

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

Change is a transformation from the present state to a better condition expected in the future. If there is no change, there will be a stagnation that cannot develop. What needs to be realized is that change after change has actually happened for a long time, only the current intensity tends to increase. Changes can occur at any time, whenever the situation requires. Changes in business occur, because of the emergence of external factors, but it can also arise from the internal needs of the organization to make changes.

Many changes have been made by various organizations and research shows that by making changes, organizational performance can progress rapidly. However, it is well known that many change efforts are not successful. This has the effect of doubtfulness for organizations to carry out changes. Making changes will have an impact on the need to change organizational mechanisms and procedures, technology, and culture. Human resources need to be prepared to accept and implement changes.

According to Hussey in Wibowo (2016, p. 04), it is stated that change is one of the most critical aspects of effective management. The business environment in which most organizations operate is always turbulent, meaning that not only does change become more frequent, but the nature of change becomes increasingly complex and often more extensive.

Changes that occur in the market today require organizations that are able to move beyond traditional management capabilities. Facing increasingly competitive market condition, development in management is felt to be needed. Most leaders now understand that the future will be different from the past, to be able to escape from the past condition of status

quo, they need to carry out transformational commitments, which make them go beyond the usual practice limits and make commitment to change.

According to Alrumaih (2017, p. 84), change has become a regular part of business life nowadays, as part of the need to increase organization's performance. In order for business to survive in the competitive business environment, there is a more rapid need for adapting to changes.

PT Senteral Inti Gas Medan is a family business that was founded by Iskandar Wijaya, Alex P Jaya, and Sherly Wong in the year 1990. They do gas supplying, mainly for industry and medical usage. Their office is located at Jl. Wahidin No. 183 Medan, while the factory is placed at Jl. Ibnu Chatab Dusun 5 Tanjung Morawa. The company is now being handled by their second generation successor, Williem Winardi.

As the successor of PT Senteral Inti Gas Medan, Mr. Williem thought that their family business should keep up with the changing environment in order to stay relevant in the industry. After conducting an interview with the successor on how he is handling the family business, he said that the changes they implemented did impact their performance. In terms of product, they offer a larger variation of product sizes, in terms of organizational size, they do outsourcing for their gas substance, in terms of administrative, they have new reward system, and in terms of technologies, they use new sealing for their tubes. But he feels that the changes are not significant and are not stable from time to time, so he is still unsure whether the implementation is worth the effort and cost or not.

From the information gained from another interview with the manager of PT Senteral Inti Gas Medan, he said that after the second generation is being more open to changes, there definitely is a slight growth in the family business, regarding better performance and customer satisfaction. He thinks that the change implementation is great for the business, however employees still need time to adjust with it. It can be said

that in his opinion, the change management is good for their organizational performance, but it does need more time for the implementation process to be better and for the changes to be more significant.

The writer is eager to conduct a research study that aims to analyze more in-depth regarding the impact of having change management towards an organizational performance, which will be the topic for this research paper with the title **“The Impact of Change Management towards Organizational Performance at PT Senteral Inti Gas Medan”**

## **1.2 Problem Limitation**

The limitation of this research is to find out the impact of change management, as the independent variable (variable X), towards the organizational performance at PT Senteral Inti Gas Medan, as the dependent variable (variable Y). The indicators for variable X are changes in products and services, changes in organizational size and structure, changes in administrative system, and changes in new technologies (Wibowo, 2016, p. 88). While the indicators for variable Y are time, quality, cost, and flexibility (Ali et al., 2018, p. 110). The focus of this research will be on the impact of change management towards organizational performance at PT Senteral Inti Gas Medan, because that is the current problem that the company is dealing with.

## **1.3 Problem Formulation**

The problem of this research, how strong is the impact of change management towards organizational performance at PT Senteral Inti Gas Medan? Because the writer wanted to know how is the relationship between the two variables, so the company can know if change management is worth implementing for their business or not.

#### **1.4 Objective of the Research**

The objective of this research is to find out how strong is the impact of change management towards organizational performance at PT Senteral Inti Gas Medan.

#### **1.5 Benefit of the Research**

The writer believes that this research could be beneficial for the society, especially for family businesses. The benefit of this research consists of theoretical benefit and practical benefit.

##### **1.5.1 Theoretical Benefit**

For the benefit in terms of academic theory, this research will provide further understanding about the impact of change management towards organizational performance, especially family business. This research paper can also serve as an additional source for other writers who are interested in conducting a similar or related research in the future.

##### **1.5.2 Practical Benefit**

In practical context, this research will enlighten the writers and readers on how important it is to be open about having change management in an organization. This research paper can also be an example for family business and can help them decide what changes they should be making for a better business performance.

## 1.6 System of Writing

### Chapter I Introduction

This chapter focuses on introducing the background of this study that is the relation between change management in an organization and the performance of the organization. The problems about this topic will be identified, the objectives will be achieved by the writer, and the benefits of this research, both theoretical and practical, will also be included in this chapter.

### Chapter II Literature Review and Hypothesis Development

This chapter consists of the theories and literatures that are relevant to the topic of this research paper, which is theories about change management in an organization. In addition, there will also be previous research and hypothesis development being included, as well as framework of thinking about this research.

### Chapter III Research Methodology

This chapter is about the research design of this research, and also the population and sample data used for this research paper. The data collection method will be explained furthermore, followed by the operational variable definition and variable measurement. There will also be an explanation about the method used to analyze the collected data.

#### Chapter IV Data Analysis and Discussion

This chapter mainly covers the discussion regarding research object and data analysis, it will also be discussing about the results of data quality and hypothesis testing.

#### Chapter V Conclusion

This last chapter wraps it up with the conclusion and implication about this whole research. Moreover, this chapter also provides recommendations that are related to the research matter.

