

THE ROLE OF HUMAN CAPITAL MANAGEMENT STRATEGY IN MOTIVATION IN THE DIGITAL ERA

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Abstract

Nowadays, digitalisation as a result of the development of science and technology is dominating and influencing people's lifestyles. This study examines how human resource management strategies can help improve employee motivation in the digital era. This study looks at how the implementation of strategies in human resource management can help overcome new challenges that arise amidst rapid digital transformation. It looks at how the implementation of effective human capital management strategies can influence employees' desire to work in a modern work environment. The study reveals that key strategies, such as digitalising the HCM processes, enhancing employees' digital capabilities, and transforming organisational culture, play a significant role in boosting employee motivation. The introduction of automated systems and digital learning resources has improved work efficiency, productivity, and employee satisfaction. Moreover, fostering a culture of innovation, collaboration, and transparency has empowered employees to adapt more effectively to change, increasing their resilience and enthusiasm for growth. However, the study also identifies challenges, such as resistance from employees unprepared for digital transitions and the limitations posed by budget constraints and generational differences, which can hinder the full potential of these strategies.

Keywords: Digital Era, Human Capital Management, Motivation, Strategy

INTRODUCTION

In the global era, digitalisation as a result of the development of science and technology dominates and influences people's lifestyles. The current era, called the era of the industrial revolution 4.0, makes information technology the basis of everyday human life (Hasan et al., 2020).

The advantages of using internet technology today are flexibility, connection, limitlessness, and easy and unlimited use of data. This serves as a major source of disruption, or change and destruction, to the established order in society. In the digital age, human resource management faces challenges to respond to the changing environment. The changes make conventional practices change, especially the mastery of human resources in the field of technology and information, the management of knowledge as an organisational asset, and an organisational culture that supports innovation and creativity. First, the function of

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training and development of human resources can improve the mastery, skills, and expertise of human resources.

A strategy that organisations can use to improve the performance of their human resources is to provide several digital tools to make it easier for individuals to complete their work (Hasan et al., 2020).

LITERATURE REVIEW

Human Capital Management

The term Human Capital Management is well known in the world of work. The reason for this is that it refers to an important position in the company that is very responsible for the progress of the company and its human resources. Human Capital Management (HCM) treats people as a valuable asset that belongs to the company and needs to be enhanced in order to help the company achieve its goals. HCM responds by saying that human resources (HR) are an investment that the company has and should be sought after from the job search stage. If companies want to increase the value of their workforce, they need to consider the process from recruitment, through training and development, to pay and rewards. This increase in the value of the workforce will lead to progressive gains for the company as a whole (Nardo, 2022).

The management of human resources (HR) today is obviously very different from the management of the past, and that is what is meant by the evolution of HR management. Many factors influence human resource management, including external and internal factors. External factors include developments in information technology, the need for different types of work, global, regional, and local government policies, population growth, and global competition. Other internal factors are those related to human resources, as the demand for human resources who have competencies that match the needs of the organisation is constantly changing. Restructuring, attrition, and organisational culture all affect this. Therefore, as mentioned earlier, HR management continues to undergo changes and developments until it is now Human Capital Management (Davidsson & Honig, 2003).

In the digital age, Human Capital Management, also known as human capital, is considered critical to organisational success. Management researchers and practitioners have predicted this change. Education, experience, and knowledge are critical HR capital attributes for success, and if organisations want to succeed in a competitive world, they must leverage them (Sudirman et al., 2023).

Motivation

Motivation is a mental and emotional state experienced by humans that provides energy, encourages activities or movements, and motivates behaviour to meet needs that make people satisfied or reduce imbalances (Rizky, 2018a). In English 'Motivation' comes from the Latin word 'Movere', which means 'Moving' or 'Encouraging' in Indonesian the word 'motivation' is used in the concept of behavioural management or concept management to describe efforts to encourage the enthusiasm of others (subordinates) to work hard to achieve organisational goals through giving or providing what they need (Rizky, 2018).

In one's learning process, motivation plays a strategic role. No one learns without motivation; without motivation, there is no learning activity. The principles of motivation in learning must be known and applied in daily activities (Prihartanta, 2015). Abraham Maslow (1943; 1970) in (Prihartanta et al., 2015) states that everyone has basic needs. He showed it in the form of a pyramid consisting of five levels, with encouragement starting from the lowest level. Maslow's Hierarchy of Needs consists of five levels of needs, starting from basic biological needs to more complex psychological motives. Basic needs are only important when they are fulfilled. The needs for a particular rank must be at least partially satisfied before the needs for the next rank:

- a. Physiological needs (hunger, thirst, etc.)
- b. Security needs (feeling safe and secure, away from danger)
- c. Love and belongingness needs (affiliating with others, being accepted,
- d. belonging)
- e. The need for respect (achieving, competing, and getting support and recognition)
- f. Self-actualisation needs (cognitive needs: knowing, understanding, and exploring; aesthetic needs: harmony, order, and beauty; self-actualisation needs: gaining self-satisfaction and realising their potential)

Understanding and fulfilling employee needs according to Maslow's hierarchy in the context of HCM can increase employee productivity and motivation. This is how it is implemented:

- a. Meeting Physiological Needs:

Paying employees a decent salary to fulfil their basic needs. Comfortable work facilities, including break rooms, canteens, and access to clean water.

- b. Ensuring Safety:

Providing health insurance and social insurance. making the workplace safe and free from physical and emotional threats. Job security and clear policies on employee careers

c. Building Social Relationships:

Encourage collaboration and teamwork; take part in company social activities and events to build relationships; and offer the company intranet as an effective communication platform.

d. Reward and Recognise:

A system that rewards and recognises good performance, provides constructive criticism and opportunities for professional advancement, and provides training and development to improve employee confidence and skills.

e. Support Self-Actualisation:

Provide opportunities for employees to reach their full potential; provide job challenges that allow employees to develop and learn; and support creativity and innovation through new projects and initiatives.

Digital Era

The digital age is a time when technology has developed so far that all important tasks can be done digitally. The digital age is one of the periods of life that has progressed very rapidly and leads to digital forms. The development of this digital era will continue to run so fast and cannot be stopped by humans. This condition can occur because humans basically always want everything to be done efficiently and practically. In addition, this will have various effects, both positive and negative. It is undeniable that advances in digital technology will have the ability to encourage new types of businesses or activities that can improve the economy. Nowadays, many young people even dare to start their own digital businesses.

The 'digital era' is a term that refers to a period in which digital technologies, especially the internet, have significantly influenced various aspects of human life. These technologies play an important role in changing the way we interact, changing the way we access the internet, changing education and learning, technological innovation, the digital economy, and social influence. The digital age has become part of modern society. In such a situation, people have greater access to various types of information. This is one of the benefits of information technology, which can reduce the limitations of time and space (Agustina et al., 2023).

According to (Goldfarb & Tucker, 2019), digital technology is the representation of information in the form of bits. This reduces the cost of storing, computing, and transmitting data. Research on the digital economy examines whether and how digital technology is changing economic activity.

The choice of technology should be in line with the company's vision and mission, clearly formulated, and fulfil all needs. Units using these technologies should ideally be staffed by young workers as they will encourage innovation, be dynamic and open-minded, and improve employee employability. Thus, efforts to improve employee performance can be maximised and the achievement of the desired performance can be achieved appropriately (Rizky, 2022).

Strategy

The word 'strategy' is derived from the Greek word 'strategos', meaning 'general', and its meaning literally means 'art and general', which refers to the things that are most important to the top management of the organisation. Specifically, strategy includes establishing the company's mission, setting the organisation's goals by combining internal and external forces, formulating specific policies and strategies to achieve these goals and ensuring their proper implementation, so that the organisation's main goals and objectives are achieved.

Strategy is an overall approach that encompasses the ideation, planning, and execution of a course of action over a period of time. A good strategy involves the collaboration of work teams, identification of supporting elements in accordance with the principles of rational implementation of ideas, funding effectiveness, and strategies to achieve goals effectively.

According to Alfred Chandler, strategy is the setting of goals and the direction of action and allocation of resources necessary to achieve the goals. To achieve its goals, strategy indicates the general direction that an organisation should take. It is the grand and essential plan for every organisation. Every well-run organisation has a strategy, although it is not always clearly stated.

RESEARCH METHODS

This research utilises secondary data and uses a qualitative approach. This method was chosen to thoroughly study how Human Capital Management (HCM) strategies can affect employee motivation in the digital era. The phenomena that occur related to the

implementation of HCM strategies and their impact on employee motivation in the digital era are described through descriptive methods.

RESULTS AND DISCUSSION

Human Capital Management Strategy in the Digital Age

The study found that to face the challenges of the digital era, companies have utilised various HR management strategies. Some of the key strategies identified are:

- 1) Digitalisation of HCM Process:
 - Established a technology-based performance management system and developed an online employee training and development platform.
 - Automate recruitment, selection, and onboarding processes through digital systems.
- 2) Employee Digital Capability Enhancement:
 - Provide digital literacy training and workshops.
 - Provide access to digital learning resources.
 - Encourage a culture of independent and flexible learning.
- 3) Organisational Culture Transformation:
 - Embedding the principles of digital innovation, creativity and collaboration.
 - Create leadership that supports change.
 - Increase transparency in knowledge sharing.
 - Increase enthusiasm for sharing knowledge with others.
- 4) Reward and Compensation System Reorganisation:
 - Establish a compensation scheme that is based on digital performance and capabilities.
 - Implement digital benefits, such as device and internet connection allowances.
 - Provide room for career development based on digital capabilities.

The Impact of Human Capital Management Strategies on Employee Motivation

In the digital era, the implementation of HCM strategies has a positive impact on employee motivation, including:

- 1) Improved Digital Skills and Capabilities:

Employees feel more confident in facing digital changes, they are motivated to continue learning and improving their abilities and there are new career opportunities in line with digital changes.

2) Work Efficiency and Productivity:

Automated and faster work processes improve efficiency, productivity increases, and employees feel more valued for their contribution to achieving goals.

3) Employee Satisfaction and Engagement:

Digital reward systems make employees feel more valued, an innovative and co-operative corporate culture increases employee satisfaction, and the ease of obtaining training and development increases engagement.

4) Adaptability and Resilience to Change:

Employees are better equipped to adapt to digital transformation, resilience increases due to the ability to self-learn and innovate, and increased confidence supports risk-taking.

Factors that support and hinder the implementation of HCM strategies

It identifies several factors that influence the successful implementation of HCM strategies in the digital era, namely:

1) Supporting Factors

- 1) Availability of adequate and integrated technology infrastructure.
- 2) The desire of employees to continue learning and improving digital skills and a flexible and innovative organisational culture.

5) Inhibiting Factors:

- 1) Some employees are not ready to follow the change to a digital work system
- 2) Limited budget for investment in HR and technology development
- 3) Lack of HR expertise in managing and utilising technology
- 4) Digital differences between generations of employees.

Theoretical and Practical Implications

This research enhances our understanding of human resource management (HCM) strategies in the digital era and shows how HCM strategies can influence employee desire. Practically, the results of this study inspire organisations to design and implement effective HCM strategies to increase their employees' desire. Organisations should consider supporting factors and address issues to achieve successful implementation.

CONCLUSION

The study highlights the pivotal role of Human Capital Management (HCM) strategies in addressing the demands of the digital age and enhancing employee motivation. By implementing strategies like digitalising HCM processes, enhancing employee digital

capabilities, transforming organisational culture, and reorganising reward and compensation systems, companies can not only improve efficiency and productivity but also foster a culture of learning, adaptability, and resilience among employees. These efforts have proven to increase employee satisfaction, engagement, and motivation to embrace digital changes, ultimately benefiting both the individuals and the organisation as a whole. However, the study also identifies barriers, such as limited budgets, digital skills gaps, and generational differences, which can hinder the successful implementation of these strategies.

For companies aiming to maximise the benefits of HCM strategies in the digital era, it is crucial to prioritise investment in digital infrastructure and create a supportive learning environment to bridge digital skill gaps across employee generations. Additionally, organisations should address potential barriers by providing targeted training to improve digital literacy, fostering an inclusive culture that values adaptability, and ensuring sufficient budget allocation for HR and technology initiatives. Regular assessments and adjustments to these strategies are recommended to keep pace with digital advancements and maintain employee motivation, ensuring long-term success and a competitive edge in a rapidly evolving digital landscape.

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