

MSME ORGANIZATIONAL DEVELOPMENT IN FACING ORGANIZATIONAL CHANGE AT UD. SURYA ONIX

Thusy Tiara Saraswati¹, Novita Aprilia^{2,*}

¹Faculty Economics and Business, Bachelor Office Administration and Education, Universitas Negeri Surabaya, Surabaya, Indonesia

Jl. Ketintang No. 1, Surabaya, Indonesia

²Faculty Economics and Business, Bachelor Accounting Education, Universitas Negeri Surabaya, Surabaya, Indonesia

Jl. Ketintang No. 1, Surabaya, Indonesia

Email: ¹thusysaraswati@unesa.ac.id, ²novitaaprilia@unesa.ac.id

Correspondence Author Email: thusysaraswati@unesa.ac.id

ABSTRACT

Purpose: This study aims to analyze the application of organizational development in an SME context to respond to continuous organizational change at UD. Surya Onix.

Design/methodology/approach: A qualitative case study was employed using interviews, observations, and document analysis to explore organizational development practices and human resource dynamics.

Findings: The findings indicate that organizational change is driven by human resource behavior and environmental uncertainty, while organizational development functions as an adaptive, behavior-centered mechanism through process consultation, sensitivity training, and employee development.

Research limitations/implications: This study is limited to a single SME case, restricting generalizability to other sectors or organizational contexts.

Practical implications: The results provide practical insights for SME owners to manage change through people-centered and flexible organizational development practices.

Originality/value: This study contributes by illustrating how organizational development theory is applied informally in resource-constrained SMEs.

Paper type: Case study

Keyword: organizational change, organizational development, SME, human resource management.

A. INTRODUCTION

Organizations operate in environments that are continuously shaped by economic fluctuations, technological advancements, social change, and shifting market demands (Çakmak, 2023). These dynamics require organizations, regardless of their size, to adapt in order to survive and remain competitive (Rahman *et al.*, 2024). While large corporations often have structured systems and resources to manage change, small and medium enterprises (SMEs) face a different reality (Bilali, 2022). SMEs typically rely on limited capital, informal management practices, and close interpersonal relationships, which can both support flexibility and create vulnerabilities during periods of organizational change (Quansah *et al.*, 2026). In this context, organizational development becomes a critical approach for enabling SMEs to manage change systematically while maintaining organizational effectiveness. Thus, organizational development becomes a strategic key for SMEs to respond to environmental dynamics in an adaptive and structured manner, so as to be able to maintain business interest and competitiveness amidst limited resources.

Organizational development refers to planned efforts aimed at improving an organization's effectiveness, health, and capacity to adapt to change through interventions focused on people,

processes, and organizational structures (Semenets-orlova *et al.*, 2023). Rather than emphasizing technical or financial aspects alone, organizational development prioritizes human behavior, communication patterns, leadership styles, and collaborative problem-solving (Khalilov *et al.*, 2025). This approach is particularly relevant for SMEs, where organizational success is closely tied to human resources and day-to-day operational practices. In many SMEs, organizational structures are informal, decision-making is centralized, and interpersonal relationships strongly influence employee behavior and performance. As a result, organizational change often occurs gradually and informally, driven by practical needs rather than formal strategies.

In Indonesia, SMEs play a vital role in economic development by providing employment opportunities and supporting local industries (Aprilia *et al.*, 2024). However, many SMEs face persistent challenges related to productivity, workforce management, and adaptation to environmental changes (Saraswati & Sudarmiatin, 2024). Factors such as technological development, fluctuating raw material availability, inflation, and social dynamics can significantly affect SME operations (Saraswati & Handayati, 2025). Internally, issues related to employee attitudes, work discipline, productivity, and conflict management further complicate organizational stability. Without deliberate organizational development efforts, these challenges may hinder long-term sustainability and growth (Ispiryan *et al.*, 2024). Therefore, development organization becomes a necessary strategy for SMEs in Indonesia to strengthen internal capabilities and increase adaptability to external pressures, in order to ensure long-term desires and growth.

This study focuses on organizational development within an SME context through a qualitative case study of UD. Surya Onix, a manufacturing enterprise operating in the natural stone industry. Established as a family-based business with minimal initial capital, UD. Surya Onix has experienced gradual growth in terms of workforce size, production capacity, and market reach. Over time, the organization has been required to adapt to various internal and external pressures, including changes in technology, employee behavior, production demands, and environmental conditions affecting raw material availability. These changes have necessitated adjustments in organizational practices, leadership approaches, and human resource management. Therefore, UD. Surya Onix represents a relevant context for examining how organizational development is implemented by SMEs in the face of internal and external dynamics to support business continuity and performance.

Despite its relatively informal structure, UD. Surya Onix has implemented several organizational development practices aimed at maintaining operational effectiveness and workforce stability. These practices include efforts to improve communication, manage conflict, develop employee skills, and foster a supportive work environment. The organization also relies on values such as kinship and mutual support, which shape employee relationships and influence organizational culture. While such values can enhance loyalty and cooperation, they may also create challenges related to discipline, productivity, and decision-making. Understanding how organizational development operates within this context provides valuable insights into how SMEs manage change in practice. The problem addressed in this study lies in the limited understanding of how organizational development is applied in SMEs facing continuous organizational change, particularly in manufacturing sectors that depend heavily on natural resources and manual labor. Much of the existing discussion on organizational development emphasizes large organizations with formal systems and standardized procedures. In contrast, SMEs often develop adaptive strategies that are informal, experience-based, and closely linked to local contexts. Examining these strategies through an in-depth case study allows for a more nuanced understanding of organizational development as it is practiced rather than prescribed.

To address this problem, this study adopts a qualitative case study approach, enabling an in-depth exploration of organizational development processes within their real-life context. The case study method is suitable for capturing complex social phenomena, such as leadership behavior, employee interactions, and organizational culture, which cannot be fully understood through quantitative measures alone. Data were gathered through observation, interviews, and document analysis to gain a comprehensive understanding of how organizational change occurs and how

organizational development initiatives are implemented within UD. Surya Onix. Rather than evaluating effectiveness through numerical indicators, this approach emphasizes understanding experiences, perceptions, and practices from the perspective of organizational members.

The primary objective of this study is to analyze how organizational development is applied in an SME to respond to organizational change. Specifically, the study aims to examine the internal and external factors that drive organizational change, explore organizational development practices implemented to address these changes, and understand how these practices influence human resource management and organizational functioning. By focusing on a single case, the study seeks to provide a detailed and contextualized account of organizational development in an SME setting. Thus, this study provides a comprehensive overview of the application of organizational development in SMEs as an adaptive effort to changes that affect human resources and the overall function of the organization. This research also aims to contribute to a broader understanding of organizational development by highlighting its relevance for SMEs, which are often overlooked in organizational studies. By presenting organizational development as a practical and adaptive process rather than a rigid framework, the study offers insights that may be useful for SME owners, managers, and policymakers seeking to strengthen organizational resilience. Furthermore, the findings are expected to inform future research by illustrating how organizational development concepts can be applied flexibly in resource-constrained environments. Thus, this study emphasizes the importance of organizational development as a relevant adaptive approach for SMEs to increase organizational resilience, while enriching academic studies and policy practices in the context of resource constraints.

This study extends organizational development theory by showing that organizational development concepts and practices are not only relevant to large, formal organizations, but can also be adaptively applied in the context of MSMEs that have informal structures, limited resources, and high dependence on interpersonal relationships. In summary, this study addresses the need to understand organizational development within SMEs experiencing continuous organizational change. Through a qualitative case study of UD. Surya Onix, the research seeks to explain how organizational development practices are shaped by internal dynamics, environmental pressures, and human resource considerations. By clearly stating its objectives and focusing on real-world organizational experiences, this study aims to provide an accessible and meaningful contribution for readers who may not be experts in organizational development but are interested in understanding how SMEs adapt and evolve in changing environments. This study provides an empirical understanding of organizational development in the context of natural resource-based manufacturing MSMEs in Indonesia, specifically at UD. Surya Onix, by highlighting how internal and external pressures, such as technological changes, employee behavior, and raw material availability, shape the dynamics of organizational change. The findings of this study provide important lessons for MSME owners and managers that organizational development can be implemented gradually and flexibly through improvements in leadership, human resource management, and adjustments to work practices, so that MSMEs are able to increase their resilience, effectiveness, and business sustainability in the face of organizational change.

B. METHODOLOGY

This study employed a qualitative case study approach to explore organizational development practices within an SME context. The qualitative design was chosen to capture the complexity of organizational change, human resource dynamics, and informal management practices that are difficult to quantify. The primary objective of the study was to examine how organizational development is implemented in UD. Surya Onix to address organizational change. Specifically, the study aimed to identify factors driving organizational change, understand organizational development interventions applied by management, and analyze their implications for human resource management and organizational functioning.

The research subject was UD. Surya Onix operating in the natural stone manufacturing industry, located in Tulungagung Regency, East Java, Indonesia. This research as a single case, with participants consisting of the business owner, administrative staff, production supervisors, and employees involved in production and support activities. Data sources included primary data obtained through in-depth interviews and direct observation, as well as secondary data in the form of organizational documents, production records, and internal notes related to workforce management and operational procedures.

Data were collected using three main techniques. First, semi-structured interviews were conducted to gather insights into organizational practices, leadership approaches, employee behavior, and experiences related to organizational change. This method allowed flexibility for participants to express their perspectives while ensuring consistency across interviews. Second, non-participant observation was used to examine daily work routines, communication patterns, task distribution, and employee interactions within the production environment. Third, document analysis was carried out to support interview and observation data by reviewing organizational profiles, structural descriptions, and records related to employee development and operational planning. No chemical materials or laboratory-based treatments were used in this study, as the research focused on organizational and behavioral aspects rather than technical production analysis.

The theoretical foundation of this study is grounded in organizational development theory, which views organizations as dynamic systems that require planned interventions to enhance effectiveness, adaptability, and human resource capacity. This theory extends the background presented in the Introduction by emphasizing behavioral processes such as communication, leadership, conflict management, and employee development as central mechanisms for managing organizational change. In this study, organizational development theory served as an analytical lens to interpret how UD. Surya Onix implemented practices such as process consultation, sensitivity training, and employee development to respond to changing organizational demands.

The analysis followed a thematic analysis procedure, beginning with data reduction through coding and categorization of interview transcripts, observation notes, and documents. Themes related to organizational change, human resource dynamics, and organizational development practices were identified and interpreted systematically. Although no numerical calculations were performed, the calculation section in this qualitative context represents a practical interpretation of theoretical concepts. Organizational development principles were applied to analyze how specific practices contributed to organizational adaptation, workforce stability, and operational continuity. This analytical process enabled the study to bridge theoretical understanding with real-world organizational practices, providing a coherent explanation of organizational development within an SME setting.

C. RESULTS AND DISCUSSION

The results of this study indicate that organizational development at UD. Surya Onix operates as an adaptive and behavior-centered process that enables the organization to manage continuous organizational change. The main finding shows that organizational change within the enterprise is primarily driven by human resource dynamics and environmental uncertainty, while organizational development functions as a practical mechanism to stabilize operations, align employee behavior, and maintain productivity. Rather than relying on formal structures or standardized procedures, organizational development at UD. Surya Onix emphasizes planned behavioral interventions consistent with core organizational development theory, which views change as a process rooted in human interaction, communication, and learning.

The most prominent result concerns internal organizational change related to human resources. The workforce of approximately 40 employees consists largely of long-tenured workers, with an average tenure exceeding 10 years. This condition creates strong emotional attachment and loyalty to the organization, reflecting a high level of social cohesion. However, field observations and interviews reveal that this cohesion is accompanied by challenges in work discipline, productivity

consistency, and conflict management. Employees frequently negotiate work attendance based on social obligations, such as family events or community activities, which directly affects daily production flow. From an organizational development perspective, this finding aligns with the assumption that organizational effectiveness is strongly influenced by informal norms and shared values, particularly in small organizations.

To address these challenges, management applies process consultation, which represents a core organizational development intervention. Process consultation at UD. Surya Onix involves engaging external SME observers to assess communication patterns, leadership behavior, and conflict dynamics. This practice reflects the organizational development principle that sustainable change occurs when organizations develop awareness of their internal processes rather than receiving prescriptive solutions. The discussion of this result suggests that process consultation functions as a learning-oriented intervention, enabling management and employees to reflect on behavioral issues without reinforcing hierarchical authority. This approach is especially effective in minimizing resistance to change in a kinship-based organizational culture (Odeh *et al.*, 2026).

A second major result highlights the role of sensitivity training as an informal yet continuous organizational development practice. Sensitivity training is applied through group guidance, mentoring, and direct dialogue between supervisors and employees, particularly when interpersonal conflicts or performance issues arise. New employees also undergo informal socialization processes that emphasize cooperation, mutual respect, and work responsibility. This practice directly reflects organizational development theory, which emphasizes increasing interpersonal sensitivity and self-awareness as a foundation for improving organizational relationships (Quansah *et al.*, 2026). Field evidence shows that sensitivity training accelerates employee adaptation and reduces prolonged conflict, thereby supporting organizational stability.

External environmental factors constitute another significant driver of organizational change (Awais & Tipu, 2022). Rising energy costs, particularly electricity and liquefied petroleum gas used in production processes, increase operational pressure and require flexible production planning. Additionally, fluctuations in raw material quality due to environmental conditions force the organization to adjust sourcing locations and production schedules. Organizational development practices play a critical role in enabling adaptive responses to these external pressures (Hasyim & Bakri, 2023). Rather than implementing formal strategic planning, management relies on continuous communication, flexible task allocation, and collective decision-making. This finding supports the organizational development view of organizations as open systems that must continuously adjust internal processes to external changes.

Supporting results further demonstrate that employee development initiatives contribute to organizational resilience (Chughtai *et al.*, 2024). UD. Surya Onix provides skill-based training related to stone cutting, polishing, and finishing processes, as well as non-financial incentives such as recreational facilities and collective activities. Although these initiatives are not formally evaluated using quantitative indicators, qualitative evidence indicates that they enhance employee motivation, reduce turnover intentions, and strengthen organizational commitment. From an organizational development standpoint, these practices reflect the assumption that employee well-being and personal growth are essential components of organizational effectiveness (Tortia *et al.*, 2022).

Operationally, the organization maintains a production capacity of approximately 200 m² per day, depending on workforce availability and raw material conditions. Observations indicate that organizational development practices particularly coordination, role flexibility, and shared responsibility help sustain this output level despite frequent workforce fluctuations. This result demonstrates that organizational development interventions focused on behavior and relationships can indirectly support operational performance, even in the absence of formal productivity control systems.

Overall, the discussion of these findings confirms that organizational development at UD. Surya Onix is not implemented as a formal program but as a context-sensitive process embedded in daily

organizational life. Core organizational development principles such as planned change, behavioral focus, participation, and learning are applied in ways that align with the organization's cultural and structural realities. These findings extend organizational development theory by illustrating how its principles can be operationalized in SMEs with limited resources, informal structures, and strong social ties. The results underscore the relevance of organizational development as a practical framework for managing organizational change in small enterprises facing dynamic internal and external environments.

D. CONCLUSION

This study concludes that organizational development plays a critical role in enabling small and medium enterprises to manage continuous organizational change in a dynamic and resource-constrained environment. Through a qualitative case study of UD. Surya Onix in Tulungagung, the research demonstrates that organizational change is primarily driven by internal human resource dynamics and external environmental pressures, while organizational development functions as a practical mechanism to sustain organizational effectiveness.

The main conclusion highlights that organizational development at UD. Surya Onix is implemented not as a formalized program, but as a context-sensitive and behavior-oriented process embedded in daily organizational practices. Core organizational development principles such as planned change, participation, learning, and attention to human behavior are applied through interventions including process consultation, sensitivity training, and continuous employee development. These practices enable the organization to manage interpersonal conflict, enhance communication, and support employee adaptation without relying on rigid structures or standardized procedures.

Supporting conclusions indicate that human resource management is the central element of organizational development in this SME context. Strong kinship-based values foster employee loyalty and long-term commitment, but also require deliberate behavioral interventions to address issues of discipline and productivity. Organizational development practices help balance these social values with operational demands, contributing to workforce stability and consistent production performance. Despite fluctuations in workforce attendance and raw material availability, the organization is able to maintain production output of approximately 200 m² per day, demonstrating the indirect operational benefits of effective organizational development.

From a theoretical perspective, the findings extend organizational development theory by illustrating its applicability within informal, small-scale organizations. The study confirms that organizational development principles can be operationalized flexibly, adapting to local culture, limited resources, and environmental uncertainty. Practically, the findings suggest that SME owners and managers can utilize organizational development as a strategic approach to manage change by prioritizing human relationships, communication, and continuous learning.

In conclusion, organizational development serves as a viable and effective framework for managing organizational change in SMEs. By focusing on people-centered interventions rather than structural complexity, SMEs can enhance organizational resilience and sustainability in the face of ongoing internal and external challenges.

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