Challenges of digitalisation for HR Professionals: An Exploratory Study

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Abstract- **Digitalisation has turned out to be a major trend in the 21st century impacting every unit of an organisation. This is in response to the changing need and opportunities of the global competitive economy. The impact of digitalisation is also felt in the area of people management systems and practices particularly in the form of service delivery and information management. In view of technological breakthrough, the role of HR has tremendously transformed. There is hardly any HR functional area left untouched by digital transformation. With the application of these technologies, the HR professionals seem to face a lot of challenges while implementing HR strategies ranging from Human Capital Management, talent acquisition and retention to performance management, people analytics and contingent work force management. The study mainly intends to analyse the main issues and challenges for HR professionals in the era of digital transformation. An unstructured interview was conducted with selected HR practitioners working in IT, automotive and telecom sectors where the impact of digitalisation is visibly high. The respondents were asked to list out the issues and challenges in the digital age particularly with the advent of cloud computing, big data analytics, internet of things, artificial intelligence, blokchain and other emerging technologies. It was found that the HR professionals tend to face a lot challenges due to emergence of digitalisation and its subsequent application in the area of human capital management.**

Index terms- Digitalisation, cloud computing, big data analytics, internet of things, artificial intelligence, blokchain

INTRODUCTION

Due to technological advancement, the new age organizations are striving hard to adapt to and embracing the new technologies which would not only bring about efficiency but also enhance organizational effectiveness. Digitalization has become a buzzword in the organizational press, and addressed as something organizations must embrace in order to stay relevant (Goldstein, 2015; Deloitte, 2016). Transformation is required at all levels, in order to create a modern organization that has the ability for continuous change Andersson (2017), Digitalization has its impact across the organizations. Computers with advanced technological innovations e.g. Artificial Intelligence (AI), would replace non-repetitive intellectual tasks (Makridakis, 2017), as the access to a bigger amount of information increases; commonly referred to as 'Big data' (Shah, Irani & Sharif, 2017). The traceability increases as more digital tools are connected to the Internet, 'Internet of Things', and thereby sending status information (Ebersold & Glass, 2015). Thus, technological transformation is taking place in the society very fast replacing the traditional way of life. This not only changes how we communicate and interact as humans, but also revolutionizes how organizations operate.

Digital technology is found to have far reaching implications for any human resources managers too. (Larkin, 2017). Palmer, Dunford and Buchanan (2017) in their study cited few instances how digitalization has implications for HRM. This resulted in new ways of working and therefore a completely transformed role for the human resources management (HRM) function and for the HR professionals. Further the traditional administrative set up had to change due to its cloud-based approach and guide the employees in their new ways of working. The HRM role has become more varied and more people-oriented, designing diverse, challenging

jobs to keep employees of the new generation engaged in their work. Furthermore, the HRM professionals had to change the way performance reviews were done, abandoning the annual review for continuous and immediate feedback through new systems and workshops (Palmer et al., 2017). This shows that HR professionals could affected by digitalization wave. Thus, development of digitalization impacts organizations internally on many levels, as it requires the adaption and development of new knowledge and new ways of working (Bondarouk & Ruël, 2009).

A large part of the previous academic research on the topic focuses on how technology has streamlined HR processes such as planning, recruitment and performance management through the use of digital tools (Obeidat, 2015; Stone & Dulebohn, 2013; Bondarouk & Ruël, 2009; Marler & Fisher, 2013). However, this approach of 'digital HR' or 'e-HRM' has a stronger focus on the digitization of HR processes. This study discusses how digitalization creates challenges for HR managers. Bell, Lee and Yeung (2006) argue that the digitalization and the use of technology have resulted in further implications for the role of HR, its capabilities and competencies.

LITERATURE REVIEW

The HR has changed through time. In order to understand why HRM has evolved, it is necessary to understand why organizations change. According to Palmer et al. (2017), organizations change for a number of reasons, due to either external or internal pressures. External pressures can be 'next big thing' fashions, demographic changes, hyper competition such as disruptive high-pace innovations, or geopolitical developments such as globalization or climate change for example (Palmer et al., 2017). Initially, HRM was concerned with transactional and traditional activities such as daily routine tasks, recruitment and performance assessment. However, the function of HRM has developed to include more activities such as employee development and talent management. The role of HRM has evolved from being the caretaking and recordkeeping 'personnel department' in the 20th century, to becoming a strategic business partner focusing on employee development and talent attraction in the 21st century (Thite & Kavanagh, 2009). Strategic HRM is defined

as "a distinctive approach to employment management which seeks to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce using an array of cultural, structural and personnel techniques" (Salaman, Storey & Billsberry, 2005, p. 4).

Moreover, the development of information and communication technology (ICT) has undeniably played a key role in the evolution of HRM (Thite & Kavanagh, 2009). ICT has affected the role of HR in multiple ways. Besides enabling financially more effective HR work, it primarily frees up time and resources needed for engaging in more strategic work (Thite & Kavanagh, 2009). ICT systems have thus been a crucial tool in the development of HRM. According to Roehling et al. (2005), the impact of HR technology increasingly leads to activities – previously performed by HR professionals – now being done by managers. This is possible as all the information regarding employee statistics, costs, performances et cetera is accessible on the manager's desktop. As a result of the growing involvement of managers and other departments such as communication and IT in the delivery of HR work, the authors state that this development is blurring the definition of the HR role and the boundaries for the HR function (Roehling et al., 2005). Thus, HR practices today are not only conducted by

Thus, technological development has played a major role in the evolution of the HR. It affects HRM in a much broader perspective than the use of IT systems (Hempel, 2004; Thite & Kavanagh, 2009). Apart from being a direct force of change through digitization of specific HR processes, the technological development also has indirect effects on HRM. As HRM is not the driving force for the development itself, it results in a need for HR professionals to catch-up and evolve in order to enable support throughout the organization (Hempel, 2004). Along with the technological development, the role of HRM is redefined and transformed, which according to Thite and Kavanagh (2009), implies a demand for new HR competencies.

CHALLENGES FOR HR PROFESSIONALS

The study was mainly conducted for getting the responses from the HR managers working in different organisations on digitalisation and its implications.

The data was collected with the help of an unstructured interview schedule and some of the relevant opinions were recorded for further analysis.

(a) Understanding digitalization

To get a deeper understanding of how digitalization has implications for HR professionals it was required to explore how HR managers make sense of digitalization. When approaching the topic of digitalization, a clear majority of the HR professionals referred to it as an on-going change that organizations have to handle. A majority of respondents have disclosed that digitalization in the organization is perceived as an external pressure for change. Digitalization was also perceived by most of the HR managers as a disruptive change that requires the organization to adapt whether they like it or not. The prominent perception among the HR managers was that the driving force for change has its foundation external to the organization, as a result of the digitalization.

Thus the HR professionals seemed to be aware of the fact that digitalization impacts organizations on many levels as it is perceived as a revolutionary change in society. Besides changing customer preferences, some described it as a more overall behavioral change in human behavior, and that digitalization is more of an enabler that changes behaviors, communication and interaction with customers as well as employees: The overall impression we got from the interviews was that the HR professionals showed a strong awareness of the fact that the fast-paced technological development in society affects organizations in many ways as it creates pressures for change.

(b) Adaptability to New Roles:

The HR professionals during the interviews were asked about the changing role of HRM. Almost all of our interviewees' responses in the discussion of the evolution of the HRM function were that its role today has a much stronger business focus, and that being a strategic partner in the organization is indisputable. Although the organization clearly has not invested in digitizing processes through the use of the latest HR tools, several HR managers stated that digitalization has further consequences for HRM as it creates ripple effects that HR managers need to adapt to. On the other hand, a majority of the HR managers acknowledged the importance of and the need for digitizing HR processes through the use of digital tools. Both in order to be more agile and effective, but also to meet the preferences of future employees:

(c) Agility

The empirical data show that the HR managers perceive digitalization as affecting HRM on further levels beyond the potential use of digital HR tools. It puts pressure on the role of HRM to evolve as it changes how organizations work. Our overall impressions of the interviews were that a majority of the HR managers expressed that the digitalization has led to challenges as well as possibilities for the role of HRM. Changing customer behavior and demands, new ways of communication and interaction clearly demands HRM to evolve accordingly to support these changes throughout the organization.

(d) Exploring and Developing Digital Competencies

In connection to this, a majority of the HR managers discussed their own HR competencies and that these need to be developed as well, in order to be able to meet these changes. The interviews showed that the HR competencies need to further develop showing that HRM needs to catch-up with the technological developments. Thus, their HR competencies need to be reviewed and developed as well, as they – as strategic business partners – are expected to support changes throughout the organization. It clearly shows that when changing things within the organization, such as a digital transformation in this case, it is evident that HR managers need to understand what is going on and what is required of them.

Thus, one can interpret that digitalization creates a need for new competencies within the organization. It is evident that digital skills are highly valuable, in order to succeed in being competitive as well as taking advantage of the potential that digitalization offers. It might not include that HR managers in particular need these specific digital competencies, but more importantly they need an understanding of what other skills are needed in the organization to successfully develop the organization and its business.

(e) Meeting Changed Organisational Expectations

This shows how HR managers are expected to gain further knowledge beyond their own HR work as to

be able to successfully meet the organization's needs and expectations. This can be perceived as another example of how the expectations and demands of HR professionals are increased and have developed towards a more strategic perspective.

(f) Implementing Organisational Change

It is evident from the informal discussions that the HR professionals are required to take on the role as change managers. It was described that they need to enable the digital transformation through supporting the managers in the organization. It is clear that HR professionals need a broader understanding and leading change due to digital transformation. As established in the beginning of this study, digitalization is perceived as an on-going change, which organizations need to adapt to.

(g) Dealing with new Employment Forms

In connection to this, a clear majority of our interviewed HR managers emphasized that their HR processes will be conducted differently in the future, and thus it was evident that HR managers need to be aware of the developments in their own area. Several of the HR managers explicitly stated that for example recruitment, as a result of digitalization, is continuously changing and will probably be conducted differently in the future. Based on this, one can assume that digitalization enables these new forms of employment, because working and communicating globally would not be possible without digital tools. Thus, the flexible employment forms create both possibilities and challenges for HR managers. A common perception was that new employment forms enable HR managers to find talent anywhere in the world, but on the other hand also requires stricter contracts.

CONCLUSION

It is evident from the study that the HR professionals perceive digitalization as a significant change in society, which affects organizations at all levels. Despite the fact that they placed great emphasis on digitalization and its challenges, the ambiguity of it was also highly emphasized. The HR managers did perceive that digitalization as an external pressure for change, creates challenges for them in many ways through the need for new HR competencies due to digitalization and flexible ways of working. Nevertheless, digitalization affects everyone, and therefore results in both direct and indirect implications for the organization. Building on this, it was demonstrated that digitalization also has implications for HR managers in multiple ways. However, digitalization is a strong driver for change, causing tremendous implications for organizations. This in turn requires organizations to recognize both the direct and indirect consequences the technological environment brings in.

LIMITATIONS & SCOPE FOR FUTURE RESEARCH

The study is mainly confined to some organizations and their HR managers. Moreover, some quantitative dimensions of research can also be carried out for generalizing the findings. Although this study demonstrates valuable insights into the HR professional's perceptions of the challenges of digitalization, it would be more pertinent if similar kinds of studies are conducted in other organizations operating in different contexts. Further, it would be of more value to compare the findings to the perceptions of HR managers operating in less 'digital' organizations, To evaluate findings from similar studies conducted in a broader spectrum of organizational contexts, would illustrate a more balanced perspective of HRM in the digital era.

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