

# A Study on Digital Transformation in HRM and Its Implications on Organizational Performance

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## ABSTRACT

In the modern business era, the rapid developments in the Internet technology have diversified the understanding and operation of HRM. Traditional HRM has given way to Digital HRM due to the revolutionized development of Internet and its related technologies. Digital HRM, or digital human resource management, refers to the use of technology to manage human resources processes and activities in organizations. This can include the use of digital tools and platforms for recruitment, on boarding, training, performance management, employee engagement, and other HR functions. The impact of digital HRM on organizational performance can be significant. Digital HRM aids in improved efficiency and productivity; automate many routine HR tasks like scheduling interviews, tracking employee attendance, processing payroll etc. Digital HRM helps in better decision-making: by accessing to real-time data and analytics on employee performance and engagement. It also helps in enhanced employee experience, improved recruitment and retention practices etc. Overall, the use of digital HRM can help organizations become more agile and responsive to changing business environments. By leveraging technology to optimize HR processes and improve employee engagement and performance, organizations can achieve greater efficiency, productivity, and competitive advantage. Digital HRM can play a significant role in organizational learning and development also by using E-learning platforms, Gamification techniques, Mobile learning; Learning analytics, Collaboration and social learning etc. Thus, the use of digital HRM in learning and development can help organizations to develop a skilled and knowledgeable workforce, improve employee engagement and retention, and achieve greater business success. The present study aims to reflect the changes in the development of HRM from traditional to digital, highlight the role of digital HRM in improving the performance of the organizations etc.

**Key words:** Digital HRM, Performance Management, Employee engagement, Gamification, Learning Analytics

## I. INTRODUCTION

Digital Transformation in Human Resource Management refers to the integration of digital technology into HR processes to improve efficiency, accuracy and effectiveness. This involves the use of digital tools such as HR Information systems(HRIS) Applicant Tracking systems(ATS) , Virtual Interviewing platforms, Employee self-service portals etc.. Without digital transformation, HRM will lag far behind the demands of the organization worldwide. Digital transformation in HRM aims to streamline HR Processes, reduce paper work, increase

employee engagement and improve decision making. Additionally, it allows HR departments to automate routine tasks such as on boarding and data management, freeing up time for more strategic initiatives. With the increasing reliance on digital technology, HR departments must adapt to the changing land scape to stay competitive and meet the evolving needs of their employees. Overall, digital transformation in HRM is a critical aspect of modern management and it has become essential for HR departments to embrace digital technologies to stay competitive and effectively support their organization's goals This research paper tries to highlight the role of digital HRM in improving the performance of the organization. The data used for this research are from secondary sources.

## II. OBJECTIVES OF THE STUDY

1. To understand the impact of digital technologies on HRM practices. The study aims to investigate the ways in which digital technologies have affected HRM practices and identify the benefits and challenges of digital transformation in HRM
2. To evaluate the effectiveness of various digital tools and platforms used in HRM such as HRIS, Talent Management systems, employee self-service portals etc.
3. To analyse the impact of digital transformation on organizational performance with respect to employee engagement, job satisfaction, employee performance etc.
4. To study on the implications of digital HRM on organizational learning and development

## III. LITERATURE REVIEW

To get a deeper understanding of what is digital HRM, it is necessary to define the meaning of HRM. According to Huselid , the best HRM practices areas are “recruitment and selection, socialization, job design, training and development, participation, career development, performance appraisal, employee reward and job security”. Moreover, Bredin &Suderland explained HRM as practices relating to the relationship between the employees and the organization in which they work .In the business world, digital technologies are transforming every aspect of HRM from attracting & recruitment of new employee, training and development, performance appraisal and Advances in Economics, Business and Management Research( Series volume number 141 Proceedings of the First ASEAN Business, Environment, and Technology Symposium (ABEATS 2019) Copyright © 2020). A comprehensive transformation from traditional to digital is required in terms of policies and strategies and the way to execute the HRM practices. According to Maditheti, digital HRM is basically managing all the HRM work through technologies, applications and internet. Innovations also are required to be brought in the HRM practices for attracting, rewarding and evaluating employees. Digital HRM has also impact on the way employees are been trained. Iwu conducted study at sub-Saharan African universities found that maximum percentage of employees agreed that E-HRM would increase their performance. They also studied the impact of digitization on HR development, talent management and performance at work. The findings of research indicate that there is a positive impact of digital transformation on all variables. Tripathi & Kushwaha, strongly recommended that organizations to bring forward digitization in the HRM practices as it has become very significant these days. Recent study by Fedorova et al. , shows that digitization of HRM processes enable to remove many routine tasks, to reduce the risk of human error and empower experts to solve important issues, enabling them to use their knowledge and skills more effectively in solving business problems.

The evolution of HRM operations has been significantly aided by the development of information technology (Kavanagh et al., 2012). From the organizational perspective, recruiting and hiring new personnel, training and development, career development, socializing, performance evaluation, compensation, and reward are all being impacted by information technologies (Maditheti, 2017 ). According to Saini, digital HRM is the management of all HRM activities through the help of information technologies, applications, and the internet. Innovations are also the key to bringing HRM practices into digitalization. The goal of HRM digitization is to make it easier to collect, restore, and update the most recent information about the knowledge, skills, and abilities (KSA) of the company's employees and to access that information when it is required (Hopkins & Markham, 2017). The potential of training and development activities is greatly increased by e-learning and e-training activities in particular (Marchington & Wilkinson, 2005). By equipping the employees with the required strategies, methods, information, and assistance systems, information technology is primarily used in performance appraisal and management systems to analyze individuals' actions and organizational activities (Benso et al., 2022).

#### IV. RESEARCH METHODOLOGY

This research is basically a descriptive study. Descriptive research is research conducted to provide a more detailed picture of a symptom or phenomenon. The study is conceptual in nature and it emphasises the relation between Digital transformation in HRM and its implication on organizational performance. Data is collected from secondary sources like previous research papers, journals, websites etc This study presents a thorough analysis of digital human resource management based on prior research studies. Digitalization of HR practices have been reviewed and an in-depth analysis of literature related to study constructs has been conducted. An information search was made on e-databases with the purpose of accessing content related to the study.

##### **Discussion topics on the relation between Digital Transformation of HRM and Organizational performance**

The relationship between digital transformation of HRM and organizational performance is a complex and multi-dimensional topic, with several potential areas for discussion. The discussion topics include:

1. The impact of digital HRM on employee productivity: Digital HRM technologies, such as self-service portals and mobile apps, can enable employees to complete routine HR tasks more efficiently, freeing up time to focus on their core work responsibilities.
2. The role of data analytics in HRM and organizational performance: Digital HRM technologies can help organizations collect and analyse large amounts of data on employee performance, engagement, and other metrics.
3. The impact of digital HRM on employee engagement and retention: Digital HRM technologies, such as social media platforms and employee feedback tools, can help organizations communicate more effectively with employees and gather their input on a regular basis.

##### **Implications of Digital Transformation of HRM:**

Digital transformation is the process of integrating digital technologies into various aspects of an organization's operations to enhance its efficiency, productivity, and overall performance. The digital transformation of HRM involves the use of technology to automate and streamline HR processes, enhance employee engagement and experience, and facilitate data-driven decision-making.

**Recruitment:**

Many organizations now use online platforms and social media to advertise job openings, receive applications, and screen candidates. According to a study by SHRM, 84% of organizations now use social media for recruitment purposes. The study also found that organizations that use social media for recruitment have reported a 49% increase in the quality of candidates.

**Performance Management:**

Many organizations now use online performance management tools and software to track and manage employee performance. A study by Deloitte found that organizations that use digital performance management tools have reported a 36% increase in employee engagement and a 46% increase in productivity.

**Training and Development:**

Digital transformation has also enabled organizations to provide online training and development programs to their employees. This has made it easier for employees to access training materials and complete training programs at their convenience. A study by Training Magazine found that organizations that use online training programs have reported a 45% increase in employee retention and a 29% increase in productivity.

**Employee Experience:**

Digital transformation has also had a significant impact on employee experience. Many organizations now use digital tools and platforms to enhance employee engagement, communication, and collaboration. A study by Accenture found that organizations that use digital tools to enhance employee experience have reported a 17% increase in employee satisfaction and a 21% increase in productivity.

**Data-driven Decision Making:**

Digital transformation has enabled HRM to make data-driven decisions. Many organizations now use HR analytics tools to collect and analyze data on various HR metrics such as employee turnover, absenteeism, and productivity. This has enabled HR professionals to identify areas that need improvement and develop strategies to address them.

**Digital HRM and its impact on organizational performance**

The impact of digital HRM on organizational performance can be significant. Here are some ways in which digital HRM can improve organizational performance:

1. Digital HRM can automate many routine HR tasks, such as scheduling interviews, tracking employee attendance, and processing payroll.
2. Digital HRM can provide HR managers with access to real-time data and analytics on employee performance and engagement. This can help them make more informed decisions about talent management and resource allocation.
3. Digital HRM can help organizations provide a more personalized and engaging experience for employees
4. Digital HRM can help organizations attract and retain top talent by streamlining the recruitment process, promoting employer brand through social media, and providing opportunities for career development and advancement.

Overall, the use of digital HRM can help organizations become more agile and responsive to changing business environments. By leveraging technology to optimize HR processes and improve employee engagement and performance, organizations can achieve greater efficiency, productivity, and competitive advantage.

### Digital HRM and organizational learning and development

Digital HRM can play a significant role in organizational learning and development.

1. **E-learning platforms:** Digital HRM can provide e-learning platforms that offer employees access to online courses, webinars, and other digital learning resources. These platforms can allow employees to learn at their own pace and convenience, which can improve the effectiveness of learning and development initiatives.
2. **Gamification:** Gamification is the use of game mechanics and design elements in non-game contexts. In the context of digital HRM, gamification can be used to create engaging and interactive learning experiences. For example, an e-learning platform can be designed as a game, where employees earn points or badges as they complete training modules.
3. **Mobile learning:** Digital HRM can enable mobile learning, which allows employees to access training materials from their mobile devices. This can enable learning on-the-go and help employees make better use of their downtime.
4. **Learning analytics:** Digital HRM can provide learning analytics, which enable HR managers to track employees' progress in training programs and identify areas where additional support is needed. This can help managers design more effective training programs that meet the specific needs of their workforce.
5. **Collaboration and social learning:** Digital HRM can enable collaboration and social learning, which can help employees learn from each other and share knowledge and best practices. For example, an online forum or social media platform can be used to facilitate discussions and sharing of information.

Overall, the use of digital HRM in learning and development can help organizations to develop a skilled and knowledgeable workforce, improve employee engagement and retention, and achieve greater business success.

## V. ORGANIZATIONAL PERFORMANCE MEASUREMENT

Scott Sink and Thomas Tuttle develop first comprehensive conceptual frameworks for identifying measures of organizational performance Sink, D. S., & Tuttle, T. C. (1989). There they use six measurements for measuring organizational performance which is effectiveness, efficiency, quality, timeliness, finance and finally workplace environment in this study, the same criteria is used for measuring organizational performance Effectiveness: Erlandsson (2002) defines effectiveness as the extent to which objectives are met ('doing the right things').

**Efficiency:** Efficiency is the extent to which an activity achieves its goal whilst minimizing resource usage. Thursby (2000, p. 400). An ability to perform well or achieve a result without wasted energy, resources, effort, time or money.

**Quality:** ISO 9000 defines quality as "Degree to which a set of inherent characteristics fulfills requirements".

**Timeliness:** Timeliness are measured in three areas for organizational performance named cycle time, wait time and completed on time.

**Finance:** Finance is defined as the management of money and includes activities like investing, borrowing, lending, budgeting, saving, and forecasting. It can be a good indicator of how well a company is performing.

**Workplace Environment:** Working environment is a broad term and means all your surroundings when working.

## VI. FINDINGS AND SCOPE OF FUTURE RESEARCH

The present study contributes to previous literature in several ways, particularly relating to the applications of technology dimension in implementing human resource practices. Previous empirical works have shown reasonably strong, positive relationships between the extent of a firm's adoption of high-involvement. The present study adds to academic knowledge by providing deep insights in to evidence pointing towards the significance of continuous renewal of HR practices through digitalization. Secondary data collected from a variety of industries like IT, manufacturing sector, automobile industry etc. shows that there exists a positive relation between Digitalization of HRM and organizational performance. The major findings of the present study include Digital HRM tools reduces the time and cost involved in hiring employees. Thus employment of Digital HRM tools have a positive impact on organizational performance. A positive relation between Digitalization and HRM is established through the study as digitalization of HRM enables employees to access relevant information and communicate more effectively with superiors, which in turn leads to higher productivity and better organizational performance. The study also proves that digitalization of HRM results in better talent management and retention of employees as digital HRM tools allow companies to track and manage employee performance more effectively. The digitalization of HRM can improve the employee experience by providing more personalized and convenient services, such as self-service portals and mobile apps. This can lead to higher levels of employee satisfaction and loyalty, which can have a positive impact on organizational performance.

Overall, the findings suggest that digitalization of HRM can have a positive impact on organizational performance by improving employee engagement, talent management, recruitment efficiency, data-driven decision making, and employee experience.

## VII. CONCLUSION

Human resource management department has fundamental role for personnel recruiting, performance appraisal, compensation management and so on. Today every firm need to digitalize HR practices which is extremely important especially in the process of attracting and rewarding employees which are two of the largest challenges they face.

In this paper, digital HRM is essentially viewed as reborn concept for HRM. Gartner's IT glossary (2016) defines digitalization on a broad level and adopts a business transformation viewpoint "Digitalization is the use of digital technologies to change a business model and provide new revenue and value-producing opportunities; it is the process of moving to a digital business". In the present scenario, human resource professionals started involving in renewing and redesigning the digitalized work practices and organizational structures. The digitalization has also enabled to organize tasks differently, as the information is no longer attached to the physical paper or location. Soit has facilitated, organized the work and most importantly concentration which improves efficiency. In a nutshell, the inferences depicted that today digitalization has been taken to the core. It means every institution or organization is strongly committed to put it forward.

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