

Opportunities And Challenges In Digitalizing The HRM In Middle East

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Abstract

Digitalization has transformed business functions in the 21st century. Human resource management is a critical component to manage to gain a competitive edge in a digitalized world. The role of human resource management in planning, recruitment, performance management and learning and development will be evaluated based on digitalized functions scale and its association to improving efficiency and quality output. The purpose of this paper is to understand the opportunities and challenges in digitalizing the human resource management in Middle East by evaluating the previous literature in a broader spectrum of digitalized HRM functions, that would illustrate a more balanced perspective of Digital HRM. The research method included analysis of secondary data that described the level of digitization implemented and adopted by various companies in middle east region and assessed the main opportunities and challenges associated with these functions. The finding shows that the digital transformation and automated processes will allow time reduction, and remove repetitive tasks and actions, maximize employee's engagement, and enhanced time management to benefit the organization. Digitalization will provide more simplicity and easy solutions when it comes to addressing. There is an increased challenges are associated to the level of digitalization implemented without a consideration to human, psychological factors. HR functions that relay on human factors such as recruitment, and performance evaluation were challenging due to the involvement of emotional aspects such as face to face meetings and personality assessments. While other HR function such as planning, and selection gained a positive outcome due to the involvement of digitalization and biasness that these technologies offer. Human resource management should be trained to manage change across the organization, where talent development and upskilling are key enabler of digitalization and long-term planning, and an accurate calculation of Return-on-Investment ROI are critical factor to the success on the investment in these technologies.

Keywords Digitalization, Human Resource, Technology, Competitive Edge, Middle East.

Introduction

In a world of digital technology and globalization, companies and organization are rapidly changing and diversifying their organizational functions and activities. Organizational functions like the human resource management have become volatile and ambiguous due to constant change in the market demand, digitalization, and global expectations. Managing the human resource and other resources within the organization to cope with global issues has become more challenging. To understand the challenges, organizations need to understand and measure the impact of digitalization on their stakeholders and create a systematic process in which the employees, managers, and customers interact and feel involved.

Digitalization has created a concern of employment and human capital skills management. Involvement of technology was a benefit to many industries. However, digitalization across the industry has created a warning sign of constantly eliminating competition, creating new jobs, and eliminating others at an altered pace. Human resources managers have benefited from digitalization in functions like recruitment and finding and attracting candidates. Now, almost any potential employee has a Facebook or LinkedIn account, for example. These social platforms can provide relevant information: recruiters can complete the profile of a candidate, and potential employees can create an image of the work environment by following the social media pages of companies. Also, the use of technology of repetitive activities helps to support the performance of colleagues in the departments of recruitment, training, personnel management, and payroll, so that they can focus their attention to provide support to people, colleagues, assessment of candidates' attitudes, etc.

On the other hand, when digitalization is replacing recruitment, interviews, training, human capital support and evaluating employees at the industry level is increasingly threatening careers across the organizations. This paper will focus on opportunities and challenges in digitalizing human resource management in Middle East. Understanding the change will allow the creation for systematic process in applying and implementing digitalization across multiple industries and across many levels within the organizations. These processes will minimize the challenges to maximize the advantages of utilizing digitalization.

Literature Review

The concept of digitization differs than digitalization and digital transformation. According to the HR Technologist, 2019 Digitization is a shift from manual to digital processes, where digitalization is about creating a culture of using technology to run a business. Digital transformation is also a new concept that explains the outcome of agile digitalization using innovation and technology. Digitization" is a new term that coagulates under the same umbrella existing needs, giving them a name. The needs, however, are not new" (Carina, 2020). According to Agarwal et al. (2018), "Digitalization is the use of workforce data to analyze, predict, and improve performance". "The development of lean-digitized system is an essential business strategy for corporate survivability"

(Ghobakhloo, 2019). In addition, “Digitization allows the automation of repetitive processes, regardless of the scale at which it happens and the use of data and statistics with a business intelligence tool (HR Analytics) to intuit trends in human resource management (Carina, 2020)”.

According to Bloom (2017) traditional human resources activities and competencies are not sufficient nowadays with the current global digitalization. “Global pandemics like covid-19 has accelerated the processes of digital transformation not only in companies but also in individuals and public entities. The enormous challenge for managers is to get involved in this change, while trying to keep the business running, facing a different and uncertain future (Almeida, 2020)”. “In sum, these changes have led to the current period being characterized as the “digital age (Parry, 2014)”. These needs have become the basis of the pyramid both for employees, who want to get what they need from a few clicks, and for the employer, who aims to analyze, standardize, and improve their processes, using the data provided by digitized processes (Carina, 2020). “Human Resource management employees are held accountable for the quality of work they do through systems such as human resource and ICT policy (Mtui, 2019)”. “At the same time, it requires a change in working style and entails a change in the demand for HR competencies (Mazurchenko, 2019)”

Hecklau (2016), suggests that the deployment of digitalization was not effective until early 1980. The use of digitalization was encouraged in the recruitment, selection, staffing, retention, and turnover process. In addition, an extensive literature review made on the efficacy of using technology in human capital development, where activities like education, learning and training can be enhanced. “Another important difference from the classic HR processes is the efficiency of the work processes. Numerous specialized tools and software for the human resources field have effectively revolutionized HR activity, making it easier for specialists in the field to provide information to candidates in real time, make better decisions and measure the results of the activity they carry it out. Thus, recruitment processes remain the classic ones, but they are supported and complemented by digitization, thus becoming faster and more efficient” (Carina, 2020). She also suggests that the authority in the digitalized functions has become unclear where the technology plays a superior actor over the human factor. In addition, Fernandez, and Gallardo-Gallardo (2020), outcome of the human resource management is valuable and complex to the organization. Researchers must understand the importance of involving the HR managers in the process of developing analytical tools.

In countries like United Arab Emirates, digitalization has played a significant role in the economic development. “Business leaders and chief human resources officers recognize the need to actively and strategically manage relationships with workforce segments in a digitalized enterprise, which increasingly affect how an organization delivers services and interacts with customers (Argarwal, 2018)”. According to Fenech, et al (2019), digital transformation was expected to generate \$16.9 billion annually between 2017 and 2021. On the other hand, researchers have identified more than

14 barriers when applying human resource digitalization in the HRM functions. The main categories of technology adoption barriers are data and models, software and technology and people management. In addition, they stressed on the importance of linked resources and amount of infrastructure needed to carry out these processes. Marler and Boudreau (2017) suggests that the adoption of HR digitalization in organizations is not in a mature stage of development. “There is still much room for academic researchers to add to the HR Analytics literature and conversation”.

Purpose and Methods

The global economic situation forced for better preparedness for competitive challenges on digitalization of all the process. As the consequences of rapid technological development, organizations are faced with an implementation of digitization in all the processes. Digitalizing the HRM is the hot topic these days in all the corporate world. The purpose of this paper is to understand the opportunities and challenges of digitalizing the human resource management in Middle East by evaluating the previous literature in a broader spectrum of digitalized HRM functions, that would illustrate a more balanced perspective of Digital HRM.

According to Creswell & Creswell (2017), search methods determine how the researcher will collect, analyze, and understand the data of a specific study. This study was based on a secondary data analysis in the Middle East region on the opportunities and challenges of digitalizing the HRM functions. Secondary analysis is a systematic process with procedural and evaluative steps to develop the research objective, then the identification of the dataset, and thorough evaluation the dataset (Johnston, 2017).

Opportunities of digitalizing human resource management in middle east region

Digitalization of businesses and business functions has initiated a momentum of enhanced business performances, and improved turnover. Digital transformation budgets according to Deloitte survey were going to increase by 25 percent in 2020 with the beginning of digitalized function and automated resources such as artificial intelligence (AI), blockchain, automated performance management and machine learning. This transformation will vary depending on Human resources management team and their perception, capabilities, and flexibility. In today’s worlds that are numerous organizations that still rely on Excel sheets to gather and analyze data to make decisions. Digitalizing some of these data collection and analysis function will impact the HR role, competency, and processes. The digital transformation and automated processes will allow time reduction, and remove repetitive tasks and actions, maximize employee’s engagement, and enhanced time management to benefit the organization.

In addition, digitalization will improve the time span of introducing digital solutions to improve the organization. Employees will get more freedom from repetitive tasks like filing and organizing and allow additional time to focus on introducing creative tasks. Digitalization will provide more

simplicity and easy solutions when it comes to addressing employees needs and departments requirements. Anonymity is also an extra advantage especially during employee feedback, KPI evaluation and or whistleblowing actions.

Moreover, there are countless of advantages and benefits to implement digitalization across the organization. The fast-paced characteristics of digitalization have a more significant wide-reaching impact than perhaps is expected, in the sense that it is changing human behavior and thus will lead to a profound domino effect on organizations. Therefore, it is of relevance for every human resource manager to relate to this digitalization (Al Haziati et al, 2021). For the organization to implement digitalization it must start at the human resource management level. The organization should define the goal to implement digital transformation. Then identify the implementation process within the human resources team with the time frame of the implementation. Afterwards, prepare the organization for the digitalization change and the intervention process at which employees will be involved in. Change within the organization or among the stakeholder will always face resistance, either towards the technology or the execution of the technology. Therefore, it's important for the organization to maintain a level of consistency in the transformation so it does not affect the benefit that

Challenges in digitalizing human resource management in middle east region

In a digitalized era of businesses, and business processes the traditional management is no longer sufficient. Complicated business processes are manageable only by technology. Increased development throughout the business has diversified and manipulated management and involvement of human capital. Information management has become more systematically manageable through digitalization. Human Resources Management (HRM) has become Digital Human Resources Management (Digital HRM) due to this transformation (Kirilmaz, 2020). While digitalization brings many benefits to the organization and its stakeholders without a doubt, it holds disadvantages related to the application and implementation of these functions.

Digitalization of human resource functions in many organizations lacks a clear long-term strategy to apply the transformation, which impact employee's security and loyalty. In addition, a lack of specific budgets to enable the implementation of these short- and long-term goals. In some organization, the process implementation may vary according to the agility level of the organization and resistance towards change. Lack of democracy and agility may lead to longer period when applying upgrades to the digital systems. Furthermore, resistance may come from top level management to adopt or invest in digitalization. This struggle may arise from lack of awareness or lack of expertise in utilizing digital transformation to enhance operation.

According to PwC Middle East and SAP survey in 2020, 46% of human resource managers lack the necessary skills to take digitalization forward around 35% of them lack talents to drive digital transformation projects. In addition, the survey revealed that an average employee experience

more than 12 major and minor changes in a year and many of these changes faced resistance from the employee's mindset or unwillingness to change and adapt with digital transformation.

Conclusion

This paper adopted a systematic review of the literature on HR digitalization across Middle East region with the purpose of understanding and defining the main opportunities and challenges that tackle is adoption of these tools within the organization. Human resource management should be trained to manage change across the organization, where talent development and upskilling are key enabler of digitalization and long-term planning, and an accurate calculation of Return-on-Investment ROI are critical factor to the success on the investment in these technologies. This paper provides a useful starting point for new comprehensive research to evaluate the opportunities and challenges and potential changes of digitalizing HRM in Middle East region.

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