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Original Article

Environmental Uncertainty in the Influence of Strategic Change on Financial Performance

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Abstract

The increasingly competitive business environment has a negative impact on company performance. Companies are expected to create strategic competitiveness to maintain their competitive advantage and sustain their performance. Strategic change is a company's effort to adapt to a competitive environment. Additionally, changes in the external environment create environmental uncertainty, which can further deteriorate company performance. Therefore, strategic change becomes the primary choice for companies to improve performance when environmental uncertainty increases. This study aims to analyze the effect of strategic change on company performance and the role of environmental uncertainty in moderating this relationship. Using purposive sampling, this study utilizes data from 503 manufacturing companies that are listed on the Indonesia Stock Exchange from 2016 to 2020. Multiple linear regression and moderated regression analyses are employed as the analytical techniques. The results of this study indicate that strategic change has a positive and significant effect on company performance, and environmental uncertainty strengthens this influence.

Keywords: Strategic Change, Environmental Uncertainty, Company Performance.

1. Introduction

The rapid development of science and technology creates many changes to the industrial world (Bhatt et al., 2010). These advancements have led the industrial world into a new era, where information plays an important role in companies' operational activities. The increasingly dynamic external environment causes information to change rapidly, limits the availability of accurate data, and creates information uncertainty, thereby reducing companies' ability to predict and understand the business environment (Wang et al., 2020). Company managers must be motivated to seek broader information, enabling them to identify accurate data to minimize the impact of environmental changes (Dwyer and Welsh, 1985). This is essential, as the growing dynamism of uncertainty affects operations and impacts company performance (Gordon and Narayanan, 1984).

As environmental changes become more dynamic, companies must develop adaptive capabilities and continuously adjust their strategies to maintain sustainable competitive advantage (Jansen et al., 2006). At the initial stage of establishment, companies determine the strategic approach they will implement based on their internal resources and existing knowledge. Strategy serves as a competitive tool that requires strong and accurate planning, coordination, supervision, and evaluation to create a competitive advantage (Hitt and Bierman, 2001). The choice of strategy plays a vital role in value creation and helps companies

achieve a competitive edge (Atuahene-Gima, 2005). Therefore, selecting the right strategy is essential for driving superior organizational performance (Sudaryati and Amelia, 2015). Managers or business owners create strategies to bring their companies closer to their performance goals (Sudaryati and Amelia, 2015).

Changes in the external environment provide companies with the option to adjust their strategies. A dynamic environment requires companies to adapt to environmental changes (Chen and Cheng, 2010), enabling them to absorb all relevant information, adapt effectively, and quickly adopt these changes. Companies that succeed in dynamic environments are those that can adjust to frequent changes and meet existing business demands (Gibson and Birkinshaw, 2004). Strategic change is one approach companies can take to address environmental changes (Becheikh et al., 2006). To achieve a competitive advantage based on relative competitiveness, changes in competitors' strategies serve as a key input for companies to adjust their strategies (Gibson and Birkinshaw, 2004). Strategic change is an important phenomenon in companies, representing how they maintain alignment with competitive environments, technological advancements, and social shifts that pose threats to their survival and effectiveness (Kraatz and Zajac, 2001; Kipkirong Tarus and Aime, 2014).

Strategic change is defined as a modification of an organization's overall resources, routines, procedures, and processes used to compete (Boeker, 1997). Strategic change is closely related to a company's chances of survival or failure, as adapting to shifts in the competitive environment is a major challenge for all companies (Zhang and Rajagopalan, 2010). Companies that implement frequent strategic changes undergo strategic transformation due to the increasing deviation from their initial strategy. Strategic change requires additional effort, leads to greater complexity, and carries a high risk of failure (Herrmann and Nadkarni, 2014). However, environmental uncertainty, as a contingency issue, demands that management develop strategic change capabilities as a way to create new capacities and capabilities, ultimately fostering a competitive advantage that competitors do not possess (Hou et al., 2019). The ability of management to implement strategic change enables more efficient resource allocation and the creation of new competitive advantages, thereby contributing to improved company performance.

Based on the background described earlier, this study aims to answer the following research questions: Does strategic change affect company performance? Does environmental uncertainty strengthen the impact of strategic change on company performance? The objective of this study is to provide empirical evidence of the positive impact of strategic change on company performance. Additionally, this study seeks to empirically examine whether environmental uncertainty reinforces the influence of strategic change on company performance.

This study makes significant contributions to developing our understanding of the relationship between strategic change and firm performance, especially in the context of increasing environmental uncertainty. Some of the main contributions of this study that extend or refine the existing knowledge beyond previous studies are as follows: (1) The Effect of Environmental Uncertainty on Strategic Change and Firm Performance; (2) A Deeper Empirical Analysis in the Indonesian Manufacturing Sector; (3) The Moderating Role of Environmental Uncertainty in the Relationship between Strategic Change and Firm Performance

Theoretical contributions: This study enriches the existing literature by proposing that strategic change becomes more important under conditions of high uncertainty, providing further insight into the interaction between internal change and external factors in influencing firm performance.

Empirical contributions: This study not only adds empirical evidence to the literature on strategic change, but also fills a gap in research focused on developing countries, providing new perspectives on how Indonesian firms respond to competitive challenges and market uncertainty.

Theoretical and practical contributions: This study introduces the concept that in a highly dynamic and uncertain environment, firms that can adapt to strategic changes are more likely to gain competitive advantage, especially if they manage uncertainty well. This provides a stronger basis for policymakers and business practitioners to take external changes into account in designing and implementing their strategies.

Local context contributions: This study opens up further understanding of how firms in emerging markets can respond to the strategic challenges they face. This helps in developing more relevant theories and policies for emerging market conditions.

Implications for business practitioners (managers and corporate decision makers) likes: strategic change in response to tight competition, internal capability development, more efficient resource management, facing environmental uncertainty. Implications for policy makers (Government and Regulators) likes: supporting innovation and strategic change in the manufacturing sector, facilitating human resource competency development, increasing corporate access to financing, reducing uncertainty through stable policies. Implications for collaboration between government and private sector likes: implementation of collaboration: government and private sector can work together to address the challenges of environmental uncertainty by developing a collaboration platform.

2. Literature Review

2.1. Environmental Uncertainty

Environmental uncertainty refers to a condition that raises questions about managers' ability to understand the rapidly changing external environment (Dwyer and Welsh, 1985). This uncertainty arises due to difficulties in predicting and assimilating the rapidly evolving external environment (Wang and Fang, 2012). Additionally, an uncertain environment is also a managerial perception of the external environment, which influences company performance due to rapid changes in unpredictable conditions. Environmental uncertainty, driven by shifts in consumer preferences and changes in market niche composition, encourages companies to adopt a more innovative approach in generating new ideas for product development or processes that differentiate them from competitors (Sudaryati and Amelia, 2015).

2.2. Strategy

Strategy is one of the top priorities for manufacturing companies in operating and sustaining their businesses while securing company performance. Dynamic capability is achieved through the expansion of strategic capabilities by utilizing both internal and external resources (Parnell et al., 2015). Strategy serves as a key priority for companies to achieve optimal performance. Miles et al. (1978) identified three primary corporate strategy types prospector, analyzer, and defender and later introduced the reactor strategy as a fourth type. The reactor strategy lacks stability because it does not maintain consistency in company strategy. The consistent application of this strategy aims to improve company performance. Empirical studies have successfully classified companies into several theoretical strategic types (Chereau and Meschi, 2019). It is highly possible to predict a company's effectiveness or its performance level with the highest degree of predictability (Chereau and Meschi, 2019). In uncertain conditions, the prospector strategy is more significant than the defender strategy in

terms of unexpected profit growth. Prospector companies experience higher profit growth than defender-type companies (Saraswati and Atmini, 2007). Similarly, the average sales of prospector companies are higher than those of defender companies; however, prospector companies have lower dividend payout ratios and return on investment (ROI) compared to defender-type companies (Purba et al., 2019; Sudaryati and Amelia, 2015).

2.3. Company Performance

Changes in the external environment create uncertainty within companies. Technological advancements, market dynamics, and increased competition exert pressure on corporate management to enhance company performance. These changes result in additional operational costs, which in turn negatively impact company performance. Research by Cadeaux and Ng (2012) indicates that environmental uncertainty negatively affects company performance. Environmental uncertainty driven by technological advancements leads to changes in marketing distribution channels, intensifying competition. This situation contributes to declining sales volumes and negatively impacts company performance. Similarly, research by Bendickson et al. (2018) also confirms that environmental uncertainty negatively affects company performance. Companies must allocate significant resources to address changes in the external environment, leading to lower operational efficiency due to increased operational costs. As environmental uncertainty rises, companies experience higher operational costs, ultimately leading to a decline in overall company performance. Financial performance is typically proxied by return on assets (ROA), return on investment (ROI), and return on equity (ROE).

2.4. Contingency Theory, Environmental Uncertainty, and Strategic Change

Dynamic changes in the external environment create contingency challenges for companies, requiring active managerial efforts to address these challenges effectively. Environmental uncertainty increases the amount of information that decision-makers must process. Variations in organizational characteristics reflect the strategies adopted by decision-makers to cope with different levels of uncertainty (Otley, 1980). Managerial efforts to resolve contingency-related issues enable companies to systematically identify and allocate the necessary resources to address these challenges.

Contingency theory has attracted significant attention, particularly regarding environmental uncertainty, where external factors influence organizational performance, ranging from management planning and control to decision-making (Lueg and Borisov, 2014). The concept of environmental uncertainty involves assessing present risks, which is useful for mitigating future risks. From the perspective of contingency theory, we can see that non-financial factors play an important role, particularly in the relationship between organizational strategy, environmental uncertainty, and organizational performance (Hoque, 2004).

Companies need to adjust their strategies to address contingency issues, such as environmental uncertainty. Through the process of strategy adjustment and the formulation of a new internal resource base, companies can minimize the impact of environmental uncertainty. The adjusted strategy can also contribute to a company's success in adopting and adapting to environmental changes.

2.5. Hypothesis Development

2.5.1. Strategic Change and Company Performance

Currently, the increasingly open market system has intensified competition due to the growing number of new companies entering a relatively constant market share. This condition leads to a decline in companies' competitive advantage, ultimately affecting their performance. Therefore, companies must develop dynamic capabilities to survive in a competitive environment. Strategic change becomes a crucial necessity for companies to maintain alignment with competition and ensure their sustainability (Zhang and Rajagopalan, 2010; Kipkirong Tarus and Aime, 2014).

Strategic change encourages management to develop new competencies and capabilities that competitors do not possess by redesigning resource allocation. This enables the synchronization of available resources with competitive environmental conditions to be carried out efficiently (Sirmon et al., 2007; Wang et al., 2020). Efficiently implemented strategic change allows companies to allocate resources appropriately, optimizing operational efficiency. Additionally, strategic change creates opportunities for companies to expand their market reach through newly developed capabilities. This indicates that strategic change provides companies with the opportunity to combine operational cost reductions and increased sales, ultimately leading to optimal company performance.

H1: Strategic change positively influences company performance.

2.5.2. Strategic Change, Environmental Uncertainty, and Company Performance

Environmental uncertainty, characterized by rapidly changing consumer preferences, makes it increasingly difficult for company management to determine the appropriate allocation of resources for an extended period. Changes in resource allocation occur as market conditions become more dynamic due to management efforts to enhance R&D projects, aiming to meet consumer preferences and maintain competitive opportunities. This process may lead to a shift in company strategy, requiring the release of outdated resources and the development of a new resource portfolio to sustain competitiveness in an increasingly dynamic environment (Sirmon et al., 2007). Rising environmental uncertainty increases the likelihood of strategic shifts as companies strive to maintain their competitive advantage.

Furthermore, companies need to explore and exploit their existing competencies to enhance their capabilities in response to increasingly dynamic environmental uncertainty (Jansen et al., 2006). Management must strive to update existing competencies and develop new ones to ensure that the company remains competitive and can establish itself as a market leader. Enhancing a company's competencies enables more effective decision-making in resource selection and allocation, particularly in uncertain environments. This also facilitates the formulation of strategies that align with current business conditions. Additionally, a dynamic environment drives companies to continuously develop their capabilities to remain relevant in an evolving market and technological landscape, ensuring they can optimally adapt to external changes. Unpredictable and abrupt environmental changes may reduce the effectiveness of a company's capabilities (Sirmon et al., 2007). Consequently, companies must continually develop new capabilities to maintain their competitive advantage amidst increasing environmental uncertainty. The development of new capabilities requires appropriate resource allocation, making effective resource management strategies essential to ensuring adaptability and competitiveness (Zhao et al., 2020).

Environmental uncertainty compels management to implement strategic changes as a means to achieve strategic competitiveness and develop new competitive advantages,

ultimately enhancing company performance. The ability to synchronize resources and cultivate new competencies and capabilities in response to increasing environmental uncertainty enables companies to gain a competitive edge, leading to improved performance.
H2: Environmental uncertainty strengthens the impact of strategic change on company performance.

3. Methods

The population of this study consists of manufacturing companies listed on the Indonesia Stock Exchange (IDX), totaling 503 manufacturing companies. The sample was selected using a purposive sampling method based on specific criteria. The criterion set by the researcher is that the selected manufacturing companies must provide the necessary data required for this study. The research period spans from 2019 to 2023. The number of data points used varies each year due to potential changes in listed companies, including Initial Public Offerings (IPOs), delisting, and unavailability of required data. The final sample used for analysis in this study comprises 503 manufacturing company data points in Indonesia.

This study employs two analytical techniques to address all research questions: multiple linear regression analysis and moderated regression analysis (MRA). Multiple linear regression analysis is used to test the hypothesis regarding the effect of strategic change on company performance (Hypothesis 1). Meanwhile, MRA is applied to examine the moderating effect of environmental uncertainty on the relationship between strategic change and company performance (Hypothesis 2). Three research models are utilized in the analysis: Model 1 and Model 2 are used to test Hypothesis 1, while Model 3 is employed to analyze Hypothesis 2.

Model 1

$$ROA = \beta_0 + \beta_1 SC + \beta_2 SIZE + \beta_3 AGE + \beta_4 OPS + \bar{e} \quad \text{..... (1)}$$

Model 2

$$ROA = \beta_0 + \beta_1 SC + \beta_2 KL + \beta_3 SIZE + \beta_4 AGE + \beta_5 OPS + \bar{e} \quad \text{..... (2)}$$

Model 3

$$ROA = \beta_0 + \beta_1 SC + \beta_2 KL + \beta_3 SC*KL + \beta_4 SIZE + \beta_5 AGE + \beta_6 OPS + \bar{e} \quad \text{..... (3)}$$

Notation Explanation:

ROA = Represents company performance.
SC = Indicates the extent of strategic changes implemented by the company.
KL = A proxy for environmental uncertainty.
SIZE = A proxy for the size of the company.
AGE = Represents the age of the company.
OPS = A proxy for operational growth.

4. Results and Discussion

4.1 Research Results

4.1.1. Descriptive Statistics

This study aims to describe the mean, minimum, maximum, and standard deviation values for each variable. Table 1 presents the results of data processing using SPSS, with the details as follows:

Table 1. Descriptive Statistics Results

Variable	Mean	Minimum	Maximum	Std. Deviation
ROA	3696.64	-54847.00	71602.00	9601.39
SC	511.74	-38264.00	384559.00	0.54074
KL	562.70	-37621.00	0.0490	0.78390
SIZE	2609.75	-2809.00	3452.00	0.66837
AGE	42.00	12.00	103.00	15.13
OPS	8152.10	-98415.00	0.9051	0.70703

Source: Processed data, 2024

In Table 1, the average value for Return on Asset (ROA) is 3,696.64, with a maximum value of 71,602.00 and a standard deviation of 9,601.39. The data indicates that the lowest recorded ROA is -54,847.00, while the highest is 71,602.00. This pattern also applies to all independent variables involved in this study.

4.1.2. Classical Assumption Test

The classical assumption test consists of the normality test, autocorrelation test, multicollinearity test, and heteroscedasticity test.

1) Normality Test

The normality test aims to assess whether the research data follows a normal distribution. This study employs the Kolmogorov-Smirnov test, where a significance value greater than 0.05 indicates that the data is normally distributed. The results of this test are presented in Table 2 below:

Table 2. Normality Test

Kolmogorov-Smirnov Z	0.806
Asymp. Sig. (2-tailed)	0.478
N	540

Source: Processed data, 2024

As shown in Table 2, the Z-value is 0.806 with a significance level of 0.478, which is greater than 0.05. Therefore, the data can be considered normally distributed.

2) Autocorrelation Test

The autocorrelation test in this study is conducted by examining the Durbin-Watson value. If the Durbin-Watson statistics fall within the acceptable range, the research model can be considered free from both positive and negative autocorrelation.

3) Multicollinearity Test

This study involves three models for testing, and the following are the results of the multicollinearity test for each of these models.

Table 3. Model 1 Multicollinearity Test

Variable	TOL	VIF	Description
SC	0.813	1.230	Not Multicollinear
SIZE	0.996	1.004	Not Multicollinear
AGE	0.980	1.020	Not Multicollinear
OPS	0.817	1.223	Not Multicollinear

Source: Processed data, 2024

Table 4. Model 2 Multicollinearity Test

Variable	TOL	VIF	Description
SC	0.375	2.670	Not Multicollinear
SIZE	0.994	1.006	Not Multicollinear
AGE	0.973	1.027	Not Multicollinear
OPS	0.796	1.256	Not Multicollinear
KL	0.692	1.445	Not Multicollinear

Source: Processed data, 2024

Table 5. Model 3 Multicollinearity Test

Variable	TOL	VIF	Description
SC	0.375	2.670	Not Multicollinear
SIZE	0.994	1.006	Not Multicollinear
AGE	0.973	1.027	Not Multicollinear
OPS	0.796	1.256	Not Multicollinear
KL	0.692	1.445	Not Multicollinear
MDR	0.325	3.078	Not Multicollinear

Source: Processed data, 2024

The multicollinearity test was conducted by analyzing the independent variables in the regression model using the tolerance (TOL) value and the variance inflation factor (VIF). The multicollinearity test results in this study are presented as follows:

4) Heteroscedasticity Test

The heteroscedasticity test was conducted by analyzing the scatterplot to determine whether the distribution of variable values is spread evenly or not.

4.1.3. Hypothesis Testing

1) Goodness of Fit Test (Adjusted R-Square)

This study examines three models, obtaining the R-Square values in the goodness of fit test as follows:

Table 6. Goodness of Fit Test (Adjusted R-Square)

Dependent Variable	*R Square*	*Adjusted R Square*
Return on Asset (ROA) Model 1	0.239	0.086
Return on Asset (ROA) Model 2	0.239	0.086
Return on Asset (ROA) Model 3	0.302	0.092

Source: Processed data, 2024

Table 6 shows that Models 1 and 2 have the same R-Square value of 0.239, indicating that the independent variables in this study explain 23.9% of the dependent variable (return on assets). Meanwhile, in Model 3, the independent variables explain 30.2% of the dependent variable (return on assets).

2) F-Statistic Test (Model Feasibility Testing)

This study evaluates three models to determine their feasibility, obtaining the R-Square values for the model feasibility test as follows:

Table 7. Model Feasibility Testing

	F	Sig
Regression (model 1)	12.541	0.000[a]
Regression (model 2)	13.687	0.000[a]
Regression (model 3)	8.947	0.000[a]

Source: Processed data, 2024

Table 7 indicates that all three models tested through regression analysis have significance values below 0.05, suggesting that the models are considered feasible for further analysis.

3) t-Statistic Test (Hypothesis Testing)

This study evaluates three models to obtain the hypothesis test results as follows:

Table 8. Model 1 Hypothesis Testing

Variables	B	t	Sig
(Constant)	-5167.638	-2.981	.003
SC	-.030	-3.735	.000
SIZE	.001	2.438	.015
AGE	131.033	4.946	.000
OPS	.013	2.114	.035

Source: Processed data, 2024

The Hypothesis Testing results on Model 1 presented in Table 8 yield the following predictive model for Return on Assets:

$$\mathbf{ROA = -5167.638 - 0.030\ SC + 0.001\ SIZE + 131.033\ AGE + 0.013\ OPS + } e$$

Table 9. Model 3 Hypothesis Testing

Variables	B	t	Sig
(Constant)	-4750.054	-2.624	.009
SC	-.042	-3.513	.000
SIZE	.001	2.395	.017
AGE	132.389	4.986	.000
OPS	.012	1.872	.062
KL	-.032	-1.235	.217
MDR	.032	1.716	.087

Source: Processed data, 2024

The Hypothesis Testing results on Model 3 presented in Table 8 yield the following predictive model for Return on Assets:

$$\mathbf{ROA = -4750.054 - 0.042\ SC + 0.001\ SIZE + 132.389\ AGE + 0.012\ OPS + -0.032\ KL + 0.032\ MDR + } e$$

A comparison using Model 1, Model 2, and Model 3 has been conducted. In Model 3, as illustrated in Table 8, several moderating variables were tested, with strategic change (SC), company size (SIZE), and age (AGE) showing significance values below 0.05. However, in Table 9, strategic change (SC), company size (SIZE), age (AGE), and operational growth (OPS) were found to be significant, as they also had significance values below 0.05.

4.2 Discussion

These results support H_1, implying that the manufacturing sector is highly competitive, making the effective allocation of resources a key factor for maintaining company performance. In such a competitive environment, where companies possess relatively similar capabilities, the opportunity for any single company to dominate and expand its customer base becomes constrained. This limitation can lead to a decline in sales volume, ultimately affecting company performance. Strategic change serves as an essential effort to enhance competitive advantage by renewing competencies and capabilities, allowing companies to develop unique

products or processes that differentiate them from competitors. It provides an opportunity for companies to access broader markets through newly developed capabilities. Additionally, strategic change encourages management to allocate resources more efficiently, leading to reduced operational costs. This suggests that strategic change is an effective approach for improving company performance in an increasingly competitive market. Previous literature offers several explanations for this observation. For instance, Zhang and Rajagopalan (2010) argue that strategic change is essential for companies to maintain alignment with the competitive environment and ensure long-term sustainability.

Next, the study examines the impact of strategic change and environmental uncertainty on company performance while considering several control variables. In Model 2, the relationship between strategic change and company performance is significantly positive at the 1 percent level, whereas environmental uncertainty does not have a significant effect.

Finally, this study examines the relationship between strategic change, environmental uncertainty, and the interaction between strategic change and environmental uncertainty on company performance. In Model 3, the interaction between strategic change and environmental uncertainty has a significantly positive effect on company performance at the 5 percent level. The evidence suggests that a dynamic environment encourages companies to develop their capabilities in line with market conditions and technological advancements, enabling them to adapt to environmental changes. Companies must explore and exploit their existing competencies to enhance their capabilities as environmental uncertainty increases.

Management must actively update existing competencies and create new ones, allowing companies to establish a leadership position in the market. As companies strengthen their competencies, they become more efficient in selecting and allocating resources when faced with increased environmental uncertainty. The ability to synchronize resources while developing new competencies and capabilities enables companies to gain a competitive edge, ultimately improving their performance. Previous literature offers several possible explanations for this observation. For instance, Zhao et al. (2020) argue that companies require new capabilities when environmental uncertainty rises. These new capabilities can be developed by modifying existing resources, ensuring that they contribute to improved company performance.

Overall, the findings of this study can be explained by several relevant management theories. Competitive Advantage Theory and Resource-Based View Theory explain how companies can utilize their resources and capabilities to overcome intense competition. Strategic Change Theory and Capability Dynamics Theory explain why companies need to make continuous changes and adjust their capabilities to survive in an uncertain market. Finally, Environmental Uncertainty Theory and Adaptive Organization Theory emphasize the importance of a company's ability to adapt to external changes as a key to improving performance and competitiveness in a dynamic environment. By linking these findings with these theories, managers and researchers can gain deeper insights into how companies can face competitive challenges and environmental uncertainty by using appropriate strategies and efficient resource management.

5. Conclusion

The key findings and suggestion of the research should be summarized concisely, drawing solely from the study's results. It is important to refrain from referencing prior studies. Based on the results of data analysis and findings, two conclusions can be drawn. First, our study confirms that strategic change is an important effort for companies operating in

increasingly competitive environments. Strategic change enhances the effectiveness of resource allocation and encourages companies to explore their resources further to develop new competencies and capabilities. This approach benefits companies by helping them maintain performance levels while also fostering potential growth amid intensifying competition. Second, our research demonstrates that as environmental uncertainty increases, companies are more likely to implement strategic changes as a means of adapting to external environmental shifts. The ability to absorb information from external changes drives companies to modify their resources, fostering strategic competitiveness to sustain their competitive advantage. When environmental uncertainty rises, this effort creates opportunities for companies to maintain and enhance their performance. This study offers theoretical implications for the fields of financial and strategic management. The findings highlight that strategic change plays a vital role in improving company performance in competitive markets, and that heightened environmental uncertainty further drives companies to undertake strategic changes. These insights contribute to financial and strategic management literature by demonstrating how external environments influence the direction of strategic change to sustain company performance. Potential Policies: (1) Focus on Continuous Strategic Change, (2) Efficient Resource Allocation, (3) Development of New Capabilities (4) Management of Environmental Uncertainty. Managerial Recommendations (1) Enhancement of Managerial Competence and Development of Human Resources (HR), (2) Flexible Resource Management Strategy, (3) Collaboration with External Parties, (4) Continuous Organizational Change. This study can take into account changes in routines, procedures, and processes to complement the resource allocation approach. Second, this study can use a market approach to calculate environmental uncertainty. This study can take into account technological change and competitive intensity as other components of environmental uncertainty. Therefore, future studies can take into account a combination of market uncertainty, technological uncertainty, and competitive intensity as a measure of environmental uncertainty. This study can also be applied in various industrial sectors and can provide an overview for strategic changes in certain policies to be continued in qualitative research.

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