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List of Contents

Muhamad Yusuf, Haji Muhammad Riban Satia, Raden Biroum Bernardianto, Nurhasanah Nurhasanah, Irwani Irwani, Denok Kurniasih, Paulus Israwan Setyoko

e02751

- [Service Strategy on Tourism Business Development: Empirical Study on Purbalingga Panyatan Waterfall Tourism Spot](#)

  DOI: https://doi.org/10.26668/businessreview/2023.v8i6.3030

  Donny Oktavian Syah, Agung Edi Rustanto, Ria Estiana, Rahayu Tri Utami, Susbiyantoro

  e03030

- [The Effect of Perceived Risk, Perception of Covid-19, Subjective Norm, Financial Condition And Attitude on Tourists' Behavioural Intention During Pandemic: Case of Malaysian Tourists](#)

  DOI: https://doi.org/10.26668/businessreview/2023.v8i6.479

  Sheila Bannu Hisamuddin, Ahmad Albattat, Aza Azlina Md Kassim

  e0479

- [Personal Characteristics and Organizational Career Management as Predictors of Organizational Commitment: An Empirical Investigation](#)

  DOI: https://doi.org/10.26668/businessreview/2023.v8i6.2096

  Bassam Aldiabt

  e02096

- [The Impact of Oil Price Volatility on Economic Growth and Stability in Iraq through the Public Expenditure for the Period (2003-2020)](#)

  DOI: https://doi.org/10.26668/businessreview/2023.v8i6.2059

  Suhad Ahmed Rasheed

  e02059

- [A Study on Lapsation of Insurance Polices of Select Insurance Companies](#)

  DOI: https://doi.org/10.26668/businessreview/2023.v8i6.2688

  R Velmurugan, M Kalimuthu, S Karthik, Maksud A Madraswale, K Srivignesh Kumar, M Prakash

  e02688

INVESTIGATING THE EFFECT OF DIGITAL HRM AND DIGITAL INNOVATION AND THE SMEs PERFORMANCE IN INDONESIA

Muhamad Yusuf ᴬ, Haji Muhammad Riban Satiaᴮ, Raden Biroum Bernardiantoᶜ, Nurhasanah Nurhasanahᴰ, Irwani Irwaniᴱ, Denok Kurniasihᶠ, Paulus Israwan Setyokoᴳ

ABSTRACT

Purpose: This study aims to analyze the relationship between digital HRM and SMEs Performance, the relationship between digital innovation and SMEs Performance and analyze the relationship between digital HRM and digital innovation

Design/methodology/approach: This research method is a quantitative survey, research data obtained by distributing online questionnaires to 760 SMEs owners. Data analysis used a structural equation model (SEM) with SmartPLS 3.0 software. The stages of data analysis are validity, reliability and significance tests. The sampling technique used is simple random sampling. The questionnaire used in this study uses a Google form which will be distributed to respondents. This questionnaire measurement method uses a Likert scale of 5, namely Strongly Disagree (STS), (2) Disagree Answers (TS), (3) Neutral Answers (N), (4) Agree Answers (S), Strongly Agree (SS)

Findings: The results of this study showed that digital HRM has a positive and significant impact on SMEs Performance, digital innovation has a positive and significant impact on SMEs Performance, digital HRM has a positive and significant impact on digital innovation

Practical implications: The findings of this study can be used by SMEs owners to increase their performance by implementing digital HRM and digital innovation. Moreover, for academics, it can support new knowledge as well as supporting theories.

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Intern. Journal of Profess. Bus. Review. |Miami, v. 8 | n. 6| p. 01-14 | e02751 | 2023.

1

Original/value: A significant contribution to the SMEs performance, digital HRM has a positive and significant impact on SMEs Performance, digital innovation has a positive and significant impact on SMEs Performance, digital HRM has a positive and significant impact on digital innovation. This result strengthens the results of previous studies.

INVESTIGAÇÃO DO EFEITO DA GESTÃO DE RH DIGITAL E DA INOVAÇÃO DIGITAL SOBRE O DESEMPENHO DAS PMEs NA INDONÉSIA

RESUMO

Objetivo: Este estudo tem como objetivo analisar a relação entre a gestão de recursos humanos digital e o desempenho das PMEs, a relação entre a inovação digital e o desempenho das PMEs e analisar a relação entre a gestão de recursos humanos digital e a inovação digital.

Projeto/metodologia/abordagem: Este método de pesquisa é um levantamento quantitativo, com dados de pesquisa obtidos por meio da distribuição de questionários on-line a 760 proprietários de PMEs. A análise de dados usou um modelo de equação estrutural (SEM) com o software SmartPLS 3.0. As etapas da análise de dados são testes de validade, confiabilidade e significância. A técnica de amostragem usada é a amostragem aleatória simples. O questionário utilizado neste estudo usa um formulário do Google que será distribuído aos entrevistados. Esse método de medição de questionário usa uma escala Likert de 5, a saber: Discordo totalmente (STS), (2) Respostas discordantes (TS), (3) Respostas neutras (N), (4) Respostas concordantes (S), Concordo totalmente (SS)

Conclusões: Os resultados deste estudo mostraram que a gestão de recursos humanos digital tem um impacto positivo e significativo no desempenho das PMEs, a inovação digital tem um impacto positivo e significativo no desempenho das PMEs, a gestão de recursos humanos digital tem um impacto positivo e significativo na inovação digital.

Implicações práticas: Os resultados deste estudo podem ser usados pelos proprietários de PMEs para aumentar seu desempenho por meio da implementação da gestão de recursos humanos digital e da inovação digital. Além disso, para os acadêmicos, podem apoiar novos conhecimentos, bem como teorias de apoio.

Original/valor: Uma contribuição significativa para o desempenho das PMEs, a GRH digital tem um impacto positivo e significativo no desempenho das PMEs, a inovação digital tem um impacto positivo e significativo no desempenho das PMEs, a GRH digital tem um impacto positivo e significativo na inovação digital. Esse resultado reforça os resultados de estudos anteriores.

Palavras-chave: HRM Digital; Inovação Digital; PMEs: Desempenho; Indonésia.

INVESTIGACIÓN DEL EFECTO DE LA GESTIÓN DIGITAL DE LA RR Y LA INNOVACIÓN DIGITAL EN EL RENDIMIENTO DE LAS PYMEs EN INDONESIA

RESUMEN

Objetivo: Este estudio pretende analizar la relación entre la gestión digital de los recursos humanos y el rendimiento de las PYME, la relación entre la innovación digital y el rendimiento de las PYME y analizar la relación entre la gestión digital de los recursos humanos y la innovación digital.

Diseño/metodología/enfoque: Este método de investigación es una encuesta cuantitativa, cuyos datos se obtuvieron mediante la distribución de cuestionarios en línea a 760 propietarios de PYME. Para el análisis de los datos se utilizó un modelo de ecuaciones estructurales (SEM) con el software SmartPLS 3.0. Las etapas del análisis de datos son la validez, la fiabilidad y la prueba de significación. La técnica de muestreo utilizada es el muestreo aleatorio simple. El cuestionario utilizado en este estudio utiliza un formulario de Google que se distribuirá a los encuestados. Este método de medición del cuestionario utiliza una escala Likert de 5, a saber: Totalmente en desacuerdo (STS), (2) Respuestas en desacuerdo (TS), (3) Respuestas neutrales (N), (4) Respuestas de acuerdo (S), Totalmente de acuerdo (SS).

Conclusiones: Los resultados de este estudio muestran que la gestión digital de los recursos humanos tiene un impacto positivo y significativo en el rendimiento de las PYME, la innovación digital tiene un impacto positivo y significativo en el rendimiento de las PYME, la gestión digital de los recursos humanos tiene un impacto positivo y significativo en la innovación digital.

Implicaciones prácticas: Los resultados de este estudio pueden ser utilizados por los propietarios de PYME para aumentar su rendimiento mediante la implementación de la gestión digital de recursos humanos y la innovación digital. Además, para los académicos, pueden apoyar nuevos conocimientos así como teorías de apoyo.

Intern. Journal of Profess. Bus. Review. | Miami, v. 8 | n. 6 | p. 01-14 | e02751 | 2023.

2

Original/valor: Una contribución significativa al rendimiento de las PYME, la gestión digital de los recursos humanos tiene un impacto positivo y significativo en el rendimiento de las PYME, la innovación digital tiene un impacto positivo y significativo en el rendimiento de las PYME, la gestión digital de los recursos humanos tiene un impacto positivo y significativo en la innovación digital. Este resultado refuerza las conclusiones de estudios anteriores.

Palabras clave: GRH Digital; Innovación Digital; PYME: Rendimiento; Indonesia.

INTRODUCTION

In the current era of digitalization and globalization, information and communication technology has become an integral part of human life. The rapidly growing use of technology has also affected almost all aspects of life, including in SMEs. Technology has made work easier, increased productivity, and opened up new opportunities for SMEs to grow faster. Information and communication technology has now become an important factor in changing the way companies operate. SMEs that are successful in dealing with technological change and can utilize it effectively will have a competitive advantage in the market. According to Abudaqa et al. (2022) Human Resource Management has undergone many changes since the start of the digital era. The digital era has had a significant impact on the way companies recruit, train and motivate SMEs employees. In the digital era, SMEs need not only understand technology, but also need to understand how technology can assist in their human resource management. in human resource management it is necessary to pay attention to technological changes that are constantly developing and their impact on human resources in the company. Companies that want to develop new technologies or update existing technologies need human resources with adequate technical skills and knowledge. Human data resource management has an important role in identifying human resource needs to deal with technological changes and ensuring the availability of the necessary human resources.

According to Appio et al. (2021); Arief et al. (2021) On the other hand, companies must also pay attention to the impact of technology on human resources and organizational culture. Technological changes can change the way things work and communicate, so HRM needs to ensure that these changes don't affect the productivity and satisfaction of SMEs' employees. In this paper, we will discuss the role of HRM in managing human resources in the digitalization era, challenges faced in dealing with technological changes, as well as strategies that can be implemented by HRM in preparing and managing human resources in dealing with technological changes so that companies can optimize employee performance. and increase the competitive advantage of SMEs. According to AlMulhim et al. (2021); Arief et al. (2021 The

Intern. Journal of Profess. Bus. Review. | Miami, v. 8 | n. 6 | p. 01-14 | e02751 | 2023.

3

global phenomenon of digitization and robotization has had a significant impact on the world of work and the labor market. SMEs are currently forced to face a constant flow of new technology and information, new forms of work, rapid digitization of the workplace, and changing demand for employee skills that pushes them to think back to how they manage their workforce.In this case, the HRM function plays an important role in leading change and adding strategic value to companies in the digital age.HR can provide assistance to employees by assisting their career development as well as to companies by drawing attention to the benefits that technology has to offer new digital technologies Overall, basic digital skills are seen as at least somewhat essential for almost all jobs Rapid advances in digital technologies, such as artificial intelligence, cloud computing, Big Data, robotic process automation, social media, real-time communications, and increased use of virtual reality , bringing new functionality to the HR department. As a result, digital transformation impacts the way HR functions are fulfilled through the use of digital tools and applications to innovate processes, make decisions, and solve problems.

Digitalization requires redesigning HR professional roles and developing new competencies that will help ensure employee well-being and organizational sustainability in the digital age. It is important to emphasize that HR's current competencies and roles are no longer adequate and do not match their changing responsibilities. According to Wibowo et al. (2020); Zhang et al. (2023) identified human resource competencies as the personal characteristics and measurable abilities of HR professionals that enable them to perform well in their roles and achieve high performance. It has also been argued that knowledge, attitudes, skills and characteristics are one of the main parameters of human resource competence. According to Zhang et al. (2023) regarding competencies and skills in the digital era draws attention to the fact that competence cannot be observed directly but can only be measured by actions aimed at achieving certain goals. Another study by Vardarlier et al. (2021); Wibowo et al. (2020); Zhang et al. (2023) emphasize the difference between strategic HR competencies, which include business knowledge and active involvement in strategic decision making, and functional HR competencies related to the delivery of HR operations, personal credibility and active use of HRM technology.

According to Wibowo et al. (2020); Zhang et al. (2023) It appears that HRM professionals need to be digitally ready to strengthen their position in the business and revolutionize the employee experience by combining people, HRM technology, and processes in the new digital ecosystem. This means getting ready to embrace digital technologies and

have the necessary awareness, skills and resources to use them to meet the expectations of today's employees, improve business flexibility, and improve its efficiency. Technological innovation is considered a key strategic tool for SMEs to improve competitiveness and performance. Companies that can develop

Digital innovation is expected to become the best company and can compete in the current era. According to Strohmeier (2020);Ta et al. (2023) that companies must be successful embracing transformation through digital technology to enable major business enhancements such as enhancing customer experience and engagement, streamlining operations and creating new business models however if they do not do so will face collapse at the hands of their competitors who do. This study aims to analyze the relationship between digital HRM and SMEs Performance, the relationship between digital innovation and SMEs Performance and analyze the relationship between digital HRM and digital innovation

LITERATURE REVIEW

Digital HRM (Human Resource Management)

According to Mijatovic et al. (2020) Human resource management refers to people who work in an organization that has policies and practices in place to manage and support these employees. The HR concept encompasses many different functions and employees, all of which are designed to ensure that an organization has the right person in the right role, with the skills, experience, and knowledge to support the organization's goals and objectives. According to Vardarlier et al. (2021); Wibowo et al. (2020); Zhang et al. (2023) HR is an important function in any organization, because it is responsible for managing the organization's most important assets its people, the HR Department is responsible for being able to attract opponents and recruit new employees, as well as managing the performance of existing employee development, HR is also responsible for being able to make a policies and procedures governing the behavior of its employees. Such as codes of ethics, disciplinary methods, and complaint policies. According to Strohmeier (2020);Ta et al. (2023) There are several technologies used in human resource management. Here are some common ones and explanations: HR Information Systems (HRIS): HRIS is software that helps HR professionals manage employee information such as payroll, benefits, attendance, and performance evaluations. HRIS enables employee data tracking and analysis, as well as efficient communication between HR staff and employees. Applicant Tracking Systems (ATS): ATS is software that helps recruiters manage job applications and resumes. The ATS allows recruiters to filter applications based on various

Intern. Journal of Profess. Bus. Review. | Miami, v. 8 | n. 6 | p. 01-14 | e02751 | 2023.

5

criteria such as education, experience and skills. ATS also helps schedule interviews and sends out automatic rejection letters. . According toTa et al. (2023) Learning Management Systems (LMS): LMS is software that helps organizations manage employee training and development. An LMS enables HR professionals to create and deliver online courses, track employee progress, and assess learning outcomes.

Digital Innovation

Technological innovation is considered as a key strategic tool for companies to improve competitiveness and performance. Companies that are able to develop digital innovation are expected to become the best companies and be able to compete in the current era. According to Kadiyono et al. (2020);Khin et al. (2018) that digital innovation is defined as the creation of market offers, business processes or models resulting from the use of digital technology. Their definition includes a range of innovation outcomes, such as new products, platforms and services as well as new customer experiences and other value lines, this is made possible as a result through the use of digital technologies and digital processes. In line with the opinion of Fang et al. (2020); Haudi et al. (2022) that digital innovation is the development of new products, services or solutions using digital technology. In addition, digital innovation is contextualized into innovative digital as a solution that can change products, services, and other organizational businesses.From the various definitions stated above, it can be concluded that innovationDigital is a technology made by companies based on the results of innovation in the form of creating new products that can be used as solutions to existing problems.

Company Performance

According to Abudaqa et al. (2022);AlMulhim et al. (2021) that company performance results from an evaluation of the implementation of company policies. Assessment of the company's performance is intended to assess and evaluate the company's goals, namely increasing the prosperity of shareholders or company value. In this case the company needs to evaluate its performance both internally and externally so that it can develop and compete. According to Appio et al. (2021); Arief et al. (2021) that performance appraisal plays an important role in the business world, because by conducting a performance appraisal it can be seen the effectiveness of establishing a strategy and its implementation within a certain period of time. Performance appraisal can detect weaknesses or deficiencies that are still present in the company, for further improvement in the future. According to Arief et al. (2021) said that

Intern. Journal of Profess. Bus. Review. | Miami, v. 8 | n. 6 | p. 01-14 | e02751 | 2023.

6

measuring company performance is very important for management to evaluate company performance and plan future goals. According to AlMulhim et al. (2021)) that company performance is something that is produced by the company in a certain period with reference to established standards. From the various definitions stated above, it can be concluded that company performance is a series of activities carried out by the company to measure the extent to which the results and benefits have been predetermined through the use of existing resources within the company so that it is able to develop and compete and achieve the goals of SMEs.

METHOD

This research method is a quantitative survey, research data obtained by distributing online questionnaires to 760 SMEs owners. Data analysis used a structural equation model (SEM) with SmartPLS 3.0 software. The stages of data analysis are validity, reliability and significance tests. The sampling technique used is simple random sampling. The questionnaire used in this study uses a Google form which will be distributed to respondents. This questionnaire measurement method uses a Likert scale of 5, namely Strongly Disagree (STS), (2) Disagree Answers (TS), (3) Neutral Answers (N), (4) Agree Answers (S), Strongly Agree (SS)

The hypothesis in this study is

H1: digital HRM has a positive and significant effect on SMEs Performance

H2: digital innovation has a positive and significant effect on SMEs Performance

H3: digital HRM has a positive and significant influence on digital innovation

Fig 1. Research Model

Source : author analysis data

Intern. Journal of Profess. Bus. Review. | Miami, v. 8 | n. 6 | p. 01-14 | e02751 | 2023.

7
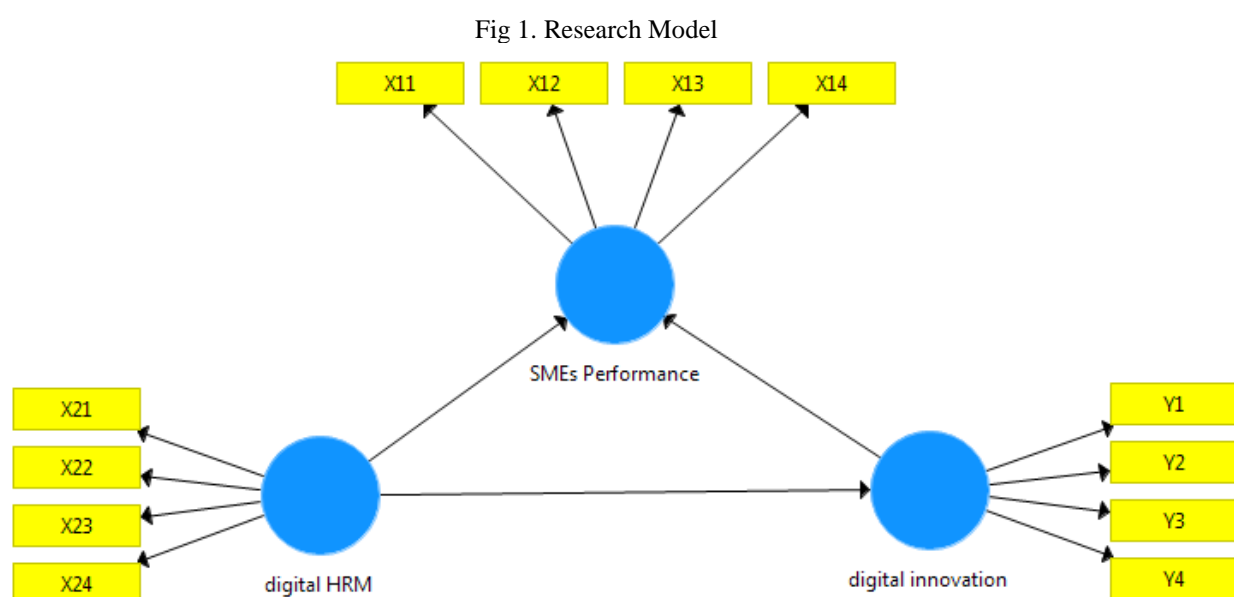
RESULT AND DISCUSSION

The following are the results of the validity test with the criteria for the factor loading value for each indicator being greater than 0.6.

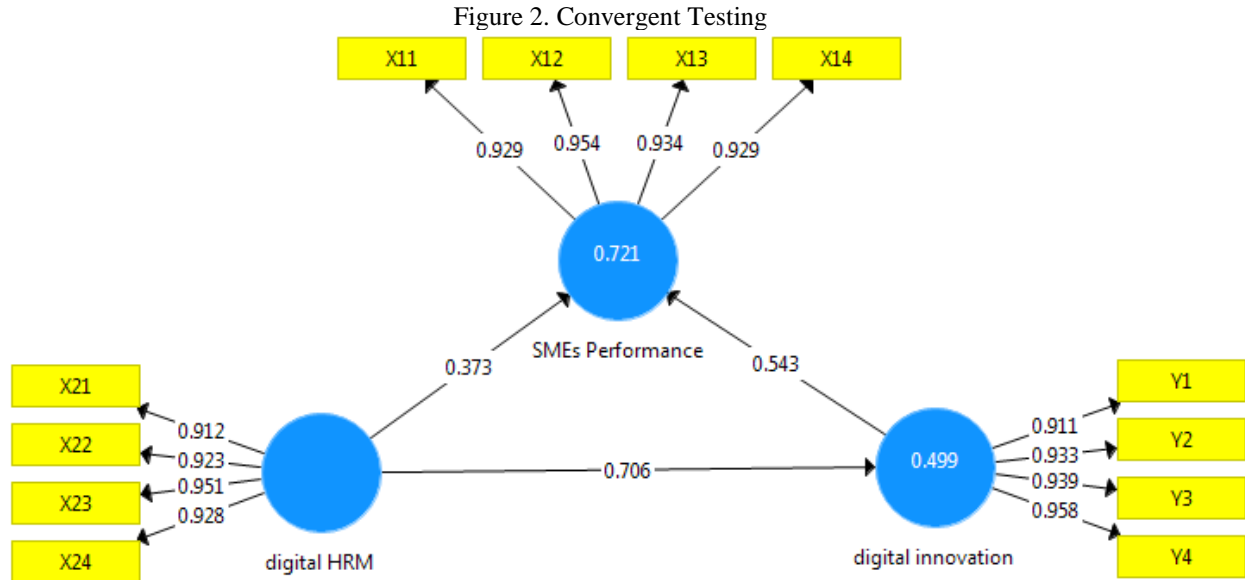Figure 2. Convergent Testing

Source : author analysis data

Based on the validity test, it was obtained that the values of all indicators were greater than 0.6 so that it was concluded that all indicators met the validity requirements.

Next is the reliability test with the criterion of Cronbach's Alpha value greater than 0.5. Composite Reliability and Average Variance Extracted (AVE) values are greater than 0.7.

Table 1. Average Variance Extracted (AVE)

Variables	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
digital HRM	0.723	0.810	0.608
digital Innovation	0.723	0.832	0.622
SMEs Performance	0.743	0.876	0.612

Source : author analysis data

Based on the reliability test, it was found that all variables had Cronbach's Alpha values greater than 0.5. The Composite Reliability and Average Variance Extracted (AVE) values are greater than 0.7 so that it is concluded that all variables meet the reliability requirements.

Tabel 2. R Square

Variables	R Square	R Square Adjusted
SMEs Performance	0.721	0.709

Source: author analysis data

Intern. Journal of Profess. Bus. Review. | Miami, v. 8 | n. 6 | p. 01-14 | e02751 | 2023.

8

From the R square table, it can be concluded that 72.1 % of SMEs digital HRM and digital Innovation while the remaining 27.9 % is influenced by other variables outside the study. In addition to reliability in the inner model test there is also a hypothesis test, while the hypothesis test in this study is as follows:

Figure 3. Hypotheses Testing
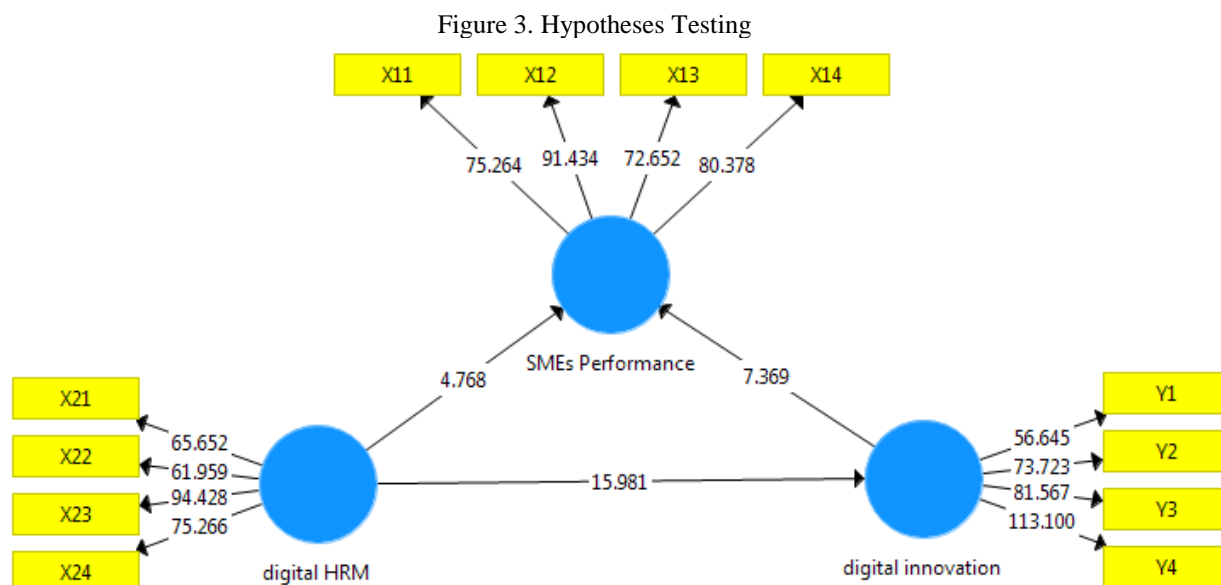
Source: author analysis data

Tabel 3. Hypotheses Testing

Correlation	Original Sample (O)	T Statistics	P Values	Result
digital HRM and SMEs Performance	0.433	5.151	0.000	Supported
digital innovation and significant effect on SMEs Performance	0.836	7.429	0.000	Supported
digital HRM and digital innovation	0.453	5.588	0.000	Supported

Source: author analysis data

From the value of the hypothesis testing table, it is known that all hypotheses in the study are accepted because they have a p-value below 0.05

The Relationship Digital Relationship Between HRM and SMEs Performance

Based on the results of the analysis, it was obtained a t value > 1.96 and a p value < 0.050 so it was concluded that digital HRM had a positive and significant influence on SMEs Performance. These results are in line with research by Abudaqa et al. (2022); Arief et al. (2021) that digital HRM has a positive and significant influence on SMEs Performance and is supported by Mijatović et al. (2020); Sunarsi et al. (2020); Strohmeier (2020) digital HRM has a positive and significant influence on SMEs Performance.

Intern. Journal of Profess. Bus. Review. | Miami, v. 8 | n. 6 | p. 01-14 | e02751 | 2023.

9

The Relationship Between Digital Innovation and SMEs Performance

Based on the results of the analysis, it was obtained a t value > 1.96 and a p value < 0.050, so it was concluded that digital innovation has a positive and significant effect on SMEs Performance. These results are in line with research by Appio et al. (2021); Arief et al. (2021) that digital innovation has a positive and significant impact on SMEs Performance and is supported by Kadiyono et al. (2020);Khin et al. (2018) that digital innovation has a positive and significant influence on SMEs Performance

The Relationship Between Digital HRM and Digital Innovation

Based on the results of the analysis, it was obtained a t value > 1.96 and a p value < 0.050, so it was concluded that digital HRM has a positive and significant influence on digital innovation. These results are in line with Mijatović et al. (2020); Sunarsi et al. (2020) that digital HRM has a positive and significant influence on digital innovation and is in line with Strohmeier (2020); Ta et al. (2023) that digital HRM has a positive and significant influence on digital innovation

According to Abudaqa et al. (2022) argue that the dynamic capabilities approach provides an organization with a coherent framework. Through development and management, these capabilities can build competitive advantage for the organization. According to Appio et al. (2021); Arief et al. (2021) that digital capabilities can complement a company's digital orientation because only companies have skills managing new technologies that will be ready to adopt those technologies. In addition, companies must be able to commit to turning technology into products new. Likewise digitally, companies need to have commitment and readiness to embrace new technologies by developing new products that are impact on competitive advantage. Technological innovation is considered as a key strategic tool for companies to improve competitiveness and performance. Companies that can develop Digital innovation is expected to become the best company and can compete in the current era. According to Abudaqa et al. (2022); Arief et al. (2021)that companies must be successful embracing transformation through digital technology to enable big business enhancements such as enhanced customer experience and engagement, streamlining operations and creating new business models but if they don't do so they will face collapse at the hands of their competitors do it. So it can be said that companies must be able to run technology in order to create digital innovations that can improve company performance from various aspects. In addition, looking at the results of previous research published in national and international journals that there is

Intern. Journal of Profess. Bus. Review. | Miami, v. 8 | n. 6 | p. 01-14 | e02751 | 2023.

10

an influence between digital innovation and company performance. The use of digital technology by HR managers is very helpful not only to increase recruitment and regulatory compliance, but also allows them to play a strategic role in the decision-making process and the success of the company in general. Based on the results and discussions that have been described, it can be concluded that digitalization is a major challenge for employers, workers and public authorities, and this challenge needs to be fully understood so that the most appropriate policy options can be identified to turn it into an opportunity for all. The influence of digital technologies is impacting the competencies required in different jobs and changing the level of their current use in the workplace. This paper aims to analyze how digitalization affects competency in HR and how digital skills are needed and used by HR managers indicating an increase in demand for digital skills in many jobs in recent years.

According to Abudaqa et al. (2022);AlMulhim et al. (2021) in the current era, many things have changed in business activities. The HR Division must face a big challenge in adapting their HR management strategy to technology. In using technology in the HR world, we must know that there are several challenges that must be faced and overcome. The process of recruiting highly talented employees. Employee recruitment is an important task that will be the responsibility of the HR department. According to Mijatovic et al. (2020); Sunarsi et al. (2020); Strohmeier (2020); Ta et al. (2023) There are new employees whose main duties are to replace old workers who are entering retirement age. According to;Appio et al. (2021); Arief et al. (2021) Enterprise information security. The HR area contains a lot of important company information. An example is the existence of personally identifiable data and ideally only accessible or accessible to certain individuals. Quantitative Rating System. Finally, HR must also have a knowledge structure that can guide the organization to achieve business goals.

According to Asbari et al. (2020); Cahyadi et al (2022) The benefit of implementing digital HRM is to improve Communication. Many companies use various corporate communication technologies to change the way their employees interact and communicate in the workplace. . Encouraging Innovation and creativity, employees can use various business technologies to create innovative business ideas that can be used to grow and expand the company. Better management of human resources .Technology in the workplace can shift the way HR managers do their jobs. This improves the process of selecting, hiring and hiring new employees. Many HR professionals use the Internet to advertise jobs. The progress that humans have achieved in the field of Information Technology is something we should be grateful for because this progress will make it easier for humans to do the work and tasks they have to do.

Intern. Journal of Profess. Bus. Review. | Miami, v. 8 | n. 6 | p. 01-14 | e02751 | 2023.

11

However, not all of the progress that has been made has had a positive impact. Among the progress that has been achieved it turns out to have a negative impact on humans. Among other things: causing unemployment, for workers who do not have the qualifications that are in accordance with what is needed, technology that is not/is not appropriate for the conditions of the people does not add jobs, but on the contrary, it can narrow employment opportunities. According to Appio et al. (2021); Arief et al. (2021) Technology can reduce HR morale. Moral decline among citizens, especially among teenagers and students. Delinquency and deviant acts among adolescents and students are increasing in various forms, such as fights, scribbles, traffic violations to crimes. According to Kadiyono et al. (2020);Khin et al. (2018) Technology can change interaction patterns into individualism. Individualism is the teaching that in social relations the most important thing is the individual, where every interaction in society must be carried out for the benefit of the individual or to be egocentric.

CONCLUSION

The results of this study showed that digital HRM has a positive and significant impact on SMEs Performance, digital innovation has a positive and significant impact on SMEs Performance, digital HRM has a positive and significant impact on digital innovation. Human resource management refers to the people who work in an organization that has policies and practices in place to manage and support these employees. Advanced technology is to create conditions that are favorable for human activity, to produce quality products, to assist the development process in accordance with the needs of human life that can use technology properly and correctly. HR is an important function in any organization, as it is responsible for managing an organization's most important asset - its people - and ensuring that it is able to attract, retain and develop the best talent. In our country, Indonesia is a country with a very complex technological background. Basically, Indonesia is a developing country. However, the use of technology in HR also has several challenges and risks. For example, technology can replace human jobs and reduce the amount of work available, especially in administrative and other routine tasks. In addition, technology can also exacerbate gender inequality and diversity, if algorithms and technology are not well designed and reflect fair and inclusive policies. In addition, organizations must also ensure that the use of technology in HR reflects fair and inclusive policies, and pays attention to important aspects such as diversity, gender equality and workers' rights.

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13

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