

REVERSING THE WAVES: ORGANIZATIONAL TRANSFORMATION IN THE INDONESIA RAILWAY COMPANY

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ABSTRACT

History has recorded a remarkable transformation occurred in the state-owned enterprise of the Indonesia Railway Company (KAI). The changes that occur are so evident: from a slum-looking state-owned enterprise into a great business that is ready to compete at the global level, and from a failing company into a profitable one. How can this phenomenal change happen only within two years? This paper was prepared using literature review approach to see the changes deep inside the KAI using the framework as proposed by John P Kotter. The results show that the eight stages of the organizational change as suggested by Kotter took place more quickly and effective under an integrity-based leadership in combination with vision, commitment, consistency, and exemplary leadership.

Keywords: Organizational Transformation, the Indonesia Railway Enterprise; integrity-based leadership.

INTRODUCTION

Reversing the Waves is the title of the first chapter of the book titled Jonan & the Evolution of the Indonesia Railway Company written by Hadi M Djuraid in July 2013. The title is correctly illustrating the success of Ignasius Jonan to change the Indonesia Railway Company, PT Kereta Api Indonesia, from now on called KAI: from a slum-looking state-owned enterprise into a great enterprise that is ready to compete at the global level, and from a losing company into a profitable one.

Any train user in Indonesia, whether for a long-haul or short-haul commuter routes, will be able to see and feel the current KAI change over five years ago. The most readily visible changes are the quality of railway infrastructure and its supporting facilities. Changes can also be seen from the timeliness of arrival and departure of trains (on-time performance). Furthermore, changes can also be seen from the quality of railway service personnel and the behavior of the railroad users.

For the Indonesian context, the changes that occurred in KAI can be regarded as a tremendous transformation phenomenon. Especially due to the fact that the transformation took place only in a short period, almost as a revolution. Therefore, this study was prepared to get a closer look at what is happening inside the organization so that it can transform completely from a weak company to a strong one, from a losing company to a profitable one, and from a most-disliked company into a most-praised one.

Problem statement and purpose of the study

This study was conducted using a literature review approach and direct observation to review KAI from the perspective of organizational transformation. It aimed at answering the following questions: What factors are playing the most role in the success of the transformation of KAI organization? What lessons can be learned as a provision for transformation in other organizations? The answers to these questions are the purpose of this study, namely to find out which factors play the most role in the transformation of KAI organizations and to get lessons learned that can be used in the transformation other organizations.

Methodology

Data and information were collected from all relevant publications such as books, theses, dissertations, or journal articles. Supporting information was also gathered by direct observation. The discussion on the organizational transformation is carried out using the eight stages process as described by John P Kotter in his book of Leading Change.

FINDINGS AND DISCUSSION

KAI in brief

KAI was established on 1 June 1999 with the status as a State-Owned Enterprise (SOE). It is engaged in Railway Transportation Service. The shares are 100% owned by the Government of Indonesia (Kereta Api Indonesia, 2016: 94). The history of KAI is divided into three periods, namely the colonial period, as a public service institution, and as a service company (Kereta Api Indonesia, 2016: 98).

In the colonial period, the railway industry began in 1864 when Namlooze Venootschap Nederlandse Indische Spoorweg Maatschappij initiated the construction of a railroad from Semarang to Surakarta, Central Java. The period as a public service institution began in the early days of Indonesian independence, namely on 25 May 1963, based on Government Regulation No. 22 of 1963, the government of the Republic of Indonesia established State Railway Company (PNKA). On 15 September 1997 based on Government Regulation No. 61 of 1971, PNKA was changed to Railway Company (PJKA). With the status as a Corporate Bureau, it operated to serve the community with subsidized funds from the government (Kereta Api Indonesia, 2016: 99).

The new era of KAI management began when PJKA was transformed into Railway Public Company (Perumka) based on Government Regulation No. 57 of 1990. With the new status as a public company, Perumka seeks to profit from the services provided. Perumka offers three classes of services for passengers, namely the executive, business, and economy class (Kereta Api Indonesia, 2016: 99).

To further promote Perumka into a service business company, on 3 February 1998 the government transformed the KAI form of a Public Corporation into a Limited Liability Company under Government Regulation No. 19 of 1998. With its new status, KAI operates as a profit-oriented business entity. In order to maintain its mission as a public service organization, the government provides Public Service Obligation funds (Kereta Api Indonesia, 2016: 100).

Phenomenal transformation

The organizational transformation implemented by KAI is a phenomenal achievement, not only in the context of Indonesia but also for the Asian level. Before 2009, KAI was problematic in terms of bad business, declining quality of infrastructure and facilities, poor service quality, and non-supportive regulation (Djuraid, 2013: 31). Therefore, it is not easy to find examples of successful organizational transformations that can be seen visually in a very short time, even in developed countries. Table 1 presents some of the phenomena in concern.

Table 1 .Some Phenomena of KAI

No	Phenomena	Starting conditions	Post-transformation
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No	Phenomena	Starting conditions	Post-transformation
1	Mass transportation for the Eid public holiday	Before 2011, the condition of Eid mass train transportation at the Pasarsenen railway station is always marked by a chaotic atmosphere over the seats. Also, the number of passengers in the carriage also exceeds the number of seats available (Sujadi, 2015)	The 2011 Eid mass train transportation at Pasarsenen station is marked by the orderly queue. No more passengers are fighting to get into the train. All travelers are sure to get a seat with one passenger one seat (Sujadi, 2015)
2	Accidental rate	Data from the National Transportation Safety Committee show that the number of accidents in 2007 and 2008 was fourteen and eight accidents respectively	In 2009 there were eight accidents, in 2010 ten accidents, 2011 one accident, 2012 three accidents, and in 2013 two accidents.
3	Timeliness	The average departure delay of passenger train in 2008 was five minutes; In 2009 six minutes; The average arrival delay of passenger train in 2008 was 37 minutes; In 2009 was 35 minutes (Kereta Api Indonesia, 2010: 11); Delays were, in general, more than 2 hours (Sujadi, 2015: 23)	By 2015 the timeliness of train departures reaches 100%; While the arrival time reaches 99,33% (Kereta Api Indonesia, 2016: 151).
4	Financial performance	In 2007 KAI lost 38,6 billion, in 2008 loss of 82,6 billion (Djuraid, 2013: 21)	In 2009 KAI posted a profit of 154 billion, in 2010 profit of 154 billion, in 2011 profit of 201 billion, in 2012 profit of 350 billion (Djuraid, 2013: 63)
5	Street vendors	Street vendors, buskers, beggars, and tramps in the train make the trains similar to a traditional market (Sujadi, 2015: 199)	Based on direct current observations, trains, both long-distance and commuter line, are now free from street vendors, buskers, beggars, and tramps
6	Ticket brokers	For many years ticket brokers are identical to railway stations. There is no train station without ticket brokers (Djuraid, 2013: 92)	Based on direct observations, there has been no ticket broker since 2012
7	Roof passengers	Hundreds of passengers sit on the roof of the train every morning and afternoon trip (Sujadi, 2015: 206)	Based on direct observations, there has been no on-the-roof passenger since 2012

The year 2009 marks the turning point of KAI. The turning point occurred during the leadership of Ignatius Jonan as President Director (CEO) of KAI. How did Jonan remove all cultures that were not conducive to the company's growth? Commitment, consistency, and leadership are the key to the change. Jonan plays himself as a role model in terms of commitment, consistency, sterility from self-interest, and caring attitude (Djuraid, 2013: 280).

Organizational Transformation

Organization is a social unity of a group of people, interacting according to a structured pattern in a certain way, so that each member of the organization has its own duties and functions, having clear goals and boundaries, so that the organization can be separated from its environment (Purwana, Hasan, and Parlyna, 2017: 11). Change is defined as the occurrence of something different from before. It could also mean doing things in new ways, using new paths, new technology, adopting new systems, using new management procedures, merging, reorganizing, or the occurrence of highly disruptive events significantly (Davidson, 2010: 3). In the case of KAI, the changes were clearly observed from time to time during the period of Ignatius Jonan's leadership (see Table 1).

John P Kotter (1996) wrote a book titled *Leading Change*, which is still the primary reference for organizations to make changes. There are eight steps that the organization must take to ensure that changes within the organization can be effectively implemented. In many cases, the failure to implement organizational change is due to neglect or failure to do one or more stages as indicated by Kotter. The eight stages include establishing a sense of urgency, creating a guiding coalition, developing vision and strategy, communicating the change vision, empowering employees for broad-based action, generating short-term wins, consolidating gains and producing more change, and anchoring new approaches in the Culture.

During the leadership of Ignatius Jonan, one policy, decision, practice or action can have implications, relevant or support multiple stages at once. For example, the sending of employees to do comparative studies to various countries such as France, the United States, Japan, Spain, and China. Until the end of 2013, Jonan sent about 1200 employees to different countries, 700 of them to China. Employees involved were employees who excel in various fields and levels, ranging from train car examiner, rail examiner, machinist, mechanic, ticket officer, security guard, supervisor, up to the manager (Djuraid, 2013: 73).

Kotter frameworks in the context of KAI

The implementation of the employee's comparative study program to various countries aimed at benchmarking the hospitality with the philosophy of seeing is believing. Through the visit, employees can see firsthand how the quality of railway facilities, infrastructure, and rail services in other countries, including the behavior of the railroad users. Thus, employees have a real picture of the dreams that will be realized by the company (vision). By this way, the leader does not have to explain the vision and mission of the company theoretically.

Sense of urgency, Vision, and Employee Empowerment

With 1200 people sent abroad, the ratio of employees ever sent abroad is 1:25. It means, for every 25 employees, there is one person who has an international insight (Djuraid, 2013: 74). Among employees sent abroad, some have never traveled abroad, not even been on an airplane. This condition is an excellent mental therapy that affects the increasing motivation of employees, commitment, and the creation of a healthy organizational climate.

The fact that China has a good rail system even though they only started in the 1990s created an atmosphere of urgency for railway improvement efforts in Indonesia. Through the comparative study, employees also can learn technical and non-technical issues related to best practices in the railway. By sending employees to see firsthand the systems, practices and conditions of railways in other countries, Jonan at the same time creates a sense of urgency (step-1), communicates the vision of change (step-4), and empowers employees for great actions (step-5)

Vision, Strategy, and Coalition

Only within two months of becoming CEO of KAI, Jonan had studied all aspects of the railroad business and then carried out the transformation steps. Priority is given to improving the quality of service, safety, convenience, and timeliness that serve as the four pillars of KAI transformation (Djuraid, 2013: 32-34). These four pillars serve as a vision of change that will be carried by Ignatius Jonan.

Based on the findings of those two months of observation, Jonan concludes that the first and foremost strategy is to transform the employees mentally. Mental, spirit, and service culture are very low and can even be said to be almost non-existent. Employee orientation must be changed from product oriented to customer oriented. The second step is related to good discipline and good corporate governance (Djuraid, 2013: 35). Vision and strategy are the three steps of change framework according to Kotter.

In order to build a coalition of change (step-2 Kotter's framework), Ignasius Jonan recruited professionals including many from the military. This strategy is to accelerate the transformation of organizational culture. Jonan sees that if KAI relies solely on internal HR, then the transformation process will take longer. By involving new personnel from outside who have the good competence and work ethic, it is expected that transformation of the work culture can take place more quickly (Djuraid, 2013: 68). Another form of coalition embraced by Jonan is the personal and professional approach taken against all KAI employees. All KAI employees of all levels are allowed (and even have to) communicate directly with Jonan via email.

Quick Wins: a modality for the next steps

Improvement of the Eid transportation is a quick win of Ignasius Jonan. Every year, it is a common sight that Eid transportation using trains becomes the spotlight of the media. Passenger struggle to get a seat, including by entering the train through the window, is a story part of the Eid transportation. The bad news is good news. Conditions that have happened for tens of years that almost never change from year to year.

Therefore, it was phenomenal when the Eid of the year 2012, or the fourth year of Jonan's leadership period, passengers could queue orderly entering the train. Journalists and photographers who have gathered at the Pasarsenen railway station were 'disappointed'. There were no long queues; no small children squeezed in the middle of the line for tickets (Djuraid, 2013: 21). The SOE Minister, Dahlan Iskan, called the Eid 2012 transportation as a 'rare event in the Eid holiday' (Djuraid, 2013: 144).

The success of the Eid 2012 transportation can be repeated better in 2013. It has changed the current mindset stating that the Indonesian train can not change, can never be improved. The phrase of 'it turns out to be' brings new optimism, arouses passion and becomes an important modality for KAI's management to move forward to the next level (Djuraid, 2013: 23).

Consolidating gains and producing more change

Since becoming a top manager of KAI, Jonan created many new cultures. One of them is to create a mailing list followed by all directors and managers in KAI. Through the mailing list, Jonan gives

appreciation for the success of the staff (Djuraidi, 2013: 138). The mailing list also serves as a medium for reprimanding those who committed mistakes (Djuraidi, 2013: 82, 126-128, 137-138), giving direction (Djuraidi, 2013: 83, 117-118, 144-145), or forwarded various comments from the public to be known by all staff (Djuraidi, 2013: 49, 76, 93, 140-141, 142).

A consolidated result to improve employee morale to be more confident to make further improvements can be seen from Jonan's choice to focus on improving the long-distance passenger trains instead of the short-distance commuter trains. In Jonan's calculation, a good long-distance train is very likely to gain profit. With a large-scale improvement, the number of passengers will increase and impact on KAI's revenue. With these revenues, the improvement of the short-distance commuter train can be fully self-financed without government funds (Djuraid, 2013: 54).

Anchoring the new approaches

During the leadership of Ignatius Jonan, KAI gradually increased the salaries of employees. This policy seems at a glance odd because at the time began to lead KAI, the financial position in a loss condition. The adage used is that KAI is a service business. The profit-loss of the company is very dependent on the quality of service. If the quality of service increases, then the company's revenue will increase. Experience in other countries shows that a lean but highly paid public service is more effective and more sterile against corruption (ADB, 2012).

Therefore, Jonan persistently transformed the culture in KAI from product oriented to customer oriented. His vision is to improve the quality of service, safety, comfort, and timeliness. Jonan not only introduces these values, but also provides himself a role model in terms of commitment, consistency, free from self-interest, and caring attitude for all of his staff. Jonan's integrity shown over time allowed him to inculcate the new culture into the organization of KAI.

The old, corrupt, and vested-interest culture is gradually transformed into a clean culture oriented towards customer satisfaction. Armed with the integrity-based leadership, Jonan managed to instill the values of service into the management of KAI. KAI management at all levels supports Jonan's efforts because Jonan has successfully improved the KAI's financial performance and at the same time increase employee salaries at all levels.

CONCLUSION

The success of KAI's organizational transformation quickly reflects the work ethic of Ignatius Jonan and all the teamwork reverse the waves rather than follow the stream or maintain the status quo. Referring to John Kotter's change framework, organizational transformation in KAI can be implemented quickly because one policy, decision, practice or action can have implications, relevance, or support multiple stages of change. Integrity-based leaderships through vision, commitment, consistency, and exemplary leadership are key to successful transformation in KAI.

In many cases, at least in the context of Indonesia, the failure of leaders in transforming the organization is strongly related to the by past records and the integrity of the leader. Only a leader with strong integrity could practice an effective leaderships, therefore successful in transforming the organization. Any leader with a bad track record, will not be able to practice effective leadership, and therefore very likely fail to implement the organizational transformation. Thus, it should be ensured to select a good & clear leader to lead the organizational transformation.

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