



# Paper 73

Evaluation Of Change Management In PT XYZ

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*Abstract* - PT XYZ is a company engaged in the manufacturing and distribution of vaccines, pharmaceuticals, and poultry equipment. In producing its products, the production process has complied with GMP (Good Manufacturing Practice) and CPOHB (Cara Pembuatan Obat Hewan yang Baik). The slowing growth of the poultry population domestically has slowed PT XYZ's revenue. It makes them take the initiative to enter the agricultural market as a potential market considering Indonesia is an agricultural country.

The change initiatives to enter the agricultural market has yet to be evaluated. The purpose of this study is to evaluate the management of changes carried out in entering the agricultural market. The research used a mixture of quantitative through questionnaires and qualitative through interviews using the DICE and McKinsey 7S framework. Using both frameworks would provide a better understanding of the change management evaluation with the quantitative result using the DICE framework as the predictor of success and opportunity for improvement using a more holistic factor in the McKinsey 7S framework.

Using the DICE framework, the change management carried out is in the "Win" zone. This means that the change management carried out has a high probability of success. The McKinsey 7S framework is used to analyze improvement opportunities. Bureaucracy, operational and monitoring system comprehension, number of team members adequacy, knowledge of team members, and the adequacy of the training carried out are things that are then identified for further evaluation. This is then searched for the root cause and opportunities for improvement.

*Keywords* – Change Management, DICE, McKinsey 7S

### I. INTRODUCTION

The Covid 19 Pandemic caused recession worldwide, including in Indonesia. Restricted mobilization, temporary restricted economic activity, and layoffs affected many industries. The industries need to transform their business or business process to be able to sustain in this condition.

Since 2021, PT XYZ has initiated the change initiative to enter a new market, the agriculture market. The agricultural market is related to any product for cultivating land and

raising crops or non-crops, such as for gardening. Example of agricultural market product is pesticide, seed, and fertilizer. The pesticide product potential alone is more than 35 Trillion rupiahs.

The decision to enter the agricultural market involved organizational change where selected existing Poultry Salesman has to sell poultry and agricultural product, there are also agricultural salesmen who specialized in selling only agricultural products. The agricultural salesman's working area is across several branches. Different chains of command make communication between related party is becoming more important. Adjustment in the current operational & monitoring system is also made to accommodate the agriculture market needs.

Having a change initiative and executing the change initiative is not enough for the company to successfully enter the agriculture market. Communication on the change initiatives, the change management team workload, the company's culture, and current knowledge regarding the agriculture market are several factors that will affect the change management success.

PT XYZ has yet to evaluate its change management initiative. The evaluation of the change management initiatives can provide insight into current change management effectiveness and opportunities for improvement. The research aims to evaluate the change management effort that has been done by PT XYZ.

### II. METHODOLOGY

This research was conducted using a mixed-method of quantitative and qualitative methods. A quantitative method is an approach to analyzing relationships among variables using an instrument that can result in quantifiable data [5]. The quantitative approach is done by collecting data through questionnaires. A qualitative approach is an approach to exploring and having a better understanding of an issue through interviews, observation, or documents [5]. A questionnaire is used to evaluate the possibility of success using the DICE framework [1]. Evaluation using the McKinsey 7S framework will also use a questionnaire. The respondents are employees that are involved in the change management initiative. The evaluation process in the research is done as follow :

### 1. Literature review

The main reference is the DICE framework and the McKinsey 7S framework. Journals & books are also used as supporting resources in this research.

### 2. Data collection

The data collection process is done using questionnaires. The answer provided is using a modified Likert scale that consists of 4 scales. The DICE questionnaire and the McKinsey 7S questionnaire are developed based on each framework and have been consulted with PT XYZ management. The respondents for both questionnaires are the same, which are the employees that are involved in the change management initiative.

### 3. Assessing the data collected

The score for each factor in the DICE framework and the McKinsey 7S framework is calculated by dividing the sum of the score on each statement from all respondents by its ideal score/criterion and multiplying it by 4 to give a score ranging from 1 to 4.

The interpretation of the DICE factor will be using the DICE calculation as follow :

$$DICE\ score = D + (2 \times I) + (2 \times C1) + C2 + E \quad (1)$$

After the calculation, the score can be interpreted as shown in Fig. 1. as follow:

- Score 7-14: Win Zone. Very likely to succeed.
- Score 14-17: Worry Zone. Hard to predict, risky and need action to move from Worry Zone to the Win Zone.
- Score 17-28: Woe Zone. Unlikely to succeed. Need immediate strong action regarding the four factors. The interpretation of the McKinsey 7S factor is combined with observation and interview to give a better understanding of the McKinsey 7S score result.

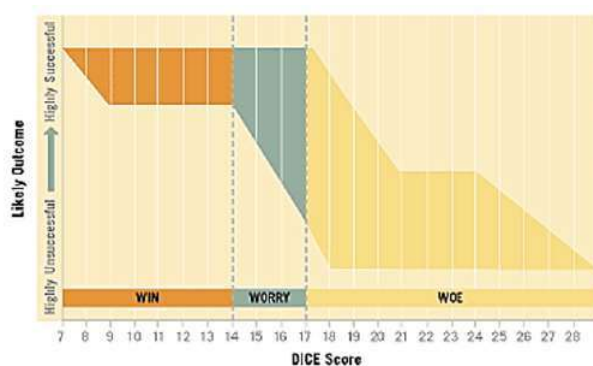


Fig. 1. DICE Framework Chart

(Source : Sirkin, Keenan, & Jackson, 2005)

The DICE framework is used to quantify the possibility of change management success. The 4 (four) factors in the DICE framework are duration, integrity, commitment, and effort. Duration, based on the study conducted by The Boston Consulting Group, a frequently reviewed initiative is more likely to succeed than a short period of initiative that is not reviewed frequently. The integrity factor refers to the extent that which the company relies on the change initiative team to implement the change initiative. The team can consist of managers, supervisors, and staff to have the ability to cope with the change initiative. The change initiative usually involves complex issues, pressure, extra effort, and issues along the way. That is why the performance integrity of the team is needed. Commitment factor to change is needed in two groups, the first is the commitment from the senior manager (also known as C1) and the second is the commitment from the employee that will be impacted or undergoing the change (also known as C2). Commitment from the senior manager (C1) is the energy that gives the change initiative to thrive. There is never enough commitment from the senior manager. The more the senior manager (C1) displays their commitment visibly, the more it drives the willingness of the employee (C2) to support the change initiative and is more likely to succeed. Commitment from the employees (C2) is also important to make the change initiative work. Communication is the key to making the commitment from both sides delivered, seen, and understand. The effort factor considers the increasing workload due to change initiatives. The workload needs to be managed carefully, as the increasing workload is more likely to cause issues or even resistance. Ideally, the workload should not increase more than 10% [1], beyond that, the employee will become overstretched, morale will fall, conflict may arise, and can compromise the change initiative's success.

The 7 (seven) factors in the McKinsey 7S framework are system, skill, staff, style, structure, system, and shared values. The relationship between system, skill, staff, style, structure, system, and shared values are the building blocks of effective organizational change [2]. Strategy is actions that are planned to achieve company goals. A company needs to have a strategy in order to survive and have a sustainable competitive advantage. The structure factor discusses the hierarchy in the organization so they can continually communicate among themselves and have decision-making capabilities among a large group of people [4]. The system is the procedure, formal or informal, in conducting business activities. The style factor refers to a pattern of company management action, response to change, priority making decisions, how they spend their time, and what they pay attention to [3]. Staff in McKinsey 7S frameworks refer to how human resources in the company are developed. The skill factor refers to what the company does best, the ability of the company. Shared

values can be described as guiding principles, values, or the future direction of an organization. Organizational culture is another term for shared values, beliefs, and norms that influence the way employees think, feel, and act toward others [3].

### III. RESULTS

The DICE and McKinsey 7S questionnaire was developed based on the understanding of the DICE and McKinsey 7S framework. Based on the DICE questionnaire, The DICE calculation result is shown below:

$$\begin{aligned}\text{DICE score} &= D + (2 \times I) + (2 \times C1) + C2 + E \\ &= 1,81 + (2 \times 1,78) + (2 \times 1,78) + 1,62 + 2,13 \\ &= 12,67\end{aligned}$$

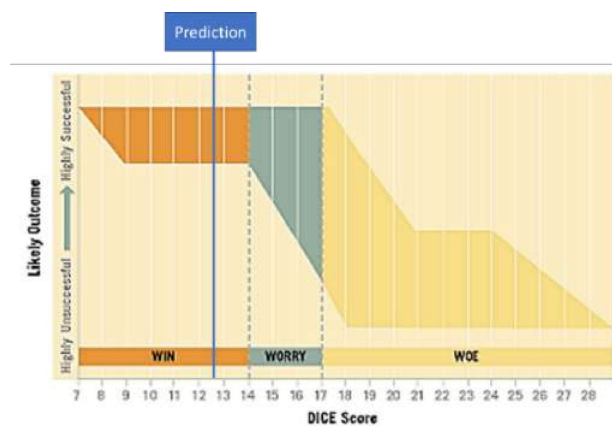


Fig. 2. Result of DICE Score Prediction

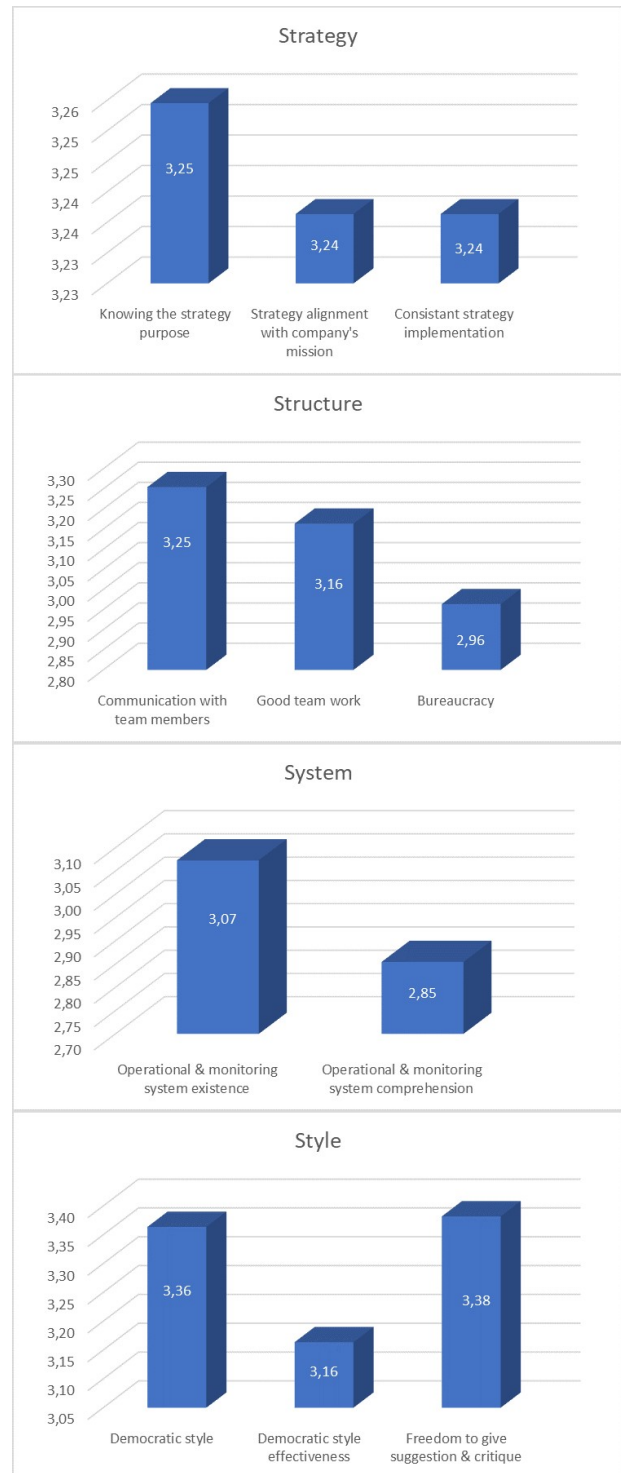
The initiative to enter the agriculture market DICE score is 12.67. As shown in Fig. 2, the score is in the win zone, which means the initiatives have a high possibility of success. However, the score is near the worry zone and is recommended to be analyzed further.

The McKinsey 7S questionnaire is using modified Likert scale that consists of 4 scales. The result using McKinsey 7S is interpreted using the interval shown in Table 1.

Table 1 - McKinsey 7s Questionnaire Score

Interval	Indicator
1 – 1,74	Very poor
1,75 – 2,49	Poor
2,5 – 3,24	Good
3,25 - 4	Very Good

The McKinsey 7S questionnaire resulted in a good and very good factor in all the 7 (seven) factors as shown in Fig. 3, below.



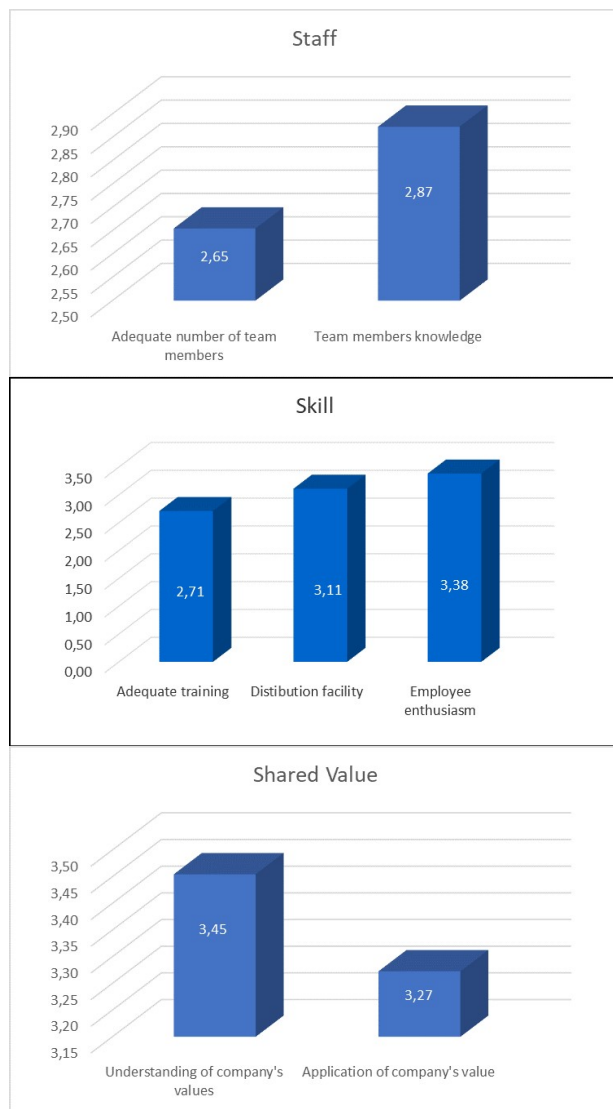


Fig. 3. McKinsey 7S Questionnaire Result

Based on the result, the factor that has a score below 3 (three), is analyzed further using interviews. Bureaucracy in the structure factor, operational & monitoring system comprehension in the system factor, adequate number of team members & team member knowledge in the staff factor, and adequate training in the skill factor have scores below 3 (three).

#### IV. DISCUSSION

The strategy factor in the McKinsey 7S framework has an average score of 3,24 out of 4, which is considered a good score. PT XYZ had broken down the strategy into initiatives within a smaller timeframe to be monitored. The result of the overall Duration factor on the DICE framework shows that 27,27% of respondents strongly agree and 64,85% of respondents agree that the initiatives have periodic monitoring and are effective to enter the agriculture market. Comparing the result of

the strategy factor in the McKinsey 7S with the duration factor in the DICE questionnaire shows that the team knows and acknowledges the monitoring effort and the result of the initiatives. Working and aligning employees with the company's strategy is important to effective implementation [6].

The adequate number of team members' questions in the McKinsey 7S questionnaire shows that 30,91% of respondents disagree and 7,27% of respondents strongly disagree that there is already an adequate number of team members. The inadequate number of team members due to additional tasks to support entering the agricultural market had increased team members' workload. This correlates with the DICE questionnaire result, where 34,55% of respondents disagree and 7,27% of respondents strongly disagree with only little change in their workload as an effect of entering the agriculture market. Although there is an increasing workload, it does not stop the team member from supporting the initiatives to enter the agriculture market as shown in the DICE questionnaire. In the DICE questionnaire, 27,27% of respondents strongly agree and 58,18% of respondents agree that they are willing to work more than 10% of current working hours to support the agriculture market.

The employee enthusiasm scored 3,38 on the skill factor of McKinsey's questionnaire. This correlates with the DICE questionnaire in the commitment from employee factor, where 36,36% of the respondents strongly agree and 56,36% of the respondents agree that they understand the benefit and importance of entering the agriculture market. The understanding makes a positive environment where the team members are excited and committed to bringing the initiatives to success. This is also related to the Top Management commitment factor in the DICE questionnaire where 32,73% of the respondents strongly agree and 56,36% of the respondents agree that the Top Management of PT XYZ always explains the importance of entering the agriculture market.

#### V. CONCLUSION

PT XYZ's change management to enter the agriculture market has a high possibility of success as shown in the result of the DICE framework questionnaire. The result of the DICE framework is 12,67, near the worry zone threshold of 14. Using the McKinsey 7S framework, potential opportunities for improvement are found in the structure, system, staff, and skill factors. Bureaucracy in the Structure factor scored 2,96, operational and monitoring system comprehension in the System factor scored 2,85, the adequate number of team members in the Staff factor scored 2,65, the team members' knowledge in the Staff factor scored 2,87, and adequate training in the Skill factor scored 2,71. Those factors are then discussed



to find the root cause and opportunities for improvement recommendations.

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