

ROLE OF DIGITALIZATION IN THE WORKPLACE ON EMPLOYEE**RETENTION: THE ROLE OF EMPLOYEE ENGAGEMENT AS MEDIATION**

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ABSTRACT

Increasing employee retention, promoting more complex organizational operations, requiring quick adaptation to technological advancements, promoting cost-cutting initiatives, and boosting business profitability are all made more difficult by workplace digitalization. The research attempts to identify the role of digitalization in the workplace on employee retention: the role of employee engagement as mediation in automobile industry. The data has been collected from 132 employees of automobile industry in Chennai. Hence, it is concluded that digitalization significantly influences employee engagement. The analysis found that the digitalization significantly influences employee retention. It is identified that there is mediating effect of employee engagement between digitalization and employee retention. Automobile industry management may improve appropriate digitalization training to encourage active employees. This will increase the engagement and their retention of the employees.

KEYWORDS: Digitalization, Employee engagement, Employee retention, and Automobile Industry.

INTRODUCTION

In the workplace, digitization refers to the accumulation of people's knowledge and abilities. Additionally, technical skills, technological advancements, and the capacity to operate in a dynamic digital environment are all components of digital competence (Dan, et al. 2021). Using sensors, supply chains, process automation, and data analysis, workplace digitalization can help businesses increase operational efficiency and boost productivity (Florea, 2019). Because of the digital transformation, digital competency is becoming more and more important in a variety of industries and economic sectors. To fill positions that require careful technology and digital transformation, companies are searching for individuals who have experience with digitalization in the workplace.

For a high-performing company to execute business plans, boost productivity, enhance roles within the company, and enhance both organizational and employee performance, employee engagement is a critical component. To optimize business performance and value, business managers and stakeholders must create a plan that incorporates engagement and workplace digitalization. This includes employing technology that motivates, empowers the workplace, helps workers achieve, and permits workplace digitization to effectively uphold objectives. Previous researchers like Salem Alanizan (2023), Saranya and Vasantha (2023), and Salju Salju, et al. (2023) discovered that workplace digitization had an impact on employee performance.

Employee confidence increases because of employee engagement. According to Hermawan, et al. (2020), employee loyalty lowers the likelihood that workers will quit the company on their own. Employee commitment and motivation are also enhanced by employee engagement. Employees who contribute to the success of the company benefit psychologically from this. Furthermore, workers complete more tasks for the company at a higher level than those that are assigned to them (Handoyo, 2017). When workers are

engaged, they feel at ease, content, and relaxed at work. By concentrating on employee engagement, organizations can increase employee retention. Employee engagement also leads to employee retention, according to numerous studies (Hermawan, et al. 2020; Wang and Chen, 2020; Kim & Park, 2019).

REVIEW OF LITERATURE

Di Ye, et al. (2024) proved three driving paths (personality traits, self-efficacy and technical stressors) that promote employees' work engagement. Employees' low work engagement was influenced by extraversion and agreeableness. Winasis, et al. (2020) found that employee engagement was influenced by digital transformation.

Jelena Lukic Nikolic (2023) conducted at an IT company in Serbia show that modern technologies enable flexible working hours, remote work, more interesting and challenging tasks. Also, technology-induced work-life conflict leads to various challenges such as stress, burnout syndrome and over-reliance on technology. Rasool, et al. (2021); Ciarli, et al. (2021); Burnett & Lisk (2019) found that employee engagement was influenced by digitalization in the workplace.

Muhamad Ekhsan, et al. (2023) found that the higher the level of digital capabilities and skills possessed by employees, the more likely they are to stay with the company. Employees' engagement at work and their relationships with coworkers, management, and the company as a whole play an important role in linking digital talent with employee retention.

Indrihastuti Sulistianingtiyas and Indi Djastuti (2022) indicated that employee performance was influenced by digitization in the workplace which is mediated by employee engagement. Zhou, et al. (2021); Martinez-Caro, et al. (2020); Vuori, et al. (2020); Cijan, et al. (2019) found employee engagement was influenced by digital transformation.

Ebnezer and Krishna Priya (2022) incorporating digital HR will allow the organizations to accelerate to cloud hosted HR applications and platforms. The technology

can intervene to improve the employee's way of work, improve the employee's productivity and satisfaction by retention.

Rishab Chauhan (2022) discovered that there is influence of social media usage on employee retention and job performance through organizational commitment and knowledge sharing.

Elingua Kuume and Nikodemus Angula (2021) found that there is impact of technology on operational costs, retention of IT employees is imperative. The retention rates among IT employees affect individuals, families, communities, organizations, and the economy.

Darjat Sudrajat, et al. (2021) indicated that employee engagement was positively influenced by employee empowerment. Employee retention was positively influenced by employee engagement. There is a partially mediation effect of employee engagement between employee retention and employee empowerment.

Dian Bagus Mitreka Satata (2021) studied the influence of employee engagement on work performance. The literature was collected from 2013 to 2020. The paper chooses 15 articles. Results revealed that employee engagement influenced employee retention so that organizational purpose can be attained.

Sendawula Kasimu, et al. (2018) revealed the positive relationship between employee retention and training. Results also revealed the training and employee engagement influenced employee retention at 44.7%. employee engagement is the main influencer of employee retention.

H1: Digitalization significantly influences employee engagement.

H2: Digitalization significantly influences employee retention.

H3: Employee engagement significantly influences employee retention.

FRAMEWORK

Di Ye, et al. (2024); Rasool, et al. (2021); Ciarli, et al. (2021); Winasis, et al. (2020); Burnett & Lisk (2019) found that employee engagement was influenced by digitalization in the workplace. Hence, the research considered digitalization as an independent variable. Muhamad Ekhsan, et al. (2023); Ebnezer and Krishna Priya (2022); Rishab Chauhan (2022); Elingua Kuume and Nikodemus Angula (2021) found that digitalization in the workplace had a positive effect on employee retention. Hence, the research considered employee retention as an outcome variable. Darjat Sudrajat, et al. (2021); Dian Bagus Mitreka Satata (2021); Sendawula Kasimu, et al. (2018) identified that employee retention was influenced by employee engagement. Hence, the research considered employee engagement as a mediating variable.

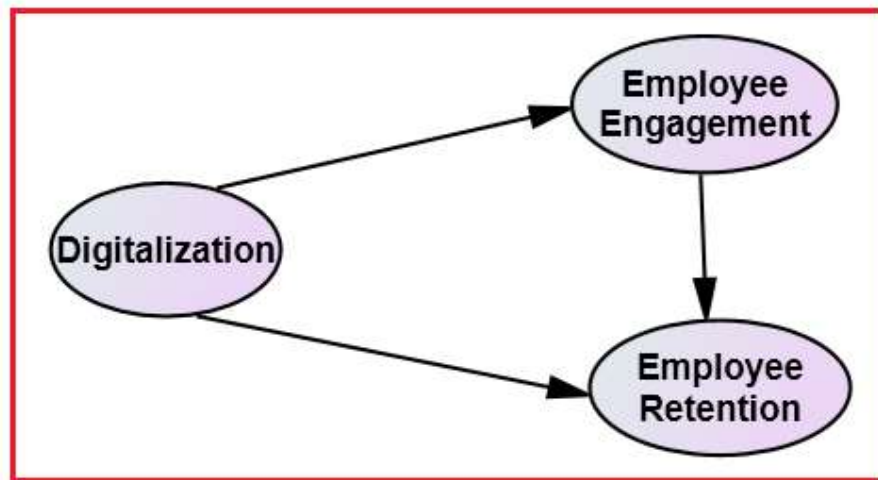


Figure 1: Conceptual framework

NEED FOR THE STUDY

Policymakers and authorities in the automotive industry will benefit from the study's conclusions. This study will help determine how employee engagement functions as a mediator in the automotive industry and how workplace digitization affects employee retention. Authorities in the automotive industry can use the study's findings to strengthen their brand.

OBJECTIVES

- To discover the influence of digitalization in the workplace on employee engagement in automobile industry.
- To discover the influence of digitalization in the workplace on employee retention in automobile industry.
- To find out the influence of employee engagement on employee retention in automobile industry.

RESEARCH DESIGN

The researcher uses a descriptive research design to investigate how employee engagement functions as a mediator in the automotive industry and how workplace digitization affects employee retention. A standardized and structured questionnaire is used to gather information from Chennai's auto industry workers. The relationship between digitization, employee engagement, and employee retention is investigated using this descriptive research design.

QUESTIONNAIRE DESIGN

Table 1: Questionnaire Construction

S.No.	Variable	Items	Author
I	Demographic Profile	8	---
II	Digitalization	15	Buthina Alobidyeen, et al. (2022)
III	Employee Engagement	16	Goswami & Upadhyay (2020)
IV	Employee Retention	10	Self-Design

A carefully crafted questionnaire is used to gather information from Chennai's auto industry workers. This study's questionnaire is broken up into four sections. Employee demographics are gathered in the first section of the questionnaire, followed by workplace digitization in the second, employee engagement in the third, and employee retention in the fourth. All four sections—aside from the first—are made up of multiple-choice questions.

The other three are set up as a measuring scaling technique, while the first is set up as a category.

RELIABILITY

Table 2: Reliability of the research

S.No.	Variable	Items	Cronbach's Alpha
I	Digitalization	15	0.90
II	Employee Retention	16	0.86
III	Employee Performance	10	0.82

To ensure the reliability of the study questionnaire's results, a pilot study was conducted. 132 workers in Chennai's automotive industry participated in the questionnaire verification process. The questionnaire has been modified considering the opinions of the automotive industry's employees. The reliability of the study variables is tested using Cronbach's alpha tool. This questionnaire's reliability is demonstrated by the fact that every variable is above 0.70. This indicates a high reliability value for the questionnaire set. It is statistically advised that the questionnaire set be used for the research's final data collection considering this finding.

SAMPLING TECHNIQUE

In this study, convenience sampling technique has been applied to collect the primary data from the employees of automobile industry in Chennai. In this way 132 employees of automobile industry are approached to collect the primary data in Chennai.

STATISTICAL TOOLS

SEM analysis is used to estimate model by probing the relationship between digitalization in the workplace, employee engagement, and employee retention. The researcher has employed the path analysis for influence of digitalization in the workplace on employee retention: the role of employee engagement.

RESULTS AND DISCUSSION

The table 3 presents the mode summary of mediation effect of employee engagement between digitalization and employee retention in automobile industry. The SEM model presented, along with mode summary to verify the model fitness. The Chi-square statistic is 450.046 with $p < 0.05$.

Table 3: Model fit indication of SEM

S.No.		Model Fit Indicators	Suggested standards (Premapriya, et al. 2016)	Calculated Values
1	Chi-Square Test	Chi-Square	---	450.046
		p	> 0.050	0.0001
2	Goodness Fit	GFI	> 0.90	0.902
		AGFI		0.818
		CFI		0.917
		NFI		0.921
3	Badness Fit	RMR	< 0.080	0.038
		RMSEA		0.049

Source: Primary data

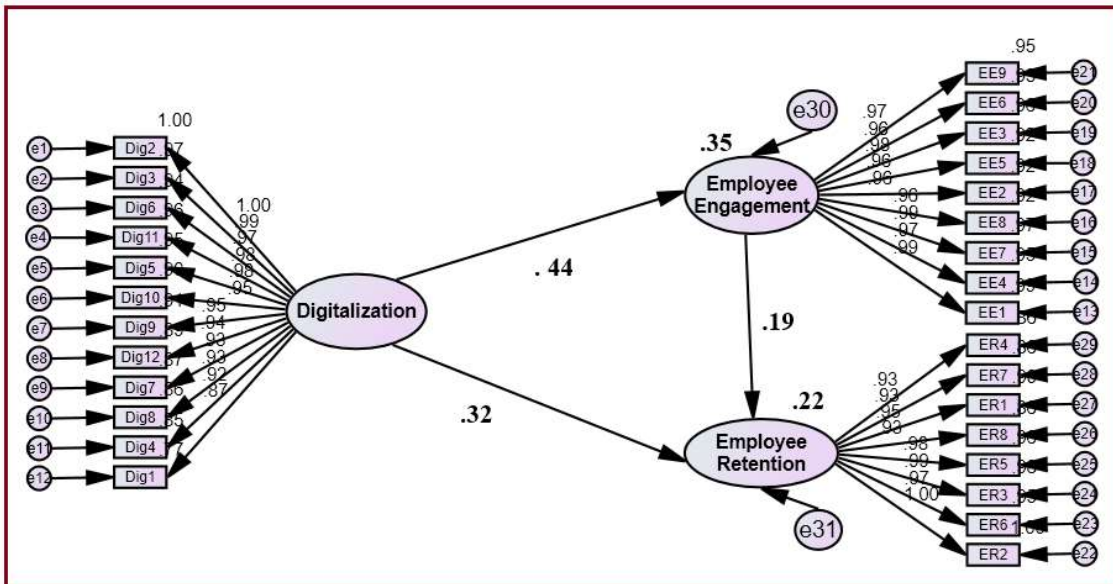


Figure 2: Mediation effect of Employee Engagement between Digitalization and Employee Retention

The table illustrates the model fit statistics such as RMSEA, RMR, NFI, CFI, AGFI and GFI. RMR and RMSEA are within than the recommended limit i.e., RMR and RMSEA is less than 0.08 (Indra, Balaji and Velaudham, 2020; Velaudham and Baskar, 2016). AGFI and GFI are within than the recommended limit i.e., AGFI and GFI values are greater than 0.90 (Kantiah Alias Deepak and Velaudham, 2019; Velaudham and Baskar, 2015). All the model fit statistics imply a moderately model fit (Premapriya, et al. 2016; Victor and Velaudham, 2020) NFI and CFI values are greater than 0.90 (Reena, et al. 2019; Velaudham & Baskar, 2015).

Table 4: Regression Weights

DV		IV	Estimate	S.E.	C.R.	Beta	P-Value
Employee Engagement	<---	Digitalization	0.203	0.103	7.971	0.441	0.001
Employee Retention	<---	Digitalization	0.086	0.092	6.941	0.320	0.001
Employee Retention	<---	Employee Engagement	0.166	0.077	3.151	0.193	0.001

Source: primary data

H₁: Digitalization significantly influences employee engagement in automobile industry.

The hypothesis was tested in SEM model. The finding of the analysis demonstrated that the C.R. value is 7.971; β value is 0.441 and p value is significant. The value of β is 0.441 that digitalization explains 44.1 percent of the employee engagement in automobile industry. Therefore, the hypothesis is accepted. Hence, the result demonstrated that the digitalization significantly influences employee engagement in automobile industry. Di Ye, et al. (2024); Rasool, et al. (2021); Ciarli, et al. (2021); Winasis, et al. (2020); Burnett & Lisk (2019) found that employee engagement was influenced by digitalization in the workplace.

H₂: Digitalization significantly influences employee retention in automobile industry.

The hypothesis was tested in SEM model. The finding of the analysis demonstrated that the C.R. value is 6.941; β value is 0.320 and p value is significant. The value of β is 0.320 that digitalization explains 32 percent of the employee retention in automobile industry. Therefore, the hypothesis is accepted. Hence, the result demonstrated that the digitalization significantly influences employee retention in automobile industry. Muhamad Ekhsan, et al. (2023); Ebnezer and Krishna Priya (2022); Rishab Chauhan (2022); Elingua Kuume and Nikodemus Angula (2021) found that digitalization in the workplace had a positive effect on employee retention.

Table 5: Mediation effect

DV		Digitalization	Employee Engagement
Employee Engagement	DE	0.441	0.000
	IDE	0.000	0.000
	TE	0.441	0.000
Employee Retention	DE	0.320	0.193
	IDE	0.084	0.000
	TE	0.404	0.193

Source: Primary Data

H₃: There is no mediation effect of employee engagement between digitalization and employee retention in automobile industry.

The hypothesis was tested in SEM model. C.R. value is 3.151; the value of β is 0.193. The table also illustrates that direct effect is 0.193, indirect effect is 0.084 and total effect is 0.404. It means that 40.4% mediating effect of employee engagement between digitalization and employee retention. The p-value is significant ($p=0.001$). Hence, the hypothesis (H_{a3}) is accepted. Therefore, there is mediating effect of employee engagement between digitalization and employee retention. Darjat Sudrajat, et al. (2021); Dian Bagus Mitreka Satata (2021);

Sendawula Kasimu, et al. (2018) identified that employee retention was influenced by employee engagement.

FINDINGS OF THE RESEARCH

- The result demonstrated that the digitalization significantly influences employee engagement in automobile industry. Di Ye, et al. (2024); Rasool, et al. (2021); Ciarli, et al. (2021); Winasis, et al. (2020); Burnett & Lisk (2019) found that employee engagement was influenced by digitalization in the workplace.
- It is found that the digitalization significantly influences employee retention in automobile industry. Muhamad Ekhsan, et al. (2023); Ebnezer and Krishna Priya (2022); Rishab Chauhan (2022); Elingua Kuume and Nikodemus Angula (2021) found that digitalization in the workplace had a positive effect on employee retention.
- There is mediating effect of employee engagement between digitalization and employee retention. Darjat Sudrajat, et al. (2021); Dian Bagus Mitreka Satata (2021); Sendawula Kasimu, et al. (2018) identified that employee retention was influenced by employee engagement.

SUGGESTIONS

- Employee engagement can be enhanced through digital capabilities and improve employee retention. Therefore, when automobile industry improves the digital skills of employees and encourages employee engagement, the work culture improves and positively contributes to the retention of employees.
- Automobile industry management should initiate internal communication campaigns to create awareness among employees about the benefits and nature of digitalization.
- With the updated digitalization, automobile industry is ensuring that the company can support the workforce by providing constant training to each employee.

- Automobile industry management may improve appropriate digitalization training to encourage active employees. This will increase the engagement and their retention of the employees.

CONCLUSION

The research attempts to identify the role of digitalization in the workplace on employee retention: the role of employee engagement as mediation in automobile industry. The data has been collected from 132 employees of automobile industry in Chennai. Hence, it is concluded that digitalization significantly influences employee engagement. The analysis found that the digitalization significantly influences employee retention. It is identified that there is mediating effect of employee engagement between digitalization and employee retention. Automobile industry management may improve appropriate digitalization training to encourage active employees. This will increase the engagement and their retention of the employees.

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