

# Chapter 14

## Challenges of Digital Transformation: Impact on Culture and the Role of HRM

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### **ABSTRACT**

*Digital transformation has been gaining attention amongst organizations, especially in keeping up with the demands and changes posed by COVID-19 pandemic. However, the pandemic introduced challenges to organizations in the context of digital transformation and caused human resource management (HRM) to deal with such a challenging environment, impacting their practices and the workforce. The chapter intends to uncover the challenges of digital transformation following the COVID-19 crisis which is affecting the culture of one's organization. It also aims to provide insights of how HRM can play an important role in addressing these challenges. The result is promising. Digital transformation affected to HRM with challenging business processes within the organization. The study will be valuable for organizations to understand the issues surrounding digital transformation in Asia and comprehend the potential means of managing these issues, especially for the HRM, and it contributes to knowledge in the area of digital transformation, information technology, and innovation.*

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### **INTRODUCTION**

In recent years, digital transformation has been increasingly becoming the focus of business contexts, especially in keeping up with the demands and changes that exist in the ever-changing world of modern technology. With the growth of these new technologies, companies began to seek for ways to not only adapt and survive in this digitalized environment, but also to work on enhancing their business operations with the utilization of the available technologies, so as to promote a wide range of innovations in the digital field to the customers, employees and the workforce. Additionally, the use of internet and information technology are common for the human resource management (HRM) to function in the workplace, particularly in terms of storing and securing data and company's files, analyzing performance of the employees and managing their payrolls, any administrative work as well as the process of recruiting of new employees or trainees into the company. HRM plays significant role in the process of digital transformation in terms of facilitating the managers in adapting new digital technologies, enable the firms to see the opportunities offered by these technologies and adapt to changes as well as assisting employees in applying new business models (Mitrofanova et al., 2018).

What is more, the Covid-19 pandemic has been on-going since its first outbreak in China in December 2019 and organizations, businesses as well as individuals have been experiencing difficulty in adjusting their life to the new normal. Following that, authorities from different parts of the world, including Asia, have addressed to the effect of this pandemic by enforcing travel restrictions, inducing lockdowns, implementing work from home basis and online education system, closing down of facilities and shopping centres and so on. The emergence of this pandemic added new challenges to a number of organizations as it forced them to establish IT solutions, going towards digitalization and subsequently, further develop remote work. With this pandemic, it is now a substantial requirement for any firms to take into account the application of technology into its operations as traditional approach is no longer adequate to keep up with the new changes that are brought by Covid-19. Also, there has been an apparent escalation in the usage of electronic and digital platforms among organizations and firms in carrying out their daily work activities during the pandemic. As such, most organizations are now forced to perform meetings, communicating with one another and sharing information among colleagues through the utilization of digital tools and internet platforms including Zoom, Microsoft Teams, Dropbox and so on.

Furthermore, this pandemic has caused the HRM to deal with such a challenging environment, impacting both of their practices and the workforce. If digitalization is not taken into consideration, especially during this pandemic, handling a number of employees and personnel within an organization and managing the business operation would be a hassle. Also, the key to digital transformation is believed to be related more to the people as opposed to the technology (Frankiewicz & Chamorro-Premuzic, 2020). As such, it is the culture that drives the success of digital transformation (Hartl & Hess, 2017). Thus, as a central pillar of the people in the workplace, it is crucial for HRM to take into account digital transformation to lead the organization and to assist these people in coping with the difficulties resulted from the abrupt changes in the environment.

### **Impact of Covid-19 in Asia Regions**

In March 2020, the World Health Organization (WHO) has declared Covid-19 outbreak as a pandemic that posed substantial threat to global population. As such, there were about 118 000 reported cases of Covid-19 affecting more than 100 countries at times of the declaration, by which majority of these cases

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