## Organizational Readiness for Change: A Case of Indonesian Entrepreneurs

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### **ABSTRACT**

In the present dynamic business environment, changes are necessary for organizations to stay competitive. Moreover, changes are critical in the turbulent external environments, such as economic, social, political and cultural factors that influence the organizational behaviors. A planned change is required to be more effective, efficient, and survive in the changing present period Thus, the business organizations need to adopt changes that occur in the business environment to achieve competitive market advantages. The content analysis demonstrates that readiness is multidimensional, and the assessment models place emphasis on four main elements of readiness, which include (1) community and organizational climate that facilitates change, (2) attitudes and current efforts toward prevention, (3) commitment to change, and (4) capacity to implement change. This study aimed to integrate the existing community assessment models and organizational readiness. Questionnaires were prepared and distributed to the entrepreneurs in Indonesia. The author followed up the questionnaire completion process, and the completed forms were gathered. Data were collected from March 2018 to April 2018. The total numbers of completed forms were 545. No categories of Indonesian entrepreneurs are selected as respondents as they come from various types of industries. The results of the second hypothesis show that Commitment to Change (X3) is the most dominant dimension that determines the formation of Readiness to Change in the Indonesian entrepreneurs (Y)

## **Keywords**

readiness to change, organizational climate, current efforts, commitment to change, capacity to change

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## Introduction

An increase in the dynamic environment force businesses to implement changes to remain competitive. A change in the economic, social, political and cultural factors also influence the organizational readiness for changes. An integrated economic system also influences changes (Ashmarina, Khasaev, & Zotova, 2015). A recent advancement in the internet also changes the shopping method from the traditional physical shopping method to the online shopping method that changes the payment method from cash payment to virtual payment. Moreover, the transport service organizations use a more efficient internet application for the business process because of the environmental and business changes.

Ability to adapt to changes in the dynamic business environment is required to survive in the changing times. Organizational readiness to change has become an important factor in the innovation process, which assists in achieving market advantages (Kelly, Hegarty, Barry, Dyer, & Horgan, 2017). Many retail outlets in Indonesia are unable to survive for a long time as many of them have been forced to close. Visitors have started deserted the big malls in downtown, making them record a lower rate in sales transactions. With

the current development of the internet, the pattern of public spending has changed; online shopping, using personal computers, and mobile phone, are gradually replacing the traditional method of shopping. Thus, the contemporary business organizations need to adapt to changes that occur in the present business environment to achieve competitive market advantages.

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The corporate learning can drive organizational competitiveness. A learning organization implements the learning process among employees to assist them to think critically and creatively as the critical and creative thinking skills are new sources of competitive advantages. For business survival, companies cannot rely on the existing business process, but they are required to learn new technologies, new markets, and new ways of managing and doing business.

Organizational readiness to change is from both the content and organizational context. Content is an administrative, procedural, technological and structural organizational process. While the context relates to the conditions and environment that employees work within an organization (Holt, Armenakis, Feild, & Harris, 2007), these conditions are particularly important in the context of entrepreneurship. The skills in managing and planning changes become a basis

for supporting readiness to change (Bouckenooghe, Devos, & van den Broeck, 2009).

Entrepreneurship is currently growing rapidly, and their business process is supporting the economy (Acs, Autio, & Szerb, 2014; Cooney, 2012; Edward et al., 2015). The entrepreneurship development needs to be studied as it relates to the business process of starting a new business (Audretsch, Kuratko, & Link, 2015). In Indonesia, experienced entrepreneurship is similar to new entrepreneurs who take chances in a business environment. The diversity of this phenomenon makes the researcher investigate the readiness of Indonesian entrepreneurs to change.

## **Literature Review**

Many studies have explored the readiness and capacity to change, but the ability to construct changes is still in developing stage as readiness to change can be implemented in all business areas.

This article explores the results of a review titled "Community Dimensions and Organizational Readiness for Change" (Castañeda et al., 2012) by Sheila F. Castaneda that focuses on the assessment model for community and organizational preparedness. Four main elements of the readiness factor are identified namely 1) community and an organizational climate that encourages change; 2) attitudes and prevention efforts; 3) commitment to change; and 4) capacity to change. Each of these readiness elements is widely applied in many readiness research models. The definitions, sizes, sample items and a number of frequencies for each important element for the readiness factor are described in Table 1. We note that items #1 and #2 in Table 1 are the negative statements.

**Table 1** Dimensions of Readiness for Change: Categories and Subcategories With Items

DIMENSION	INDICATORS	ITEMS
Community	Community	1. I find it difficult to
and	Climate (X <sub>5</sub> )	follow the activities in my
Organizational		neighborhood.
Climate that		
Facilitates		
Change (X <sub>1</sub> )		
	Organizational	2. I feel unwelcome
	Climate $(X_6)$	in my work environment.
Current	Current	3. I always try to
Attitudes and	Awareness	think carefully in response to
Effort Toward	$(\mathbf{X}_7)$	issues at the company.
Preventions		
$(\mathbf{X}_2)$		
	Current	4. Cohesiveness is the
	Values (X <sub>8</sub> )	key to our company's success
		in dealing with various
		problems.
	Current Efford	5. In the face of
	$(\mathbf{X}_9)$	problems at the company, we
		always anticipate some
		backup strategy.
Commitment	Hope for	6. I hope my career
to Change	Change (X <sub>10</sub> )	always improves every year.
$(\mathbf{X}_3)$		
	Needed	7. I need more
	Cl (V )	1
	Change (X <sub>11</sub> )	learning and practice to be more professional.

	Commitment	8. I and coworkers			
	to Change	always improve performance			
	$(X_{12})$	together.			
Capacity	Relational	9. I consider a co-			
Implement to	Capacity (X <sub>13</sub> )	worker like my own family.			
Change (X <sub>4</sub> )					
	Collective	10. I am sure if we are			
	Efficacy (X <sub>14</sub> )	compact at work, the future			
	-	will be bright.			
	Leadership	11. The leader of our			
	$(X_{15})$	company always invites			
		discussion before			
		determining the solution.			
	Skills and	12. The facilities			
	Knowledge	provided support us evolve			
	$(X_{16})$	in the face of change.			

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## Community and Organizational Climate that Facilitates Change

Climate or conditional change is an important factor that facilitates change (Castañeda et al., 2012)(Edwards et al., 2000). Community climate is a state of the society, which the community may accept or reject (Zeman, Shipman, & Penza-Clyve, 2001). Organizational climate is referred as positive or negative organizational condition (Stith et al., 2006), which is important for both the organization and the community, that assists in determining the future direction in a given society (Castañeda et al., 2012).

#### **Current Attitudes and Efforts Toward Prevention**

Attitudes of community or society consist of awareness and values that are highly relevant to the acceptance of the communities (Zeman et al., 2001). In assessing the readiness factor, it is important to ascertain whether there is a problem; whether the community supports this problem. Knowledge or solutions is the strategy of using the current efforts towards prevention of problems (Oetting, Jumper-Thurman, Plested, & Edwards, 2001).

## **Commitment to Change**

The readiness is an important innovative aspect in the business process. (Oetting et al., 2001). Evaluating the direction of readiness is important for the organization readiness (Stith et al., 2006). Typically, commitment to change and the motivation to change become the basis of a belief to change. Without implementing changes, it will be difficult to achieve a better progress in the society (Lehman, Greener, & Simpson, 2002).

## **Capacity to Implement Change**

Capacity is defined as the interaction between people and organizations, forming the social capital in a particular community to solve common problems (Goodman et al., 1998). Capacity building is essentially aimed at meeting the needs of its members (Griffin, Wilson, Wilcox, Buck, & Ainsworth, 2008). The capacity building allows an organization to increase community awareness in finding readiness, empowerment, and competence (Goodman et al., 1998).

## Research Methodology

This study aimed to integrate the existing assessment models of community and organizational readiness. Scales were employed to collect data that consisted of the organizational change readiness scale using Dimensions of Community and Organizational Readiness for Change (Castañeda et al., 2012). The response format was a 5-point Likert-type scale ranging from 1 (strongly disagree) to 5 (strongly agree) (Abdel-Ghany, 2014).

The questionnaire was prepared and distributed to entrepreneurs in Indonesia. Their completion process was followed up and the completed forms were gathered. Data were collected from March 2018 to April 2018. The total numbers of completed forms were 545. No Indonesian entrepreneurs have been selected as respondents, and the respondents are from various industries. Data analysis was carried out using SPSS (version 21).

### **Results And Discussions**

## Variable Instruments of Calibration Readiness to Change among Indonesian Entrepreneurs (Y)

The change instrument for Indonesian Entrepreneurs (Y) is carried out in three stages: First, the calibration readiness is completed with the content validity instruments by the expert judgment consisting of entrepreneurs and academics. The results of the content validity are 4 dimensions, 12 indicators and 12 items. Second, construct validity is done through the Orthogonal Iteration approach, using 30 research instrument trial samples, with an r-criterion of 0.361 at a 5% significance level. The result of the construct validity of the planned 12 items after doing Orthogonal Iteration 1 (one) time shows that all the items are valid. Third, table 2 shows the results of the calculation of the reliability index of the Readiness to Change instrument of Indonesian Entrepreneurs (Y) using the Cronbach Alpha formula at 0.868.

Table 2. Reliability Statistics

Table 2. Reliability Statistics				
Cronbach's	N	of		
Alpha	Item			
.868.	12			

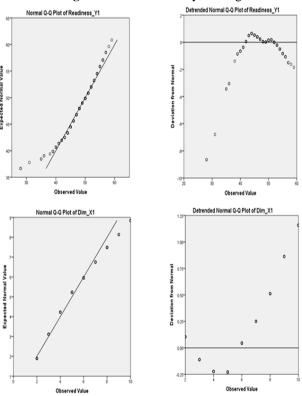
## Normality Test of Variable Data and each Dimension of Readiness to Change Indonesian Entrepreneurs (Y)

Data normality testing was conducted to test the exogenous data of the distribution variables that identify the Community and Organizational Climate that Facilitates Change  $(X_1)$ , Current Attitudes and Efforts toward Prevention  $(X_2)$ , Commitment to Change  $(X_3)$ , Capacity Implement to Change  $(X_4)$ , and Readiness to Change Indonesian Entrepreneurs (Y) as endogenous variables. Variable normality test and each dimension are carried out by Estimating Proportion through the Blom Formula with the Q-Q Plot approach. In Q-Q approach, the plot was taken because the number of study samples > 200 people.

Based on the results of Normal Q-Q calculations, the plot produces all the endogenous and exogenous variables with normal distribution, and the data distribution does not have an outlier. Similarly, when viewed from Detrended Normal Q-Q plot, the distribution of the data does not have the sine or cosine curve. So it can be concluded that the distribution of all variable data is normally distributed. Graphically, the results can be seen in Figure 1.

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**Figure 1.** Data Normality Testing



Linearity Test Relationship between the Exogenous Variable and the Readiness Variable to Change Indonesian Entrepreneurs (Y) as Endogenous Variables

Linearity test results between exogenous variables include Community and Organizational Climate that Facilitate Change  $(X_1)$ , Current Attitudes and Effort toward Prevention  $(X_2)$ , Commitment to Change  $(X_3)$ , Capacity Implement to Change  $(X_4)$  with Readiness to Change Indonesian Entrepreneurs (Y) are in table 3.

**Table 3.** The linearity between  $X_1$ ,  $X_2$ ,  $X_3$ ,  $X_4$  with Y

Table 3. The inicality between				11 11, 112, 11	3, 2 4 **	1111 1
		Deviation		F from 11		Remarks
No	Linearity Y from		Curve's		C:~	
NO	from X	Linearity		Estimation	Sig	Remarks
		F	Sig.			
1.	Community	1,846	0,076	-	-	Linear
	and					
	Organizational					
	Climate that					
	facilitate					
	Change (X <sub>1</sub> )					
	→ Readiness					
	to Change by					
	entrepreneur					
	Indonesia (Y)					
2.	Current	3,351	0,000	501,805	0,000	Linear
	Attitudes and					
	Effort toward					
	Prevention					
	$(X_2)$					
	Readiness to					
	Change by					
	entrepreneur					

	Indonesia (Y)					
3.	Commitment to Change (X <sub>3</sub> ) → Readiness to Change by entrepreneur Indonesia (Y)	2,111	0,033	586,250	0,000	Linear
4.	Capacity Implement to Change (X <sub>4</sub> ) → Readiness to Change by entrepreneur	2,070	0,025	700.489	0,000	Linear

All lines between the exogenous variables include Community and Organizational Climate to Facilitate Change  $(X_1)$ , Current Attitudes and Effort toward Prevention  $(X_2)$ , Commitment to Change  $(X_3)$ , Capacity Implement to Change  $(X_4)$  with Readiness to Change Indonesian Entrepreneurs (Y) proved linear.

Results of the First Research: Indonesian Entrepreneurs Significantly Tend to be unprepared to change (Y), sometimes just create an environment and company that facilitates a constant change  $(X_1)$ , has a positive attitude and efforts to prevent not being left behind  $(X_2)$ , has a commitment to change  $(X_3)$ , and has the capacity to change  $(X_4)$ 

In proving each variable, the researcher in this case establishes 3 (three) categories whose results are in table 4. Based on these results, it can be concluded that Indonesian entrepreneurs tend not to be ready to change significantly at  $\alpha < 0.05$ . The detailed results are in Table 4 below.

**Table 4.** Categories to explain the result

Variable	Categories	95% Confidence Interval for Mean  Lower Upper Bound Bound		Analysis Results
Readiness to Change (Y)	1. Very unprepared 2. Not ready 3. Ready	48,0339	48,7221	Entrepren eurs Indonesia tend not ready to change significan tly at α <0.05
Community and Organization al Climate that Facilities to Change (X <sub>1</sub> )	1. Not facilitating 2. Sometimes 3. Creating the environment and the company facilitates constantly changing	4,2377	4,5403	Entrepren eurs of Indonesia sometime s create an environm ent and facilitatin g companie s to constantl y change significan tly at α <0.05

	1 5			
	1. Do not			Indonesia
	have serious			n
	attitude and effort			entrepren
	2. Just			eurs tend
Current	have an attitude			to have
Attitudes	but not trying			positive
and Effort	3. Have a	12.0146	12 1046	attitudes
toward	positive attitude	12,8146	13,1046	and
Prevention	and efforts to prevent not left			prevent efforts
$(X_2)$	behind			from not
	beililid			lagging
				significan
				tly at α
				< 0.05
	1. No			Indonesia
	commitment 2. Commitments are half-parallel 3. Have a commitment to change			n
				entrepren
				eurs tend
Commitmen			13,8751	to have a
t to Change		13,6185		commitm
$(X_3)$				ent to
				change
				significan
				tly at α
				< 0.05
	1. Not having			Indonesia
Capacity Implement to Change (X <sub>4</sub> )	capacity 2. Low change		17,4534	n
				entrepren
	capacity			eurs tend
	3. Has the capacity	17 1117		to have
	to change	17,1117		the
				capacity
				to change significan
				tly at α
				(0.05
	l .		L	\U.UJ

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Second Research Result: Commitment to Change  $(X_3)$  is a Significantly Most Dominant Determining the Realization of Readiness to Change Indonesian Entrepreneurs (Y)

In proving the hypothesis 2, a two-step analysis was carried out, namely: first, analyzing the effect of the variables themselves and the Readiness to Change dimension individually on Readiness to Change (Y). And second, joint analysis of the influence of variables and dimensions of the Readiness to Change together on Readiness to Change (Y). The analysis was conducted 2 (two) times with the aim to see the consistency of the variables or dimensions that are most dominant in realizing Readiness to Change Indonesian entrepreneurs (Y).

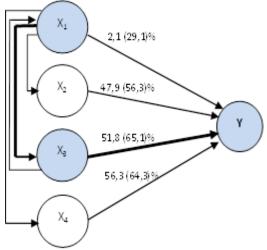
First, the Analysis of the Exogenous Variable Self-Influence includes Community and Organizational Climate to Facilitate Change  $(X_1)$ , Current Attitudes and Efforts toward Prevention  $(X_2)$ , Commitment to Change  $(X_3)$ , Capacity Implement to Change  $(X_4)$  with Readiness to Change Indonesian Entrepreneurs (Y)

**Table 5.** Results of Calculation of Self-Exogenous Variable Influences include Community and Organizational Climate to Facilitate Change (X<sub>1</sub>), Current Attitudes and Efforts toward Prevention (X<sub>2</sub>), Commitment to Change (X<sub>3</sub>), Capacity Implement to Change (X<sub>4</sub>) to Readiness to Change Indonesian Entrepreneurs (Y) as endogenous variables

No	Analysis	Symb	$X_1 \rightarrow Y$	$X_2 \rightarrow Y$	$X_3 \rightarrow Y$	$X_4 \rightarrow Y$
1.	X	ol r <sub>yn</sub>	0,151	0,693	0,721	0,751
1.	relationship	1 yn	0,131	0,073	0,721	0,731
	with Y in					
_	sample	2				
2.	Variance	r <sup>2</sup> <sub>yn</sub>	0,021	0,479	0,518	0,563
	determinati on					
3.	The	r <sup>2</sup> <sub>yn</sub>	2,1	47,9	51,8	56,3
	relative	(%)	,	ĺ	ĺ	,
	contributio					
	n of X in					
4.	forming Y X	t	3,570	22,401	24,213	26,467
1.	relationship		3,370	22,401	24,213	20,407
	with Y in					
	population					
5.	Significanc e value	Sig.	0,000	0,000	0,000	0,000
6.	The effect	Ŷ	0,344	1,645	1,932	1,512
0.	of X on Y	1	$X_1$	$X_2$	X <sub>3</sub>	X <sub>4</sub>
	in the			_		
	sample					
7.	The effect of X on Y	$F_{Reg}$	12,746	501,80 5	586,25 0	700,48 9
	in the			3	U	9
	population					
8.	Significanc	Sig	0,000	0,000	0,000	0,000
	e value	2	0.201	0.562	0.651	0.642
9.	The greatest	r <sup>2</sup> <sub>yn.m</sub>	0,291	0,563	0,651	0,643
	pure					
	relationship					
10.	A	r <sup>2</sup> <sub>yn.m</sub>	29,1	56,3	65,1	64,3
	relatively	(%)				
	pure donation of					
	X with Y					

The results of the analysis of the individual exogenous variables include Community and Organizational Climate to Facilitate Change  $(X_1)$ , Current Attitudes and Efforts toward Prevention  $(X_2)$ , Commitment to Change  $(X_3)$ , Capacity Implement to Change  $(X_4)$  with Readiness to Change Indonesian Entrepreneurs (Y) are in Table 5 above.

Figure 2. Conclusions of analysis individually



Information:

Endogenous Variable:

Y : Variable Readiness to Change para entrepreneur Indonesia

**Exogenous Variables:** 

X<sub>1</sub>: Dimensi Community and Organizational

Climate that Facilitates Change

 $X_2\;$  : Dimensi Current Attitudes and Effort toward

Prevention

X<sub>3</sub> : Dimensi Commitment to Change

X<sub>4</sub> : Dimensi Capacity Implement to Change

It can be explained that Commitment to Change  $(X_3)$  is the most dominant dimension determining the realization of Readiness to Change Indonesian entrepreneurs (Y) after being influenced by Community Dimensions and Organizational Climate that Facilitates Change  $(X_1)$ . The ability to contribute 65.1% in forming Readiness to Change Indonesian Entrepreneurs (Y). The conclusions of the analysis are shown in Figure 2.

Second, the Analysis of the Exogenous Variable Influence includes Community and Organizational Climate that Facilitates Change  $(X_1)$ , Current Attitudes and Efforts toward Prevention  $(X_2)$ , Commitment to Change  $(X_3)$ , Capacity Implement to Change  $(X_4)$ , Readiness to Change Indonesian Entrepreneurs (Y)

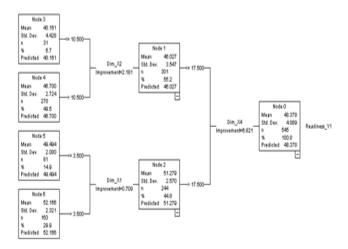
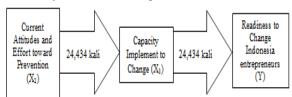


Figure 3. Output Analysis of the Exogenous Variable

The test of the second hypothesis was carried out with a Binary Segmentation analysis approach called Classification and Regression Trees. In this analysis, the researcher sets the Pruning, namely Depth by 2, Parent by 2, and Child by 1, with a significance level of  $\alpha < 0.05$ . The analysis proves that Commitment to Change  $(X_3)$  is the most dominant dimension in determining the realization of Readiness to Change Indonesian entrepreneurs (Y). If every commitment to constantly change is carried out, the 1 (one) priority program, the Readiness to Change Indonesian entrepreneurs (Y) will increase by 24434 times from the current condition. The summary is revealed in Fig 4:



**Figure 4.** Commitment to Change (X<sub>3</sub>) is the Most Dominant Dimension Forming Readiness to Change Indonesian Entrepreneurs (Y)

The results of the present research show that the second hypothesis, that reads Commitment to Change (X3), is the most dominant dimension that determines the formation of Readiness to Change among Indonesian entrepreneurs (Y). In more detail, the results of this study show that also:

- 1. Female entrepreneurs are not ready to change as compared with men significantly at  $\alpha$  < 0.05.
- 2. Entrepreneurs aged < 25 years, 25-40 years, 41-55 years and > 55 years old were not ready to change significantly at  $\alpha < 0.05$ .
- 3. All levels of Indonesian entrepreneurs are equally unprepared to change significantly at  $\alpha < 0.05$ .
- 4. Entrepreneurs who are educated abroad and domestically are equally unprepared to change significantly at  $\alpha\!<\!0.05.$
- 5. Entrepreneurs who manage their business full-time and part-time, both conditions are not ready to change significantly at  $\alpha < 0.05$ .

6. Entrepreneurs who are running their businesses and pioneering new things are not ready to change, whereas their routine business conditions are very unprepared to change significantly at  $\alpha < 0.05$ .

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- 7. Entrepreneurs whose status is both owner and staff conditions are not ready to change significantly at  $\alpha < 0.05$ .
- 8. Entrepreneurs who have < 5 years experience as entrepreneurs are not ready to change; those with 11-20 years experience are not ready to change significantly at  $\alpha < 0.05$ .
- 9. All entrepreneurs in various types of businesses are equally unprepared to change significantly at  $\alpha < 0.05$ .
- 10. All entrepreneurs who separate the main products from minor products are equally unprepared to change significantly at  $\alpha$  < 0.05.
- 11. All entrepreneurs who distinguish themselves from various forms of company legality are equally unprepared to change significantly at  $\alpha < 0.05$ .
- 12. All entrepreneurs who have high average turnover per month are equally unprepared to change significantly at  $\alpha < 0.05$ .

All entrepreneurs who have high marketing results from their businesses are equally unprepared to change significantly at  $\alpha$  <0.05.

## **Conclusions**

From the results of our quantitative data analysis, it can be concluded that:

- 1. Entrepreneurs Indonesia tend not ready to change significantly at  $\alpha < 0.05$ ; 2).
- 2. Entrepreneurs of Indonesia sometimes create an environment that facilitates companies to constantly change significantly at  $\alpha < 0.05$ .
- 3. Indonesian entrepreneurs tend to have positive attitudes and prevent efforts from not lagging significantly at  $\alpha < 0.05, 4$ ).
- 4. Indonesian entrepreneurs tend to have a commitment to change significantly at  $\alpha$  < 0.05 and 5).
- 5. Indonesian entrepreneurs tend to have the capacity to change significantly at  $\alpha < 0.05$ .

Commitment to Change (X3) is the most dominant dimension determining the formation of Readiness to Change Indonesian entrepreneurs (Y).

## **Discussion**

The readiness of Indonesian entrepreneurs to change is important in the business environment as entrepreneurs should make changes to achieve a competitive market advantage. The changes can affect the values, institutions, patterns of behavior and even social change (Ney, Beckmann, Graebnitz, & Mirkovic, 2014). Social capital and networking are also important for entrepreneurs to operate in a conducive environment and to facilitate networking for changes (Stam, Arzlanian, & Elfring, 2014). A positive attitude also has a strong correlation with the competence of entrepreneurs to change (Ummah, Lecturer, & Jamaldeen, 2007). Entrepreneurs commitment to changes have significant impact on the success of the enterprises (Omotayo, Omotayo, & Ogunnaike, 2018).

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