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The Effect of E-HRM Implementation on Employee Performance in Manufacturing Companies

Pengaruh Implementasi E-HRM terhadap Kinerja Karyawan pada Perusahaan Manufaktur

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Abstract

The research aims to study the impact of e-human resources management (e-HRM) on employee performance and determine the relationship between job satisfaction in manufacturing industrial companies in the city of Batam. This research has seven variables studied, using samples from PT. Venturindo Jaya Batam, PT. Sat Nusapersada, Tbk. and PT. LKD Multi Industri, with a total of 452 respondents. Data was obtained from distributing questionnaires using a Likert scale, and the analysis tools used were SmartPLS and SPSS. The results found that e-HRM has evidence that it can increase job satisfaction and employee performance in manufacturing companies in the city of Batam. What can be seen from the results is that there are only two that have a positive and significant effect on employee performance and employee job satisfaction is not significant.

Keywords: E-HRM, Employee Performance, Job Satisfaction.

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Abstrak

Penelitian ini bertujuan mempelajari dampak e-human resources management *(e-hrm) terhadap kinerja karyawan serta mengetahui keterkaitan kepuasan kerja pada perusahaan industri manufaktur di kota Batam. Penelitian ini memiliki tujuh variabel yang diteliti, dengan menggunakan sampel dari PT. Venturindo Jaya Batam, PT. Sat Nusapersada, Tbk. serta PT. LKD Multi Industri, dengan total 452 responden. Data diperoleh dari penyebaran kuesioner menggunakan skala Likert, dan alat analisis yang digunakan yaitu SmartPLS dan SPSS. Hasil penelitian ini menemukan e-HRM memiliki bukti yang berdampak dapat meningkatkan kepuasan kerja dan kinerja karyawan pada perusahaan manufaktur di kota Batam. Yang terlihat dari hasil penelitian hanya ada dua yang berpengaruh positif dan signifikan terhadap kinerja karyawan dan kepuasan kerja karyawan tidak signifikan.*

Kata Kunci: *E-HRM, Kinerja Karyawan, Kepuasan Kerja.*

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INTRODUCTION

In this era of globalization, there are many developments in the world, one of which is technology which plays a major role in everyday life and the role in the world of work. Organizations will always increase productivity within the company by consistently maintaining competitive advantages and improving and producing performance factors from human resources (Ramdhan, 2022). To realize organizational plans through HR, supporting aspects are needed, one of which is the implementation of technology systems in the organization. e-HRM can be a new key, facilitating employee well-being and helping organizations control resources more effectively and efficiently (Alrawashdeh *et al*. 2022). In fact, e-HRM not only helps in controlling employees but also helps in improving personnel planning and working more efficiently and can increase the effectiveness of employee performance in the organization. According to Rohani & Muchsinati (2022), several elements can easily influence employee performance, such as recruitment, training and development, compensation and performance appraisal. The ability to adapt to rapid global competition and changes in technological aspects is an important characteristic for surviving and continuing business in a sustainable manner.

Successive technological developments require organizations to seek ways that help them improve their ability to adapt to change and increase organizational effectiveness to achieve strategic goals. With electronic applications provided to organizations, many of them have started integrating modern technology into their interactions (Haque & Nishat, 2022). Implementation of e-HRM to ensure all human resources departments are administratively and strategically participative in achieving their goals appropriately and adequately to utilize global groups as a competitive tool. This application also supports HR managers to build human resources that are considered to have strategic significance for every modern business and provides insights for the entire organization to manage the use of e-HRM efficiently. Ethical leadership is a practice that can increase e-HRM opportunities through collective involvement in negotiations to achieve company goals, build acceptable moral knowledge for each employee and electronic understanding within the company, and increase motivation through employee training in utilizing effective e-HRM. The system is equipped digitally, monitors the progress of the e-HRM system and continues the ethically built system to improve employee and company performance (Almashyakhi, 2022). Many employees still don't understand this, so it is important to implement e-HRM.

According to Finia (2022), Batam City is an industrial city for many foreign countries who want to invest in companies located in Batam City and help the country's economic growth so that it recovers quickly during the pandemic. Economic growth in Batam City is caused by three main sectors, namely the construction industry, manufacturing and trade (Media Center, batam.go.id). The manufacturing industry in Batam has been identified as contributing 25 to 26 percent of economic growth in Batam (Hutahuruk, 2021). The Batam manufacturing industry also plays a role in increasing Batam city's exports abroad, because this has an impact on the quality of employees in manufacturing industrial companies in Batam city. Indonesia and Batam City are also preparing to face the era of the 4th industrial revolution or industry 4.0, which is an effort to increase the competitiveness and productivity of the national manufacturing industry (Kominfo.batam.go.id). With technological advances, it is hoped that employees can make friends with the technological or digital world. By implementing the role of e-HRM, namely e-training & e-recruiment, e-performance assessment, e-compassion and e-communication, the aim is to increase job satisfaction for all employees and individuals. If job satisfaction is created through the application of ethical leadership,

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leaders can encourage employees in the company to apply the company's ethical values to themselves. In this way, the company's goals become a common goal that can increase employee commitment to work as optimally as possible in improving company performance (Gunawan & Setiawan, 2022). The difference between this research and previous research is the use of an independent variable, namely job satisfaction, to test whether it has an effect on job satisfaction.

LITERATURE REVIEW

Employee performance is the main thing and plays an important role for the company and determines the achievement of company targets. It is important for every business to understand how it works because of the factors that can have a significant impact on improving overall business performance. There are many factors that influence the recruitment of new employees in a business, including organizational culture and the level of recruitment demand (Efendi 2020). Employee performance is the result of an employee's work, both quantity and quality, in carrying out the duties and responsibilities given by superiors and being involved in various productive things with personality (Lestari & Muchsinati, 2022).

Work ethics plays an important role in company strategy because it can create company values, increase loyalty and generate profits. Apart from that, job satisfaction also influences company commitment. Therefore, to achieve success in a company, it requires the support of a good corporate culture, transformational leadership (ethical leadership), employees with the right educational background, and an adequate level of job satisfaction (Tamara *et al*., 2022). The higher the level of job satisfaction, the lower the level of turnover intention; and, the lower the level of employee job satisfaction, the higher the level of employee turnover intention (Wahyudi & Sabil, 2022).

H1: Ethical leadership significantly influences job satisfaction.

Recruitment and Selection are functions that are very necessary in human resource management. This is the process of searching for and acquiring potential candidates. Companies are currently experiencing advances in modern recruitment and selection methods to enter multinational companies (Karim, 2021). Recruitment of prospective employees can be done more quickly via electronic media so that applicants no longer need to bother preparing the required hard files, because communication functions as an important tool in every process. E-Recruitment ends with e-selection which requires effective communication (Ramkumar & Studies, 2022).

H2: E-Recruitment & e-Selection significantly influences job satisfaction.

The relationship between electronic performance appraisal and job satisfaction is an interesting and relevant research topic in the context of the use of technology in human resource management. Job satisfaction also has strong ties to equity theory, psychological skills, and motivation because it highlights the tension between an individual's expectations and the rewards their job provides. Evaluation of performance must be carried out as long as an employee works for a particular company (Wahyudi *et al*., 2022). Performance assessments in organizations need to be carried out because this process can have a positive impact on employees to continue to give their best, thereby creating satisfaction in the work they are given (Wahyudi *et al*., 2022). Some empirical evidence shows that the use of e-performance appraisal can increase employee job satisfaction.

H3: E-Performance appraisal significantly influences job satisfaction.

E-Compensation is a process to produce a culture of fair payment and compliance based on performance evaluation components and measurement systems (Rao & Alshar, 2021). The

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Terakreditasi (SK No. 225/E/KPT/2022)

relationship between e-compensation and job satisfaction refers to the impact of the use of information technology and the internet in the compensation management process on the level of employee job satisfaction. The implementation of e-compensation allows companies to provide more transparent information regarding compensation patterns to employees, such as employee salaries and benefits, incentive and bonus programs, as well as recognition and awards. Compensation is a form of organizational appreciation for the work of its employees, so that providing adequate compensation can encourage job satisfaction and employee performance in accordance with organizational expectations (Widajanto & Adiyanto, 2022).

H4: E-Compensation significantly influences job satisfaction.

To ensure that employees who work in the company are satisfied with their work, leaders or communicators need to have effective communication skills. These communication skills can be improved and studied to become better (Harahap, 2020). Satisfaction in communication is the result of communication interactions which can become the basis for understanding theoretical aspects of the field of communication (Nurrachmah, 2021). Wang's (2022) empirical results found that overall growth was stated to have increased from a very optimistic situation as a result of the positive and significant influence of e-Communication on job satisfaction, or that the communication process was able to provide increased job satisfaction from employees. The relationship between electronic communication and job satisfaction may vary depending on how that form of communication is used and managed within the organization. Utilizing communication technology such as email, chat, or video conferencing can make it easier for employees to communicate and collaborate with colleagues or superiors.

H5: E-Communication significantly influences job satisfaction.

Ethical leadership has an influence on employee performance where a leader distributes actions or treatment that are more caring and fair towards good social relations towards organizational performance, thereby creating an example for a leader towards employees and bringing positive energy (Gunawan & Setiawan, 2022). Commitment can have a positive and significant effect on employee performance and plays an important role as a mediator variable between employee performance and employee organizational culture. All of this shows that to increase employee productivity, the organizational mission and organizational commitment must be increased (Prasetyo, 2019.

H6: Job satisfaction significantly influences employee performance.

E-Recruitment and e-Selection refer to the use of internet technology and software to recruit and select employees. Both are seen as having a significant impact on employee performance and their job satisfaction. Electronic recruiting attracts more applicants, but it also attracts less qualified applicants than traditional recruiting. In addition, increasing the volume of applicants will increase administration and transaction costs (Ramdhan, 2019). When e-Recruitment and e-Selection are implemented effectively, both employee performance and their job satisfaction can increase.

H7: Ethical leadership significantly influences employee performance with job satisfaction as a mediating variable.

Alrawashdeh *et al*. (2022) researched that e-Performance Appraisal had a significant positive effect on organizational performance, including employee performance. This performance assessment is stated to be very helpful in providing an organizational assessment of overall employee productivity. This assessment makes the e-HRM process easier and is useful for providing an

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assessment of employee performance in the organization. The relationship between e-Performance Appraisal and organizational performance can have a positive impact on overall organizational performance. By carrying out an effective and efficient performance evaluation process, companies can identify employee weaknesses and strengths and provide useful feedback to improve employee performance.

H8: E-Recruitment and e-Selection significantly influences employee performance with job satisfaction as a mediating variable.

E-Compensation refers to the use of information technology to process compensation and benefits for employees, such as online payment of salaries and health benefits (Imran *et al*., 2021). Organizational performance refers to the ability of an organization to achieve its goals. Job satisfaction refers to employee satisfaction with their work. Thus, it can be stated that the higher the level of use of e-Compensation in an organization, the better the organization's performance. Apart from that, job satisfaction is also expected to mediate the relationship between e-Compensation and organizational performance.

H9: E-Compensation significantly influences employee performance with job satisfaction as a mediating variable.

Haldar & Sethi (2022) argue that e-Communication makes a significant positive contribution to organizational performance. Based on research results, E-Communication is seen as dominant communication, especially email as a means of communication that is often used by companies, which can provide convenience and help organizational performance to make it easier to communicate online (Elbadawi & Elsawy, 2021). E-Communication refers to the use of information technology to communicate between employees within an organization, for example via email, chat platforms, or teleconferences. Organizational performance refers to the organization's ability to achieve its goals, while job satisfaction refers to employee satisfaction with their work.

H10: E-Communication significantly influences employee performance with job satisfaction as a mediating variable.

Job satisfaction is an individual's view of their work which is used as a standard by the company to achieve job satisfaction goals which are the employee's responsibility. If employees are unable to deal with these two situations, the impact will be seen in a decline in individual and organizational performance (Irawaty, 2021). According to Haryadi *et al*. (2021), every individual wants to get a sense of satisfaction at work. Satisfied employees will prove the comparison of the amount of awards they receive, so that job satisfaction forms character that can improve employee performance in the organization. Organizational involvement is shown to mediate the relationship between job satisfaction, which can be argued that job satisfaction has a significant influence on organizational performance.

H11: E-Communication Management significantly influences employee performance with job satisfaction as a mediating variable.

METHOD

The research uses a purposive sampling method, namely a data collection technique where researchers determine special characteristics (Muchsinati & Mea, 2022). In this technique, criteria are set that the research sample must be employees who work in the manufacturing industry. The way to get the sample size in research using PLS-SEM is with the 10-times rule method, which requires a

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sample size that is larger than 10 times the observed variables. In this study there were seven variables measured with a total of 37 questions or observation variables, so the sample size for this study was 370 respondents. To avoid flawed or outlier data, the sample was increased to 452 samples.

The research subjects were employees who worked at manufacturing industrial companies in the city of Batam. This subject was chosen because many manufacturing industrial companies in the city of Batam have implemented digital-based human resources or what is usually called e-HRM to improve the resulting performance. To represent the number of samples in companies at PT Venturindo Jaya Batam, PT. Sat Nusapersada, Tbk. and PT. Multi-Industry LKD, used by 150 respondents for each company. The reason for using it is because these three companies have characteristics that match the research discussion and are reachable.

In carrying out data analysis, there is a definite goal to be achieved, namely so that the data analyzed can provide the necessary information and facilitate research activities (Lestari & Muchsinati, 2023). The variables in this research include mediating variables that connect the independent and dependent variables, so that the data processing and testing used in this research is the Partial Least Squares (PLS) method and the SPSS application.

RESULTS

Table 1 shows that the data collected in this research were 452 respondents. The population is employees who work in the Riau Islands Manufacturing Industry. Based on the results of the questionnaire, it can be stated that the respondents who are employees of PT Venturindo Jaya Batam, PT. Sat Nusapersada, Tbk. and PT. LKD Multi Industri, the majority are male, fall into the 22-28 year age category, have an average bachelor's degree education, and have worked for 2-3 years.

Table 2 shows the value of the validity test results (AVE) on variables of e-communication of 0.730; e-compensation of 0.628; e-performance assessment of 0.670; e-recruitment & e-selection of 0.751; employee performance of 0.735; ethical leadership of 0.667; and, job satisfaction of 0.687. Therefore, it can be stated that all variable questions are declared valid and have met the requirements, namely above 0.5. Thus, all questions can be said to meet the requirements for convergent validity (Maryana & Permatasari, 2021). Table 3 shows the results of the reliability test that all constructs have Cronbach's alpha and composite reliability values of more than 0.7; so that it can be stated that all constructs are categorized as reliable (Ghozali & Latan, 2016).

Based on Table 4, the results of the direct influence test between ethical leadership, e-Recruitment & e-Selection, e-Performance Appraisal and e-Compensation are proven to have a positive and significant direct influence on the mediating variable, namely job satisfaction. This result is based on a p-value of 0.000 or less than 0.05. However, the e-Communication variable has a p-value of 0.895 or greater than 0.05 so it is declared not significant for job satisfaction (Ghozali & Latan, 2016).

Table 5 summarizes the results of testing the indirect influence between independent variables, namely ethical leadership, e-Recruitment & e-Seclusion, e-Performance Appraisal, and e-Compensation, on the dependent variable, namely employee performance. The results obtained were a p-value of 0.000 or smaller than 0.05 so that it was stated that these independent variables were proven to simultaneously have a positive and significant effect (Ghozali & Latan 2016). Table 6 is the result of testing the direct influence between job satisfaction and employee performance. The test results show a p-value of 0.00 or smaller than 0.05, so it is stated that job satisfaction has a positive and significant relationship with employee performance (Ghozali & Latan, 2016).

P-ISSN 2089-1989
E-ISSN 2614-1523
Terakreditasi (SK No. 225/E/KPT/2022)

Table 1. Demographic Characteristics of the Respondents

Demographic	Total Respondens	Percentage (%)
Gender :		
Male	241	53.3
Female	211	46.7
Age :		
< 17 Tahun	0	0.0
18-21 Tahun	98	21.7
22-28 Tahun	207	45.8
29-39 Tahun	126	27.9
> 40 Tahun	21	4.6
Education :		
SMA	87	19.2
D3	54	11.9
S1	271	60.0
S2	31	6.9
S3	9	2.0
Work Experience :		
<1 Tahun	65	14.4
2-3 Tahun	277	61.3
>3 Tahun	110	24.3
Total	452	100.0

Source: Primary data (processed), 2023.

Table 2. Results of Average Variance Extracted (AVE)

Variable	AVE	Conclusion
E-Communication	0.730	Valid
E-Compensation	0.628	Valid
E-Perfomance Appraisal	0.670	Valid
E-Recruitment & E-Selection	0.751	Valid
Employee Perfomance	0.735	Valid
Ethical Leadership	0.667	Valid
Job Satisfaction	0.687	Valid

Source: Primary data (processed), 2023.

Table 7 shows that the R Square value of the employee performance is 0.621; in which, employee performance can be expressed through the variables of ethical leadership, e-Recruitment & e-Selection, e-Performance Appraisal, e-Compensation and e-Communication with a percentage of 62.1 percent and the remaining 37.9 percent is expressed by the variables others not included in this research model. Furthermore, job satisfaction was obtained to have an R Square value of 0.436 which can indicate that the five independent variables analyzed had a contribution of 43.6 percent and the remaining 56.4 percent was expressed by other variables not included in the research model.

P-ISSN 2089-1989
E-ISSN 2614-1523
Terakreditasi (SK No. 225/E/KPT/2022)

Table 3. Result of ReliabilityTest (Cronbach Alpha dan Composite Reliability)

Variable	*Croncach Alpha*	*Composite Reliability*	Conclusion
E-Communication	0,820	0.890	Reliable
E-Compensation	0,852	0.894	Reliable
E-Perfomance Appraisal	0,836	0.890	Reliable
E-Recruitment & E-Selection	0,834	0,900	Reliable
Employee Perfomance	0.955	0.961	Reliable
Ethical Leadership	0,900	0.923	Reliable
Job Satisfaction	0,934	0.946	Reliable

Source: Primary data (processed), 2023.

Table 4. Results of Direct Influence Test

X ⟶ M	Sample Mean (M)	t-Statistic	p-Value	Conclusion
Ethical Leadership → Job Satisfaction	0.218	3.719	0.000	H1: Significant & Positive
E-Recruiment & E-Selection → Job Satisfaction	0.192	3.593	0.000	H2: Significant & Positive
E-Performance Appraisal → Job Satisfaction	0.201	3.829	0.000	H3: Significant & Positive
E-Compensation → Job Satisfaction	0.214	3.710	0.000	H4: Significant Positive
E-Communication → Behavioral Intention	0.007	0.132	0.895	H5: Not Significant

Source: Primary data (processed), 2023.

Table 5. Results of Indirect Influence Test

X ⟶ M ⟶ Y	Sample Mean (M)	t-Statistic	p-Value	Conclusion
Ethical Leadership → Job Satisfaction → Employee Perfomance	0.075	2.964	0.003	H6: Significant & Positive
E-Recruiment & E-Selection → Job Satisfaction → Employee Perfomance	0.066	3.116	0.002	H7: Significant & Positive
E-Performance Appraisal → Job Satisfaction → Employee Perfomance	0.070	2.875	0.004	H8: Significant & Positive
E-Compensation → Job Satisfaction → Employee Perfomance	0.073	3.370	0.001	H9: Significant & Positive
E-Communication → Job Satisfaction → Employee Perfomance	0.003	0.132	0.895	H10: Not Significant

Source: Primary data (processed), 2023.

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Terakreditasi (SK No. 225/E/KPT/2022)

Table 6. Results of Direct Effect Analysis between Mediation Variable and Dependent Variable

M⟶ Y	Sample Mean (M)	t-Statistic	p-Value	Conclusion
Job Satisfaction → Employee Performance	0.343	6.560	0.000	H11: Significant & Positive

Source: Primary data (processed), 2023.

Table 7. Result of R Square

Variable	R Square	Conclusion
Employee Perfomance	0,621	(62.1%) Strong
Job Satisfaction	0.436	(43.6%) Medium

Source: Primary data (processed), 2023.

In accordance with the criteria for an R Square value > 0.50, for the employee performance variable, it can be said that the test results are included in the strong category. Meanwhile, the job satisfaction variable is still included in the moderate or moderate category (Ghozali & Latan, 2016). In accordance with the criteria for an R Square value > 0.50, it is stated that the test results for employee performance are in the strong category; meanwhile, job satisfaction is considered to still be in the moderate or average category (Ghozali & Latan, 2016).

Discussion

The results of the analysis carried out at PT Venturindo Jaya Batam, PT. Sat Nusapersada, Tbk, PT. LKD Multi Industri revealed several important findings. First, ethical leadership has been proven to have a positive impact on job satisfaction. These results are in line with previous research by Tamara *et al*. (2022) and Trihudiyatmanto (2021). This result is because respondents feel that ethical leadership behavior is very necessary and important to have an impact on job satisfaction in the company. Thus, the higher the leadership is carried out ethically, the higher the job satisfaction felt by employees. E-Recruitment & e-Selection is also proven in this research to have a positive effect on job satisfaction, because the benefits of the online recruitment and selection process can help increase employee job satisfaction (Mamatha & Tho, 2022; Alrawashdeh *et al*., 2022). In this way, the recruitment and selection process becomes more effective and efficient because this process can be carried out anywhere and at any time.

Third, e-Performance is proven to influence job satisfaction positively. Thus, the use of e-performance can provide employees with easier and faster access to information regarding their performance appraisal, as well as clarifying the objectives and performance appraisal criteria used by the organization. As a continuation, the process of delegating tasks to each employee is considered to be more targeted and effective (Muqaddim & Hosain, 2021; Wahyudi *et al*., 2022). E-compensation was also found to have a significant effect on job satisfaction. These results indicate that respondents feel that the use of e-Compensation allows companies to provide more transparent information regarding compensation patterns to employees and provide compensation on time (Widajanto & Adiyanto, 2022; Alhamad *et al*., 2022; Rao & Alshar, 2021). In this way employees feel more appreciated at work. However, e-Communication was identified as having no significant effect on job satisfaction, where this result encourages companies to emphasize the importance of clear and direct communication in the workplace.

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Furthermore, ethical leadership, e-Recruitment & e-Selection, e-Performance Appraisal, and e-Compensation were all found to have a significant simultaneous effect on employee performance. These findings emphasize the importance of ethical leadership, effective recruitment processes, fair performance appraisals, and transparent compensation strategies in increasing employee satisfaction and performance. Ultimately, job satisfaction was found to have a positive impact on employee performance, highlighting the correlation between employee satisfaction and productivity in the workplace.

CONCLUSION

This research aims to realize the importance of the influence of implementing e-HRM (e-Recruitment & e-Selection, e-Performance Appraisal, e-Compensation, e-Communication and ethical leadership) on employee performance with job satisfaction as a mediator. Based on the results of the analysis and discussion, it can be concluded that ethical leadership has a significant positive effect on employee job satisfaction. In the technology sector, employees are expected to be able to be friendly with the technological or digital world. By implementing the role of e-HRM, it is hoped that it will increase job satisfaction for all employees and individuals. Apart from the need for job satisfaction through the application of ethical leadership, leaders can encourage employees in the company to apply ethical values to themselves, so that the goals within the company become common goals that can increase employee commitment to work optimally to improve company performance.

The limitation of this research is that the distribution of the questionnaire was not optimal because the company requires privacy in distributing it. So responses from respondents were only obtained from internal employees, which caused the respondent data to be potentially invalid. It is considered that the research results will be different if the next researcher examines a wider scope. Future researchers are expected to add other variables based on many theories and choose broader objects so that this research can be better and develop.

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