

# Chapter 1

## Introduction

### Background and Significance of Research Problem

In this era of rapid Internet development, the connection between organizations and people is increasing, and the increasing connection brings new challenges to the management of the enterprise, and the arrival of the 5G era, the enterprise and the employees have a new way to communicate with each other in a simple and fast way. To a certain extent, the distance between everyone's life and work is being constantly brought closer. Enterprises can connect their employees at any time, can assign work tasks at any time, and can also monitor their work dynamics at any time, which has become a new trend in today's workplace. By 2021, the digital economy will account for 39.8% of China's GDP, a figure that tells us that digital transformation is becoming increasingly important.

As society continues to evolve, the Post-90s and Post-00s have become the mainstay of the labor market. They are more concerned about gaining the respect of others and feeling involved in things, and they are more willing to accept new things and fulfill new challenges. For these human beings who grew up in the Internet age, the priority factor is the sense of experience. They can deeply participate in things, get real-time feedback, and instantly evaluate events, all of which are their expectations for this Internet era. Therefore, how to let these new people have more workplace experience and constantly ignite their passion for their own work has become a key research issue for today's business leaders. The problem with traditional human resource management is that it is somewhat closed, like a computer without a network connection, and because of this, it is not able to deliver some information to the organization. Nowadays, if we want to improve the efficiency of HR management, we need a huge internet resource, and we need to connect the system of HR management to the "network" (AlHamad, et al., 2022, pp. 429-438).

High Performance Work Systems (HPWS) are the integration of HR management practices that enable high efficiency. Organizations implementing HPWS invest heavily in human capital resources to ensure that their employees are well trained, have job skills and authority. Therefore, organizations have a competitive advantage (Jiang & Liu, 2015, pp. 126-137). Haar, O'Kane, & Daellenbach (2022, p. 16) show that HPWS is

positively related to corporate human capital and innovation. Importantly, the findings indicate that larger SMEs outperform smaller SMEs only at high HPWS.

Company D has now developed into one of the top human resources companies in China, with branches in Shanghai, Tianjin, Shenyang and other places in China. The total number of employees exceeds 25,000, and employees born in the 1990s and 2000s account for 60%. Company D initially belonged to the personnel department of a state-owned enterprise, with only simple personnel management functions; it became officially independent in 2002 and was renamed D Human Resources Consulting Co., Ltd. Module carries out human resources practical work. Since 2008, the company has put forward the concept of strategic human resources and formulated corresponding human resources strategies based on corporate strategies, emphasizing the importance of the enterprise. By 2013, the company entered a new stage of human resources management from the outside to the inside. Just like Huawei's senior executive Ren Zhengfei advocated "let those who can hear the gunshot shout gunshot", the company began to introduce a three-pillar HR architecture. In order to let the HR strategy reach the business department, HR personnel began to enter the business department and consider the business from a market perspective. changes and design HR tools based on business needs. In 2015, the company developed its own human resources information system and payroll system to achieve comprehensive human resources information management and make human resources management more scientific and efficient.

With the digital transformation of enterprises, the digitalization of HR management is becoming a major trend in the future. By observing, managing and analyzing big data, it drives employee management, makes employee management recommendations and intelligent employee management decisions, while improving HR operational efficiency, enhancing human capital input and output, and developing more forward-looking talent management plans by monitoring, operating and promoting the organization (Briel, et al., 2018, pp. 278-295).

This study uses digital transformation as a breakthrough to improve the core competitiveness of enterprises in industry competition, gain greater economic advantages in the market, and improve corporate performance through transformation. In this process, we sort out the impact of high-performance work systems on enterprises and the system advantages required to achieve digital transformation, ultimately helping enterprises to expand their performance and achieve digital transformation as soon as possible. Through the levels of corporate strategic management, organizational management, and corporate operations, the role of corporate high-performance work systems on

digital transformation is analyzed, and the impact of digital transformation on the enterprise is analyzed. Analyze existing problems in the human resources management process through case studies and research interviews, design a human resources management digital transformation plan based on the characteristics of Company D, and provide case standards for the transformation of other companies in the same industry.

### **Research Objectives**

1. To analyze the current situation of human resource management in D company.
2. To design a high-performance work system (HPWS) align with the digital transformation of D Company.

### **Research Hypothesis**

The designed high-performance work system is consistent with the digital transformation of company D.

### **Research Scope**

1. This research is limited to content related to the design of HPWS derived from documentary data and data collected from the attitudes and personal opinions of the middle and senior leaders of Company D.
2. This study is limited to the overall situation of D company's human resource management.

### **Conceptual Framework**

This research follows the traditional framework of "problem discovery-problem analysis-problem solution" and conducts a comprehensive analysis of D company. First, use PEST analysis and SWOT analysis to analyze the internal and external environment of the digital development of human resource management in Company D, and summarize the company's existing opportunities. Next, the company's current situation and main problems were studied and analyzed, and an HPWS suitable for

Company D was effectively specified to promote Company D's more rapid and solid development. The following is a conceptual framework, as shown in Figure 1.1

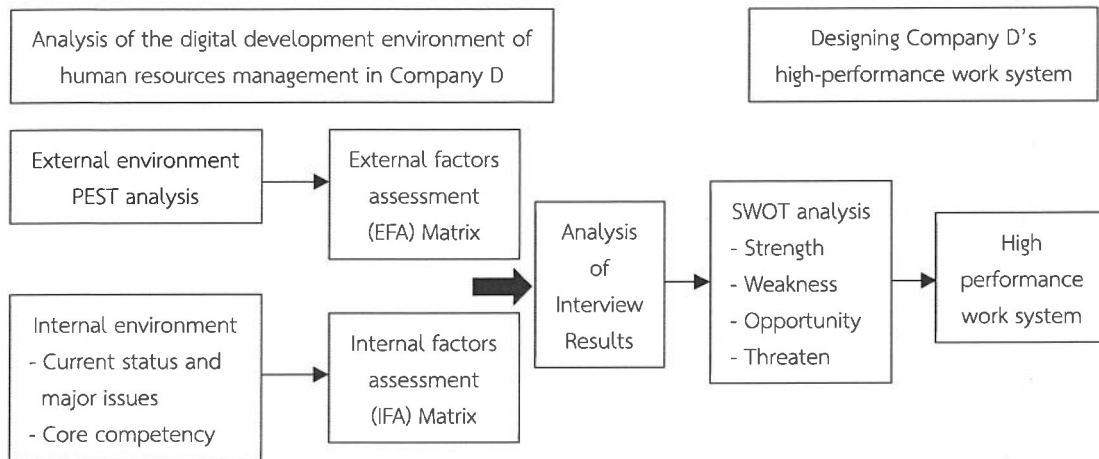


Figure 1.1 Conceptual Framework

## Definition of Terms

### 1. Digital Transformation

Digital transformation is a new and very dynamic digital business model. It is a high-level transformation which is based on digital conversion and digital upgrading, and it covers the core business of the company. In today's era the digital economy has become the main economic form, the main carrier of the digital economy is the Internet, and the main element is data resources. In order to make this new economic form more equitable and efficient, we need digital transformation and ICT. The speed of development of the digital economy is unprecedented, the scope is all-round, and the impact on enterprises is far-reaching. In practice, during the "Thirteenth Five-Year Plan" period, the country continued to improve digital infrastructure, accelerate the cultivation of new formats and models, steadily advance digital industrialization and industrial digitization, and continuously increase the proportion of the added value of core industries in the digital economy. The core engine of development has become the most characteristic production factor of the times, showing great value. "Data-driven" decision-making and action centered on data is likely to be the essential requirement of the digital economy for the digital transformation of enterprises. The emergence and improvement of a large number of digital technologies has promoted the development of the digital economy. However, in the process of digital transformation,

enterprises should avoid the misunderstanding of simply looking for scenarios for technologies, and should look for technologies for scenarios. (Zhigang, et al., 2022)

Enterprise digital transformation is defined as the digital transformation of traditional enterprises through the combination of production, management, and sales with cloud computing, the Internet, and big data, to promote the digital transformation of the enterprise's R&D and design, production and processing, operation and management, and sales and service businesses (Chen, et al., 2022, pp. 35-47). The core of digital transformation is to expand the original human resources management and control business operation functions into basic human resources management and control and human resources shared service business, which not only focuses on efficient business operations and comprehensive employee services, but also can manage interface and output management value. Digital transformation is divided into three characteristics: connection, symbiosis, and now. Overall, it can be attributed to the fact that connection changes the way of survival, symbiosis changes the way of development, and the present changes the way of value, as shown in Figure 1.2

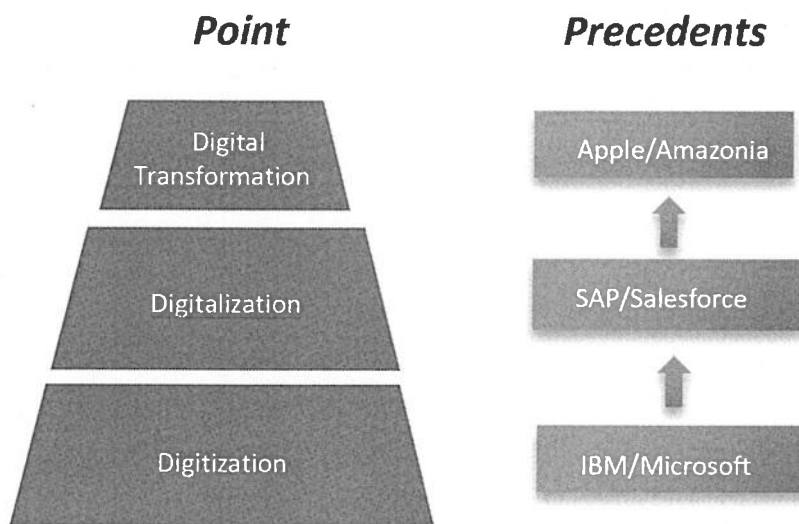


Figure 1.2 Digital transformation

## 2. High performance work system

HPWS has been a hot topic of discussion among management in the past few years. In today's era of rapid technological development and rapid dissemination of information, human resource management has become very important because companies need to improve the efficiency of human resource management if they want to increase their competitiveness in the market. In the academic world, there is

no strict definition of "High Performance Work System", because HPWS includes a lot of content, and it also has a lot of different names at the same time.

HPWS is "an organizational system that fully allocates the organization's resources to effectively meet the needs of the marketplace and customers and achieve high performance" (Nadler, Gerstein & Shaw, 1992, p. 30). HPWS is defined as "a set of policies and activities that are highly aligned within a company to ensure that HR serve the strategic goals of the organization" (Huselid, Jackson & Schuler, 1997, pp. 171-188). The theoretical assumptions implicit in HPWS are: If an organization treats its members well, employees will change their attitudes toward work and continue to increase their satisfaction and commitment. This attitude will continue to influence behavior, which in turn will contribute to improved organizational performance (Edwards & Wright, 2001, pp. 568-585). The basic model of a complete HPWS is fundamentally different from the traditional hierarchical enterprise model. By maximizing employee knowledge, skills, resilience, and initiative. An effectively coordinated system of HRM practices, work organization structures, and production operating procedures that quickly wins an organization's competitive advantage is an organic blend of technical and social systems (Wu, 2015, p. 11627).

The HPWS is composed of a series of HRM practices. These management practices, including job design, personnel selection, performance and salary management, participation in organizational decision-making and information sharing, affect each other and jointly affect the human resources of the enterprise. Capital has a direct impact.

HPWS focuses on HRM activities that improve employee productivity. In order to design HPWS so as to increase employee productivity and enhance the competitiveness of the organization in the industry, the organization should improve the related HRM activities. In this way, it seems that HPWS must be in line with the development of the organization so as to better improve employee productivity.

### **3. Human resource management**

As early as 1954, Peter Drucker, the father of modern management, proposed and clearly defined the concept of "human resources" in his book *The Practice of Management*. Since the 1980s, the theory of HRM has been maturing and further developed in practice. It has been widely accepted by enterprises and gradually replaced personnel management. In the 1990s, the theory of HRM continued to develop and mature. There has been more discussion on how HRM can serve corporate strategy and how the role of HRM can be transformed into a strategic partner in corporate

management. The proposal and development of the theory of strategic HRM marked a new stage in modern HRM.

HRM refers to the planned and rational allocation of human resources according to the requirements of the enterprise development strategy, through a series of processes such as recruitment, training, use, assessment, incentives, adjustment and so on of the employees in the enterprise, to fully mobilize the enthusiasm of the employees, so as to improve the performance of the employees. Stimulate the potential of employees to create value for the company and improve the company's competitiveness in the industry. It is a series of human resource rules and corresponding management activities formulated to ensure the realization of corporate strategic objectives. It includes the formulation of enterprise human resource strategy, employee recruitment and selection, training and development, performance management, compensation management, employee separation management, employee relationship management, employee safety and health management, and so on. In other words, enterprises use modern management methods to plan, organize, command, control, coordinate and other activities for the acquisition, development, retention and utilization of human resources, and ultimately achieve the management behavior of enterprise development goals.

In today's century of globalization, marketization and informationization, knowledge dominates the times. Under the new economic conditions, enterprise HRM must undergo digital transformation. Therefore, the enterprise HRM system will be built on the Internet computer network platform, forming a new HRM model.

## **Expected Outcomes**

### **1. Companies can use this research to improve employee productivity**

Digital transformation not only directly improves business performance, but also indirectly improves business performance through dynamic capabilities. The digital transformation of an enterprise is not a one-off action, but a long-term process of transformation and continuous upgrading. The positive impact of digital transformation on corporate performance is not achieved at all points in time, but is the result of long-term adherence to digital transformation. In the first stage of digital transformation of traditional enterprises, the unification of internal resource data, process information and standards of the enterprise is generally achieved through the construction of information systems. At the beginning of this transformation stage, the positive impact on enterprise performance is not obvious; after the first stage Preparation, the second

stage generally focuses on the production and manufacturing process to implement digital factories and improve production, personnel, and warehousing efficiency. Enterprise performance has reached the third stage of digital transformation. Enterprises upgrade digitalization by establishing digital platforms to realize the full value of products. Chain management, and open up information channels with stakeholders, the positive impact of digital transformation on corporate performance at this stage is very significant. D-type enterprises should choose a digital transformation direction that is premised on changes in the external market, technology and other environments. The overall development direction should match changes in the external environment. To obtain a sustainable competitive advantage, enterprises must understand the key points of business development in order to make accurate predictions, and should avoid blind investment, following transformation trends and other potentially risky behaviors. Before formulating and changing business processes, they should Judging and evaluating its own development and external environment to ensure sustainable and healthy development and maintain long-term high performance of the company. Company D uses HPWS design to incorporate human resource management practices, such as attracting employees, developing employee skills, inducing employee motivation, and improving employee engagement.

HPWS is a system for achieving competitive advantage by effectively coordinating and optimizing work organization structures. In a high-performance human resource management system, all activities of human resource practices are complementary and coordinated with the organizational goals and environment. At the same time, all human resource practices are coordinated and matched with each other. The coordination of large systems and the matching of internal and external systems contribute to the high performance of the organization. Company D provides a strong human resource reserve through strict recruitment and selection of human resources, ensuring a reasonable and sufficient supply of human resources, enhancing the company's reputation, improving employee morale, and maximizing the return on human resources investment; extensive scientific employee training and internal promotions, has accumulated energy for the company's orderly operation and growth, and enhanced the company's vitality and competitiveness. Competitiveness, meet the needs of employees to realize self-worth, reduce enterprise costs, reduce employee mobility, reduce employee turnover, improve organizational stability; high degree of work participation, extensive empowerment, popularization of high-performance work practices, improve employee satisfaction, Increase employee motivation, increase employee productivity, increase enterprise



productivity, improve performance-related compensation systems enhance employee responsibility, and have a direct impact on a company's financial performance.

## **2. Other companies in the same industry can use this research to better carry out digital transformation**

This paper clearly defines the dynamic capabilities of digital transformation enterprises, and believes that the dynamic capabilities of enterprises in the process of digital transformation are to adapt to changes in the external environment, integrate and restructure resources, restructure organizational knowledge bases and learning paths, adjust organizational structures, optimize operating models and The capability of business processes and the ability to continuously correct deviations. Through summarizing and condensing, it is proposed that the dynamic capabilities in the process of digital transformation include four dimensions: environment perception ability, resource integration ability, knowledge learning ability and management operation ability. Through case studies and empirical studies, it is proved that digital transformation has a very obvious positive impact on enterprise performance, and it is confirmed that dynamic capabilities play a partial mediating role in the improvement of enterprise performance in the process of digital transformation. It is also verified that there are strong and weak differences in the impact of each dimension of dynamic capabilities on corporate performance, and the positive impact of resource integration capabilities on corporate performance is relatively weak compared with environmental perception capabilities, knowledge learning capabilities, and management and operation capabilities. The intermediary effect between digital transformation and corporate performance is greater than environmental awareness and management and operation capabilities, while resource integration capabilities and knowledge learning capabilities are smaller.

**Environmental Awareness** The dynamic ability to perceive changes in the external environment promotes the digital transformation decision-making of enterprises. When an enterprise undergoes digital transformation, its dynamic capabilities will improve with the implementation of specific digital transformation strategies, and its performance will increase with the improvement of digital transformation and dynamic capability levels. The ability to perceive the environment will help enterprises determine the path of digital transformation in light of changes in the external environment, and will promote digital transformation into a new stage, a process that is repeated every week.

Dynamic capabilities play a leading role in different stages of digital transformation, and enterprises realize them through different dimensions in different periods. In the initial stage of each stage of digital transformation, the dimension of environmental

perception ability is mainly responsible for grasping the specific direction of enterprise digital transformation. As enterprises enter the middle and late stages of digital transformation, they mainly focus on resource integration capabilities, knowledge learning capabilities, and management and operation capabilities, and use digital transformation to improve corporate performance. Digital transformation also brings emerging technologies that reduce the workload of employees in businesses and ultimately reduce costs. Digital transformation can also improve employee satisfaction by reducing repetitive, non-value-added tasks and responding faster to customer needs, according to the survey.

Summary Based on the relevant theories of digital transformation, this paper adopts the methods of literature analysis, interviews, questionnaires and comparative analysis, through the collection, retrieval, identification, classification and integration of a large number of literature books, magazines and academic papers, human resources, human resources The concept of management and digitalization, strategic human resources theory, value chain theory and process reengineering theory and other related theoretical knowledge are sorted out and researched to provide strong theoretical support for this study. Through the research on the digital transformation practice of human resource management in domestic and foreign enterprises, the characteristics of the digital transformation of human resource management in different enterprises are compared and analyzed, in order to extract the experience that can be used in the digital development of D company. Through interviews and questionnaires, understand the current situation and main problems of D company's digitalization of human resource management.

This study first introduces the rapid development of today's Internet and the process of digitalization of the general environment, explaining that digital transformation is an inevitable trend of development. Then introduce the development of Company D.

Then, this study reviews the research on digital transformation in the human resources industry and explores the process of digital transformation based on relevant theories. Mainly through PEST analysis and SWOT analysis, as well as the external and internal factor evaluation matrix, the internal and external environment analysis of D Company is carried out.

Finally, through the analysis and summary of the advantages of D company, combined with the above-mentioned specific internal and external environment analysis, design a high-performance work system for D company, so as to promote the continuous development of D company and become a top human resources company in the industry as soon as possible.