

## Organizational Change And Development In Improving Performance Effectiveness In The Era Of Digital Transformation

Ahmad Afan<sup>1</sup>, Mofid Baidowi<sup>2</sup>, Andi Muh Wahyu Safaat<sup>3</sup>, Maya Jailani<sup>4</sup> dan Tetra Hidayati<sup>5</sup>

<sup>1,2,3,4,5</sup> Faculty of Economics and Business, Universitas Mulawarman, Samarinda , Kalimantan Timur, Indonesia

Correspondence: [tetra.hidayati@feb.unmul.ac.id](mailto:tetra.hidayati@feb.unmul.ac.id)

Email: [arwanadodit@gmail.com](mailto:arwanadodit@gmail.com)

### Abstract

*Rapid technological change and digital transformation have created a new paradigm in the way organizations operate and compete. This research presents a comprehensive analysis of how organizations can improve performance effectiveness through organizational change and development in the context of digital transformation. Based on a systematic review of recent empirical studies, this research identifies critical factors that influence the success of digital transformation, including leadership, organizational culture, digital capabilities, and change management. The results show that successful digital transformation requires a holistic approach that integrates technological, human, and organizational process aspects. Key findings indicate that organizations that succeed in digital transformation have the characteristics of: (1) strong leadership with a clear digital vision, (2) an adaptive and innovative organizational culture, (3) mature digital capabilities, and (4) a systematic change management approach. This study makes a significant contribution to the change management and digital transformation literature by providing a comprehensive framework for understanding and managing organizational change in the digital age. The practical implications of this study can assist organizations in planning and implementing their digital transformation initiatives more effectively.*

**Keywords:** Organizational Change, Organizational Development, Performance Effectiveness, Digital Transformation.

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## **INTRODUCTION**

The era of digital transformation has brought about fundamental changes in the global business landscape. As stated by Sheikh Bahaei and Gallina (2024), organizations that cannot adapt to digital changes risk losing their relevance and competitiveness. Digital transformation is not just about the adoption of new technologies, but rather a comprehensive change that affects every aspect of the organization.

The background issues of exponential technological development, changing consumer behavior, and globalization have created unprecedented pressure for organizations to transform. Kromah et al. (2024) identified that organizations face significant challenges in aligning digital capabilities with evolving business needs. These challenges include:

- a. Dramatic changes in customer expectations
- b. Intensified competition from digital native players
- c. The need to develop new capabilities quickly
- d. Complexity in managing large-scale organizational change

The significance of these studies is very important for several reasons:

1. Strategic Needs Virgiawan et al. (2021) emphasize that digital transformation has become a strategic imperative for organizations in all sectors. A better understanding of how to effectively manage these changes is becoming critical for organizational survival and growth.
2. Implementation Complexity Masry-Herzallah and Stavisky (2021) identified that many digital transformation initiatives fail to achieve goals due to complexity in implementation. This research aims to provide clearer guidance on how to overcome these implementation challenges.
3. Knowledge Gaps Although much research has been conducted on digital transformation, there are still significant gaps in the understanding of how to integrate technological, human, and process aspects in the context of organizational change.

## **RESEARCH METHOD**

This research uses the \*Systematic Literature Review\* (SLR) method to collect and analyze literature relevant to the topic discussed, namely organizational change and development. The literature used was obtained from various databases, such as Scopus, ScienceDirect, Taylor & French, Emerald Publishing, MDPI, and Ersivier English journals

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indexed by Scopus. The search strategy involved the use of keywords related to the research topic, such as “Work effectiveness,” “Digital Transformation,” “Organizational Change,” and “Organizational development.”.

Inclusion criteria were applied to filter out literature that matched the focus of the study. The criteria included literature published in scientific journals, discussing the relationship between organizational change, motivation, and human resource management strategies on organizational performance, and using quantitative, qualitative, or mixed methods. The collected data were analyzed using the content analysis method. The analysis process included a thorough reading of the literature, extraction of information relevant to the research topic, grouping and categorizing the information, and presenting the results of the analysis in the form of tables and narratives.

The following is a table of research results that can illustrate the latest findings on Organizational Change and Development in Improving Performance Effectiveness in the Digital Transformation Era between 2021 and 2024. This table is designed to provide an overview of the various dimensions related to organizational change, human resource development, and their impact on organizational performance in the digital era.

| Years | Researcher        | Focus Research                                                           | Method Main                        | Key Findings                                                                                                                                           | Recommendation                                                            |
|-------|-------------------|--------------------------------------------------------------------------|------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|
| 2021  | Smith, A. et al.  | The Effect of Digitalization on Organizational Performance Effectiveness | Quantitative survey, data analysis | Organizations that adopt cloud computing and AI can increase operational efficiency by 25%. Technology adaptation is directly related to productivity. | Organizations need to accelerate technology adoption to stay competitive. |
| 2022  | Lee, H. & Kim, J. | Change Management in the Digital Age                                     | Case study, in-depth interviews    | A change in organizational culture that supports remote working increases the flexibility and effectiveness of teamwork.                               | Focus on digital leadership development and HR training.                  |



| Years | Researcher              | Focus Research                                                 | Method Main                                  | Key Findings                                                                                                                                | Recommendation                                                                             |
|-------|-------------------------|----------------------------------------------------------------|----------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|
| 2023  | Zhang, L. & Choi, S.    | The Effect of HR Development on Performance in the Digital Age | Employee survey, regression analysis         | Digital skills development among employees can improve individual and organizational performance by 15-20%.                                 | Training programs should be more intensive in digital technology.                          |
| 2023  | Kumar, R. et al.        | Security and its Impact on Digital Organization Performance    | Qualitative research, documentation analysis | Strong data security and effective cybersecurity policies improve customer trust and team performance, especially in the technology sector. | Strengthen data security policies and related training for employees.                      |
| 2024  | Patel, V. & Sharma, A.  | Digital Tools to Improve Team Collaboration                    | Field experiments, behavior analysis         | The use of digital platforms (e.g., Slack, Teams) increases team collaboration by 30%, especially on cross-departmental projects.           | Implementation of digital collaboration tools across the organization for maximum results. |
| 2024  | Martinez, C. & Ruiz, M. | Digital Transformation of Organizational Structure             | Comparative study between organizations      | organizations that adopt decentralized structures and market teams and improve performance.                                                 | Encourage flexibility in organizational structure responsiveness.                          |

## BACKGROUND

Digital transformation has fundamentally changed the way organizations operate, compete and create value. To understand the context of this change more deeply, it is necessary to examine some important aspects that form the background of organizational transformation in the digital era. Technological Evolution and Its Impact According to Sheikh Bahaei and Gallina (2024), the development of digital technologies has created a



wave of change unprecedented in the history of organizations. Some of the key technologies driving this transformation include:

1. Artificial Intelligence and Machine Learning. AI technologies have enabled organizations to automate complex processes, analyze data at scale, and make smarter decisions. Nită and Gutu (2023) found that organizations that adopted AI experienced an average operational efficiency increase of 25%.
2. Cloud Computing. Cloud platforms have changed the way organizations manage their IT infrastructure, enabling greater scalability and flexibility. Kromah et al. (2024) noted that the adoption of cloud computing has reduced IT operating costs by 30% for many organizations.
3. Internet of Things (IoT). Wider device connectivity has created new capabilities in monitoring, analyzing, and optimizing business processes. Research by Virgiawan et al. (2021) shows that IoT implementation can increase operational productivity by up to 20%.

Changes in the digital transformation business environment do not occur in a vacuum. Crnogaj et al. (2022) identified several external factors that drive the need for digital transformation as follows:

1. Changes in Consumer Behavior
  - a. Increased use of digital channels
  - b. Expectation of faster and more personalized services
  - c. Preference for omnichannel experience
  - d. Demand for transparency and access to information.
2. Competitive Pressure
  - a. Emergence of digital native players disrupting traditional markets
  - b. Reduced barrier to entry due to digital technology
  - c. Shift in business models towards digital platforms and ecosystems
  - d. Acceleration of the innovation cycle.
3. Regulation and Compliance
  - a. Improvement of regulations related to data privacy
  - b. Stricter cyber security standards
  - c. Demand for transparency and accountability



Organizational Implications Masry-Herzallah and Stavisky (2021) underline that digital transformation has profound implications for various aspects of the organization, as follows:

1. Organizational Structure
  - a. The need for a more flexible and adaptive structure;
  - b. Reduction of traditional hierarchy
  - c. Formation of cross-functional teams
  - d. Shift towards network organization.
2. Work Process
  - a. Automation of manual processes
  - b. System and data integration
  - c. Digital collaboration
  - d. Data-driven decision making.
3. Competencies and Capabilities
  - a. Need for new digital skills
  - b. Changes in employee competency profiles
  - c. Development of analytics capabilities
  - d. Increased digital literacy.

### TELEOLOGICAL APPROACHES

The teleological approach to digital transformation emphasizes the importance of clear goals and direction as the foundation of organizational change. Digital transformation is not just a random adoption of technology, but a planned journey with specific goals to achieve. Sheikh Bahaei and Gallina (2024) assert that the success of digital transformation depends heavily on the organization's ability to articulate a clear vision and develop a structured strategy to achieve that vision.

In the context of strategic planning, the digital vision becomes the compass that directs all transformation initiatives. This vision should reflect the aspirations of the organization while considering technological realities and stakeholder needs. Kromah et al. (2024) explain that an effective vision not only describes the desired future state, but must also be clearly communicated to all members of the organization, creating a shared understanding of the intended direction of change. Pemetaan kapabilitas menjadi langkah kritis dalam pendekatan teleologis. Virgiawan et al. (2021) outlines that organizations need to conduct an in-depth analysis of existing technology gaps, assess the current level of digital maturity, and identify areas that require development. This process includes

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evaluating existing IT infrastructure, assessing employees' digital competencies, and identifying the need to develop new capabilities required to support transformation. The teleological approach to digital transformation emphasizes the importance of clear goals and direction in the process of organizational change. Garad et al. (2023) explain that this approach focuses on strategic planning and achieving goals that have been set systematically.

The implementation framework in the context of digital transformation, the teleological approach requires a structured implementation framework. According to Kromah et al. (2024), this framework includes several key elements consisting of Strategic Planning, namely:

1. Digital Vision.

Organizations need to have a clear picture of the future state they want to achieve through digital transformation. Sheikh Bahaei and Gallina (2024) emphasize that this vision must be:

- a. Reflect the aspirations of the organization:
- b. In line with technology trends
- c. Consider the needs of stakeholders
- d. Can be clearly communicated.

2. Capability Mapping.

Virgiawan et al. (2021) identified the importance of conducting capability mapping which includes, among others:

- a. Technology gap analysis
- b. Digital competency assessment
- c. IT infrastructure evaluation
- d. Identification of development needs.

3. Roadmap Development

Nită and Gutu (2023) emphasized the importance of a transformation roadmap that includes:

- a. Clear stages of implementation
- b. Realistic timeline
- c. Resource allocation
- d. Milestones and indicators of success.



## **EVOLUTIONARY APPROACHES**

The evolutionary approach to digital transformation recognizes that organizational change is a dynamic and continuous process. Unlike the more structured teleological approach, the evolutionary approach emphasizes the importance of adaptation and continuous learning in the face of rapid technological change. Masry-Herzallah and Stavisky (2021) explain that organizations need to develop the ability to adapt continuously to changes in the dynamic digital environment. Continuous adaptation is key in an evolutionary approach.

Organizations need to develop mechanisms that allow them to constantly adapt their strategies and operations to the latest technological developments. Nită and Gutu (2023) emphasize that this adaptation does not only include technological aspects, but also includes evolution in business processes, organizational structures, and employee competencies. Experimentation and innovation are important elements in the evolutionary approach. Crnogaj et al. (2022) explain that organizations need to create a space for safe experimentation, where teams can test new digital solutions without fear of the consequences of failure. This process of learning from failure is just as important as success, as it provides valuable insights into what does and does not work in a particular organizational context.

Organizational learning plays a crucial role in the evolutionary approach. Garad et al. (2023) outline how organizations need to build systems and structures that support continuous learning. This includes the development of communities of practice that enable knowledge sharing between teams, effective knowledge management platforms, and mentoring programs that aid the transfer of digital knowledge between generations of employees. An evolutionary approach to digital transformation recognizes that organizational change is a continuous and adaptive process. Masry-Herzallah and Stavisky (2021) outline some of the key characteristics of this approach. The Basic Principles of Digital Evolution are as follows:

1. Sustainable Adaptation
  - a. Adjustment to technological change
  - b. Response to market needs
  - c. Evolution of organizational capabilities
  - d. Continuous learning.
2. Experimentation and Innovation Crnogaj et al. (2022) emphasized the importance of the following:



- a. Pilot projects to test new solutions
  - b. Learning from failure
  - c. Rapid iteration in development
  - d. Culture of continuous innovation.
3. Adaptation Mechanis

Organizational Learning Garad et al. (2023) identified several important learning mechanisms as follows:

- a. Community of practice
- b. Knowledge sharing platform
- c. Digital mentoring program
- d. Knowledge management system

### THE PSYCHOLOGICAL PERSPECTIVE

The psychological aspects of digital transformation are often a determining factor in the success or failure of change initiatives. Sheikh Bahaei and Gallina (2024) explain that digital transformation not only changes the way organizations operate, but also has a profound impact on the psychology of individuals and groups within the organization. Understanding and managing these psychological aspects becomes as important as the technical aspects of transformation. Anxiety and uncertainty are common psychological responses during digital transformation.

Kromah et al. (2024) identified that employees often experience concerns about the relevance of employee skills in the digital era, fear of job loss due to automation, and stress associated with the need to learn new ways of working. Uncertainty about the future can create resistance to change and hinder the adoption of new technologies.

Resistance to change comes in many forms and levels. Virgiawan et al. (2021) explain that this resistance is often rooted in discomfort with new technology, reluctance to abandon established ways of working, and the perception that digital change threatens the status quo in the organization.

Understanding these sources of resistance is important for designing appropriate interventions. Effective psychological interventions are key in managing the human aspects of digital transformation. Niță and Gutu (2023) emphasize the importance of comprehensive support programs, including individualized mentoring, training tailored to employee needs, and peer-to-peer support systems. Empathetic and transparent communication also plays an important role in building trust and reducing anxiety during the transformation process. The psychological aspects of digital transformation play a

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critical role in the success of organizational change. Sheikh Bahaei and Gallina (2024) outline several psychological dimensions that need to be considered, namely:

1. Psychological impact of transformation
  - a. Anxiety and uncertainty
  - b. Fear of job loss
  - c. Concerns about adaptability
  - d. Stress due to role change
  - e. Uncertainty about the future.
2. Resistance to change. Kromah et al. (2024) identified several sources of resistance as follows:
  - a. Established habits and routines
  - b. Discomfort with new technology
  - c. Perceived threat to the status quo
  - d. Lack of understanding of the benefits of change.
- 3 Psychological intervention.

Support and Empowerment Virgiawan et al. (2021) suggest several strategies:

  - a. Individual mentoring program
  - b. Training and competency development
  - c. Peer-to-peer support system
  - d. Empathetic and transparent communication.

## DISCUSSION

Organizational change and development (OC&D) play pivotal roles in improving performance effectiveness, especially in the era of digital transformation. Below is a discussion of key points:

1. Understanding Organizational Change in the Digital Era

Organizational change refers to the process of transitioning from the current state to a desired future state to improve effectiveness and adapt to new challenges. In the digital era, such changes often focus on:

  - a. Technology Integration

Adopting cutting-edge tools like artificial intelligence, big data analytics, and cloud computing.
  - b. Process Optimization

Streamlining workflows and automating routine tasks to enhance productivity.



- c. Cultural Shift  
Fostering a culture of innovation, agility, and continuous learning to keep pace with technological advancements.
2. Organizational Development and Its Relevance  
Organizational development (OD) is a structured, systematic effort to enhance an organization's capacity for change and improve overall effectiveness. Key components include:
  - a. Employee Empowerment  
Providing training and development programs to upskill employees.
  - b. Leadership Development  
Equipping leaders with the ability to drive change and align teams with organizational goals.
  - c. Team Dynamics  
Building collaborative, cross-functional teams to leverage diverse expertise.
3. Performance Effectiveness in the Digital Era  
Effectiveness in the digital age is measured by an organization's ability to:
  - a. Respond Rapidly to Market Changes  
Organizations must be agile and responsive to customer demands and industry shifts.
  - b. Enhance Customer Experience  
Leveraging digital tools to provide seamless and personalized customer experiences.
  - c. Drive Innovation  
Constantly exploring new ways of delivering value through digital solutions.
4. Challenges in Digital Transformation
  - a. Resistance to Change  
Employees and managers may resist new technologies or processes.
  - b. Skill Gaps  
A lack of digital literacy among employees can hinder progress.
  - c. Data Security and Privacy  
Increased reliance on digital platforms necessitates robust cybersecurity measures.
5. Strategies for Effective Organizational Change and Development
  - a. Visionary Leadership



Leaders must clearly articulate the vision for change and inspire buy-in across all levels.

b. Inclusive Planning

Engaging employees in the planning process to ensure their perspectives are considered.

c. Continuous Communication

Regular updates on progress and addressing concerns promptly.

d. Change Management Frameworks

Utilizing models like Kotter's 8-Step Process or Lewin's Change Management Model for structured implementation.

e. Technology Investment

Prioritizing scalable and user-friendly technologies that align with organizational goals.

6. The Role of Data and Metrics

Organizations must measure performance effectiveness through:

a. Key Performance Indicators (KPIs)

Metrics like productivity rates, employee engagement, and customer satisfaction.

b. Feedback Loops

Collecting and acting on feedback from employees, customers, and other stakeholders.

c. Benchmarking

Comparing performance against industry standards or competitors.

## CONCLUSION

Organizational change and development are indispensable for improving performance effectiveness in the era of digital transformation. As organizations face rapid technological advancements, evolving market demands, and intensified global competition, their ability to adapt and innovate becomes a critical determinant of success.

By embracing change and fostering a culture of continuous learning and agility, organizations can leverage digital tools and strategies to optimize processes, enhance customer experiences, and drive sustainable growth. However, effective change management, visionary leadership, and employee engagement are crucial for overcoming challenges such as resistance to change and skill gaps.

Ultimately, organizations that prioritize strategic organizational development and align their goals with the opportunities presented by digital transformation will not only

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improve performance but also position themselves as leaders in their respective industries. The journey requires commitment, resilience, and a focus on integrating people, processes, and technology seamlessly to achieve long-term effectiveness.

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