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EVALUATION OF THE CHALLENGES FACED BY PT X IN CONDUCTING ONLINE BUSINESS TRANSFORMATION

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EVALUATION OF THE CHALLENGES FACED BY PT X IN CONDUCTING ONLINE BUSINESS TRANSFORMATION

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ABSTRACT

This paper examines the development of online business in delivery service companies, notably in the distribution service transformation, for which customer-oriented is challenging. The purpose of this article is to evaluate the stage of change in PT X, which is undergoing successful transformation work. We evaluated data from 2015 to 2020 with qualitative methods using thematic data analysis. The findings show that the model of change in PT X has yet to enter the transformation stage because the company has not shifted to building an ecosystem that connects its businesses, systems, human resources, and technology. Instead, the company's rework activity undertaken through the development of existing technology represents transitional change because it only responds to the company's lag in serving customers.

Keywords: *organizational change, transformation, delivery service company, business online*

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1. INTRODUCTION

Delivery service companies are essential for surviving disruptions. In companies that choose to transform, up to 75% of business transformation programs fail due to the lack of a disciplined approach (Christensen, 2016). PT X is one of the delivery service companies in Indonesia that has pursued a transformation program as a strategy for reaching online business opportunities.

Most companies are unable to complete the task or identify their errors when pursuing a transformation program. PT X began to transform in 2014 when digital technology influenced societal behavior toward the use of digital transactions. However, company transformations often fail and change because the roots of the issue are not sufficiently well defined to enable the company to pursue true transformation. As a result, the change at PT X is not interpreted as a transformation program but rather as a transitional change.

PT X has struggled to put transformation into action. Both the company and its executives realize the vital importance of connecting transformation with technology and creating digital processes and solutions, yet they remain unable to resolve various matters for goal transformation. As a result, their shifting strategy has created new problems as various activities are not connected.

The reason why the company has not been able to conduct the transformation is that the changes have not been joined up and have therefore failed to radically address the user requirement. Moreover, the transformation strategy that the company has pursued does not reflect a mature concept in terms of producing better services. For example, it is unable to provide quick solutions when technical problems related to the application impact its ability to serve orders for delivery services, provide free pick-up, and manage electronic payments (Aramana, 2020; Warsono, Qurniawati, Sitorus, & Fajar, 2018).

The transformation journey has exposed the extent of the company's bureaucracy, the slow centralization of decisions and innovation, and the existence of changes that are not holistic (Marbun, Ma'arif, & Atika, 2020). As a result, the transformational changes that the company is planning are increasingly driving consumers away from the services they provide as new problems emerge that they are unable to respond to either quickly or professionally.

Based on the above considerations, a study is needed to evaluate the change process conducted by PT X to determine whether it has entered the transformation stage or not. This evaluation aims to show the position of the changes that the company has made so that it can prepare to address the deficiencies hindering progress toward the required transformation stage.

The research process began with the collection of materials related to the transformation undertaken by the company from 2015 to 2021. Next, the researcher collected primary data through interviews with the company's marketplace manager and secondary data in the form of electronic interview results on YouTube conducted by the company's CEO from 2015 to 2021. The results of both the interviews with the company and the electronic interviews were then manually transcribed and topic mapping was carried out based on the themes of transformation and the problems faced. Finally, the researcher

connected the themes of the interview results with the research questions relating to the theoretical basis, to inform the discussion.

Based on the first interview with the manager of PT X's marketplace division about the company's digital transformation, which was conducted online via the Zoom application, the researcher identified the following transformation problems in the company:

1. The marketplace party has difficulty in pursuing the service level agreement set by e-commerce
2. The price of services at PT X makes it difficult to compete with other companies because of PT X's high fixed costs, which relate especially to employee salaries
3. The company's electronic payment method through e-commerce hinders its flow of revenue due to delays.

This research is expected to provide benefits for the management in preparing strategies and concepts related to transformation. Additionally, the results are expected to contribute to the development of science, especially for companies that are undergoing transformational changes.

This paper will discuss the changes that PT X has made to determine whether its planned transformation has taken place or not. An evaluation of transformational change will be discussed through the concepts of developmental, transitional, and transformational change (Anderson & Ackerman Anderson, 2010).

2. LITERATURE REVIEW

Organizations change in a bid to resolve problems or improve their performance. A company's reaction can be planned, unplanned, forced, and integrated (Stouten, Rousseau, & de Cremer, 2018). Based on change theory, an organization's strategy can be classified as developmental, transitional, or transformational change (Anderson & Ackerman Anderson, 2010).

Transitional change is the second form of change and typically involves a greater level of change in response to the problems experienced by the company. With this type of change, the company aims to maintain its position through standard changes according to the needs of the market. An example is technology-based services that are also presented by the market. While a company pursuing this change model will primarily attempt to maintain its position, it does not result in innovation or comprehensive change.

With transitional change, a prior state is replaced with something completely different. Transitional change occurs when leaders recognize that they are unable to pursue a certain problem or opportunity. As a result, they change and create services based on the market, thus obliging the organization to conceive of a new way by transitioning to a new state of being.

Beckhard and Harris (1997) were the first to name and define transitional change in three state models, namely "old state," "new state," and "transitional state." They articulated how transition requires a disassembling of the content of the old state and the creation of a clearly designed new state, usually achieved

over a period of time, called the transition state. The transition state is unique and differs from both how the old state worked and how the new state will ultimately function. Beckhard and Harris (1997) were also the first to suggest that this type of change can and should be managed. These two pioneers in the field of change management provided several important strategies for transitional change that continue to be useful today.

Transformational change represents a massive change by the company to fully convert its current business model into a new one. As such, transformation occurs when the concept or overall business orientation is redesigned to form a new ecosystem. The change process is characterized by innovation and continuous learning because people in the organization are always finding new ways of doing things and adapting to new changes.

Companies that successfully transform begin the process by developing a portfolio of transformation processes that are ready to be tested and then implemented when launched. The goal is for companies to be able to focus more on realizing change targets and finding solutions to various problems that may occur when the transformation takes place. If the company is not ready with the new changes they are launching, the transformation process will fail and the company will incur high costs and a loss of direction. The types of transformation that a company can implement include business, process, service, and digital transformation.

To describe the concept of change at PT X, two change concepts were formed, as shown in Figure 1:

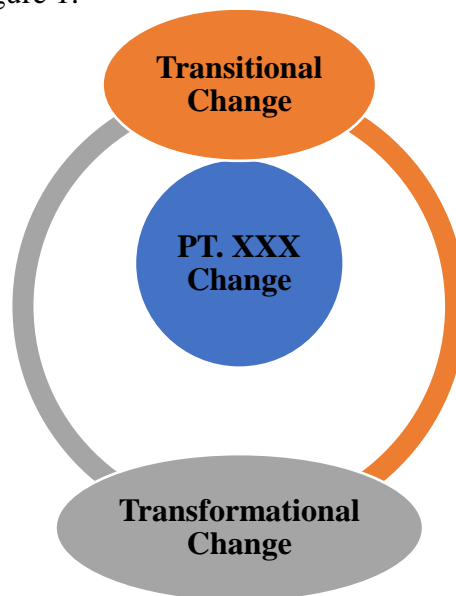


Figure 1. Conceptual Framework.

Source: Authors (2022)

3. RESEARCH METHODS

The case study research focused on a delivery company in Indonesia (PT X). As a company, PT X presents unique characteristics as it has experienced various problems linked to adapting to the changes in online business. Its challenges have included falls in revenue of 3.03% in 2019 and 1.45% in 2017 (Annual report PT X, 2017 P.4 and 2019 P.14). Martini, Omega, and Faridah (2020) identified the perilous position of PT X as it fell into the financial distress category. For this reason, this research will be interesting to evaluate.

A renewing process in delivery service companies requires support from both the company and its executives. This study uses a qualitative approach. The data were obtained through a process of interviews, documentation review, and observations. First, interviews were conducted online via Zoom with the sales division, which represented the company employees. Users are generally willing to use Zoom as a videoconferencing platform because it is easy to use, cost-effective, and contains data management features and security options (Archibald, Ambagtsheer, Casey, & Lawless, 2019). Various questions were sent to the interviewees before the interviews were held. Subsequently, various follow-up questions were not asked in the interview session but sent instead via the WhatsApp direct messaging platform.

Second, documents from official company publications, recordings of CEO interviews published on its official YouTube channel, and research results related to the object were analyzed. The main documentary information was taken from the company's annual reports from 2015 to 2020, which were downloaded from the official PT X website. Using the annual reports, it was possible to analyze certain situations, such as the company's achievements or problems, shareholder views, and the company's financial statement. Moreover, information was obtained from the official YouTube channel regarding the CEO's response to the transformation process being undertaken (Trottier & Fruchs, 2014). Information was also obtained from other interviews with CEOs, such as those of Kompas and CNN Indonesia, which explained the transformation process.

Research evidence was gathered through a semi-structured in-depth interview process with the marketplace manager at PT X. The interview information was then strengthened through the YouTube recording of the CEO of PT X. Table 1 summarizes the results of the interviews conducted at PT X:

Table 1. Summary of interviews

| No | Interviewee code | Interviewee position | Duration of the interview | Mode of interview | Brief interview topics |
|----|------------------|------------------------------|---------------------------|---------------------------|--|
| 1. | A | Marketplace division manager | 63 minutes | Indirect interview (Zoom) | 1. Responsibility and role of the marketplace division in the change process |

| No | Interviewee code | Interviewee position | Duration of the interview | Mode of interview | Brief interview topics |
|----|------------------|----------------------|---------------------------|--|---|
| | | | | | <p>2. The obstacles facing the marketplace party in the success of the change policy</p> <p>3. The marketplace division's strategy in linking policies between superiors and policy implementers</p> <p>4. Employee response to strategy changes when there is a change in top management</p> |
| 2. | B | CEO (2015–2020) | 40 minutes | Direct interview (YouTube Documentation) | <p>1. What is the company doing to make the transformation change program a success?</p> <p>2. What are the considerations of the President Director in choosing to accept a top management position when the company is unstable?</p> <p>3. What improvements were made and what were the priorities in the change process?</p> <p>4. How does the company manage human resources that are difficult to change?</p> <p>5. What efforts is the company undertaking to make the management aware of the changes being carried out?</p> |
| 3. | C | CEO (2020–2025) | 18 minutes | Indirect interview (YouTube Documentation) | <p>1. What is the difference between the transformation that the President Director undertook and the previous one?</p> <p>2. What strategies are used to change the mindset and mentality of people who have been in the company for a long time?</p> <p>3. What efforts has the company made in</p> |

| No | Interviewee code | Interviewee position | Duration of the interview | Mode of interview | Brief interview topics |
|----|------------------|----------------------|---------------------------|-------------------|--|
| | | | | | overcoming any resistance to the change that arises? |

Finally, observations were made to prove the findings and confirm the data (Moon, Brewer, Januchowski-Hartley, Adams, & Blackman, 2016; Reed, Howe, Doyle, & Bell, 2018). For example, the authors observed the results of the head company regulation to demonstrate the implementation of the management roles. The observation was also extended to some of the company's apps, such as its Play Store app and those in e-commerce that provide PT X services. These observations could help in presenting the customers' perspective, the number of people accessing the company's app, and the types of ratings it achieved.

The data analysis technique used thematic analysis of the data gathered and focused on identifying and analyzing themes within the data (Castleberry & Nolen, 2018; Kiger & Varpio, 2020). In conducting the analysis, the authors combined the transcripts of the direct interviews and the interview results obtained from YouTube with notes from the observations and documentary reviews. The analysis was continued by grouping the results from the transcripts with the research question. Then, all of the analysis was explained in the findings and discussion based on the findings derived from the views of the employees. Finally, the authors strengthened the analysis with data from the annual report, app, and official website of PT X.

4. ORGANIZATION PROFILE

PT X was originally the most reliable company to facilitate various educational, governmental, economic, social, and cultural interests. Its delivery services enabled it to establish a dominant position both nationally and internationally. Yet while the delivery services have shown continuous growth, PT X has struggled to maximize online business opportunities. This has also been reinforced by the Covid-19 pandemic, which has further accelerated the trend of switching from shopping directly to the package shopping model.

PT X, whose main business activities lie in the field of delivery services, has some relatively complex problems because, since the early 20th century, companies are no longer able to maintain market positions that they have defended for the previous century. This is further clarified by the transformation policy launched by the President Director of PT X. Moreover, the transformation process has been met with both positive and negative reactions from employees.

5. RESULT AND DISCUSSION

5.1. RESULT

In accordance with the conceptual framework, in the following section, we discuss the company's business change model and evaluate its change program based on organizational theory.

5.1.1 COMPANY BUSINESS CHANGE MODEL

Competition between PT X and other delivery service companies has influenced its market share and forced it to reconsider its value proposition. PT X executives therefore decided to transform the PT X focus business. Respondent B made the following statement:

“The company has two core businesses, delivery service and financial services.” Respondent B
The principal means of executing a new business model is through the use of technology in most company activities. However, finding new ways to conduct business is not the same as achieving the goal of new core businesses. The main reason is that internal resources are not ready to achieve new business targets. For example, some employees cannot adapt to new technology to support the new business model. Hence, the company and executives find it difficult to resolve certain elements of the business transformation model.

“Yes sir, we have transformed many times, but there have been no significant changes in the business.” Respondent C

PT X needs to rethink its transformation strategy. The leader must identify the root issues if he wishes to implement a transformation. The CEO should then have both the capability and capacity to execute the transformation. Third, the CEO should be ready to meet all of the challenges that the transformation process will present. Finally, the transformation should create a new ecosystem that informs all employees if they are more productive. If PT X cannot meet all of the criteria needed to transform, then it should not push to transform and the management would be better placed to focus on improving service quality by creating competitive advantages.

Moreover, business transformation alone cannot build customer value to compete with other delivery service companies. Competitors can still provide faster delivery services. Indeed, based on the information from Respondent B:

“Many delivery services with a new model can pick up and deliver along hours. For example, GoJek and Grab in Indonesia.” Respondent B

PT X could use those companies as the benchmark against which it builds customer value. If it continues to fail to successfully build a business system, then PT X will see a gradual decline in customers.

The company is also unable to compete with various financial service companies; for example, Ovo, GoPay, Flip, ShopePay, and Dana as various

shipping and other financial costs. However, financial services have a limited scope and usage facilities in PT X. For example, the financial service application cannot be used in certain restaurants or delivery food applications such as GoJek and OVO.

As a result, the company missed its revenue and profit targets before tax in 2019 due to a completely successful business transformation process (PT X Annual Report, 2019).

5.1.2 CHANGE PROGRAM EVALUATION

Anderson and Ackerman Anderson (2010) stated that change in organizations has three levels, namely developmental, transitional, and transformational. Developmental changes are carried out to improve the business, transitional changes occur due to external pressure, while transformational change involves a massive change based on internal considerations. Companies choosing to transform first need to make fundamental changes linking one field to another to ensure that an ecosystem and increased innovation are the end products of the transformation. The following is an evaluation of the change process carried out by PT X.

The company defines the business process being carried out as a business transformation. Davenport, Leibold, and Voelpel (2006) stated that business transformation is a change in the way a company meets the needs of its business or services to strengthen the brand. This can be realized through a focus on innovation, shorter work through direct delivery to consumers, and improved collaboration processes through outsourcing, as shown in Table 2.

Table 2. PT X . Transformation Program Evaluation

| No | Business transformation based on company program | Business transformation (Davenport, Leibold, & Voelpel, 2006) |
|----|--|---|
| 1. | Business developments lead companies to make couriers and financial services their core business | Change occurs when a brand improves by forming a strong change ecosystem |
| 2. | Constrained in facing competitors both in terms of financial services and business | Companies cannot produce innovations to overcome problems in the change process |

Source: Researcher (2022)

Based on Table 2 above, the company's transformation process differs from and does not meet the standard definition of transformation. This is because the change process does not focus on the completion of a transformation through the creation of strong value for the company's transformation goals. However, focusing their change activities on external pursuits does render them incapable of finding ways to achieve the goals of the changes they are undertaking.

This ultimately means that the company is operating in a transitional stage of change. This occurs when the company in the process of changing presents something new that is in accordance with the market conditions but also lacks any significant value creation that would enable the company to grow and establish its own value (Davenport et al., 2006).

5.2. DISCUSSION

Based on the evaluation results at PT X, the changes it is undergoing can be categorized as transitional changes. The technology-based changes it is offering are an attempt to replace the old model of transacting with a modern model through digital technology. This aligns with the following statement from Respondent C:

“I have to explain why that is! Why! Like I said earlier we have to change. Our customers are changing, our markets are changing, our society is changing, their behavior is changing. Yes, if we don’t change, we will surely die.” Respondent C

The leaders of PT X realized that developing the online business would increase the need for delivery services. Then, the management established an internal marketplace division in 2015 in a bid to cooperate with e-commerce and online stall owners on online business platforms. This then prompted the company to alter the means of payment and ordering services through the application. This change aligns with what the theory characterizes as transitional change, namely that the company is forced to alter its existing business model to enable it to pursue existing business opportunities. Thus, without making immediate changes to its existing model, PT X will fail to keep pace with the market.

Anderson and Ackerman Anderson (2010) identified the following characteristics of transitional change:

1. Transitional change replaces what was there already with something completely different.
2. Leaders recognize that there is a problem or opportunity that cannot be pursued and therefore identify something in the existing operation that needs to be changed or created to better serve current and/or future demands.
3. Transitional change requires organizations to dismantle and emotionally let go of old ways of operating and move through transitions as new circumstances take hold.

6. CONCLUSION

The results of the evaluation of the business changes conducted by PT X indicate that the company has not yet entered the stage of transformational change. This is because the changes that the company has made have largely been a response to existing business developments by focusing business activities on delivery and financial services. However, preparations for the

transformation stage have not been met well because the company does not have a mature concept related to the launched business process.

Business changes at PT X meet the criteria for transitional changes as, while the leaders are aware of the company's problems and present ways of doing business based on new ideas, they have not put forward significant changes to produce different values for the company. PT X's state of transitional change can therefore help it to maintain its position but also make it difficult to improve on that position as it lacks the necessary added value to offer to the market.

Based on the results of the analysis, the author provides the following recommendations to the company:

1. Companies need to prepare a tried-and-tested concept of a change ecosystem so that the concept of change can generate new value that is realized evenly across all components of the company.
2. The management needs to focus on value-based change that the company's internal parties can execute.
3. Companies can achieve a transformational change process when the concepts and values they want to pursue have been successfully tested and management can quickly and responsively overcome the various problems that arise.

Research Limitations

This study has only focused on evaluating business transformation with the company's marketplace division manager as a resource. The process of research analysis is also not strengthened through quantitative data analysis based on an even distribution of samples according to research needs. The results of the analysis focus on the concept of change in companies based on the theory of transition and transformation.

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