

# Organizational Transformation: A Reviews of The Literature

Abd. Rasyid Syamsuri, Abd. Halim, Sumitro Sarkum

**Abstract:** Organizational transformation is a directed effort in creating a new vision for the organization. The purpose of organizational transformation is to respond the environmental changes or initiate change. Changes in the role and transformation of human resources are expected to be able to increase comprehensive credibility in human resources in response to changes in the business environment. The challenge of organizational transformation is to find and develop better processes by leaving the past leading to better processes for the future of the organization.

**Keywords:** Organizational Transformation, Comprehensive Development of Human Resources

## I. Introduction

An organization is a consciously coordinated social unit, consisting of two or more people, which functions relatively sustainably to achieve a common goal or set of goals, [1]. Rapid change in the environment is an external force that results in transformation within an organization. Basically, the main goal of transformation is to change the organizational structure to be more flexible and able to compete, with a small structural level, and a smaller number of managers and employees, [2]. Another important change is the reduction of dependence on the part of work carried out of the work management system. Changes in the cost-cutting process resulted in this section being stored in the company's document management system, [3]. The fundamental logic that guides these practices is maximizing resources, competitive advantage, efficiency and growth, [4]. Management relates to an effort to achieve certain goals by using the available resources as well as possible, the most important source in every organization is human resources (HR), [5]. Regarding to this point, human resource management plays an important role in helping organizations to obtain and maintain competitiveness advantages compared to high-performance work systems. This shows that organizations have the best possibilities between social systems (people and how they interact) and technical systems (equipment and processes), [6]. In their view, the organization also needs to manage human resources as well as possible because the role of human resources is the main role of all activities or activities to maintain survival and achieve success. [7], states that in an organization, the vision and mission that has been determined are worthy to be maintained and must achieve satisfactory work results. In addition, applicable provisions or regulations allow to describe in detail the duties of each Division and

organizational structure so that there are no misunderstandings or neglect of employees in carrying out their duties. While [8], believe that the HRM function can be a strategic partner that is very important in achieving organizational goals. [9], suggest that to understand strategic objectives, an organization needs to develop a deeper understanding of all the contexts in which the organization must function. In addition, this provides the basis for conceptualizing the organization's HR policies and practices as a system of many elements that are less aligned.

[10] view, states that in the last decade, the field of research and local strategic planning practices, often characterized by a lack of implementation. They argue that this phenomenon is due to the limitations of static and linearity approaches to local strategic planning in encouraging the development of shared views among policy makers about the structure and behavior of relevant systems. Understanding strategic goals, an organization needs to develop a deeper understanding of all the contexts in which a company must function. Furthermore, this provides a basis for conceptualizing the company's HR policies and practices as a system of many elements that are less aligned, [9]. [11], argues that human resource management has evolved more than two decades ago. The paradigm shift related to the knowledge that manages human activities in an organization which was originally personnel management has shifted to human resource management. This shift in paradigm has resulted in professional roles of human resources (HR), which initially only served as administrative personnel to become more comprehensive and strategic roles. This significant paradigm shift has become a transformation of human resources in achieving success. Successful transformation of HR can increase the added value of human resources to the business. [12] suggests, If HR professionals truly become business partners then their goals must be a business goal. Transforming HR professionals into business partners is not an end in itself; This point aims to achieve strategic, business-oriented goals. Ulrich and his team also stated that senior HR professionals are responsible for ensuring that

- *Abd. Rasyid Syamsuri, Universitas Muslim Nusantara AL Washliyah Medan, abd.rasyidsyamsuri@gmail.com*
- *Abd. Halim, Graduate Of Universitas Sumatera Utara, abdulhalimpr89@gmail.com*
- *Sumitro Sarkum, AMIK Labuhan Batu, sumitro.ulb@gmail.com*

HR practices and functions are aligned and drive business success. Organizational transformation signifies unexpected events in the future and is accompanied by unexplained current events. Managers who try to change large organizations should plan communication efforts that attempt to reduce and develop uncertainty. This effort is the most effective in the context of open and collective planning processes that are applied in cultural beliefs. Components of these efforts include behavior, clarification of aspects of change decisions, and commitment to engage in facilitative actions of trust, [13]. The results of the process of finding [14], determine that the future of HR employees and HR professionals need to develop business acumen, functional expertise, talent management skills, leadership change, and partnership / relationship skills, while also learning how to use and apply technology. They also stated that the challenge of other skills transformation was to develop business acumen and encourage the process in general in various industries and to have discipline under a company. A number of challenges are still faced in developing the manufacturing industry sector in Indonesia. First, the relatively low quality of Human Resources is reflected in less competitive labor productivity and a high level of rigidity (labor) in the labor market. Secondly, the unavailability of reliable energy at competitive prices. Third, logistical efficiency and support of the manufacturing industry are still inadequate. Fourth, industrial policies that have not been integrated between related institutions and between the central and regional governments. Fifth, an unbalanced industrial structure that creates dependence on raw and auxiliary materials abroad. Sixth, the non-balanced industrial posture with the largest composition is micro and small scale industries and the role of Small and Medium Industries in the Indonesian manufacturing industry chain is still not optimal. Seventh, the limited sources of industrial financing, especially in terms of diversity. Coordination Meetings of the Central Government, Regional Governments and Bank Indonesia have produced a number of important agreements regarding planned, comprehensive and coordinated industrial transformation strategies that will be realized in the form of integrated, synergic and consistent policies aimed at strengthening national industrial competitiveness [15]. [16], stated that business thinking naturally follows and explores the main considerations in developing a business for HR transformation, especially for capital investment in HR information systems. In addition, approaches to building business commitments were also explored. Building commitment and credibility together can build the foundation for transformation. Building company agility and cultural capabilities underlies specific demands from both HR managers and line managers, and requires HR practices to develop new skills when they determine the organizational transformation agenda.

Search conducted by [17] suggests that, when considering the objectives and functions in HR transformation, and paying attention to how strategic functions of human resources, will contribute that able to add more value to the organization. This places interpretation and assessment skills for the community of human resources, especially if line managers have become more competent managers. The more sophisticated the manager, the more sophisticated the human resource services. Another advantage of HR transformation is to increase the ratio of HR staff members to the total workforce. Based on these explanations and the phenomenon of research that occurs, it is necessary to study the concept by searching the literature for the comprehensive development of human resources in manufacturing companies that can enhance the company's competitive advantage.

## II. Theoretical Review

### 2.1. Organizational Transformation

Basically, every organization must be able to develop its capabilities in anticipating environmental changes by actively looking at the future of the organization. Changes to one element of the environment or simultaneously will interfere with the existence of other environments. Changes can take the form of various organizational fields depending on the size of the organization and type of activity. Transformation is a change that goes through a gradual process so that it reaches the expected stage. Changes are made by responding to the influence of the external environment and internal environment that can direct change in accordance with organizational goals, [18]. [19] suggests, as a consequence of changes in the environment, the organization must find itself in the management of human resources continuously. The hierarchy of bureaucratic organizations is replaced by a flat and open organization. More importantly, organizations must increase their capabilities to have competitiveness. The statement indicates that transformation or also referred to as organizational change is the basis of improving the quality of human resources in the face of a wave of change. [20], explains that organizational change can be done through two ways, namely drastic action and evolutionary adaptation. Drastic action change, is a discontinuous change and will deal with the organization or task of top management. In a situation, change may occur quickly and always cause significant difficulties. While evolutionary change is a change step by step, decentralization and does not require upheaval. These two approaches encourage organizations to have a culture of change that is oriented towards the future. The choice of whether changes are made with drastic action, or evolution depends on the capabilities, needs, and breadth of the organization's market. According to [21], there are competitive challenges

that simultaneously require organizations to build new capabilities, namely, globalization, the ability to earn profits through growth, intellectual capital, and changes that never stop and take place quickly. Such challenges require organizations to be more adaptive, and strive to develop their organizational capabilities as a means of competition through organizational excellence such as speed, responsiveness, and learning abilities. [22] also suggested that Human Resources began to experience transformation from being an administrative maintenance function to being seen as a core business function that could contribute to organizational effectiveness. The main requirements in HR transformation are improving HR professional skills, including business acumen, to understand business, function as a business partner, and be trusted. In a business context, stakeholders have a specific relationship with an organization and either influence or are influenced by the organization. [23] also stated, in today's interconnected and interdependent business environment, information is the key of creating a competitive advantage. [24] argues that sustainable change management has three pillars: enlightened leadership to provide direction for change, great project management to manage technical aspects of change, and excellent management talent to implement change. Change management is also very important when applying areas for improvement to achieve business excellence. [25] suggest that organizational transformation and innovation are triggered by interventions such as total quality management and business process reengineering. [26] view of organizational transformation is not only to maximize collective benefits for people involved in the change process but for the sustainability of the overall change process. [27] also added, to face the challenging environmental forces in modern times, organizational transformation is considered an important solution for any company for its survival, productivity and sustainability. [28] states that transformation is a process, not an event. This is done through stages that build on each other. Transformation starts well, when an organization has a new leader who is a good leader and who sees the need for major change. If the target of renewal is the entire company, the leader is the key. If change is needed in a division, the division general manager is the key. When these individuals are not new leaders, great leaders, or champions of change, phase one can be a big challenge. [29] argues that organizational change is always accompanied by various reactions that cause workers to change their knowledge, abilities, work time, work relations, environment, and procedures. Each individual reacts to changes either because they cannot meet new demands, have uncertainty about new places in the organization, lose position in the organization and do not feel confident in the position in the organization. This must be done by updating and increasing the knowledge and skills to regain

the previous position within the organization. In order for individuals to experience change, they must change their knowledge, attitudes, and behavior. [30] suggest that organizational transformation is needed to maintain a company's competitive advantage. According to [31], the key for an organization is to have a future filled with hope continuously. The challenge for organizational transformation is finding and developing better processes by leaving the past to lead to better processes for the future. This shows the vision process that is more important than the content of the vision of an organization. [32] suggested that organizational transformation is a systematic effort by organizational leadership to fundamentally change organizations. Organizational transformation is a direct effort in creating a new vision for the organization. Organizational transformation is a deep organizational effort to respond to environmental changes or initiate these changes. [33] stated that organizational transformation is a process of transforming organizations fundamentally the process to enable them to meet new challenges better. [34] suggests that organizational transformation is a big change while considering harmonization, organizational adjustment, and reorientation. Organizational transformation involves redesigning the organization as a whole, and depends on how managers choose to influence their employees. [35] suggested that organizational transformation is a process of actual change through a modified, normative and cognitive-cultural system that is modified. Thus organizational transformation is the dominant change of behavior patterns as a good adjustment in the parameters of existing behavioral patterns by evolving in organizational adjustments.

## 2.2. The Role of Human Resources and Management of Organizational Transformation

According to [21], in the context of the organization's obligation to carry out transformation, human resources have a new role as:

1. The implementing partner of the strategy - through responsibility and directly involved in all aspects of organizational life,
2. Expert in administration-coordinating strategic activities, collecting and disseminating information, and making organizational policies,
3. Build self-excellence having knowledge and abilities in their fields, innovative, initiative and commitment,
4. Change agents - proactively monitor environmental and innovative developments. Human resources are required to play a role in handling and directly involved in every business activity related to humans.

At the time of the change and transformation of the company, HR professionals are expected to follow a large number of company initiatives, from new steps and

measurements to corporate training and communication programs needed until new modifications to management performance and system development. Job transformation has a greater performance impact; possibility of becoming non-routine; needs to be focused on stakeholder requirements; and must have the flexibility to fulfill and exceed the expectations of all stakeholders [36]. The key to success in managing organizational transformation presented by [37] is:

1. Lead changes that are people who promote the changes that the organization holds;
2. Creating shared needs that is convincing individuals to jointly think about why they have to change and the needs of what needs to be changed and the possibility of refusal to do so;
3. Forming a vision, which are overcoming obstacles to change;
4. Mobilize commitments which are identification to bind and defend the interests of stakeholders that must be considered in managing change;
5. Changing systems and structures, namely using the functions of human resources and management (staffing, development, assessment, rewards, organizational design, communication, systems and so on) to ensure that changes are built into organizational infrastructure;
6. The process of monitoring-setting benchmarks, important events and experiments that can measure and show the process of change;
7. Make final changes that give confidence that change occurs through the implementation of planning, thinking and commitment.

The presence of a change agent who will lead the organizational change process which is the most essential factor in determining the success or failure of an organization to face change. Without the presence of a change leader, the change process will not become organized and will lose direction. The presence of a leader of change can arise from people inside and outside the organization. [37] also say that the process of change within an organization, a change leader must be able to become an activator, such as:

1. Must be able to spread his vision and encourage individuals to achieve that vision;
2. Must be able to play a role not only as knowledge of workers but also as a knowledge intermediary.
3. Must be able to spread knowledge to other members.

While the characteristics of an effective change leader according to [38] are:

1. Knowing the description of the overall changes and knowing the impact on individuals in the organization and being able to encourage members to adjust to the

new changes that occur are also able to provide the necessary resources;

2. Creating an environment that allows individuals to try changes that occur, provide encouragement, have experience with new ways that are operated and able to break the existing culture;
3. Lead the business to change in every word and action. Responsible for implementing the ongoing performance process and identifying potential rejections;
4. Demonstrate strong dedication to change. Focus on results and processes, analyze errors, determine why they happen and dare to try;
5. Interacting with individuals and groups in the organization, able to explain who, what, when, where, when, why and how the changes occurred.

The change and transformation of the roles and functions of human resources from basic and traditional to business and strategic roles and functions are expected to be able to realize a good corporate governance system (and be able to be socially responsible so that companies can talk and answer the challenges of the global market) while enhancing its competitive advantage, discussing the role and new functions of human resources is inseparable from the discussion of changes in the global business environment that occurred in this decade. This very fast and very dramatic change in the business environment has directly changed the paradigm regarding source, function and leadership human power in an organization or company.

### 2.3. Dimension and Factors of Organizational Transformation

[32] suggested that three dimensions of organizational development and change are:

1. Model and planned orientation of change in the organization
2. The model of organizational development and change focuses on organizational transformation
3. The existence of significant changes in the principles that guide the development and organizational change and the business strategy underlying the strategy is needed, because the previous principles and models rely on phases, activities, and processes that facilitate change and not in the development of capabilities that will improve facilities.

According to [18], transformation can occur because it is based on two things, namely factors from the organization's internal environment and factors from the organization's external environment. Factors from internal organizations include:

1. Changes to policies or decisions made by the leadership of the organization,
2. Changes to organizational goals,
3. Development of the area of the organization's operational activities,
4. Increasingly broad intensity of organizational activities,
5. The level of knowledge and abilities of the organization's employees,
6. Attitudes and behavior of employees in the organization, and
7. Various kinds of new regulations applied in the organization.

While factors from the external environment of the organization include:

1. Technology,
2. Economic conditions,
3. Competition,
4. Social conditions, and
5. Political conditions.

In the field of change management to take the journey in changing and achieving business excellence implemented through the management of sustainable change. [24], argues it is important for organizations to make the transition in order to successfully implement and maintain change as a basis for continuous improvement. The four main areas of the Change Management proposed by [24] are:

1. Determine the need for change;
2. Preparing and planning changes;
3. Implement changes; and
4. Maintaining change.

### III. Conclusion

Organizational transformation is carried out through changes with a gradual process and responds to the influence of the external environment and internal environment to maintain the company's competitive advantage in accordance with the objectives of the organization. Organizational transformation can change the organizational structures to be more flexible, with fewer employees and fewer hierarchical levels. A more flexible organizational structure certainly requires different policies and practices. A more flexible organizational structure will try to minimize the level and complexity of the organizational structure by delegating more authority, fostering the initiative and innovation of its members. In order to succeed the organizational transformation requires the support and involvement of management's vision of a clear change, a model of change especially for planned human resources in implementing organizational

transformation. The challenge of organizational transformation is to find and develop better processes by leaving the past leading to the better processes for the future of the organization. Organizations also need to evaluate the implementation and assessment, the impact of knowing the progress, providing feedback in order to improve organizational change instruments. Analysis of the determinants of success and factors that can cause failure in order to maintain the continuity of the positive process of change in the organization.

### References

- [1] S. P. Robbins and T.A. Judge. *Organizational Behavior* 17th edition, England by published by Pearson Education, 2017
- [2] L. I. Darsono. *Transformasi Organisasional dan MSDM : Hambatan dan Implikasinya pada Rekrutmen dan Seleksi*, 77-90, 2002.
- [3] M. E. Jennex, S. Smolnik and D. Croasdell. *Knowledge Management Success in Practice*. 2014, <https://doi.org/10.1109/HICSS.2014.450>
- [4] W. P. Sullivan. *Leadership in Social Work : Where Are We ? Leadership in Social Work 7797 (July)*, 2016, <https://doi.org/10.1080/10437797.2016.1174644>
- [5] A. R. Syamsuri. *Analisis Budaya Kaizen dan Keterlibatan Kerja dengan Komitmen Organisasi Sebagai Intervening terhadap Prestasi Kerja Karyawan (Studi Empiris Pada PT. Gloria Jaya Sejahtera Medan)*. *Jurnal Samudra Ekonomi dan Bisnis*, 9 (2) 171-179, 2012.
- [6] R. A. Noe, J. R. Hollenbeck, B. Gerhart, P. M. Wright. *Fundamentals Of Human Resource Management*, Sixth Edition, New York Mc Graw Hill Education, 2016.
- [7] Edward, R. L. Rafar and A.. Putra. *The Influence Of Organizational Culture And Work Management System To Organizational Commitment*, 1(1), 5-9, 2017
- [8] B. E Becker., M. A Huselid and D. Ulrich.. *The HR Scorecard Linking People Strategy and Performance*. Massachusetts, Harvard Business School Press, 2001.
- [9] R. S. Schuler and S. E. Jackson . *A quarter-century review of human resource management in the US: The growth in importance of the international perspective*, *Management Revue*, ISSN 1861-9916, Hampp, Mering, Vol. 16, Iss. 1, pp. 11-35. Published online in Econstor, 2005, <https://doi.org/10419/78888>
- [10] C. Bianchi, and S.Tomaselli. *A dynamic performance management approach to support local strategic planning*. *International Review of Public Administration*, 20(4), 370-385. 2015, <https://doi.org/10.1080/12294659.2015.1088687>
- [11] D. Suryaningtyas. *Peran-Peran Baru Profesional Sumber Daya*, 169-190, 2013.
- [12] D. Ulrich, J. Allen, W. Brockbank, J. Younger and M. Nyman. *HR Transformation: Building Human Resources from the Outside In*, The RBL Institute, USA, McGraw-Hill Books, 2009.
- [13] N. Difonzo and P. Bordia. *A Tale Of Two Corporations: Managing Uncertainty During Organizational Change*; 37(3), 295-303, 1998.
- [14] Losey, S. Meisinger, D. Ulrich. *The Future of Human Resources Management*, New Jersey, John Wiley & Sons, Inc., Hoboken, 2005.
- [15] Siaran Pers No. 18/97/Dkom. "Transformasi Industri Manufaktur Kunci Daya Saing Global Indonesia". Departemen Komunikasi, Diakses pada tanggal 25-11-2016.
- [16] M. Withers, M. Williamson, and M. Reddington. *Transforming HR Creating Value through People Second Edition*, Published by Elsevier Ltd, Butterworth-Heinemann, 2010.
- [17] P. Reilly. *Shared Services as a New Organizational Form Managing Boundaries Better : The Key to More Effective HR Shared Services*,

- 2014, <https://doi.org/10.1108/S1877-636120140000013002>
- [18] R. Kreitner, and A. Kinicky. *Organizational behavioral*-Ed. 5. Boston: McGraw-Hill, 2014.
- [19] M. Beer. *The transformation of the human resource function : resolving the tension between a traditional administrative and a new strategic role*, 1998.
- [20] D. E. Meyerson. *Leading Change-Why Transformation Efforts Fail*. Harvard Business Review, 2001.
- [21] D. Ulrich. *A New Mandate for Human Resources*, Harvard business review, January-February, 1998.
- [22] D. Ulrich, J. H. Dulebohn. *Are We There Yet? What's Next for HR*. Human Resource Management Review. Elsevier Inc, 2015, <dx.doi.org/10.1016/j.hrmr.2015.01.004>
- [23] S. Sarkum S, B.A. Pramuka, A. Suroso. *Dynamic Marketing through Engagement: Answering the Role of Marketing Functions*. International Journal of Marketing, Communication and New Media 5(9), 5-23, 2017.
- [24] M. K. Vora. *Business excellence through sustainable change management*, 25(6), 625–640, 2013, <https://doi.org/10.1108/TQM-07-2013-0080>
- [25] A. S. Raja and Palanichamy. *Leadership Styles And Its Impact On Organizational Transformational versus transactional Leadership styles*, 3(4), 15–23, 2011.
- [26] Z. Kazmi and T. Kinnunen. *Deep Leadership Coaching Effectiveness` , in a Corporate Scenario , Constitutes Proactive Leadership Solution for `Optimal Team Formation` , 31(2), 166–189, 2012.*
- [27] Z. Kazmi, and M. Naaranoja. *Fusion of strengths : T-style thinkers are the soul savers for organizational innovative drives and the allied change processes . Procedia-Social and Behavioral Sciences*, 181, 276–285, 2015, <https://doi.org/10.1016/j.sbspro.2015.04.889>
- [28] J. P. Kotter. *Leading Change-Why Transformation Efforts Fail*. Harvard Business Review, 2007.
- [29] G. Halkos. *Importance and inuence of organizational changes on companies and their employees* Online at <http://mpr.aub.uni-muenchen.de/36811/> MPRA Paper No. 36811, 2012.
- [30] M. H. Yang, J. T. B. Wu, S. S. Weng, M. C. Chen. *The Organizational Transformation of Securities Brokerage Firms under Electronic Commerce Environment The Organizational Transformation Of Securities Brokerage Firms Under Electronic Commerce Environment*, Jurnal of Computer Information Systems, 47:3, 111-117, 2017.
- [31] J. P. Troxel, *Appreciative Inquiry : An Action Research Method for Organizational Transformation and its Implications to the Practice of Group Process Facilitation*, 1–17, 2002.
- [32] T. Fredberg, F. Norrgren, and A. B. R. Shani. *Developing and Sustaining Change Capability VIA Learning Mechanisms: A Longitudinal Perspective on Transformation. Research in Organizational Change and Development* (19), 1-54. Emerald Group Publishing Ltd, 2011, [https://doi.org/10.1108/S0897-3016\(2011\)0000019007](https://doi.org/10.1108/S0897-3016(2011)0000019007)
- [33] I. Ramos and D. M. Berry. *Requirements engineering for organizational transformation*, 47, 479–495. 2005 <https://doi.org/10.1016/j.infsof.2004.09.014>
- [34] S. Chirumbu. *Management and organizational change*. Electronic copy available at SSRN 1735866: <http://ssrn.com/abstract=1735866>, 2011.
- [35] C. S. Burke, K. A. Wilson and E. Salas. *Theoretical Issues in Ergonomics Science The use of a team-based strategy for organizational transformation : guidance for moving toward a high reliability organization*, (January 2015), 37–41, 2005, <https://doi.org/10.1080/24639220500078682>
- [36] D. Ulrich, J. Younger and W. Brockbank. *The Twenty-First-Century HR Organization*. Human Resource Management, 47(4), 829–850
- Published online in Wiley InterScience, 2008, <https://doi.org/10.1002/hrm.20247>
- [37] J. Conner and D. Ulrich. *Human Resource Roles : Creating Value, Not Rhetoric*. Human Resource Planning, 19 (3) : 38-49, 1996.
- [38] J. W. Moran, and Brightman, B. K. *Leading organizational change, Journal of Workplace Learning: Employee Counselling Today*, Volume (12)(2) pp. 66-74, 2000.