

Organizational Transformation from the Directorate of Goods and Services Procurement to the Directorate of Supply Chain Management

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ARTICLE INFO	ABSTRACT
Keywords: Organizational transformation; procurement of goods and services; supply chain management; Restructuring; Digitization.	In the modern business environment, organizational transformation has become an essential strategy for enhancing efficiency, adaptability, and competitiveness. As companies face rapid technological and market changes, restructuring internal systems and redefining operational paradigms are necessary to maintain strategic alignment. This study examines the organizational transformation from the Directorate of Goods and Services Procurement to the Directorate of Supply Chain Management (PBJ to SCM) as a paradigm shift from an administrative to a strategic function within a corporate context. Using a descriptive qualitative method and a case study approach, the research explores how this transformation was implemented through organizational restructuring, role redefinition, competency development, and the integration of digital supply chain systems. The findings reveal that these initiatives not only improved procurement efficiency but also enhanced cross-divisional collaboration, transparency, and strategic decision-making. Moreover, the transformation contributed to greater responsiveness to Industry 4.0 demands, positioning the company to compete effectively in a dynamic market environment. This study provides practical insights for organizations undertaking similar organizational transformations, emphasizing that successful change management requires strong leadership commitment, continuous capability development, and digital integration as key enablers for sustainable organizational performance.

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Introduction

In a global context, economic dynamics and technological advances have fundamentally changed the way organizations carry out their operational functions (Abbas Khan et al., 2024; Matyushok et al., 2021). Increasingly fierce competition, supply chain uncertainty due to geopolitical crises, and the development of digitalization require organizations to transform rapidly and adaptively (Belhadi et al., 2024; Zheng et al., 2025). According to Ruel (2025), organizational transformation does not only involve structural changes but also touches on the dimensions of strategy, culture, and work

behavior. In the era of Industry 4.0 and now towards Society 5.0, organizations are required to have efficient, integrated, and data-based management systems to survive amid technological disruption and rapid market changes (Mourtzis et al., 2022; Sheikh et al., 2024).

The shift in the paradigm of modern management has redefined the function of goods and services procurement from being merely an administrative activity to a strategic component of supply chain management (SCM) (Esan et al., 2024). In the past, procurement was seen as a “cost center,” but now its role has evolved into a “value creator” that supports the creation of added value through collaboration, efficiency, and innovation. The concept of SCM emphasizes the importance of integration from upstream to downstream—from needs planning, supplier selection, and logistics management to the distribution of goods or services to end users (Ivanov et al., 2021; G. Zhang et al., 2023). Thus, the procurement function must transform to align with the company’s vision, focusing on effectiveness and supply chain sustainability (Basiru et al., 2023; Mousa Mousa et al., 2025).

In Indonesia, it has also become a trend among various government agencies and state-owned enterprises (Apriyantopo et al., 2023). Several large companies such as PT Pertamina (Persero), PT PLN (Persero), and PT Telkom Indonesia have implemented similar transformations by establishing more integrated Directorates of Supply Chain Management. The goal is to improve operational efficiency, strengthen oversight, and accelerate strategic decision-making processes (Al-Surmi et al., 2022; Osman et al., 2025). This transformation responds to bureaucratic challenges that often hinder service speed and innovation in the procurement of goods and services.

The Directorate of Procurement of Goods and Services (PBJ) has traditionally focused on meeting operational needs with an emphasis on regulatory compliance and cost efficiency (A’yun et al., 2025). However, this approach often faces obstacles such as lengthy processes, overlapping authority, lack of integration between work units, and limitations in supplier performance data analysis. These conditions cause delays in the procurement process and reduce the effectiveness of company resource utilization (Basiru et al., 2022; Riswandi & Yudoko, 2023). Therefore, fundamental changes are needed—not only structural but also functional and cultural—so that the procurement function can better support the company’s overall business strategy (Angelopoulos et al., 2023).

The transformation towards the Directorate of Supply Chain Management is a strategic step aimed at making the procurement function part of the organization’s value system (Alkan & Kahraman, 2023; Ghodake et al., 2024; Patrucco et al., 2022). In the SCM model, procurement activities do not stand alone but are connected to inventory management, logistics, demand planning, and supplier relationships (van Hoek & Wong, 2025). In other words, SCM integrates all processes that were previously scattered across various divisions into one cohesive system (Żywiołek et al., 2025). This integration enables companies to achieve higher efficiency, reduce operational costs, and increase transparency and accountability in resource management (Kokogho et al., 2024; Oriekhoe et al., 2024).

The development of information technology plays an essential role in supporting this transformation (X. Zhang et al., 2023). The previously separate e-procurement systems have evolved into digital SCM platforms that include requirement planning modules, contract management, and real-time supplier performance analysis (Pervaiz et al., 2025). The integration of technologies such as Artificial Intelligence (AI), the Internet of Things (IoT), and Big Data Analytics provides new capabilities to predict material needs, optimize supply chains, and mitigate logistics risks (Adeniran et al., 2024; Richey Jr et al., 2023). Thus, digitalization is not merely a tool but a major catalyst in transforming procurement management into a smart and adaptive supply chain system (Celestin et al., 2024; Pandey & Suri, 2025).

Organizational transformation also requires changes in human resource aspects (Gadzali et al., 2023; Mattajang, 2024). The role of employees is no longer limited to administrative implementation but expands to that of analysts and data-driven decision-makers (Stankevičiūtė, 2024). Competencies such as supply chain analysis, strategic negotiation, and information technology utilization are essential (Tan et al., 2022). Moreover, a collaborative work culture, cross-divisional communication, and a results-oriented mindset need to be cultivated so that all organizational elements share a common vision in supporting transformation. This process aligns with Palhau (2024) view that the success of organizational change is greatly influenced by the quality of human resources.

Previous studies have discussed the importance of transformation in procurement functions but have not comprehensively addressed its strategic integration into supply chain systems. For instance, Sack (2022) found that many Indonesian organizations still perceive procurement as a compliance-based process rather than a strategic contributor to value creation, leading to fragmented management structures and inefficiency. Meanwhile, Baskoro (2025) emphasized that digitalization in government procurement improves transparency and accountability but tends to focus on regulatory compliance instead of holistic supply chain integration. These findings highlight a significant research gap regarding how procurement transformation can evolve into a fully integrated SCM function supported by digital technology and cultural change.

From an academic perspective, the research is important to fill the literature gap in public and business management studies in Indonesia. Most previous research has focused on procurement efficiency and regulatory compliance, whereas studies on functional integration, the role of digital technology, and organizational culture change remain limited. Therefore, this study aims to analyze the processes, driving factors, and implications of this transformation. The results are expected to contribute theoretically to developing supply chain management concepts in the public sector and serve as a practical reference for other organizations undergoing similar transformation processes.

Research Method

This study uses a descriptive qualitative approach with a case study design to understand the process and dynamics of organizational transformation in depth. This approach was chosen because the phenomenon studied is complex, involves inter-actors'

interactions, and cannot be measured through numerical data alone. The object of the research is focused on the process of structural and functional change from the Directorate of Procurement of Goods and Services to the Directorate of Supply Chain Management in one of the large state-owned companies in Indonesia.

The research data was obtained through a combination of in-depth interview techniques, non-participatory observation, and document analysis. Interviews were conducted with several key informants who had direct involvement in the transformation process, such as structural officers, division heads, senior staff, and change management consultants. Observations were carried out to understand work patterns, cross-unit coordination processes, and forms of adaptation to the new structure. Meanwhile, document analysis includes an examination of the old and new organizational structure, procurement policies, work guidelines, performance evaluation reports, and other relevant supporting documents.

The data analysis process was carried out in stages using a thematic analysis model as developed by Miles, Huberman, and Saldaña. These stages include data reduction, data presentation, and drawing conclusions that are carried out simultaneously. The data collected from interviews and observations were reduced to identify key themes such as the rationalization of change, the role of digital technology, and the impact of transformation on organizational performance. The results of the analysis are then presented in the form of a narrative that connects the empirical findings with the theoretical framework of change management and supply chain management.

To ensure the validity of the research results, triangulation of sources and techniques was carried out. Source triangulation was carried out by comparing information from various informants, while technical triangulation was carried out by verifying interview results data using internal documents and field observations. This validation process is intended to increase reliability as well as ensure that the researcher's interpretation represents the reality of the organization objectively. The entire research process was carried out for six months, starting from the planning stage, data collection, to the preparation of analysis results, while still upholding research ethical principles such as data confidentiality and informed consent.

Results and Discussion

Transformation Overview

The organizational transformation from the Directorate of Procurement of Goods and Services (PBJ) to the Directorate of Supply Chain Management (SCM) was carried out in response to the need for efficiency, integration, and increasing the strategic value of the procurement function within the company structure. Before the changes are made, the procurement function runs separately between the planning, implementation, and control sections. This leads to delays in the document approval process, limited information across units, and low coordination with suppliers.

Through the transformation process that began in mid-2023, the company conducted a thorough evaluation of the procurement business flow and formed a new unit

with a more integrated supply chain approach. The SCM Directorate now not only focuses on procurement, but also includes the functions of strategic sourcing, logistics and inventory control, as well as supplier relationship management, all of which are oriented towards value creation.

Comparison of Organizational Structure Before and After Transformation

Changes in organizational structure are one of the concrete forms of the transformation process. Prior to the change, the structure of the PBJ Directorate was hierarchical and fragmented. After the transformation, the new structure adopted a collaborative and process-based structure with clearer division of responsibilities and an open flow of information.

Table 1. Comparison of Organizational Structure Before and After Transformation		
Aspects	Before the Transformation (Directorate of PBJ)	After Transformation (SCM Directorate)
Organizational Structure	Vertical and bureaucratic	Horizontal and collaborative
Key Focus	Cost efficiency and regulatory compliance	Supply chain integration and value creation
Main Work Units	Procurement implementation, and planning, administration section	Strategic Procurement & Logistics, Sourcing, Operations, Inventory, Supplier Relationship Management
Information Systems	Manual and partial	Digital-based integrated (ERP and e-SCM)
Supplier Engagement	Limited, transactional	Collaborative and strategic partnership-based
Management Orientation	Short-term (tactical)	Long-term (strategic and sustainable)
Operational Performance	Sometimes there is duplication of work and delays	Faster, scalable, and transparent processes

source: The data is processed from the results of internal interviews and company documents, 2024.

From the table above, it can be concluded that organizational transformation has a significant impact on operational flexibility and managerial efficiency. The SCM Directorate serves as a cross-unit coordination center that is able to ensure integration between internal demand and external supplier capabilities.

Digitalization and System Integration

Digitalization is a key component in the success of this transformation. The SCM Directorate implements an e-Supply Chain Management platform that is integrated with the company's ERP system. The platform includes material requirements planning, e-procurement, logistics control, and supplier performance analysis based on dashboard analytics. The implementation of this system not only speeds up the procurement process, but also expands data transparency. Before the transformation, the collection of supplier

performance data was carried out manually through periodic reports; Now, each supplier has an automated performance score that is updated in real-time based on delivery timeliness, quality of goods, and contract compliance.



Figure 1. Conceptual Model of PBJ Organizational Transformation towards SCM

The model in Figure 1 shows that the transformation process includes three levels of change: (1) structural change through the formation of SCM units; (2) system change through digital integration; and (3) changes in work culture towards collaboration and innovation. The synergy between the three encourages increased operational efficiency and decision-making effectiveness.

Improved Operational Performance and Collaboration

The results of data analysis showed a significant increase in several performance indicators after the transformation was carried out. The average procurement process time decreased from 60 days to 38 days, the delivery delay rate from suppliers decreased from 22% to 9%, and operational costs decreased by about 15%. In addition, the level of user satisfaction with procurement services increased from 72% to 87%, based on the results of an internal survey in 2024.

This transformation also strengthens collaboration between units. The SCM Directorate acts as a liaison between the operational, financial, and production divisions through an integrated information system. According to one of the informants (Head of the Strategic Sourcing Subdirectorate), "previously each unit worked independently, now all procurement decisions can be monitored across directorates through one dashboard." This proves that digitalization not only increases efficiency, but also creates a collaborative work culture that was previously difficult to achieve.

Changes in HR Culture and Competence

Organizational transformation is also accompanied by a shift in work culture and strengthening the capacity of human resources (HR). If previously employees of the Directorate of PBJ were oriented towards administrative compliance, now they are required to have analytical skills, think strategically, and master information technology. The company conducts intensive training such as Supply Chain Analytics, Supplier Performance Evaluation, and Negotiation Strategy in Procurement.

Changes in organizational culture are reflected in new values such as collaboration, innovation, integrity, and agility. Employees are encouraged to adapt to technological changes and new work patterns. In line with Kotter's view, cultural change supported by visionary leadership and effective communication is the main foundation for successful transformation.

Strategic Implications Analysis

Strategically, the transformation towards SCM provides three key implications for the sustainability of the organization. First, improving supply chain efficiency through reducing cycle time and optimizing logistics. Second, strengthening governance and transparency, because all activities can be monitored digitally and audited easily. Third, the creation of organizational added value, where the SCM function now plays an active role in the company's strategic planning, not only as an administrative implementer. Thus, these changes are not only cosmetic or structural, but also a systemic evolution towards a modern organization oriented towards competitive advantage and sustainability. This is in line with the concept of value chain integration put forward by Porter, that long-term competitive advantage can only be achieved through close coordination between activities in the organizational value chain.

Conclusion

The transformation of the Directorate of Procurement of Goods and Services into the Directorate of Supply Chain Management (SCM) constituted a strategic organizational shift aimed at enhancing efficiency, competitiveness, and digital integration. The change involved structural, cultural, and technological realignment, leading to measurable improvements such as a shorter procurement cycle and reduced operational costs, while fostering transparency, collaboration, and innovation. The organization successfully evolved from a compliance-focused function into a strategic value center capable of creating sustainable competitive advantage through integrated supplier management. This study enriches the literature on organizational change and supply chain integration in Indonesia by emphasizing the importance of leadership commitment, digital capability, and human resource readiness in driving successful transformation. Future research should explore longitudinal assessments of post-transformation performance, cross-sectoral comparisons, and the role of emerging technologies in sustaining organizational agility.

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