



DIGITAL TRANSFORMATION OF HUMAN RESOURCE MANAGEMENT: STRENGTHENING GOVERNMENT IN THE VUCA ERA

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ABSTRACT

Indonesia's level of competitiveness is still low, as indicated by the ranking of Indonesia's Competitiveness Index in 2021, which is ranked 37th out of 64 countries, and ranked 11th out of 14 Asia Pacific countries. The massive development of the digital era has exacerbated Indonesia's low competitiveness so that the government sector faces a problematic condition where everything changes very quickly, is unpredictable, and is difficult to control, which is commonly referred to as VUCA (Volatility, Uncertainty, Complexity, and Ambiguity) Era. For the quality of public services in the VUCA era to remain professional, the government must adapt and innovate, especially in managing its human resources. This study aims to analyze the strengthening of government organizations in the VUCA era that focuses on the digital transformation of human resource management (HRM) to create a sustainable competitive advantage. The method used in this study is a systematic literature review with data acquisition through articles that have been published in reputable international journals. The results show that the VUCA era encourages innovation in government organizations in the digital transformation of HRM, which plays a significant role in creating strategic and competitive human resource advantages. This is due to selecting a motivated workforce that significantly contributes to government performance.

Keywords: digital transformation, government, HRM, VUCA.

1. INTRODUCTION

In 2021, Indonesia's level of competitiveness will increase as indicated by the World Competitiveness Yearbook (WCY) data, which has ranked Indonesia at 37 out of 64 countries, up from previously ranked 40, and is in position 11 out of 14 Asia-Pacific countries recorded. The massive development of the digital era has further exacerbated Indonesia's low competitiveness so that the government sector faces problematic conditions where things change very quickly, are unpredictable, and are difficult to control, which is commonly referred to as the VUCA Era (Volatility, Uncertainty, Complexity, and Ambiguity). Currently, the environment in developed and developing countries is characterized by VUCA (Volatility, Uncertainty, Complexity, and Ambiguity). This term is used to emphasize that the VUCA model is associated with a rapidly changing environment, diverse employee needs, and almost unpredictable customer expectations. In order for the quality of public services in the VUCA era to remain professional, the government must adapt and innovate, especially in managing its human resources. As a result, human resource

management (HR) must be oriented towards overcoming obstacles related to specific environments in order to achieve a competitive advantage for governance. Thus, HR managers need to develop certain strategies to cope with new conditions in the public world. [1].

Furthermore, looking at the public area, which is very challenging today, the government is expected to be able to develop a sustainable competitive advantage to stay ahead in government [2]. The rapid development of technology has an impact on the implementation of government duties and functions in providing services related to the use of digital technology. Global challenges require government organizations to be competent and responsive in carrying out digital-based government service processes. Digital transformation is not only limited to the system but also related to the human resources owned. In order to adapt to the VUCA era, digital transformation is carried out not only limited to technology but also mindset, behavior, culture, and processes.

The purpose of this study is to analyze the strategic role of the government in dealing with VUCA and to create a sustainable competitive advantage and take

advantage of the digital transformation of HRM in order to continue to develop properly. Human resources have a very important role in achieving the goals of a government. Human resources are considered the main resource to carry out a government. The VUCA era encourages innovation in government organizations in the digital transformation of HRM, which plays a significant role in creating strategic and competitive human resource advantages. This is due to the selection of a motivated workforce that significantly contributes to government performance. The novelty of this research is the focus on research conducted by analyzing articles published from 1997 to 2021 using the PRISMA model as a reference.

2. METHOD

This paper uses a systematic literature review with reference to the PRISMA guidelines, namely searching for relevant articles from journals, print media, literature studies and the like [3]. As a source for the literature review, the authors searched for articles with electronic databases through Science Direct and PubMed because many articles had been published in these databases.

2.1. Criteria for study inclusion

In carrying out the inclusion criteria, the author tries to classify articles by searching based on the year of publication, which has been limited from 2015 to 2022 with article criteria that are relevant to keywords, document types, and documents written in English. In the process of searching for this article, the author does not limit the scope of the research to be able to find truly relevant articles from all fields.

2.2. Data extraction

The author makes categories in this research based on the year of publication, abstract, and research that is relevant to the author's topic. Then the results are grouped based on the type of research results but do not limit the research methods in the sense that both qualitative and quantitative research are still included in the criteria.

2.3. Search Result

The study results selected from the Science Direct database contained 280 articles, while the PubMed database contained 67 articles based on keywords. From a total of 347 articles, inclusion and exclusion data were extracted, with inclusion criteria of 72 articles that were included in the relevant article criteria and 275 articles included in the exclusion criteria because the abstract was considered irrelevant to the topic and some articles were not freely accessible. Of the 72 articles that were included in the inclusion criteria, an assessment was carried out on the entire article and the resulting 20 relevant articles were included in the exclusion criteria because the full text did not match the topic. (The article screening process can be seen in Figure 1).

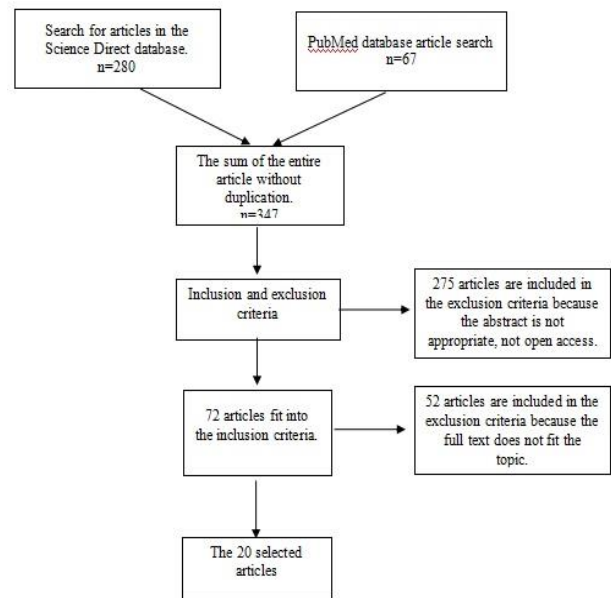


Fig 1. The process of screening articles using the PRISMA method

3. RESULT & DISCUSSION

Performance management in a government must start from the inside out, especially for those who lead. While HR must establish training programs that keep the environment abreast of a competitive world, HR must also focus on developing soft skills such as leadership, ownership, emotional intelligence, and empathy in the workforce. Another important step is to normalize seeking help and to express feelings in a way that does not harm others [4]. Personal goals should be included in the performance management system, in addition to professional goals. The goal is to earn employee loyalty through a well thought out reward scheme. A system for objective performance evaluation that is free from political prejudice should also be established in order to maintain high trust relations within the government [5].

In evaluating performance management, each metric must be accompanied by a reason for obtaining the rating. This will help eliminate managerial biases, such as the preference of personnel working in the office over those working from home [6]. 360 degrees feedback is mandatory with positives and it should be practiced regularly. Contract workers for short-term projects will create more open space. This will certainly make staff work at a more relaxed pace. Introducing initial training to prepare individuals to demonstrate leadership, as well as introducing attractive rewards to stimulate creativity, when an individual shows a desire to grow, it is possible to accelerate their career growth beyond conventional limits. Specific retention programs must be in place to retain high-performing employees [7].

Today, the digitization of HRM is more important than ever. HR managers can no longer be indifferent to technology. Instead, the government should concentrate

on becoming proficient in the use of technology, especially in times of crisis. Every day, HR professionals are said to process a large number of documents, which can be automated and digitized using the many available HR information systems [8]. The HR function must embrace the potential of data and analytics and use People Analytics on a regular basis to make better personnel decisions. To avoid making bad decisions [9]. With digitization, time spent on iterative processes and documents is reduced, and costs are reduced. This means that HRM can support the strategic objectives of the government and create more value-added activities. Digital transformation during this crisis is considered very competent, especially in the public administration sector, which requires a large amount of data input. This transformation is the right step for changing the administrative system in the government environment. The following is a table of VUCA components and examples of digital use by HRM:

Component	Description	Example
Volatility	The nature, speed, volume, magnitude, and dynamics of change. The situation is unstable and may be of unpredictable duration. However, it was not an unexpected situation as knowledge of similar challenges was already predictable.	A fluctuating stock price for the organization follows internal changes. unexpected things, such as fraud by companies or irresponsible people.
Uncertainty	Lack of predictability of problems and events. Despite the lack of much information, the basic causes and possible effects of events are known, and the results generally yield substantial.	The sudden launch of a similar but superior product to a close competitor's product offering.
Complexity	Some information is available or predictable. But the volume or	Starting a business in another country and having to face

	nature of the problem can be processed.	various types of regulations.
Ambiguity	The causal relationship is unclear. The situation was unprecedented, and one had to brace oneself to face the unknown.	Decided to launch a product that is new and beyond competence.

Table 1. VUCA Components.Source: [10]

The development of VUCA is very important for the HR division to ensure that approaches and practices are in line with evolving needs. The HR workforce must ensure that it does not simply follow conventional methodologies, but has differentiated needs and has adapted to VUCA. In the world of VUCA, HR has an unrivaled opportunity to play an important role [8], [11]–[13]. This is attributed to the fact that the level of challenge facing associations in the VUCA world is with the end goal that various arrangements have to come through human resources (HR). HR has a core task to implement one of the seven standards, including:

No	Standard	Strategy
1	Anchors	Develop and support organizational goals, culture, and characteristics, as well as organizational groups.
2	Simplicity	Organizational framework and steps.
3	Collaboration	Organizational layout, culture, and correspondence.
4	Execution speed and deftness	Hiring competent talent and working with dynamic speed.
5	Innovate and shape the future	A culture that emphasizes innovation, creativity, and leadership.
6	Learning	Making it relevant for smart governance.
7	Resilience	Bringing change in management.

Table 2. Standards dan strategies

HRM must be aware of external issues so that they can develop policies that meet the needs of governments as well as individual needs. Another example is the Employee Protection Act, which was signed in 2010. Compliance with this law has major implications for HR. For example, an agency with more than fifty employees must provide health care coverage or health insurance. It is currently estimated that 60% of institutions provide health insurance to their employees. As health care

insurance will be mandatory, the issue of cost and use of health benefits as a recruitment strategy is a major external challenge. Any manager who operates without considering outside forces is likely to alienate employees, resulting in unmotivated and unhappy workers. Not

understanding external factors can also mean breaking the law, which also has worrying implications [14]. It is known that, currently, health insurance for state civil servants is mandatory and part of the employment rights.

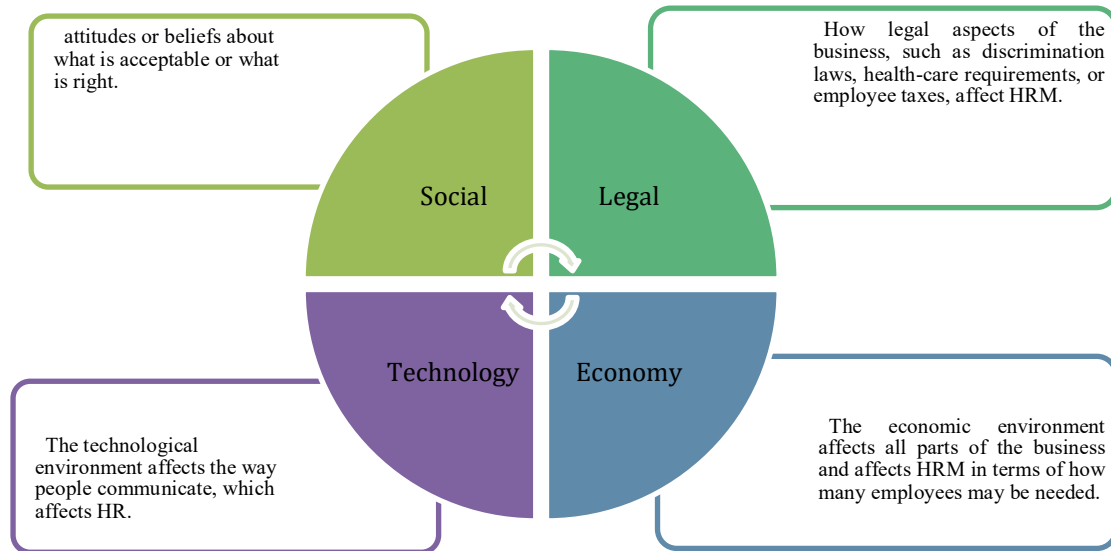


Fig 2. Understanding of HR external factors

Rapid technological developments are the cause of the volatility and uncertainty stemming from the unpredictable development of the issue model, while its complexity is the result of multidimensional contact constants. The increasing need for innovation is at the heart of the ambiguity. I need to reorganize internal HR processes in a complex government environment. This is very important for efficient government operations [15]. Leaders must focus on creating sustainable competitive advantages rather than competitive advantages [16]–[19]. The researchers explain this issue by citing the fact that a sustainable competitive advantage is more appropriate for the VUCA world as it is intended to be a successful recruitment organization and retain talent, have effective environmental policies, demonstrate good economic growth, and be highly competitive in transformation [20], [21].

Diversity promotion, recruiting and selecting innovation-oriented talent, performance management, training, and development are useful HR strategies for building competitive advantage in the VUCA environment. This idea is useful to increase the capacity of superior HR [22]. Thus, the task of the director of human resources is to ensure that employees are very interested in promoting the institution through high-quality, proactive, innovative, and flexible performance [23]. In this case, employees can lead the government in a sustainable direction and have a competitive advantage. HR managers need to ensure employees are attracted to promotion through high quality, proactivity, innovation, and flexibility [8], [16], [24].

Performance management, talent acquisition, diversification, and digitization are some of the HRM strategies to increase the company's competitive advantage, and the existence of training and practice development are some of the HRM strategies to improve performance management with HR strategies [20], [25]. HRM is changeable and the competitive potential of the organization through professional human resources is the key to the sustainable operation of the organization [26]. Human resources have a responsibility to strike a balance between using human talent and innovative technology to achieve excellence [15], [27]. The strategic role of HRM is to change the strategy and goals of the organization in practice to make human resources focus on flexibility and innovation [28].

4. CONCLUSION

In today's rapidly changing government environment, HR must keep up with and outperform the entire organization to maintain a competitive advantage in times of crisis. HR needs to focus on developing tools and tactics that will help steer the controllable part of government culture digitally. The government and HR are taking advantage of VUCA and making the most of it. Currently, there is a need for a transformation from HR professionals who know a thing or two about public administration to be able to exercise HR expertise and embrace a VUCA-friendly management culture that emphasizes consistency and integrity, as well as consistency in communication. All of these strategies are

very important in today's crisis because HRM is no longer just a matter of governance but the interests of many parties in maintaining the situation, reversing the situation, and excelling in a tense situation. Through digital transformation by HRM, it is hoped that it will facilitate the running of the public administration sector, both in government and other institutions. so that HRM can follow the current development of VUCA and not be left behind by the current crisis situation.

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