ANALYSIS AND DEVELOPMENT OF CHANGE MANAGEMENT FRAMEWORK IN JATIS SOLUTIONS

Dwina Febria Effendy, Jann Hidayat Tjakraatmaja and John Welly
School of Business and Management
Institut Teknologi Bandung, Indonesia
dwina@sbm-itb.ac.id

Abstract—*The study aims to analyze change management implementation in Jatis Solutions and develop solutions to the finding issues to mitigate obstacles and accelerate the change stick. The company wanted to renew its business strategy and has announced it to the employees in Q4 2010. The organization was restructured, the business process also changed according to the new strategy. Turnover ratio was increased from 17% to 58% in 2011. A study conducted in 2012, analyzing the change implementation by comparing with Kotter's 8-steps Change Management model. Realizing the change is stuck in removing obstacles and creating short term wins steps, the interconnection business elements of the current change was measured using 7S McKinsey to see the probable imbalance of elements which might be the core obstacles to the change. The initiatives execution then measured using DICE methodology to understand the obstacles on winning the short terms. Improvements to change programs are proposed by preparing readiness for change to managers and employees motivation programs.*

Keywords: Change Management, IT Delivery Service, Kotter's 8 Leading Step of Change, 7S McKinsey, DICE methodology

1. Introduction

Jatis Solutions is local IT Company that provides Enterprise Application Integration and Professional Services, established in 1997. The company offers ERP, CRM, Wealth Management, Data Warehouse, Mobile Application, and Custom Application to Enterprise in various industries such as retail, manufacturing, and financial. In 1999, the company expands its business by opening branch offices in Singapore, and later in Malaysia and Philippines. Then to take advantage of Indonesia's burgeoning cellular technology industry, in 2002 the company decided to spin-off its mobile content provider and mobile marketing divisions into a separate business entity, Jatis Mobile. Keeping with its principle "constant innovation", the company decided to become Application Infrastructure Provider, to help multi-industry firms get connected and collaborate with low investment cost. The idea is by connecting all products into a complete solution and introducing a recurring business scheme, where enterprises can use the company's solutions through subscription arrangement instead of software license purchasing.

The transformation began by replacing its director in August 2010 and continues with announcement of the change in September 2010 together with restructuring the organization. The original structure was divided by product, such as Oracle Division, Microsoft Division, Data Warehouse Division, etc (see Figure 1). Each division has sales team and delivery team. In the new structure, the sales and delivery team are divided in separate divisions. Sales divided by industries (vertical) and delivery divided by product group (horizontal) as seen in Figure 2.
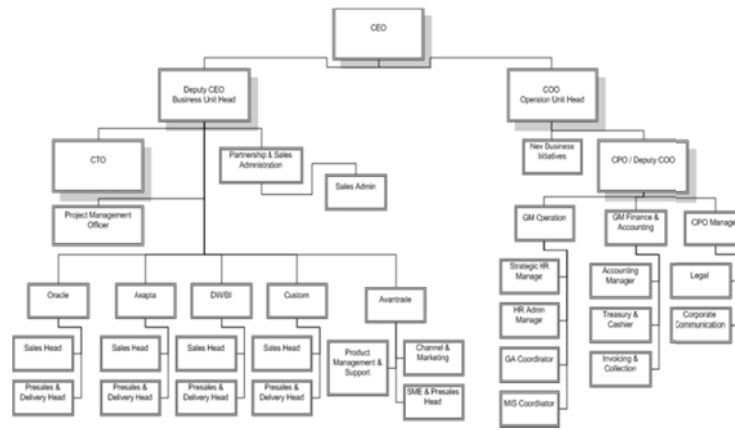
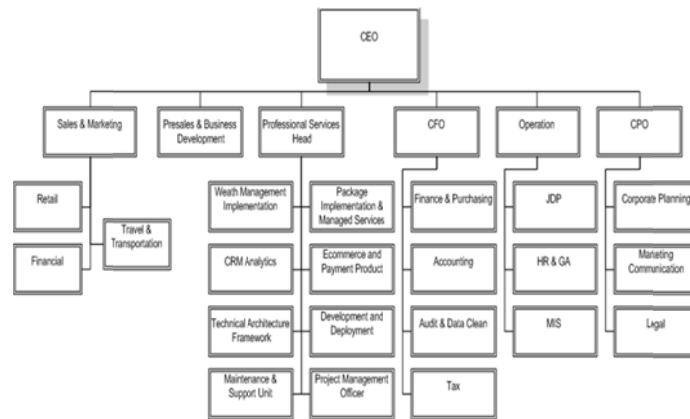Figure 1. Jatis Solutions 2009 Organization Structure

Figure 2. Jatis Solutions 2012 Organization Structure

The director introduced a new vision "we connect businesses" and new mission "simple (product), open (systems), proven (business)". He made regulation to forbid all divisions to use the old practice and immediately adjust to the new business scheme. The challenge of change in the most frequent and prominent is the resistance to change from all levels: front-line and managers.

Rejection can be clearly visible (explicit) such as resignation; or it could be implied (implicit), and slowly, such as loyalty to the organization is reduced, decreased job motivation, increased errors on work, increased absenteeism, and so forth. In early 2011, the company has 61 middle managers and 129 front line employees. But a significant resignation comes afterwards by around 50% (see Table 1), while according to Compdata Surveys, the average turnover rate for technology industry in 2010 was 16.2% (Bares, 2011).

Table 1. Turnover Ratio 2010-2011

Date	Level	Available	Resign	Turnover Ratio
2010	Middle Manager	74	13	17.57%
	Front Line	156	27	17.31%
2011	Middle Manager	70	41	58.57%
	Front Line	229	124	54.14%

Dr John Kotter, with his thirty years research have proven that 70% of all major change efforts in organization fail, because organizations often do not take a comprehensive approach required to manage the change (Kotter, 1996). This study will evaluate the implementation of change

management in Jatis Solutions and provide recommendations to make the change successful and stick. This study is limited within the core divisions of Jatis Solutions which consists of Sales & Marketing, Presales & Business Development, and Professional Services Divisions (see Figure 2).

2. Business Issue Exploration

Change is something that must be done by every company in order to maintain its competitive advantage. Pressures to change can come from environment or internal organization. Changes that occur in Jatis is affected by the environment (market and technology), and internal (growth and collaboration). IT industry, especially for software providers, is greatly influenced by the advancement of technology. Back in 1960s, software is stored in a powerful computer named 'mainframe'. Mainframe used primarily by bank and governmental organization for critical applications such as ERP, financial transaction processing, and customer statistics.

In the 1990's, mainframe industries was dying due to the low cost of new Personal Computer (PC)/server based hardware. In addition to its smaller size than mainframe, PC is more attractive with graphical user interface. In early 2000s Salesforce.com introduced software as a service (SaaS), a software delivery model in which software and its associated data are hosted centrally, and accessible by users using a thin client, normally a web browser over the Internet. With SaaS, vendor can reduce the substantial cost of code delivery to customer, help to gain sustainable revenue with recurring-revenue models, potentially increase market share to the entire Internet business market with web-based service models. In customer focus, SaaS can reduce internal staff efforts for software programming and maintenance, faster implementation, and reduce Total Cost of Ownership (TCO) for application services.

Realizing the advantages of SaaS, the company decided to transform its business from traditional IT delivery model to IT service model, inside the business strategy "collaborative commerce", an application platform provider that can help business partners to collaborate gaining mutual business benefits, with recurring business scheme. However changes can't be done by only changing the business process, but company also need to think about the effect on the organization model includes interconnection between organization variables so that stakeholders, especially managers, can understand "how things work", "what causes what" and so forth within the organization. Not less important is the soft factors such as culture, leadership, and motivation, also affect the success of the change. It needs guidance steps from planning, implementation, to making the change stick. Skipping steps only creates illusion of speed and never produces a satisfying result (Kotter, 2007). After the change was announced and implemented in 2 years, comparing with change management best practices will be a best way to identify the unforeseen obstacles to change, and gain solutions to accelerate the successful of change.

A. Conceptual Framework

Kotter introduced 8-steps to lead change that help companies to understand and manage change where each steps acknowledge principle relating to people's response and approach to change, which can be grouped into 5 phases. Phase 1 Planning: (1) Increasing Urgency; (2) Build the Guiding Team; Phase 2 Enabling: (3) Get the Vision Right; Phase 3 Launching: (4) Communicate for Buy-In; (5) Empower Action; Phase 4 Catalyzing: (6) Create Short Term Wins; Phase 5 Maintaining: (7) Don't Let Up - Consolidating Improvement; (8) Make Change Stick.

Change implementation cannot only rely on soft factors such as leadership and culture, the hard factors also requires for change which affecting the successful of achieving steps in Kotter. Measurement, communication, and interconnection of business elements will help directing the stakeholders to meet the change goals. This study will analyze the change implementation from the stage achievement, interconnection of the business elements, and program execution.
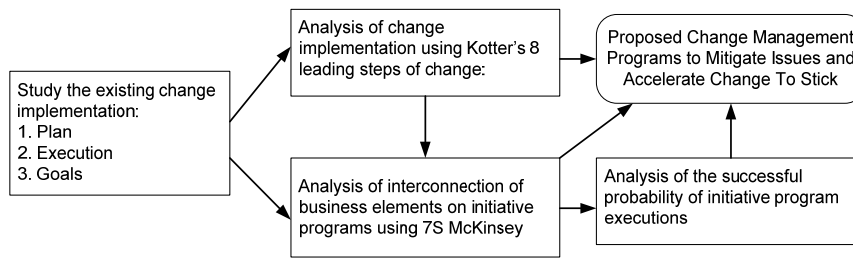
Figure 3. Conceptual Framework

B. Method of Data Collection and Analysis

Since no specific change management programs, data collection where conducted three times to analyze the change management implementation in the company. The first data collection is by interviewing with the CEO in order to understand how the management plan and enable the change for the company. The second data is collected by spreading a survey from current employees and resigned middle managers that leave after the change announced to know how the company communicate and empower the change to employees to buy-in. For the last data collection, interview to General Managers and selected employees are conducted to understand how the company implement the change initiatives in order to win the change, as it requires in catalyzing and maintaining phase.

C. Analysis of Business Situation

There are some gaps between the actual implementation and Kotter's 8 steps best practice (see Table 2). No formal guiding team is created, thus no one feel responsible to communicate the change and empower the employees to make action to the change. However it turns out 90% of the current employee respondents have a will to support the change, although only 55% feel the change message is clear. It means that the employees believe in the company vision.

Table 2. Kotter's 8 Step of Change Practice Mapping

Step Title	Theory	Implementation at Jatis Solutions
Create Urgency (Planning)	Needs 75% company's management to support change	In August 2010, all managers were gathered to gain support from middle managers by communicating the new strategy, organization restructure, and the new director that will lead the change.
Create Guiding Coalition (Enabling)	Build the guiding team	No formal guiding team created, management was expecting General Managers to lead the change for each divisions. The change implementation was lead by the new director.

Create a Vision (Enabling)	Guiding Team to create a clear vision and strategies for employee to understand the main goal of the change	Management has prepared a change vision, but no strategic initiatives made. The company immediately announced the transformation (skip to step 4) and expecting GMs made adjustment to the impact that happened on the divisions, and remain achieving the targeted revenue.
Communicate to buy-in (Launching)	Employee to belief that useful change is mandatory and sacrifices is required	The company announced the change to all employees in September 2010, by communicating the new vision, mission, and organization restructure. A survey distributed in April 2012 resulted 86% current employees believe the change and 90% support the change, although the communication frequency is perceived differently by employees. Only 41% feel the management/agent communicate the change more than once in a month, 38% feel once in 1-6 months, and 21% others feel the change is communicated once in the last 7 months or never. Only 55% feel the change message is clear, while the others choose neutral or unclear.
Remove Obstacle (Launching)	Removal of obstacle, e.g. formal structure that make it difficult to act, system that make it difficult	GM weekly meeting were used to examine issues and solutions. The company has been restructured several times to adjust the company's capability with the new vision. However, middle manager turnover ratio in 2011 has increased from 17.57% to 58.57%. A survey distributed

	to response, and discourage action from leaders at implementing change	in April 2012 to middle managers that resign in 2011 resulted 65% respondents feel loss of self belonging to the company, while survey to active employees resulted 24% lost of self belonging to the company during the change. The CEO indicated that need frequent re-alignment to make comprehensive obstacle mitigation.
Create short term wins (Catalyzing)	Need to prepare a process of producing short term or quick wins for the changes	At 2011, GMs were forced to adjust the business process to the new vision without considering the organization elements readiness such as the staff, skill, style, and shared value. At the end of 2011, the CEO lead the change and made policies that GMs can create short term wins for 2012 to prepare the required elements for the transformation.
Consolidating Improvements (Catalyzing)	Requirement to build new behavior and practices into culture for long terms success. Management to focus on giving clarity to aligned vision and shared values, reduced interdependencies between areas, etc.	The company is still heading for the achievement of the change, thus this step cannot be mapped yet.

Make the change stick (Maintaining)	To anchor the change into culture with new behaviors rooted in social norms and shared values	The company is still heading for the achievement of the change. The company should prepare successor programs or systems as early as possible to anchor the change into the company's culture.

From survey that were collected from resigned middle managers, 65% respondents feel loss of self belonging to the company, with the most chosen reasons are losing their competency and lose bond to the company (see Figure 4). This result shown that the company is not too successful on managing the obstacles after the change announcement. Restructuring the organization without clear new roles and responsibilities, low communication of the urgency and direction to change more or less affecting the comfort level of employees. Managers that previously had good skills that are needed on the original business process, suddenly forced to leave his/her skills behind and adjust or learn new skills. Transformational change needs sacrifices, but employees will not make sacrifices unless they believe that useful change is possible. These people will tend to resist the change and eventually leave the company.
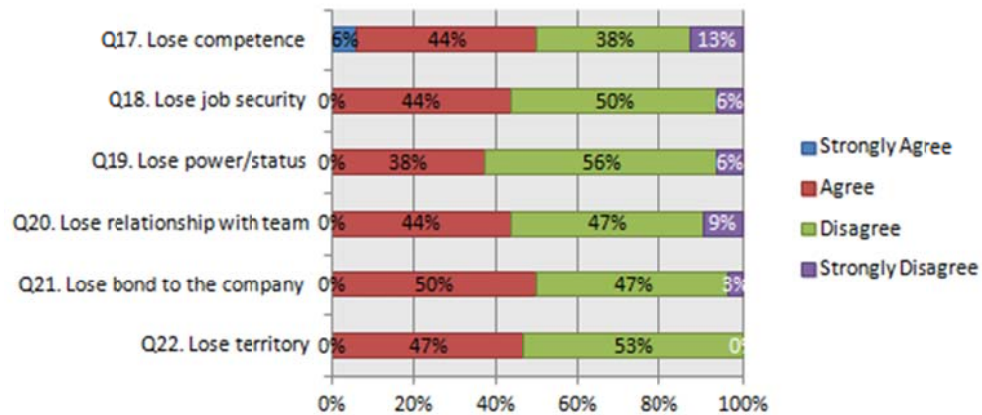

Figure 4. Level of lose self belonging to company factors from resigned managers

Realizing the change was not communicated and controlled well, the CEO come to lead the change in the end of 2011. He re-aligns the vision by communicating the change more frequent and ask GMs to create strategic initiatives that support the change. 20 strategic initiatives are collected by interviewing each GM because the programs often not documented nor announced formally (see Table 3). Robert Waterman Jr, Tom Peters, and Julien Philips from McKinsey & Company believe that organizational effectiveness comes from the interaction of seven factors and successful change requires attention to the interconnectedness of the variables [Palmer, 2008:124]. For an organization to operate effectively, each of the seven factors within this framework must be aligned and connected. Figure 5 illustrates the alignment of the company's strategic initiatives together with issues found on several factors.

Table 3. 20 Strategic Initiatives

No	Div.	Strategic Initiatives	7S Elements
1	PI MS	Industries Focus	Strategy – productivity
2	PI MS	Enhancement – Product Connector	Strategy – growth
3	PI MS	New Service – Service A for new target market	Strategy – growth
4	PI MS	New Service – Service B for new business	Strategy – growth
5	PI MS	Enhancement – Product Component	Strategy – productivity
6	PI MS	Maintenance Standardization	System
7	TAF	Framework Standardization	System
8	EPP	Partnering with 3rd party for reseller and implementer	Strategy – productivity
9	EPP	Document Standardization	System
10	EPP	Product Enhancements	Strategy – growth
11	BIZ	Sales Mentoring	Skill
12	BIZ	New Product – Product A for Micro	Strategy – growth
13	DND	Encourage knowledge sharing	Skill
14	MSU	Improve administration discipline for maintenance	System
15	WMI	Product Enhancements	Strategy – productivity
16	WMI	Hiring Subject Matter Experts	Staff
17	WMI	Partnering with 3rd party for reseller and implementer	Strategy – growth
18	PMO	PM Mentoring	Skill
19	PMO	PM Tool Enhancement	System
20	PMO	PM Policy and Template Standardization	System

Strategy
Build growth and productivity strategies :
Growth:
1. Prepare new product & services

Productivity:
1. Focus only on targeted industries
2. Partnering with 3rd party
3. Continuous product enhancement

System
1. Enhance project management tool and methodology
2. Improve standardization and administrative for :
    a. customer acquiring
    b. project implementation
    c. support/maintenance
    d. Product

Need to strengthen employee engagement and retention programs

Structure
1. Restructure organization , focus on industry (sales) and product (delivery)
2. Aligning business units structure

Need to consider to raise the structure level of PMO division

Shared Values
SPORTIF (Smart, Professional, Organization for learning, Result oriented , Teamwork, Integrity , Fun and Openness

Need strengthen the cultural value to be shared value

Staff
Hire 3 Subject Matter Experts to fill the skill gap

Need to hire staffs to fill the resigned employees position

Skill
1. Empower knowledge sharing and training
2. Sales Mentoring
3. PM Mentoring

Style
Management's leadership style is inspirational and commanding. The company needs logical and supportive leaders to lead the change .
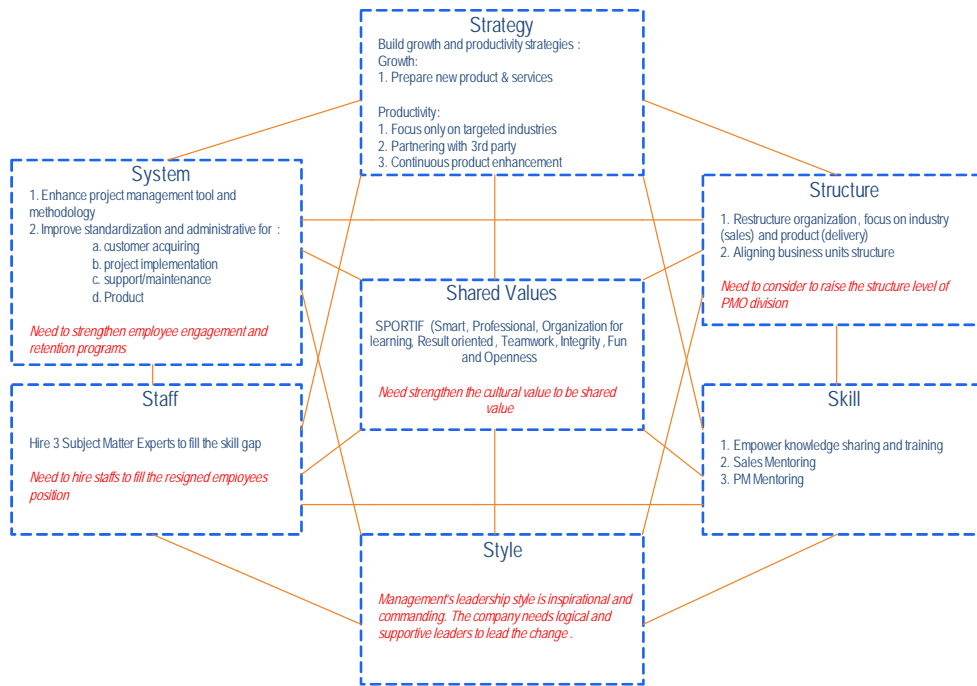
Figure 5. Strategic Initiative Alignment to 7S McKinsey

Strategic initiative plans may not be successful if the implementation is not producing expected results, either because the obstacles are not identified and evaluated, or identified but cannot be overcome. These strategic initiative programs will be the short term wins to meet and celebrate to motivate people supporting the change as required on Kotter's step 6. DICE measurement is conducted to the 20 strategic initiatives to know the successful probability and highest obstacles in the execution. Figure 6 illustrates the measurement result: only 4 of 20 or 20% programs are in the Win Zone. The biggest threat is C1 or top level commitment (see Table 4). Lack of resources and changing priority of top level support became the most common issues. Several programs are postponed because team resigned and no replacement, or simply because the top level shift their focus to another important issue.
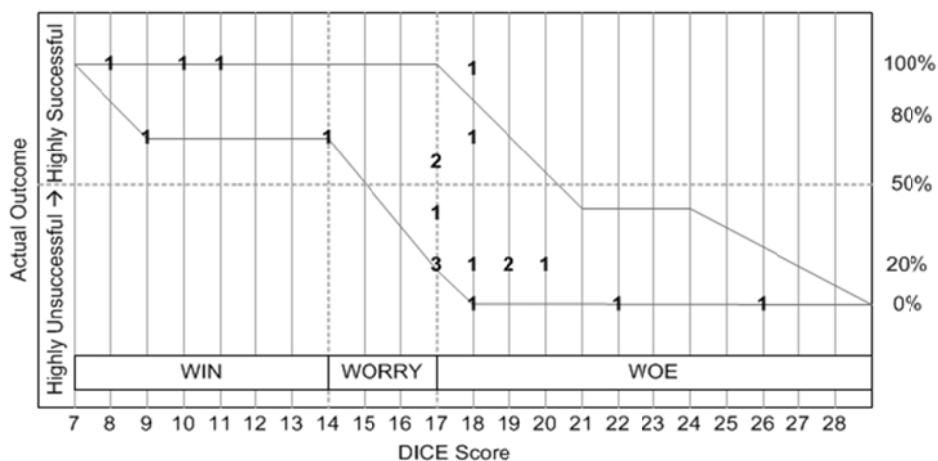

Figure 6. DICE Score Diagram of Strategic Initiatives Programs

Table 4. DICE Measurement Result of Strategic Initiatives Program 2012

Program Number	DICE Scores					Total DICE	Actual Outcomes
	D	I	C1	C2	E		
1	2	3	3	2	1	17	20% Postponed
2	4	4	4	3	3	26	0% Postponed
3	2	3	3	2	2	18	20% Postponed
4	4	3	3	2	2	20	20%
5	2	3	3	2	1	17	40%
6	2	3	3	2	1	17	20% Postponed
7	2	3	3	2	2	18	100%
8	3	3	3	2	1	18	0% Postponed
9	3	2	3	2	3	18	70%
10	1	3	3	2	4	17	60%
11	1	1	1	2	2	9	70%
12	1	3	3	2	1	17	20% Postponed
13	2	3	3	2	1	17	60%
14	1	2	2	1	1	11	100%
15	2	1	2	3	3	14	70%
16	4	3	3	2	1	19	20%
17	4	3	3	2	1	19	20%
18	4	3	4	2	2	22	0% Postponed
19	1	1	1	2	1	8	100%
20	1	1	1	2	3	10	100%
Total Each Elements	**46**	**51**	**54**	**41**	**36**		
Total Actual Outcome Percentage for Q1							**45.5%**

3. Business Solution

Looking at the situation in Jatis, several issues can be found on each change stage (see Figure 7,). These issues may happen because the company is not separating between initiatives that support the change and standard work programs. No formal guiding team cause no people feel responsible to make sure the change is on track and build the change culture. To overcome the finding issues, several solutions are proposed on Table 5.
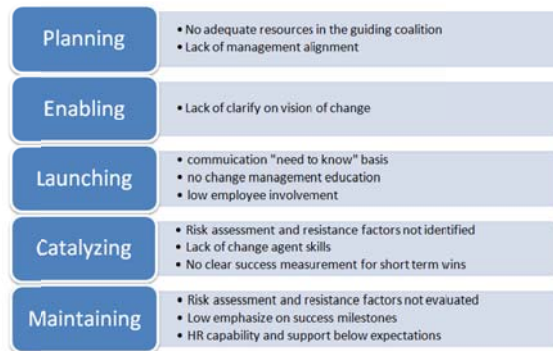

Figure 7. Change Management Problem Map

Table 5. Proposed Solutions

No	Solution	Proposed Activities & Expected Outcome
1	Leadership and readiness for change	**Proposed Activities** ■ CEO to assign formally managers who will be the guiding team and responsible for ensuring that changes are sustained ■ CEO to persistently guiding the managers to be agent of change capable of leading and facilitating the transformation ■ Continuous leadership and regeneration program for managers and employees ■ Managers to build a culture of cooperation/collegiality o Team work o Reflective practice o Continual improvement and learning o Responsiveness to change **Expected Outcome** ■ Same urgency level amongs the management and managers ■ Formed a strong integrity and commitment guiding team ■ Formed a leadership and regeneration culture
2	Defining organization	**Proposed Activities** ■ Managers to develop clear

	interventions	strategic initiatives and define detail activities/procedures to be done by the staff
		▪ Managers to acquire and make it available the required resources and infrastructure to support the change
		▪ Managers to review and/or revise policies and procedures as required for work activities that need specific action requirements due to this organizational change
		▪ Managers to do regular review of the strategic initiatives by using DICE tools to prevent and overcome any obstacle that may interfere the implementation
		Expected Outcome
		▪ Obstacles towards the change are reviewed and prevented
		▪ Formulate well planned strategic initiatives.
		▪ Strategic initiatives are treated as projects, with clear target outcome, documentation, and procedures/activities.
3	Clarity of purpose	**Proposed Activities**
		▪ Manager to conduct intense periods of staff consultation to establish the sense of purpose and urgency established and recognized the stages of change
		▪ CEO to inspire Managers and staff to move, make the needs for real change
		Expected Outcome
		▪ Same urgency level among the employees
4	Strategic initiative alignment	**Proposed Activities**
		▪ Managers to conduct regular alignment with both CEO and staff. Develop a communication plan and regular meeting with the staff. Exchange regular and up to date information about the transformation in a pro active and open manner
		▪ Managers to conduct comprehensive assessment on any resistance and obstacle for the change
		▪ HR to synergize strategic

		initiatives to manager's KPI
		Expected Outcome
		▪ Same understanding of the change message among the management, managers, and employees
		▪ Formally reviewing the initiatives to sense any resistance and obstacle.
5	Connectedness	**Proposed Activities**
		▪ Overcome resistance to change, identify and promote relationship among division, encourages matching of individuals
		▪ Connect people to each other through shared experience, strengthened relationships, shared a common purpose, and storytelling in an informal way of conversations.
		Expected Outcome
		▪ Continuous removing obstacles
		▪ Reduce employee resistance to the transformation
6	Quick wins	**Proposed Activities**
		▪ Prioritize initiatives; develop short term realistic milestone or interim goals
		▪ Make appropriate celebration on any milestone achievement
		Expected Outcome
		▪ Encourage quick wins action and implementation
		▪ Encourage employee motivation towards the success of the transformation
7	Consolidating performance improvement	**Proposed Activities**
		▪ Continually monitoring plan, implement, review, and improve cycle
		o Work process improvement
		o Staff development to create a cultural responsiveness
		o Review achievement regularly
		o Mitigation resistance factor
		▪ Consider the development of a retention strategy for key personnel if risk of losing them is high
		▪ Consider implementation of appropriate rewards and

		recognition for key contributors
8	Stengthen the company's culture	**Expected Outcome** ▪ Employee engagement and retention program is built. ▪ Higher employee morale **Proposed Activities** ▪ HR to re-promote corporate culture (SPORTIF) to all employees and managers ▪ HR to create continuous building culture programs with interesting rewards and recognition. ▪ HR to align corporate culture with management practices and KPI **Expected Outcome** ▪ Company's culture value become shared value ▪ Higher employee morale

4. Conclusion and Implementation Plan

Based on the analysis, the most crucial issues of change management in Jatis Solutions that make the implementation unaligned were the different level of urgency within the organization, lack of change agent skills, and weak support from HR in building the formal change management program.Therefore change implementation must be developed by strengthening the readiness to change is strong in top level such as re-alignment of the urgency in managerial level, prepare change agent skills and build a formal change management program together with HR. Then the company should work the change together with front line employees, increase the employees' motivation, and synergize the new culture and change management programs to performance indicator to make the change stick. Table 6 illustrates the proposed implementation plan start from Q2 2013.

Table 6. Proposed Implementation Plan 2013

Month	Program	Involved Person/Unit	PIC
Apr	Leadership and readiness for change	BoD, GMs and HR	CEO
May	Clarity of purpose Defining organization interventions	Managers and change agents Managers and Staff	Change agents Managers
Jun	Strategic initiative alignment Quick wins	CEO, Managers, Staff, and HR Managers, change agents and staff	Managers Managers and change agents
	Connectedness	Managers, change agents,	Change agents

		and staff	
Oct	Consolidating performance improvement	Managers and HR	HR
	Strengthen the company's culture	HR	HR

.

References

Auf.af.mil, n.d., Leading Change, n.d., Quoted on 18 April 2012 from http://www.au.af.mil/au/awc/awcgate/usafa/review_leading_change.htm

Bares, Ann, 2011, 2010 Turnover Rates by Industry, March 2010. Quoted on 13 March 2012 from http://www.compensationforce.com/2011/03/2010-turnover-rates-by-industry.html

Bookman, A. (2010). Time to revitalize your PMO? Information Management, 20(4), 13. Retrieved from http://search.proquest.com/docview/577061561?accountid=31562

Chammas, Angela, n.d., Leading Organizational Transformation – Understanding Employee Loss During Transformation, n.d. Quoted on 26 March 2012 from http://ezinearticles.com/?Leading-Organizational-Transformation---Understanding-Employee-Loss-During-Transformation&id=4022543

Fuda, P., 2009, Organisational Transformation: Creating Alignment from the Outside-In, 2009. Quoted on 26 March 2012 from http://www.tap.net.au/resources/TAP_WhitePaper_OrganisationalTransformation.pdf

Gens, Frank, 2010, IDC Prediction 2011: Welcome to the New Mainstream, December 2010, Quoted on 17 December 2011 from http://www.idc.com/research/predictions11/downloads/IDCPredictions2011_WelcometotheNewMainstream.pdf

Glowa, T., 2001, Examining Starbucks using the 7s method, September 2001. Quoted on 26 March 2012 from http://www.glowa.ca/Starbucks_7s_Method.pdf

Jatis Company Profile 2012, unpublished document.

Jose Angelo Santos, d. V., Wainer da Silviera, e. S., & Carlos Alberto, P. S. (2008). Project management office (PMO) - principles in practice. AACE International Transactions, , PM71-PM79. Retrieved from http://search.proquest.com/docview/208171821?accountid=31562

Kotter, J.P., 1996, *Leading Change*, Boston: Harvard Business School Press.

Kotter, J.P., 2002, *The Heart of Change*, Boston: Harvard Business School Press.

Kotter, J.P., 2007, Leading Change: Why Transformation Effort Fail, *Hardvard Business Review: Best of HBR*, January 2007, 1-10.

Lim, Alvin, n.d., Saas: Business Myth or Reality, n.d., Quoted on 17 December 2011 from http://www.ogf.org/OGF24/materials/1448/Ent01+-+GridAsia+SaaS+-+Business+Myth+or+Reality.pdf

Palmer, I., Dunford, R., and Akin, G., 2008, *Managing Organizational Change*, McGraw-Hill International Editions, 2nd Edition.

Reardon, K.K, Reardon, K.J., Rowe A.L., n.d., Leadership Styles for the Five Stages of Radical Change, n.d., Quoted on 10 May 2012 from http://www.au.af.mil/au/awc/awcgate/dau/reardon.pdf

Sirkin, H.L., Keenan, Perry, and Jackson, Alan, 2005, *The Hard Side of Change Management*, Harvard Business School Press.

siia.net, 2001, Software as a Service: Strategic Backgrounder, February 2001, Quoted on 17 December 2011 from http://www.siia.net/estore/pubs/SSB-01.pdf

Valuebasedmanagement.net, n.d, 7-S Framework of McKinsey, Quoted on 17 December 2011 from http://www.valuebasedmanagement.net/methods_7S.html

Williams, Alex, 2010, Saas Market Grows Spectacularly to the Detriment of the IT Kings, July 26 ,2010, Quoted on 17 December 2011 from http://www.readwriteweb.com/cloud/2010/07/sass-providers-challenge-the-k.php