# ENVIROMENTAL UNCERTAINTY AND FIRM'S STRATEGIC CHANGE: THE MODERATING ROLE OF MANAGERIAL EXPERIENCE

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## ABSTRACT

*All managerial experiences are always used to a moderate role by its effect, but sometimes the result gives environmental uncertainty. We proposed to examine the effect of environmental uncertainty on corporate strategy change and examines the moderating role of managerial experience on this effect. The sample used is 662 annual reports of manufacturing companies from the period 2014 to 2019. The analysis technique used is moderate regression analysis using the SPSS 24.0 application. The results showed that environmental uncertainty has a positive and significant correlation with changes in corporate strategy. In addition, the research results pro-vide evidence of managerial experience encouraging managers to be more intensive in minimizing the impact of environmental uncertainty so that the likelihood of changes in company strategy is low. These findings indicate changes in the external environment when environmental uncertainty increases, which causes the company to make changes to the strategy it carries out due to changes in the company's resource allocation pattern. In addition, high managerial experience makes it easy for companies to obtain information related to environmental changes so that the impact of environmental uncertainty can be minimized. It means that companies do not need to change their strategy when environmental uncertainty increases.*

**Keywords**: Firm's Strategic Change, Environmental Uncertainty, Managerial Experience, Regression Analysis, Managerial Ties.

## INTRODUCTION

At the beginning of its establishment, the company determines the form of strategy that will follow its internal resources and knowledge capabilities. However, a dynamic environment requires companies to adapt to environmental changes (Chen et al., 2010). Companies must be able to absorb all information related to changes that occur to adopt these changes quickly. Environmental changes encourage companies to continuously seek new market opportunities and regularly experiment with potential responses to environmental changes (Tan & Tan, 2005). Increasingly fierce global competition, dynamic changes in customer demand, and rapid technological advances are dominant factors in environmental changes, making it difficult for companies to achieve and maintain their competitive advantage (Bhatt et al., 2010). These changes create environmental uncertainty for the company (Wang & Fang, 2012). Environmental



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uncertainty indicates changes in the composition of market niches and their preferences, intense competition, and unpredictable technological advances (Atuahene-Gima et al., 2006; Song et al., 2005; Wang & Fang, 2012).

Companies that are successful in a dynamic environment must adapt to many changes to meet the demands of the existing business (Gibson & Birkinshaw, 2004). To achieve a sustainable competitive advantage, companies must build dynamic capabilities and continually adapt their corporate strategies. Strategic change is one way for companies to cope with environmental changes (Becheikh et al., 2006). Strategic change is an essential phenomenon in companies that represents how organizations maintain alignment with the competitive environment, technology, and shifts in the social environment that threaten their survival and effectiveness (Tarus & Aime, 2014). Strategic change is closely related to the company's chances (Abubakar & Ibrahim, 2021; Rianto et al., 2021) of survival or failure because adapting to the changing competitive environment is a significant challenge for all companies (Zhang & Rajagopalan, 2010). In addition, strategic change is defined as modifying the overall resources, routines or procedures, and processes that organizations use to compete (Boeker, 1997). Companies with a high level of environmental uncertainty encourage strategic changes to survive in a competitive environment. Companies are trying to redesign the pattern of resource allocation to deal with the dynamics of an environment full of uncertainty (Wang et al., 2019). Companies must be able to develop new capabilities when uncertainty increases because unsustainable environmental changes impact reducing the company's capabilities (Sirmon et al., 2007). Firms can respond to competitors in situations of environmental uncertainty when competitors introduce changes in their offerings that could deprive the firm of competitive advantage. The actions of competitors contribute to the dynamics of the environment, so companies need to redesign their strategies by synchronizing their resources (Hoskisson et al., 2001).

Companies that make many strategic changes will experience a strategic transformation due to the more significant difference with the original strategy. The company's strategic changes require extra effort, resulting in greater complexity and a high risk of failure (Herrmann & Nadkarni, 2014). This condition causes companies to maintain their original strategy, thereby minimizing the possibility of rapid environmental changes. Changes in the external environment affect the company's internal changes, so the role of managers is an essential factor in controlling changes in the internal environment (Yi et al., 2017). Managers must minimize environmental uncertainty by absorbing all the information contained in their environment because environmental uncertainty is a condition of information uncertainty faced by managers (Duncan, 1972). Manager's experience is the main component to minimize environmental uncertainty. Manager's experience is the length of time the manager manages a company operating in a similar industry. Managers with good experience seek to use their knowledge and connections to find the causes of these environmental changes. Managers with good experience believe in having a storehouse of knowledge about the organization and industry, making it easy to choose sources of information to minimize environmental uncertainty. Top-level managers are simultaneously involved in the process of scanning the external environment as a cue to synchronize resources to deal with important changes when environmental uncertainty increases (Sirmon et al., 2007). Top-level managers with good experience are sensitive to needs and consider feedback at every stage of the resource management process, so that appropriate adjustments and synchronization of resources can be made when environmental changes occur. Experienced managers direct the allocation of resources effectively in accordance with the



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capabilities and knowledge of the company, so that strategic changes can be avoided in situations of increased uncertainty.

## LITERATURE REVIEW

### Enviromental Uncertainty and Firm's Strategic Change

Changes in the business environment continuously become a contingency problem for each company (Tsai & Yang, 2013). Environmental dynamics are characterized by rapidly changing consumer preferences, unpredictable technological advances in a fast time, and intense competition (Atuahene-Gima et al., 2006; Ganter & Hecker, 2013; Tsai & Yang, 2013; Wang & Fang, 2012). The dynamic environment creates information uncertainty, thereby reducing the predictability of companies in understanding the business environment (Wang et al., 2019). When the business environment is increasingly dynamic, companies respond quickly to unpredictable environmental changes, so they are motivated to obtain accurate information about the current state of the business environment. Environmental changes lead to changes in the company's internal conditions, and the information is needed to respond to environmental changes. The increasingly dynamic environmental changes have resulted in the lack of accurate information due to frequent information changes. Companies cannot provide the best solution based on rationality due to the lack of information received (Wang et al., 2019). Therefore, companies must make strategic changes to deal with possible changes in the external environment. Changes in the external environment allow companies to make changes to their running strategy (Wang et al., 2019) that is known as strategic changes that will be one of the factors that influence changes in organizational learning (Rianto et al., 2021) and also influences moderating managerial role in industry (Abubakar & Ibrahim, 2021). The pressure of environmental dynamics causes companies to adapt their strategies to market demands and changing consumer preferences.

When environmental uncertainty increases, resource management is a crucial component for companies to adapt to changes. Rapid technological changes encourage companies to increase their exploration and resource exploitation capabilities, resulting in innovations in line with market needs (Hou et al., 2019). Efforts are needed to regulate resource allocation patterns when environmental uncertainty increases. Changes in the external environment cause the pattern of resource use to change, so a redesign is needed to use these resources. The shift in the pattern of resource allocation has resulted in companies changing their strategies. Increasing environmental uncertainty allows a shift in the company's strategy to maintain its competitive advantage. The shift in strategy directly impacts the allocation of resources used to support R&D projects developed by the company in dealing with environmental uncertainty. Companies must release old resources and create new resource portfolios to survive in an increasingly dynamic environment (Sirmon et al., 2007). In addition, when environmental uncertainty increases, companies need to explore and exploit their competencies so that company competencies increase (Jansen et al., 2006). Companies must be able to update existing competencies and create new competencies to become leaders in the market environment. The increasing competence of the company makes it easier for companies to choose and allocate the resources needed when environmental uncertainty increases. It makes it easier for companies to determine a strategy according to the current business environment.

The dynamic environment encourages companies to develop their capabilities according to the market context and technological developments to adapt to environmental changes.



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Unsustainable environmental changes result in reduced company capabilities (Sirmon et al., 2007). This condition encourages companies to develop new capabilities when environmental uncertainty increases. The newly developed capabilities require new resource allocation, so a resource management strategy is needed to meet the new capabilities required by the company. In addition, the newly developed capabilities create new market opportunities; it needs the change strategies in developing new capabilities. The company's strategic orientation is determined based on the capabilities and knowledge possessed so that increasing capabilities impact shifting the company's strategic direction (Zhao et al., 2020) and can effect on organizational performance (Laalkazemian & Jafari Titkanloo, 2021). In addition, changes in competitors' strategies are a magnitude for companies to change their strategies. Changes made by competitors in their operations attract companies to participate in making changes to defend themselves in a competitive environment. In a dynamic environment, competitors' actions are information that must be observable by the company so that the company can act better and faster than competitors. The company looks at the opportunities that can be taken from competitors' actions to make strategic changes that direct the company to achieve strategic competitiveness and maintain its competitive advantage. Therefore, this study formulates the hypothesis that:

***$H_1$:*** *Environmental uncertainty has a positive effect on company strategic changes*

## The Impact of Managerial Experience on the Relationship Environmental Uncertainty and Firm's Strategic Change

The company's success in the modern era depends on the formulation and implementation of the strategies adopted by the company. Managers of company owners make strategies to bring the company closer to its performance goals (Sudaryati & Amelia, 2015). The right choice of strategy creates superior performance for the organization. The implementation of the strategy carried out by the company is influenced by the external environment and the opportunities contained therein (Hoskisson et al., 2001). The ever-changing business environment provides an option for companies to change their strategic orientation. Strategic change is a means for companies to cope with internal and external changes (Kotter, 1998; Wang et al., 2019). Although changes in the external environment are increasingly dynamic, companies are trying to maintain their strategies (Hannan & Freeman, 1984; Heugens & Lander, 2009). Managers and company founders have a solid commitment to the existing strategy, so there is little chance of strategic change. Managers are comfortable with the area of operations they operate in, resulting in a reluctance to update their knowledge despite increasing environmental uncertainty. High uncertainty and the magnitude of the risk of failure faced by the company when making strategic changes is a dilemma faced by managers to make changes to the company's strategy. Managers strive to maintain performance in operational areas that they understand, making it challenging to update company operations. Managers expect to get considerable compensation from their current performance, so they are not interested in making changes to the strategic aspects of the company.

Environmental uncertainty is a condition that cannot avoid by company management. Therefore, specific efforts are needed to minimize the impact of environmental uncertainty. The role of top managers is a critical element in minimizing the impact of environmental uncertainty because environmental uncertainty arises from the uncertainty of information received by managers (Duncan, 1972). The upper echelon perspective explains that top managers have an essential role in extracting information not tied to contemporary realities (Quigley & Hambrick,



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2012). The lack of accurate information makes it difficult for company management to process information, so they cannot provide optimal strategic decisions. Environmental uncertainty requires managers' ability to understand external environmental conditions accurately. It is due to the difficulty in anticipating and assimilating environmental conditions simultaneously (Dwyer & Welsh, 1985). Therefore, it takes a high level of experience for managers to minimize the impact of environmental uncertainty. Manager's experience makes it easy for each component of the company to obtain information related to environmental conditions to process the information correctly. Managers with high experience have extensive connections and networks in the business environment. It provides an opportunity for companies to obtain accurate information when environmental uncertainty increases. This information directs each component of the company to integrate and balance between components so that resources can be appropriately synchronized. Synchronizing resources when the environment changes rapidly is essential for companies to survive in a competitive environment. The ability of management to synergize between components and synchronize resources when environmental uncertainty minimizes changes in the company's strategy because the pattern of resource allocation carries out effectively based on needs. Therefore, this study formulates the hypothesis that:

***$H_2$:*** *Manager's experience minimizes environmental uncertainty and reduces its impact on company strategic changes*

## RESEARCH METHOD

The population of this study is manufacturing companies listed on the Indonesia Stock Exchange. The sample was selected using the purposive sampling method, using specific criteria. The criteria determined by the researcher are manufacturing companies that present the data needed in the study. The selected research period is 2014 to 2019. The amount of data used is not the same every year because other companies conduct Initial Public Offering (IPO), delisting, and do not present research data. The sample used for analysis in this study amounted to 662 data on manufacturing companies in Indonesia.

The dependent variable in this study is the company's strategic changes. The measurement of the company's level of strategic change carry out using six dimensions, namely: 1) Investment in advertising and promotion; 2) Investment in research and development; 3) Renewal of fixed assets; 4) Management commissions and salaries; 5) The level of inventory, and 6) The company's capital structure. Investment expenses on advertising and promotion calculate to use the ratio of selling expenses to total operations, research and development investment calculate using the ratio of the net value of intangible assets to operating income, renewal of fixed assets is calculated using the ratio of the net value of fixed assets to the original value of fixed assets. Meanwhile, commission expense and management salary calculate using the ratio of management salary and commission expense to operating income, the inventory level calculated using the ratio of inventory to operating income, and the company's capital structure calculate to use the ratio of total debt to total equity (Zhang & Rajagopalan, 2010). The rate of strategic change calculate using five stages of calculation, namely: 1) Each dimension calculate for the difference in value between the current year and the previous year; 2) Calculate the median value of each dimension for each industrial sector; 3) Calculate the difference between the value of each dimension with the median value of each dimension; 4) Absolute the values obtained in step three and then carry out the standardization process, and 5) Average the values obtained in step five for each dimension (Wang et al., 2019; Zhang & Rajagopalan, 2010).



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The independent variable in this study is environmental uncertainty. This study reviews the environmental uncertainties that arise from a market perspective. Environmental uncertainty defines as uncertainty or instability in the market environment due to rapid changes in customer needs (Wang & Fang, 2012). Market uncertainty indicates changes in market niches' composition and preferences (Wang & Fang, 2012). Environmental uncertainty is estimated using the coefficient of variation in sales for five years (Huang et al., 2017). The moderating variable in this study is managerial experience. Managerial experience used in this study is the length of time managers manage companies in similar industries. Managers with high experience better understand the industry and its competitors, making it easier to win the competition and reduce the impact of environmental uncertainty (Yi et al., 2017). Managerial experience calculates to use the ratio of managers with more than 15 years of experience compared to the total number of managers. This paper presents data on top management, namely commissioners and directors, as the basis for calculating managerial experience. For the control variable, this study uses five variables: firm size, return on assets, firm age, and growth in operating income. The size of the company is proxied by the natural logarithm of total assets, the age of the company is proxied by the length of the company operating until the research year, and the growth of operating income is proxied by the difference between the current year's operating income and the previous year divided by the previous year's operating income. This study used multiple linear regression analysis and moderated regression analysis to examine the effect of the independent variable on the dependent variable and the effect of the interaction between the independent variable and the moderating variable on the dependent variable. The following empirical model use in this study:

$$SC= \beta_0+\beta_1EU+\beta_2ME+\beta_3EU*MC+\beta_4SIZE+\beta_5ROA+\beta_6AGE+\beta_7OPS+\bar{e}$$

Where SC=Company Strategic Change; EU=Environmental Uncertainty; ME=Managerial Experience; EU*ME=Interaction of Environmental Uncertainty and Managerial Experience; SIZE =Company Size; ROA=Return on Assets; AGE=Age of the Company; OPS=Change in Operating Income; and =Error Term.

## RESULTS

### Descriptive Statistics

Table 1 shows descriptive statistics for each variable used in our empirical analysis, including minimum, maximum, mean, and standard deviation. Table 1 shows a significant difference in the degree of strategic change among the sample companies because these variables have a standard deviation value that is greater than the average. The environmental uncertainty experienced by the sample companies is relatively uniform because these variables have a small standard deviation value from the average. In addition, the environmental uncertainty experienced by the sample companies during the study period was relatively low because the average environmental uncertainty was only around 19.06% (0.1906). Meanwhile, managerial experience among sample companies is relatively uniform because this variable has a small standard deviation value from the average. Managerial experience for the sample companies during the study period was relatively low because the average managerial experience was below 0.5 (0.3894).



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Table 1 also provides information about descriptive statistics on control variables of the sample companies. Overall, the sample companies can obtain positive returns during the study period because the average ROA shows a positive value (0.4050). However, sample companies have different abilities in obtaining returns because the standard deviation of ROA is greater than the average. In addition, the size of the sample companies is relatively uniform because these variables have a small standard deviation value from the average. The sample companies used in this study have a relatively high company age because the average AGE is 39.43. It shows that the sample company has relatively good experience in its environment because it has been operating for more than 39 years. Meanwhile, operational growth has a significant difference in value because this variable has a considerable standard deviation value from the average. The sample companies can increase their operational growth, but the ability of each company to increase operational growth is different.

**Table 1**
**DESCRIPTIVE STATISTICS**

| | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|
| SC | -0.6889 | 5.3599 | 0.0088 | 0.5216 |
| EU | 0.0179 | 1.9158 | 0.1907 | 0.1847 |
| ME | 0.0000 | 1.0000 | 0.3894 | 0.2625 |
| ROA | 0.5485 | 1.1197 | 0.0451 | 0.1233 |
| SIZE | 18.893700 | 33.4945 | 28.5391 | 1.7095 |
| AGE | 3 | 103 | 39.4300 | 15.5090 |
| OPS | 0.9842 | 18.1806 | 0.1321 | 1.0259 |

## Correlation

Table 2 provides information on the correlation between variables. Table 2 shows a weak positive correlation between firm strategic changes with environmental uncertainty (r =0.426, p <0.01) and changes in operating income (r=0.317, p<0.01). Meanwhile, the company's strategic change has a negative correlation with return on assets (r=-0.112, p<0.01), firm size (r=-0.111, p <0.01), and firm age (r=-0.139, p<0.01). Meanwhile, table 2 provides information that the company's strategic changes do not correlate with managerial experience (r=-0.042, p>0.1). In addition, the results of the analysis also show that there is no multicollinearity problem between independent variables because it does not exceed 0.80 or 0.90. The results showed no multicollinearity because the correlations between the independent variables were below the threshold value of 0.8. Thus, the results of the Pearson correlation coefficient confirm that there is no multicollinearity problem.

**Table 2**
**CORRELATION MATRIX**

| | SC | EU | ME | ROA | SIZE | AGE | OPS |
|---|---|---|---|---|---|---|---|
| SC | 1,000 | | | | | | |
| EU | 0.426*** | 1,000 | | | | | |
| | (0,000) | | | | | | |
| ME | -0.042 | -0.085*** | 1,000 | | | | |
| | (0,281) | (0,028) | | | | | |
| ROA | -0.112*** | -0.101*** | 0.013 | 1,000 | | | |



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| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | (0.004) | (0,009) | (0,737) | | | | |
| SIZE | -0.111*** | -0.162*** | -0.019 | 0.106*** | 1,000 | | |
| | (0,004) | (0,000) | (0,619) | (0,006) | | | |
| AGE | -0.139*** | -0.135*** | -0.062 | 0.228*** | 0.165*** | 1,000 | |
| | (0,000) | (0,000) | (0,109) | (0,000) | (0,000) | | |
| OPS | 0.317*** | 0.329*** | 0.006 | -0.002 | -0.044 | -0.071 | 1,000 |
| | (0,000) | (0,000) | (0,874) | (0,968) | (0,262) | (0,066) | |

*Note: Number in the bracket is the P-Value, *, **, *** significant at 10%, 5%, 1%*

## Analysis

Table 3 provides the results of hypothesis testing. The results of hypothesis testing indicate that environmental uncertainty positively affects changes in the company's strategy in the Indonesian manufacturing industry. These results indicate that an increasingly dynamic environment causes companies to be more reactive with changes that occur by changing the strategies they run. Increased environmental uncertainty due to an increasingly dynamic environment has resulted in companies making strategic changes to survive in a competitive environment. These results are in line with the arguments of Sirmon et al. (2007); (Wang et al., 2019) that environmental uncertainty puts tremendous pressure on companies to make strategic changes. In the research of (Rianto et al., 2021) about strategic changes that in his research shows that strategic change, knowledge management and transformational leadership affect organization learning. So, environmental uncertainty that could make strategic changes will also affect organizational learning (Abubakar & Ibrahim, 2021). Unsustainable environmental changes result in reduced company capabilities, so companies make strategic changes to increase their capabilities (Sirmon et al., 2007). The positive effect of environmental uncertainty on the strategic changes of companies in the Indonesian manufacturing industry also confirms the results of Wang et al. (2019), which finds that when environmental uncertainty increases, companies seek to redesign resource allocation patterns. Hence, companies seek to make strategic changes due to changes in resource allocation.

**Tabel 3**
**RESULTS**

| | 1 | 2 | 3 |
|---|---|---|---|
| $\beta_0$ | 0.156 | 0.176 | 0.074 |
| | (0.613) | (0.571) | (0.812) |
| EU | 0.965 | 0.959 | 1.262 |
| | (0.000) | (0.000) | (0.000) |
| ME | | -0.035 | 0.137 |
| | | (0.607) | (0.184) |
| EU*ME | | | -0.906 |
| | | | (0.025) |
| ROA | -0.257 | -0.255 | -0.259 |
| | (0.087) | (0.089) | (0.084) |
| SIZE | -0.010 | -0.010 | -0.008 |
| | (0.376) | (0.370) | (0.438) |
| AGE | -0.002 | -0.002 | -0.002 |
| | (0.099) | (0.092) | (0.104) |
| OPS | 0.101 | 0.101 | 0,104 |
| | (0.000) | (0.000) | (0.000) |

*Note: Number in the bracket is the P-Value, *, **, *** significant at 10%, 5%, 1%*



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The manufacturing industry is an industry with a significant intensity of technology use. Rapid technological changes have resulted in Indonesian manufacturing companies trying to improve their exploration and exploitation capabilities of resources, resulting in innovations in line with market needs (Hou et al., 2019). Exploration and exploitation of resources result in increased resource requirements so that the pattern of resource allocation has shifted to keep pace with rapid technological changes. The increase in resource allocation is a result of the company's efforts to improve R&D projects. The project creates sustainable innovation in a situation of increasing environmental uncertainty to maintain its competitive advantage. The company's efforts to increase R&D project activities when environmental uncertainty increases cause the company to pursue specific strategies, thus allowing the company's strategy to undergo significant changes.

In addition, Indonesian manufacturing companies are companies that have a high level of competition. Indonesia has a large number of manufacturing industries and is in direct contact with the needs of the people in Indonesia. This condition causes competitive pressure to play an essential role in strategic design for Indonesian manufacturing companies. When environmental uncertainty increases, each company strives for certain activities different from competitors to win the competition. The activities of these competitors impact the company, thereby disrupting the conditions of the company's offerings. The result is the company trying to make changes to its strategy to compensate for the actions of competitors (Sirmon et al., 2007).

Meanwhile, the homogeneity of products offered by Indonesian manufacturing companies has resulted in consumer tastes being a significant factor for the company's success. Rapid changes in consumer preferences create environmental uncertainty for companies, so innovative projects are one way for companies to meet changing consumer tastes. Innovative projects result in increased resource requirements to support creating products or processes that meet market needs (Sudaryati & Amelia, 2015). Changes in preferences are getting faster result in higher environmental uncertainty, so companies need changes in their resource allocation the result is companies making significant changes to their strategies to keep pace with changing consumer preferences.

Table 3 column 3 shows that the interaction between environmental uncertainty and managerial experience significantly affects corporate strategic change. Managerial experience reduces the impact caused by environmental uncertainty so that strategic changes in the company can minimize. Environmental change is a condition that the company cannot avoid. Companies face pressure from environmental dynamics that can lead companies to failure in a competitive environment (Zaefarian et al., 2017). Therefore, a manager's role is needed to minimize the impact of environmental uncertainty. Companies need managerial experience from managers to minimize the impact of environmental uncertainty. High managerial experience provides benefits for companies to obtain information related to changes in the business environment, making it easier to overcome environmental uncertainty. The role of managerial experience in reducing the impact of environmental uncertainty causes managers to continue to carry out existing company strategies. Managers are reluctant to make changes within the company because they are comfortable with the operational area. When environmental uncertainty increases, managers put more effort into maintaining their strategy rather than making changes. Managers consider the significant risks faced when making a strategy change and the amount of resource allocation that must spend. Therefore, managers use their managerial experience to reduce the impact of environmental uncertainty compared to making changes to the company's strategy because the risks are difficult to predict from changing the strategy. When environmental uncertainty



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increases, the information received by managers directs managers to synchronize the resources they have and integrate and balance between components within the company for reasonable resource allocation. High managerial experience directs managers to synergize between components and synchronize resources in times of environmental uncertainty, thereby minimizing changes to the company's strategy because resource allocation carries out effectively based on needs.

Table 3 also provides the effect of the control variables: firm size, ROA, firm age, and firm operational growth on changes in the company's strategy in the Indonesian manufacturing industry. The results from table 3 show that ROA and company age have a negative and significant effect on company strategic changes. In addition, changes in operating income have a positive and significant impact on changes in the company's strategy. Meanwhile, the company's size has a negative but not significant effect on the company's strategic changes. These results indicate that companies with increased returns try to maintain the company's strategy. The company strives to maintain its operational performance by maintaining a market niche with the capabilities of the available resources. In addition, the age of the company has an essential role in strategic changes. Companies with a high age can read the changing conditions of the environment so that they can cope with any changes that occur in the business environment. It means that strategic changes are not needed to cope with the increasing environmental changes for companies with high lifespans.

Changes in the company's operating income are components that encourage companies to make strategic changes. Changes in operating income that increased resulted in companies being motivated to increase their capacity and capabilities so that the resource exploration process became high. It aims to maintain its competitive advantage by creating products and processes that are different from competitors the exploration of resources carried out causes companies to change their strategy. Meanwhile, the size of the company does not encourage a change in strategy. The size of the assets owned by the company does not provide a guarantee for the company's management to explore the assets owned. Resource exploration has a high risk, so the process requires careful attention from managers to explore it.

This study investigates the effect of environmental uncertainty on strategic changes in companies and moderating managerial experience on the effects of environmental uncertainty on strategic changes in companies in the Indonesian manufacturing industry. The strategic changes will indirectly also affect organizational learning in industry. The manufacturing industry has characteristics close to its people's primary needs. The study indicates that environmental uncertainty has a positive effect on changes in the company's strategy. Increasing environmental uncertainty has forced Indonesian manufacturing companies to make changes to their strategies. This study confirms previous research, which found that high environmental uncertainty resulted in companies making strategic changes (Sirmon et al., 2007; Wang et al., 2019) and can be one of the factors that influence changes in organizational learning in industry (Abubakar & Ibrahim, 2021; Rianto et al., 2021).

## CONCLUSION

The study results show that managerial experience reduces environmental uncertainty to minimize strategic changes in the company. These results indicate that managerial experience has an essential role in reducing the impact of environmental uncertainty so that the possibility of significant changes in the company can avoid. Managerial experience makes it easier for



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managers to monitor their operational areas when environmental uncertainty increases so that strategic changes do not need to be made by companies.

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