in large, complex organizations involves multiple levels of management. (Schmitt et al., 2018). The key role of top management is to provide strategic goals or objectives in guiding the change journey of a multi-unit organization(Rafferty & Griffin, 2004). Given the change literature's emphasis on the importance of leaders in implementing change, a leadership theory that is closely related to change is transformational leadership. The literature related to the relationship between leadership and change suggests that certain transformational leadership qualities are uniquely suited to leading certain types of change(Rafferty & Griffin, 2004).

Transformational, charismatic, and visionary leaders can successfully change the status quo in their organizations by displaying appropriate behaviors at appropriate stages in the transformation process. (de Sousa & van Dierendonck, 2014). Organizations will be more receptive to transformational leadership if the goal is adaptation. If any strategy is no longer effective, the leader can undertake the task of developing a more compelling vision for the organization's future.

Based on the explanation above, the following hypotheses can be generated:

H3: Transformational leadership has a positive effect on organizational strategic change

2.2.4 Strategic Change Affects Organizational Learning

Strategic change is one of the most dynamic areas in the field of strategic management. Strategic change has been recognized as one of the main sources of organizational performance improvement(Kraatz & Zajac, 2001). In carrying out strategic changes, organizations can minimize risk by repeating routines that have been proven successful through experience. When organizations face high uncertainty, the tendency to make use of the knowledge accumulated through past experiences becomes stronger(Mohammad, 2019).

Organizational capability to learn is an important component for competitiveness in modern organizations. Organizational learning is a new breakthrough for an organization to open up opportunities for change, it can help organizations to improve organizational performance(Santos-Vijande, López-Sánchez, & Trespalacios, 2012). Organizational learning is an essential element for organizations to deliver customer value as well as improve performance, by way of a more efficient and effective approach to evolving industry growth situations(Vithessonthi & Thoumrungroje, 2011). Organizations with sufficient experience will take cooperative actions to increase knowledge and competitiveness, so as to minimize uncertainty and open opportunities for strategic change(Santos-Vijande et al., 2012).

Based on the explanation above, the following hypotheses can be generated:

H4: Strategic change has a positive effect on organizational learning

2.2.5 Organizational Learning Affects Organizational Performance

Organizations with a high level of organizational learning ability tend to be able to adapt to environmental changes better than organizations with a lower level of organizational learning ability. (Levinthal & March, 1993). This argument is supported by recent literature regarding the importance of the relationship between organizational learning and organizational inertia(Mohammad, 2019). Based on the concept of organizational learning, product innovation activities are organizational learning instruments that function to improve organizational competence and are able to contribute to the change process(Vithessonthi & Thoumrungroje, 2011).

Organizational learning has a positive effect on organizational goals (Mohammad, 2019). External and internal learning affects organizational processes, which will ultimately result in competitive advantage(Crossan & Berdrow, 2003). Internal learning is defined as learning within the organization, while external learning is defined as learning between organizations learning in the process of interaction with clients and suppliers(Crossan & Berdrow, 2003). The size of the organization can result in information overload, which in turn, hinders organizational learning(Vithessonthi & Thoumrungroje, 2011).

Organizational performance as a whole depends on achieving strategic progress and implementing appropriate and successful strategic changes (Kraatz & Zajac, 2001). The absorption capability of the organization will become more significant for organizational performance when it functions in a highly dynamic environment because it must be constantly researched for new ideas in order to catch up with environmental changes. Thus organizational learning will have a significant effect on organizational performance.

Based on the explanation above, the following hypotheses can be generated:

H5: Organizational learning has a positive effect on organizational performance

2.2.6 Strategic Change Affects Organizational Performance Through Organizational Learning

There is an indication of a positive relationship between strategic change and organizational performance, with the role of organizational learning mediating the relationship (Allen et al., 2007). Organizations with strong organizational learning will increase the positive effect of the frequency of strategic changes on performance, whereas weak organizational learning will weaken this relationship. Akram et al. (2017). Organizations that frequently change their strategies tend to create feelings of uncertainty among the workforce in the organization (Allen et al., 2007; Bordia et al., 2004).

When an employee refuses or is less willing to learn, the organization may exhibit low levels of organizational learning, which in turn may accentuate the ability to initiate strategic change at the right time (Allen et al., 2007; Bordia et al. 2004). On the other hand, organizations with strong organizational learning may be able to carry out strategic changes at a lower cost than organizations with weak organizational learning (Allen et al., 2007). The benefits derived from organizational learning can be an argument that organizations with strong organizational learning are more likely to shorten the duration of the strategic change process, thereby lowering implementation costs (Bordia et al., 2004).

Weak organizational learning tends to create organizational inertia (Dobrev et al., 2003); Tripsas and Gavetti (2000) show that employees with weak learning find it difficult to accept change. Alas and Sharifi (2002) note that employees' reluctance to accept change limits the possibility of an organization realizing the competitive advantage of its new strategy.

Based on the explanation above, the following hypotheses can be generated:

H6: Organizational strategic changes have a positive effect on performance through organizational learning

2.2.7 Strategic Changes Affect Performance

Strategic change is seen as an aid to better performance (Kraatz & Zajac, 2001) and can play a role in changing the organization (Mintzberg & Westley, 1992). In previous studies it was emphasized that the entry of organizations into new product markets examines the influence of decision making on strategic change(Boeker, 1997). Strategic changes can be referred to as changes in product markets and geographic expansion(Westphal & Fredrickson, 2001) and changes in organizational cognitive reorientation (Gioia & Chittipeddi, 1991). A significant positive relationship between strategic change and organizational performance has been established(Van Den Bergh et al., 2008). The process of managerial change precedes strategic organizational change thus confirming that restructuring of the top management team is a sufficient condition for strategic change to occur in an organization.(Mintzberg & Westley, 1992).

There is empirical evidence to suggest that the degree of strategic change undertaken depends on the needs and ability of the organization to redirect its strategy (Barker & Duhaime, 1997). However, strategic changes were also found to have a negative impact on organizational performance. In his research Naranjo-Gil et al.,(2008)found a negative effect of strategic change on operational performance as an organization, because in strategic change there is a problem of resistance among organizational members. In particular, organizational change research highlights employee refusal to change as an important factor determining the strategic outcome of change, thus strategic change will have a significant effect on organizational performance.(Trader-Leigh, 2002).

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Based on the explanation above, the following hypotheses can be generated:

H7: Organizational strategic changes have a positive effect on organizational performance

III. RESEARCH METHOD

This study intends to analyze the effect of enhancement of the capabilities of the top management team, organizational commitment, transformational leadership on Ericsson's corporate performance through the role of strategic change and organizational learning. This research uses quantitative and qualitative methods. The population in this study is the business unit at each Ericsson branch office in Asia and Australia. Within each Ericsson branch office, there are five business units consisting of digital service units, managed services, network solutions, technology and new business, and media (refer to figure 1.1). However, in this study, researchers will only examine four business units other than media, because in the digital service, managed service, network solutions, and technology and new business business units in each branch (country unit) there are performance measurements targeted by the central Ericsson.

In this study, the data were obtained by distributing questionnaires through Microsoft Form Ericsson to the business unit leaders. The selection of business unit leaders as questionnaires was based on research themes related to strategic change, in which business unit leaders were more involved in Ericsson's strategic activities. The head of the business unit has the responsibility to maintain the performance of the branch business unit, in addition, messages, policies or strategies that have been determined by the central Ericsson management will be distributed first through the head of the branch business unit. After that, it is necessary to think and translate the policies and strategies that have been determined to be implemented by every employee in the field.

The data to be analyzed is primary data obtained from the results of a questionnaire survey. Where the researcher will ensure the confidentiality or privacy of respondents who have directly answered the questionnaire survey that has been given. Then the researcher will develop a model that describes the relationship between research variables based on the theoretical review that has been done previously. In this research model, the researcher will also explain several hypotheses to be tested. To support the hypothesis testing, the researcher will explain the measurement of each variable, unit of analysis and sample, data collection methods, research instruments, and analytical methods used.

This study used an instrument in the form of a questionnaire using 6 Likert scales to avoid neutral answers from respondents. According to Malhotra (2009) the Likert scale is a detailed rating scale where respondents are given a scale in the form of numbers related to each category and the categories are sorted according to the position of the scale and respondents are asked to choose the specified category.

The method of analysis in this study uses Structural Equation Modeling (SEM) analysis. SEM analysis aims to confirm the research model based on empirical data. The aim is to test the hypothesis of the relationship between the research variables. The evaluation of the SEM model is divided into the evaluation of the measurement model and the structural model. The measurement model describes the goodness of the relationship between the variables and their measuring items, while the structural model describes the influence between variables.

The research model is second order, ie variables are measured by a number of dimensions and dimensions are measured by a number of question items, therefore the evaluation of the measurement model is carried out on the relationship between dimensions and measurement items (first order) and evaluation between variables and their dimensions (second order). SEM is useful as a very useful statistical tool and a must for non-experimental research, where methods for theory testing have not been thoroughly developed (Savalei & Bentler, 2010).

IV. RESULTS

4.1.1 Data Analysis

This chapter includes a description of the results of data collection obtained through questionnaires, and data analysis of respondents' answers to statements and questions in the questionnaire. This chapter also consists of a descriptive analysis that looks at the general description of the respondent or the profile of the respondent, and an analysis of Structural Equation Modeling (SEM) with a PLS approach to test the research hypothesis.

In addition, this chapter describes a discussion of each analysis result, to provide a review of the research results and a review of how the results of this study were compared with the results of previous studies at different times and places, as well as a review of the reasons that support or contradict the results of previous studies. at different times and places. The discussion also describes how the ideal conditions or improvements can be made by the hospital to increase the expected results based on the existing literature.

In this study, the results of the evaluation of the structural model are a test of research hypotheses if the resulting path coefficient has a t statistic above 1.96 then the relationship between variables has a significant effect.

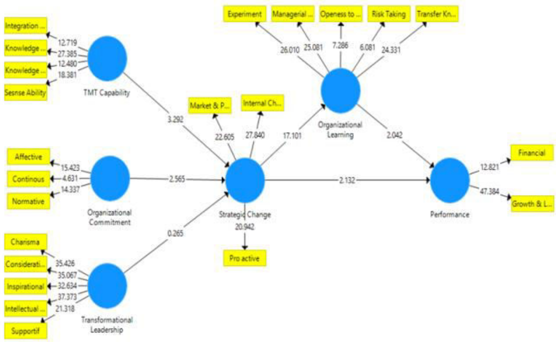

Figure 4.1 T Statistical Structural Model

Based on the results of the diagram above, it shows that the capability of TMT knowledge and organizational commitment has a significant positive effect on strategic change, as well as strategic changes that have a significant effect on organizational learning and performance. Although based on the results of data analysis, transformational leadership does not have a significant positive effect on strategic change. Through the diagram, it can be concluded that performance can increase due to the indirect influence of TMT capabilities and organizational commitment mediated by strategic changes and organizational learning.

4.2 Discussion

4.2.1 TMT Knowledge Capability Influences Strategic Change (H1 Accepted)

The results of research conducted by researchers on 92 Ericsson business units in 23 countries show that the knowledge capability of the top management team is able to influence strategic change, this supports the research conducted by Diaz Fernandez et al., (2016)where the level of education is expected to influence strategic change because it involves the intellectual ability to evaluate strengths, weaknesses, opportunities, and threats. Then the results of this study also support the research that has been developed by Goll et al.,(2007) where in the finance industry innovative banks are led by TMTs with higher levels of education, where higher levels of education are associated with acceptance of innovation.

In general, the results of this study support several previous theories related to the knowledge capability of TMT and strategic changes which show that Ericsson is supported by leaders who have good skills, knowledge and education. Based on the results of the research survey that has been carried out, it shows that 62% of Ericsson's business unit heads are led by managers who have master's and doctoral education levels. This is very important because the better level of education makes it easier for Ericsson to implement the desired strategic changes. This is in line with the research conducted by Smith et al.(2005)who argue that there is a positive relationship between education level and knowledge structure because education contributes to explicit knowledge and skills. Higher levels of education contribute to some new ideas and changes

In this study, the strongest dimension of TMT capability in influencing strategic change is the leader's ability to perceive change. The current environmental dynamism encourages Ericsson's business units to adapt more quickly. Ericsson is a technology-based company, so with the rapid development of technology, it is very important to be sensitive to changes that occur in the environment around Ericsson's business units. In the internal environment of Ericsson's business unit, this form of sensitivity is already owned by managers or business unit leaders in the Ericsson branch area. Managers or business unit leaders are active in evaluating every action that has been taken.

With a good level of experience, skills and education, it is easier for managers or leaders to take action to adapt to changes that occur in Ericsson's business units. One of the efforts that have been made by managers or business unit leaders in adapting to change is when the Ericsson company's business unit downsizing the organization. Managers and business unit leaders are responsive and able to maintain the company's performance by providing useful input and new ideas for Ericsson's business units in terms of product development and operations.

The increasing workload due to the impact of the implementation of company downsizing can be well anticipated thanks to the educational skills and experience that the managers or leaders of Ericsson's business units have in several countries. With these capabilities, it is easier for Ericsson to adapt in a dynamic environment as evidenced by the increased performance of the Ericsson company as a whole. TMTs with various skills and orientations will be more creative and agile to help companies solve strategic problems related to strategic change(Goll et al., 2007)

4.2.2 Organizational Commitment Affects Strategic Change (H2 Accepted)

The results of this study indicate organizational commitment affects strategic change, this supports the research that has been carried out by Lamsa and Savolainen (2000)where if the company's goal is to develop a stable workforce, to achieve this requires sufficient organizational commitment. He continued in his research that the commitment of employees to struggle in an organization that is undergoing strategic changes is very important in responding to the condition of an organization that is currently downsizing.(Lämsä & Savolainen, 2000).

In addition, this study supports the research of Zickfeld et al., (2013)where when employees participate and are committed to change activities, employees are more likely to have a higher level of readiness. In his research Weber(2005)concluded that the effort of involvement and commitment of organizational employees to participate in change activities is related to organizational readiness to change. This can be interpreted as the importance of the reciprocal relationship between the organization and employees, because when making a change it requires strong participation and support from the organization's employees.

This reciprocal relationship is very important considering that organizations need to appreciate employees for the form of action and the burden of responsibility borne by employees when changes occur. There are negative consequences as a result of the low commitment that employees have in the organization such as lack of creativity, resistance to change, tension in social relationships, and unethical actions taken on behalf of the organization.(Mantere et al., 2012).

In this study, in general, the affective dimension has the strongest influence on organizational commitment to strategic change. In Ericsson's corporate business unit, employees feel proud and happy to work for the company, this form of comfort has an impact on the maximum contribution of every employee who works at Ericsson's company. This form of contribution helps the company in facilitating the process of strategic change carried out by the company.

In making changes to the company, Ericsson tries to maintain employee relations by increasing attention to employee welfare in the form of increasing salaries and work facilities. Ericsson's efforts in appreciating its employees are expected to be able to maintain and increase the motivation of each employee. The downsizing process that has been carried out by the Ericsson business unit has certainly added to the workload of each employee, but the efforts to improve welfare and the training provided by the employees are able to increase the success of the strategic changes made.

4.2.3 Transformational Leadership Has Influence on Strategic Change (H3 Rejected)

The results of this study indicate that transformational leadership has no effect on strategic changes in Ericsson's company. The findings of this study indicate that the relationship between transformational leadership and strategic change does not apply equally in every organization. This is because the Ericsson company is centralized to the policies implemented by each Ericsson branch area in various countries. In his research Khanin(2012)provides the idea that transformational leadership is better for non-routine situations. Organizations will be more receptive to transformational leadership if the goal is adaptation. Transformational, charismatic, and visionary leaders can successfully transform organizations by displaying appropriate behaviors at this stage of the transformation process. If any existing strategy is no longer effective, the leader can undertake the task of developing a more compelling vision for the organization's future.

As one of the managers at Ericsson, the researcher sees and feels that every manager or head of a business unit can only follow the directions and policies that have been determined by Ericsson's management at the center, so that each business unit leader cannot change the direction of strategic policies that have been determined by Ericsson's management at the center. In addition, the change process carried out by the Ericsson company is carried out in stages such as streamlining the organizational structure based on the KPI assessment of each employee, the impact of the change policy is not carried out radically but gradually so that every employee is able to follow changes in the company's operational routine on an ongoing basis.

In addition, the profile of the head of each Ericsson business unit in each country does not always represent the representative of that country. In the Ericsson company, many business unit leaders are represented by leaders from different countries, so there are communication and cultural barriers in carrying out the changes that Ericsson has made. The size of the changes that occur is based more on the ability, skills and knowledge of each employee in achieving the KPI targets that have been determined by Ericsson's central management, not based on the ability of a leader or Ericsson's branch business unit in determining his vision in bringing about change at Ericsson.

4.2.4 Strategic Change Affects Organizational Learning (H4 Accepted)

The results of this study indicate that strategic changes affect organizational learning. This supports the research conducted by Mohammad(2019)where when the organization faces high uncertainty, the tendency to utilize the knowledge accumulated through past experiences becomes stronger. In addition, the results of this study support the research conducted by Santos et al.,(2012)where organizational capability to learn is an important component for competitiveness in modern organizations. Organizational learning is a new breakthrough for an organization to open up opportunities for change, it can help organizations to improve organizational performance.

The environmental dynamism that occurs within the Ericsson company encourages the company to make strategic changes, both from the structural side of the organization where Ericsson's business unit is downsizing the organization and from the company's business side where Ericsson's business unit develops and innovates its products. The success rate of strategic changes carried out is based on the experience and ability of the Ericsson company to anticipate changes.

In this study, the dimension of internal change has the greatest value in strategic changes that affect organizational learning. The downsizing policy that has been carried out by the Ericsson business unit certainly encourages every employee involved in the Ericsson company's business unit to improve their abilities, skills and knowledge. This is a consequence of strategic changes made by Ericsson's business units, because with the downsizing policy, operational activities within

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Ericsson's business units have changed. Ericsson's attitude in responding to changes in the market environment must be carried out quickly because strategic changes will be effective in improving performance if the company is able to change effectively and efficiently.

It takes exploitation of old knowledge combined with exploration of new knowledge so that the strategic change process carried out successfully improves performance. The relationship between exploration of new business opportunities and exploitation is very important in the context of organizational learning(Bouncken et al., 2015). Training related to employee abilities and skills is routinely carried out to encourage the success of strategic changes because organizations need a high learning orientation to achieve competitive advantage(Calantone et al., 2004)Evaluation of changes in market demand is one of Ericsson's methods to innovate and develop products or services that are produced in accordance with market demand. Learning can improve organizational performance in terms of market share, new product success, and general results. necessitates the cultivation and creation of knowledge at all levels of the organization(Klammer et al., 2017).

4.2.5 Organizational Learning Affects Performance (H5 Accepted)

The results of this study indicate that organizational learning has an effect on organizational performance. This supports the research that has been carried out by Mohammad(2019)where organizational learning has a positive effect on organizational goals. In addition, the results of this study support the research conducted by Crossan and Berdrow(2003)where external and internal learning influence organizational processes, which will ultimately result in competitive advantage. Internal learning is defined as learning within the organization, while external learning is defined as learning between organizations learning in the process of interaction with clients and suppliers(Crossan & Berdrow, 2003).

Ericsson's large and diversified company size initially poses a challenge for companies to improve organizational learning, because the size of the organization can result in information overload, and can hinder organizational learning. (Vithessonthi & Thoumrungroje, 2011). However, every Ericsson business unit has an effective learning method in the form of online global training routines or local training conducted using consultant services so that the large and diverse scale of the organization does not hinder the company in improving organizational learning.

In this study, the experimental dimension is the highest dimension of organizational learning. The Ericsson company appreciates and supports the existence of new ideas that emerge from each of its employees so that every employee is actively encouraged to improve their abilities, skills and knowledge. Every new idea that is able to have an impact on improving performance is rewarded in the form of awards to each employee. The establishment of a conducive environmental culture for innovation in every Ericsson business unit is very good for the organizational learning process.

The impact of the development carried out by the organization in the form of the company's operational efficiency and the effectiveness of the products or services provided by Ericsson's business units are able to encourage better company performance. Organizational learning has a pervasive effect on organizational performance because organizational learning not only explains how, what, when and why certain actions are taken, but also describes how the organization will react to new and unknown circumstances.(Mohammad, 2019).

4.2.6 Strategic Changes Affect Performance Through Organizational Learning (H6 Accepted)

The results of this study indicate that strategic changes affect organizational performance through organizational learning. This supports the research conducted by Allen et al., (2007) where there is an indication of a positive relationship between strategic change and organizational performance, with the role of organizational learning as mediating the relationship. Organizations with strong organizational learning will increase the positive effect of the frequency of strategic changes on performance, whereas weak organizational learning will weaken this relationship. Organizations that frequently change their strategies tend to create feelings of uncertainty among the workforce in the organization (Allen et al., 2007).

The strategic changes that Ericsson has made in changing its internal business as well as the products and services offered have encouraged the organization to improve its balance of exploitation and exploration. The balance of exploitation and exploration in terms of new abilities, skills and knowledge encourages the improvement of good organizational learning. The company's success in improving organizational learning encourages strategic changes that are carried out to achieve the expected increase in performance.

The policies and actions of each business unit of Ericsson in changing the direction of business operations to become more streamlined and effective have proven to be able to improve the performance of Ericsson's business units as expected. These changes are of course accompanied by organizational readiness to deepen the capabilities, skills and knowledge possessed, combined with new abilities, skills and knowledge.

With the increase in capabilities, skills and knowledge, several new ideas arise in the form of product innovations for 5G networks, IoT systems, cloud systems and more effective and efficient operational patterns. Some of these new activities and discoveries have an impact on better performance at the current Ericsson company. The advantages gained from organizational learning can be an argument that organizations with strong organizational learning are more likely to shorten the duration of the strategic change process, thereby lowering implementation costs (Bordia et al., 2004) while companies with weak organizational learning will take time to make strategic changes. across foreign business units or subsidiaries (Bordia et al., 2004).

4.2.7 Strategic Changes Affect Performance (H7 Accepted)

The results of this study indicate that strategic changes affect organizational performance. This supports the research conducted by Kraatz and Zajac(2001)where strategic change is seen as an aid to better performance. In previous studies it was emphasized that the entry of organizations into new product markets examines the influence of decision making on strategic change(Boeker, 1997). Strategic changes can be referred to as changes in product and geographic markets(Westphal & Fredrickson, 2001) and changes in organizational cognitive reorientation (Gioia & Chittipeddi, 1991). In addition, in his research Van Der Bergh(2008) there is a significant positive relationship between strategic change and organizational performance.

In a dynamic environment, the adaptation process carried out by the Ericsson business unit in making strategic changes in the form of downsizing and developing the direction of the products and services provided has been able to increase the expected performance of the Ericsson business unit. The streamlining of the organizational structure that has been carried out by Ericsson's business units in each branch area of each country has been able to increase the efficiency and effectiveness of Ericsson's company operations. This, of course, has been supported by the capabilities of every employee owned by Ericsson's business unit. The process of change that has been carried out has a pretty good impact during the turmoil of the Covid 19 pandemic, because the company managed to obtain an increase in financial performance even though the company's environmental conditions were turbulent.

In addition, the experience of the Ericsson company which has been established for a long time and is stable helps the company in determining the success of the company's strategic changes. In carrying out strategic changes, organizations can minimize risk by repeating routines that have been proven successful through experience. When organizations face high uncertainty, the tendency to make use of the knowledge accumulated through past experiences becomes stronger(Mohammad, 2019).

V. CONCLUSION and Implications

Through the results of this study, it is possible to find updates and support for previous research related to the impact of TMT knowledge capabilities, organizational commitment and transformational leadership on Ericsson's company performance through the role of strategic change and organizational learning. This study proves that the capability of TMT knowledge and organizational commitment is one of the bases for the formation of strategic changes in Ericsson's corporate business units. The results of this study support the research conducted by Diaz et al.,(2016) and Lamsa and Savolainen (2000) related to the relationship between TMT knowledge capabilities and organizational commitment to strategic change.

TMT capabilities are reflected through knowledge sharing, knowledge protection, sensing and integration capabilities. Where some of these things are needed by the organization to be able to adapt to the strategic changes made by the organization. With this capability, it can help Ericsson's business units to improve the success of the strategic change process that will be carried out. The adaptability of Ericsson's business units can be reflected in the rapid and appropriate changes in strategy, especially in the current turbulent environment due to rapid technological developments.

Based on the results of this study indicate that the ability to feel the manager or business unit leader of Ericsson's current company supports the formation of a strong TMT knowledge capability. Where the change sensitivity of managers or business unit leaders in Ericsson's 23 branch areas encourages the optimization and success of Ericsson's strategic changes. This is inseparable from the experience, skills and level of education possessed by managers and business unit leaders, making it easier for Ericsson's business units to build strong TMT knowledge capabilities. The strength of the capability of TMT knowledge should be maintained because in a dynamic environment it will greatly assist Ericsson's business units in improving optimal company performance.

TMT knowledge capabilities also need to be improved because strategic changes made by Ericsson can be made at any time according to changes in the environment. Various factors that can be done by Ericsson in improving the capability of TMT knowledge are increasing organizational training, technical training on technology product development such as training on data networks and satellite networks, training on customer service, increasing the volume of master or doctoral school financing for potential employees and working visits to the region. other Ericsson branch offices to help improve experience and resolve issues that may be encountered due to the cultural differences of each regional branch .

In addition, Ericsson must also remain active in evaluating and improving the performance of managers or business unit leaders of each Ericsson branch area, especially in the ability to absorb new knowledge and the ability to realize the responsibilities of each subordinate employee. Ericsson's activities in rotating managers or business unit leaders must be balanced with the ability of managers and business unit leaders to adapt to the new environment. The quality of TMT capabilities will result

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in increased success for the changes that will be made by Ericsson's business units, both in operational efficiency or in product and service development or innovation. The decline in the quality of TMT capabilities will be very dangerous and detrimental to Ericsson, especially when it is about to make changes within the company.

In addition to the knowledge capabilities of TMT, organizational commitment is an important factor that can increase the success of strategic change. Organizational commitment itself is reflected in affective, continuous and normative. According to the results of this research, the affective side plays a bigger role in influencing the success of Ericsson's business units in making changes. The pride of Ericsson's business unit employees to work at Ericsson is a very important asset in maintaining organizational commitment. With this pride, it certainly increases the dedication of employees in providing optimal performance to the company. Considering that in the process of changes made by Ericsson's business unit, it concerns organizational streamlining which has a direct impact on employees.

The improvement of KPI standards determined by Ericsson's business units encourages employees to contribute more optimally in carrying out work that is more effective and efficient. Employees are encouraged to use all their abilities, skills and knowledge while undergoing the change process carried out by Ericsson, for employees who are not able to meet the KPI standards that have been set, the employee must leave Ericsson. The pride of Ericsson's employees can certainly positively increase considering that to be in the position of working at Ericsson today is a difficult achievement and requires hard work.

In addition, Ericsson is a multinational company that already exists operating in many countries in the world. For employees working for foreign companies is a matter of pride and can provide a better experience for them. Regardless of the pride of Ericsson's business unit employees working for the company, the Ericsson company itself must be fair in rewarding every performance that its employees have produced. Organizational commitment can be formed as a result of a positive reciprocal relationship between the company and employees. Organizational commitment will be better if Ericsson's company improves the welfare of Ericsson's business unit employees in the form of increased remuneration and facilities that support the work of employees in the Ericsson business unit's work environment or rewards for performance results in the form of bonuses. Decreasing organizational commitment will be dangerous for Ericsson because it increases resistance or resistance if Ericsson wants to make strategic changes.

However, based on the results of this study, transformational leadership does not affect strategic change. Some of the obstacles faced by managers or business unit leaders in several areas of Ericsson's branches are limited authority, because they have to follow central management policies. The characteristics of visionary transformational leadership are limited as a result of this policy. In addition, the process of changes carried out by Ericsson's business units is carried out in stages so that employees are still able to follow the changes that have been made by Ericsson.

In addition, the different profiles of managers or business unit leaders regarding the areas of responsibility that must be borne encourage disruption of communication relations between managers or business unit leaders and employees. The cultural tendency of multinational companies that prioritizes results-based performance assessment is very different from that of national companies by prioritizing a family culture. Cultural differences are certainly very influential on the pattern of communication between managers or leaders to their employees. Branch leaders at Ericsson prioritize the achievement of KPI targets rather than having to show charisma and authority in overseeing the changes that occur at Ericsson.

Better communication is needed between managers or business unit leaders to employees, so that the changes made can run better and maintain a more conducive work environment. In addition, when a promotion will be carried out, it will be better to provide leadership training so that prospective managers or business unit leaders can more easily carry out their responsibilities and adapt more quickly to new positions and work environments. Managers or business unit leaders must be bolder in making decisions because in the process of change every decision made will affect the sustainability and success of Ericsson's change process.

The results of this study also show that strategic changes made by Ericsson's business units can increase the expected performance. Changes in the operational pattern of Ericsson's more effective business units boost the productivity of employees' performance. By improving employee KPI standards, Ericsson has succeeded in improving employee performance standards for the better. Employees who fall below KPI standards are laid off, making Ericsson's organizational structure leaner. With the smaller the size of the organization, the communication patterns that are established are getting better, and Ericsson's employees are currently the best employees who have met the increasing standards of Ericsson's KPIs.

In addition, the shift in focus on products or services produced by Ericsson's business units is shifted according to market demand. Currently, Ericsson is more focused on developing cellular telecommunications networks, which will have a better impact on the performance of Ericsson's corporate business units. The development of IoT, 5G networks, satellite networks on aircraft carriers are some of the product developments that have been carried out by

Ericsson's business units. Several evaluations that need to be improved by Ericsson's business units are determining the target market to be achieved, the market coverage of Ericsson's business units spread across many countries, of course, the advantages and disadvantages of each country's potential must be considered. There are still many countries that are not yet ready infrastructure to implement Ericsson's products or services.

The process of changing Ericsson's business units towards better performance is also supported by organizational learning processes. The Ericsson business unit regularly conducts and conducts training related to the new financial system pattern, new operational pattern using digital technology assistance and technical related training for new product development. These various kinds of learning encourage every employee of Ericsson's business unit to be more innovative in developing new products or services. In addition, a number of new ideas contribute to a more effective and efficient operational pattern. As a company engaged in technology, the development of new ideas must be carried out as part of the change process that leads to environmental adaptation. The rapid movement of the technology industry.

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