ASSESSMENT OF CHANGE MANAGEMENT INITIATIVES IN FOOD INGREDIENT DIVISION TO INCREASE SALES GROWTH, CASE OF PT. EKACITTA DIAN PERSADA

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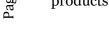*Corresponding Email: okta_paulia@sbm-itb.ac.id*

Abstract

Ekacitta Dian Persada (EDP) is a supplier company for ingredients that focus on food, pharmaceutical, and personal care products which are very dependent on sales performance and sales growth. Meanwhile the Food Ingredient Division of EDP's sales growth declined by 20.19 percent compared to that of 2018 because there was a new CEO who made sudden changes in the management system in EDP. This research aims to assess the change management implementation and recommend better change management practices to increasing sales growth. In achieving the research objectives, the author uses a change management framework called Kotter's 8-steps model for assessment in leader level and the ADKAR model for assessment in salespeople. In this research, the salespeople were not ready for the changes that affected the sales performance and achievement. The changes occurring at EDP are not effective and efficient in increasing the sales growth. Many improvements still need to be made such as using the change management framework as a guideline to be more transparent about the change and positively impact, especially for increasing sales growth.

***Keywords*:** Change Management, Sales Growth, Kotter-8 steps Model, ADKAR Model.

1. Introduction and Purpose

Industries in Indonesia are extensive, ranging from textile, petroleum, coal, mining, food, beverage, and many more. One of the sectors that are in high demand and much needed is the food and beverage industry. Based on BPS 2019, the commodity with the highest consumption participation was a beverage and prepared food at 99.32 percent. Almost all households in Indonesia consume prepared food and beverage commodities. High demand and consumption for food and beverage are increasing from time to time. It also increases the need for raw materials or ingredients to produce these foods and beverages, which goes hand in hand with increased sales of food and beverage products. Based on Euromonitor 2020, the sales growth from 2014 to 2019 is 7.81 percent, and forecast sales growth from 2019 to 2024 is 2.58 percent. A positive sales growth value indicates an increase in total net sales in packaged food each year compared to the previous year. This forecast also shows that the demands for food and beverage products are still growing.

Sales are one of the most critical parts of the business, especially for distributing ingredients business in food as of EDP. EDP is a supplier company for ingredients that focus on food, pharmaceutical, and personal care products. EDP is not a manufacturing company, so it buys the products from the reliable and trustworthy global and local sources and supplies the products to their customers.

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In EDP, sales named Technical Sales Executive (TSE) are under the supervision of Division Head. The sales division's task is to improve sales strategies and determine the most effective activities to increase company sales. The sales division uses a direct system, where the salespeople can directly call and visit the customer to get direct information about the customer's needs and projects. The salespeople's main jobs are to sustain a long-lasting relationship with customers, maintain a record of all sales, schedule customer appointments, and handle customer complaints.

In running its business, EDP is very dependent on sales performance and growth. Sales also kept company business running well. Implementation of the sales process involves people, practices, values, and cultures, where the people and the functions of sales need to be managed and aligned. Therefore, this must be supported by the organization and the leader who has an authority that could support the business in a better direction.

Unfortunately, EDP has faced an issue where they were declining in sales growth from 2018 to 2019 with a decrease of (-20.19) percent. The issue can occur due to a degradation in business performance and sales productivity. In late 2018, there was a change in the CEO who made sudden changes in the organization and management system in EDP. The change management initiatives were detrimental to some affected people because of the lack of information and urgency about change management. This condition has an impact on decreasing the actual sales achievement, which significantly influences the sales growth. Therefore, the objective of this research is to assess the change management initiatives and their implementation at the Food Ingredient Division of EDP and to recommend better implementation of change management program.

2. Literature Review

In order to sustain the business organization, it requires changes to keep meeting the needs of customers, such as improving performance, improving the use of technology, innovation, and job rotation, or reorganizing structure. The changes that happen can be defined as part of change management. The word management implies an effort to manage best, implement, and evaluate the change. Grimolizzi-Jensen in Tang (2019) defined change management as focusing on the broader impact of change, particularly on people as individuals and teams move from the current state to the future state for achieving the lasting benefit of change.

In Tang (2019), Kurt Lewin identified that change could be initiated from within the business or generated outside. The triggers of change can be from internal and external factors that force driving change as well as a force restraining it as follows.

Internal factors that force the change within the business or organization are desire to increase profitability and other performance measures, the need to recognize to increase efficiency and competitiveness, a different perspective and ineffective communication of each department turns into a conflict, demotivation and poor business relationships, and the need for greater flexibility in organizational structures External factors that force the change within the business organization are issues that impact the economic condition are pandemic, trade war, a political issue, legislation, taxes, ethics, social value, etc., scarcity of natural resources, globalization and technological change, greater competition of the same businesses and increased demands for higher quality and levels of customer service

After it is known the factors of change that have occurred, it is necessary to identify the appropriate change needs for the organization depends primarily on the expressed interest of the manager, who based on the information obtained from the environmental diagnosis, must take the necessary actions to carry out the change process. In the process of implementing changes made, justification is needed according to the circumstances. The fact is that without an

adaption to change, an organization will not be able to survive and develop, so any manager needs to identify in time the need for change that will lead to business success. (Nadina, R. 2011)

Change in management can be defined with several frameworks, such as Kotter's 8-step change model and the ADKAR model. John P. Kotter has built Kotter's 8-step change model for managing change based on the experience of consulting for more than a hundred companies with almost every case having the same basic goal. To make fundamental changes in how business is conducted in order to help cope with a new, more challenging market environment. Eight steps are establishing a sense of urgency, forming a powerful guiding coalition, creating a vision, communicating the vision, empowering others to act on the vision, planning for and creating short-term wins, consolidating improvements, and producing still more change, and institutionalizing new approaches.

Kotter, J. (1995) also mentioned common errors to organizational change effort when they started to implement the change management; those are lack of patience and allowing too much complacency, underestimate the difficulties of producing change and the importance of a powerful guiding coalition, there are plenty of plans and programs, but with no clear vision, under communicating the vision, not removing obstacles to the new vision, not systematically planning for and creating short-term wins, declaring victory too soon and neglecting the changes in the corporation's culture.

The ADKAR model reflected the necessary building blocks for individual change within the organizations and intended to be a coaching and change management tool to help organizations change. ADKAR is an abbreviation from Awareness of the need for change, Desire to support and participate in the change, Knowledge of how to change, Ability to implement change, and Reinforcement to sustain the change. These elements represent the most basic requirements for a person to achieve and sustain a change that cannot be skipped or reordered (Hiatt, J. 2006). ADKAR is a change management model that focuses on the result. It let the change management team focus on their actions on business results. It is a tool to decide if change management does communications and training, which affects employees' desire in organizational change.

Identifying and checking if there is an error in each step is needed so the business could improve the step to realign the project on the right track and get benefit from the successful implementation of the procedure. Otherwise, there are some impacts of any error, such as taking a long time, cost a lot and the quality of the changes result is not appropriate.

3. Methods

The research methods of this research are using qualitative research by conducting literature study and interviews. Interviews are optimal for collecting data and seeing people's perspectives, experiences, and other data explanations that need to be explored.

The interviews' respondents of this research are the CEO and the Division head for Kotter's 8 steps change models and five salespeople for the ADKAR change models to know how the implementation process of change management in the Food Ingredient Division of EDP. The total respondent determines from EDP structure organization that consist only of the CEO direct to Division Head to salespeople with total 6 sales people who are affected by the change's management initiatives directly.

The authors chose only five respondents for the ADKAR model because the author could not contact the other one salespeople. The five respondents for the ADKAR model have a relatively large percentage of 83% and enough to cover the required data and information. The interviews are conducted with several types, such as virtual meeting interview, WhatsApp call and chat because of this pandemic Covid-19 which prevents interviewing in person.

4. Results and Discussion

Change in management initiatives that happened before were too sudden, so many employees responded in resistance, and problems began to appear since the beginning of implementing the change. Table below showed the mapping situation and the impact of change management initiatives that happened in Food Ingredient Division of EDP:

Table 1. Mapping Situation and the Impact of Change Management Initiatives Steps

Steps in Kotter	Steps in ADKAR	Situation	The impact
Establishing a sense of urgency	Awareness	The urgency of the change is the CEO want to increase the sales value by improve the work process.	• The CEO made sudden changes initiatives without clear urgency to the employee.
		There is no information regarding the urgency of the changes to employees.	• Salespeople have no idea about the urgency and need for this change.
Forming a guiding coalition	Awareness	The coalition is more to command-and-control leader type from the CEO and the head division.	• The command-and-control leader type from the CEO made salespeople feel not comfortable and unnecessary to implement the changes.
		There is no encouraging team to work as a team.	• Salespeople overwhelming when the management started to implement all change management initiatives.
Creating the vision	Awareness	The vision of changes only in pointer form. There is no detail design about what the changes would be.	• Salespeople cannot immediately be aware and familiar with the new work system and the reason why they have to do the changes.
Communicating the vision	Awareness Desire	The information that the salespeople get about the change is still deficient.	• It is challenging to ensure the salespeople are aware about the change and get the same information about the changes.
		There is no detail design about the vision and the head division only share the vision in pointers form.	• The salespeople implementing the changes because of the job responsibility and not really understand about the vision of changes.

(continuation) Table 1. Mapping Situation and the Impact of Change Management Initiatives Steps

Steps in Kotter	Steps in ADKAR	Situation	The impact
mpowering others to act ie vision	Knowledge Ability	Limited training session about the change, only provide guidance and direction about this change through discussion or email.	• It is difficult to ensure whether the employee have the clear knowledge about the change or not.
		Salespeople feel doubt about their ability in applying these changes	• Salespeople need more time to learn about the changes.
Planning for and create short-term wins	Ability Reinforcement	The management has not determined the short-term target or checkpoint in evaluating the changes.	• No chance for adjustment to the new situation. No chance to confirm if the new change initiatives are implemented well or not.
Consolidating improvements and producing still more change	Reinforcement	There is no regular update and evaluation only conducts at the end of the year	No improvement after the evaluation
Institutionalizing new approaches	Reinforcement	The management provide assistance, motivate, and encourage the salespeople.	Some employees unable to keep up with the new work system and choose to resign, and some are still able to adapt but need more support to fulfill the target.

Kotter's 8-step change model

Kotter emphasizes that all steps must be done in an orderly and thorough manner for change to be successful. Therefore, the author conducted the interview with the CEO and Division Head to ensure that change management initiatives run well and avoid problems that arise in the future caused by skipping a single step or jumping too far without a solid foundation in the previous step. Here, the assessment of the change management initiative in the Food Ingredient Division of EDP using Kotter 8 steps change model:

Establishing a Sense of Urgency

In general, Indonesia's food and beverage industries around 2018 to 2019 were growing quite rapidly and promising. This condition gives an opportunity and urgency to be able to improve and implement change management initiatives. Unfortunately, this opportunity and urgency only discuss between the CEO and head division. There was no explanation regarding the current conditions and the changing concepts to salespeople that affected by the change. Meanwhile, to implement the change management initiatives it is necessary to know the urgency of the changes in advance, the first phase is important because urgency is crucial to get the

cooperation needed and to initiate a transformation program requires the aggressive cooperation of many individuals.

Forming a Powerful Guiding Coalition

The next phase is forming a powerful guiding coalition. The guiding coalition in Food Ingredient Division of EDP is consist of the CEO and head division who has the power and authority. the coalition that is formed is command control type and not consolidate with the sales team. Companies that fail in phase two mostly underestimate the difficulty of consolidate the change to the team and the importance of a strong guiding coalition.

Creating a Vision

According to the CEO and head of the Food Ingredient Division, the changes vision is to make efficiency and effectiveness in the work system to increase sales value that affected the sales growth compared to the previous year. The strategy takes to achieve the efficiency vision by eliminating technical support and salespeople turning into a technical sales executive where they have to understand all the technical data products to be offered to each customer. Another strategy is concerning the salespeople's effectiveness in scheduling customer visits per day so that can expand to visit more customers per day, which will impact the number of projects that can be worked with the customer.

Communicating the Vision

The vision of change will not happen if it is not communicated well with all the employees that are affected by the changes. Good communication is needed to make employees aligned with the change that will occur. Communication has been carried out in socialization by giving direct information to salespeople. However, it is difficult to ensure whether the salespeople understand the vision and material of the change. Moreover, not all sales people can implement changes in the limited time of socialization.

Empowering Others to Act on the Vision

After being informed about the changes' vision, the next phase is empowering others to act on the vision. Training and monitoring are conducted to ensure all the salespeople are working in line with the changes. However, the mentoring session and the training session is still lacking because it only happens twice a year and it is not focused.

Planning for and Creating Short-Term Wins

A short-term win is a company improvement in a short period to encourage the employee to implement the change process. Change management initiatives that happened in Food Ingredient Division of EDP are carried out with no timeframe and without clear short-term wins because the goals of this change are to increase the sales growth, while the sales growth can only be counted at the end of the year if it wants to compare with the previous year. With no short-term wins, it is hard to confirm whether the salespeople already followed the change process or not.

Consolidating Improvements and Producing Still More Change

This step is about improvements and producing more changes after a quick short-term win. It is needed to ensure that the teams, especially salespeople, work consistently to achieve the change vision. Change management initiatives in EDP worked as long as the salespeople already followed the change, which is enough for the management. However, the result of the change is not showing a better result than before. Because there are no short-term wins and the evaluation only happens at the end of the year, then the management is difficult to confirm whether there is a mistake or not in the changes process in a whole year. The condition can also happen because

the management has not anticipated the salespeople turnover and regularly conducts the evaluation in the change progress, so there is no visible improvement.

Institutionalizing New Approaches

In the last step, it is important to make the change attached to the company. Steps taken to keep the change process going in the company are giving a good cultural and better work environment for the employee, such as providing assistance, being persuasive, and providing a better future career for the salespeople. Also, management has to remind and do another socialization about the change periodically to the salespeople. The impact of these change management initiatives is that some employees are unable to keep up with the new work system and choose to resign, and some are still able to adapt but need support in order to fulfill the target for each salespeople. From the sales achievement side, it tends to decline. In general, this change is not in line with the expected visions. Because the sales value achievement has decreased relatively, and salespeople turnover is quite high due to difficulties in implementing this new system.

ADKAR model

The ADKAR model is a change management tool to help to identify why change is difficult and why some changes work while others do not. In the organizational changes, several employees are resistant to the change. Therefore, the author conducted an interview with the salespeople of the Food Ingredient Division to know the implementation process of change management initiatives. Here the assessment of the change management initiative in the Food Ingredient Division of EDP using the ADKAR model:

Awareness

The ADKAR model has begun with the awareness of employees involved and affected by the changes that occur, in this case of EDP is the salespeople. According to the salespeople, not everyone knows about the changes that occur. The salespeople know the change's vision is to encourage salespeople to look for a new project with the customer, improve sales productivity and efficiency, independent and expert in technical data product in detail.

The CEO already spread the information of the change that occurred through the division head, and the salespeople who are at the branch can get the information only from the head of the branch. Therefore, fearfully the information about changes obtained between the salespeople is different. The salespeople feel the information of change is not sufficient, need to clarify and get support in its implementation. According to Hiatt, to implement the changes, the entire employee must be on the same page and aware of change's importance.

Desire

Desire is one of the difficult phases to make a personal decision to participate in change initiatives. According to the salespeople, they were implementing the changes because of job responsibilities and loyalty to the company. In implementing the change management initiatives in the EDP, the change process is not beneficial because it reduces sales performance. The consideration from the salespeople is the high turnover that causes the company to lose experienced salespeople. Meanwhile, the business of EDP is focused on the relationship; the loss of salespeople made the potential loss of sales turnover. Therefore, most salespeople, both at the head office and the branch office felt that the change is unnecessary.

Knowledge

When a person has an awareness of change and the desire to change, knowledge is the next step for implementing the change. According to the salespeople, the information about the change

they get through socialization is still deficient. The salespeople need more explanation about the vision of change in detail and transparently.

Salespeople also cannot immediately be familiar with the new work system because there are many jobs demands. Moreover, the training about the changes and technical data product that already conducted twice a year is still deficient. The salespeople needed more training related to product trials, market trends, and conducting market research to increase both knowledges in terms of products and soft skills. There are also no supporting tools to help them implement the changes. The condition is becoming an obstacle and resulting in much work that ultimately misses and affects the achievement of sales targets per month.

Ability

Ability is the fourth phase of the ADKAR model; it means that the team can act on the change management initiatives' knowledge. According to the salespeople, their knowledge is deficient, so they doubt themselves applying this change management. Salespeople are not preparing and not ready for the change that occurs. To use knowledge or information about these changes, it takes a minimum of 3 to 6 months. The management can consider the time for adjustment or adaptation and training regarding changes that occur. The duration of adjustment can be even more than that if the change visions are not as expected.

In its implementation, the head division provides guidance and direction about this change through discussions in person or via email and social media. If there any obstacles, salespeople cooperate to discuss with the team and head division by asking for input and suggestions for improvement. Therefore, the impact of changes that creates salespeople became resistance or have a barrier to the changes can be reduced, and the changes can implement well to increase sales performance and growth.

Reinforcement

Reinforcement is an important step throughout the implementation of change initiatives. It is necessary to make sure that salespeople continue to do the change process. According to salespeople, the management sometimes encourages and motivates salespeople to keep the focus on the change vision. The management monitors their progress and the evaluation conducted only at the end of the year. The evaluation system by asking the question, observations, see from sales performance, and customer testimonials or complaints. Unfortunately, there is no improvement after evaluation. In accordance with the change vision, the main parameter of success is obtained from the company's sales turnover performance, how many customers were successfully become regular customer, and the number of new projects. Those who could achieve the targets will be given the appreciation in the form of incentives.

5. Conclusion

An internal factor that causes change is the people's efficiency, where technical support is considered inefficient. The external factor that causes change is an extensive list of food industries that have not become regular customers in the Food Ingredient Division of EDP. The sales teams that were affected by the changes were not ready for the changes. The change's implementation was too sudden. There is no time for adaptation or adjustment regarding these changes and information about technical data products is still lacking and needs to be improved again. Based on the assessment of change management initiatives using Kotter's 8-steps for leader level and ADKAR model for salespeople, the changes that have occurred cannot be said to be effective and efficient in increasing the sales growth. Many improvements still need to be made so these changes can be more transparent and positively impact, especially for increasing sales growth in the Food Ingredient Divisions of EDP.

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