

# Influence of Digitalization on Employee Retention in Automobile Industry

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Digitalization in the workplace poses new challenges in increasing employee retention, encouraging organizational operations to change to be more complex, demanding speed of adapting to technological developments, encouraging new initiatives to reduce costs, and increasing company profitability. The research attempts to identify the influence of digitalization on employee retention 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 retention among the employees. The analysis found that the digitalization significantly influences employee performance among the employees. It is identified that the employee retention significantly influences employee performance among the employees in automobile industry. Automobile industry management may improve appropriate digitalization training to encourage active employees. This will increase the retention and their performance of the employees.

**Keywords:** Digitalization, Employee Retention, Employee Performance, and Automobile Industry.

## 1. Introduction

In recent years, digitalization has increased marked by the use of information and communication technology in every area of life. The introduction of digital technology implies a major change in the way it works and interacts with the environment. The vast amounts of digital data available for organization can be a source of new value generation with the ultimate goal of improving organizational performance. The digitization of businesses can drive the development of value activities, so employees can expect to improve their performance. Ideas related to improving the performance of employees and companies, should encourage a change of focus that facilitates the process of business digitization and value creation from digital (Martínez-Caro, et al. 2020).

Chanana & Sangeeta (2021) revealed that digitalization in the workplace poses new challenges in increasing employee retention, encouraging organizational operations to change to be more complex, demanding speed of adapting to technological developments, encouraging new initiatives to reduce costs, and increasing company profitability. One of the main topics related to productivity and performance is how work and work arrangements are tailored to the individual. In a digital work environment, individual habits that are manifestations of an individual's work style have an effect on efficiency and overall performance (Vuori, et al. 2020).

Some empirical studies conducted by Zhou, et al. (2021); Ricci, et al. (2020); Martínez-Caro, et al. (2020); Truant & Broccardo (2021); Ratna & Kaur (2016); Kuusisto, (2015); Vuori, et al. (2020); Okkonen, et al. (2019); Tan, et al. (2010) analyzed the state of digitalization and its implementation within the company, which mentioned digitalization in the workplace has a positive effect on employee and organizational performance. Hence, the research tries to identify the influence of digitalization on employee retention in automobile industry.

## **2. REVIEW OF LITERATURE**

Sophia Xiaoxia Duan (2023) discovered that that using digital technologies can enhance job performance through improved coordination, communication, knowledge sharing and decision-making.

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) found that digitization in the workplace has a positive and significant effect on employee performance which is mediated by employee engagement.

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.

Anamul Haque and Sabrina Sharmin Nishat (2022) found that digitalized HRM practices like e-compensation management and e-career impact significantly on employee extra-role performance they contribute insignificantly on employee in-role performance.

Buthina Alobidyeen, et al. (2022) found that positive correlation between digitalization and employee performance at the significance level. It also indicated a positive moral effect of digitalization on employee performance in Greater Tafila Municipality.

Hemalata Alagan and Nalini Devi Ramasivam (2022) discovered that the work-life balance, lack of growth chances, award and recognition, salary and compensation were influenced on employees' job based performance. Chong and Lee (2017) identified that job performance was influenced by employee 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. Scroggins (2008) discovered that job performance was influenced by employee retention.

Cuong Nguyen and An Duong (2021) discovered that there is a positive correlation between training and development and employee retention. Job satisfaction was positively affected by employee retention. Finally, the research discovered that job performance was positively affected by employee retention.

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.

Alexen, et al. (2020) found that an upscale workplace strategy could augment the retention of employees which avoid business disruptions. The management team is going to drive employee retention initiatives.

H1: Digitalization has significantly influences employee retention.

H2: Digitalization has significantly influences employee performance.

H3: Employee retention has significantly influences employee performance.

### 3. FRAMEWORK

Muhamad Ekhsan, et al. (2023); Ebnezer and Krishna Priya (2022); Elingua Kuume and Nikodemus Angula (2021); Alexen, et al. (2020) found that digitalization significantly influences employee retention. Hence, the research considered digitalization as an independent variable. Zhou, et al. (2021); Ricci, et al. (2020); Martínez-Caro, et al. (2020); Truant & Broccardo (2021); Ratna & Kaur (2016); Kuusisto, (2015); Vuori, et al. (2020); Okkonen, et al. (2019); Tan, et al. (2010) found that digitalization in the workplace had a positive effect on employee performance. Rishab Chauhan (2022); Hemalata Alagan and Nalini Devi Ramasivam (2022); Cuong Nguyen and Duong (2021); Chong and Lee (2017) identified that job performance was influenced by employee retention. Hence, the research considered job performance as a dependent variable.

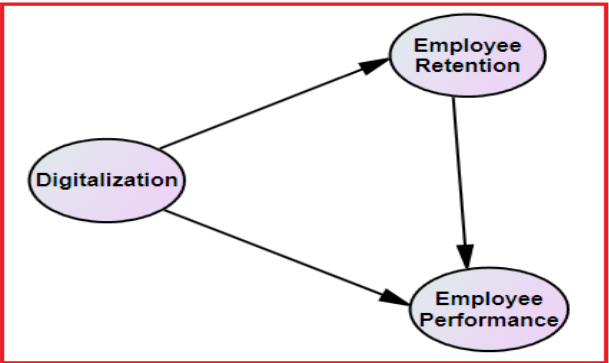


Figure 1: Conceptual framework

## NEED FOR THE STUDY

The findings of this study will help automobile industry authorities and policy makers. This study will help the influence of digitalization on employees' retention in automobile industry. Findings from this study can help automobile industry authorities build their branding.

## OBJECTIVES

- To discover the influence of digitalization on employee retention among the employees in automobile industry.
- To find out the influence of employee retention on employee performance among the employees in automobile industry.

## RESEARCH DESIGN

In order to explore the influence of digitalization on employee retention among the employees in automobile industry a descriptive research design is employed by the researcher. Data is collected from employees of automobile industry in Chennai through a structured and standard questionnaire. This descriptive research design is employed to explore the relationship between digitalization, employee retention, and employee performance.

## QUESTIONNAIRE DESIGN

Data is collected from employees of automobile industry in Chennai through a well-designed questionnaire. The questionnaire construction for this study is divided into four parts. The first part of the questionnaire is arranged in such a way to know the demographics profile of employees, the second part is digitalization, the third part is employee retention and the fourth part is employee performance. Except first part, all the four sections are constructed with multiple choice questions. The first part is set up as a category and the other three as a measuring scaling technique.

Table 1: Questionnaire Construction

S.No.	Variable	Items	Author
I	Demographic Profile	8	---
II	Digitalization	13	Sophia Xiaoxia Duan, et al. (2023)
III	Employee Retention	20	Self Design
IV	Employee Performance	5	Chen, et al. (2019)

## RELIABILITY

Table 2: Reliability of the research

S.No.	Variable	Items	Cronbach's Alpha
I	Digitalization	13	0.84
II	Employee Retention	20	0.89
III	Employee Performance	5	0.80

Pilot study was done to confirm that the results of this study questionnaire are reliable. The questionnaires are verified by involving 132 employees of automobile industry in Chennai. Based on the employees of automobile industry opinion, some changes are made in the questionnaire. Cronbach's alpha tool is employed to test the reliability of the research variables. All the variables of this questionnaire are above 0.70 which shows that it is

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reliable. This means that the set of questionnaire has a high reliability value. Based on this result, it is statistically recommended that the questionnaire set can be implemented for final data collection of the research.

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

Path analysis is used to estimate model by probing the relationship between digitalization, employee retention, and employee performance. The researcher has employed the path analysis for impact of digitalization on employee performance with respect to employee retention.

4. RESULTS AND DISCUSSION

The table 3 presents the mode summary of influence of digitalization on employee retention among the employees in automobile industry. The SEM model presented, along with mode summary to verify the model fitness. The Chi-square statistic is 3316.182 with  $p < 0.05$ .

Table 3: Model fit indication of SEM

S.No.		Model Indicators	Fit	Suggested standards (Premapriya, et al. 2016)	Calculated Values
1	Chi-Square Test	Chi-Square	---	---	316.182
		p		$> 0.050$	0.0001
2	Goodness Fit	GFI		$> 0.90$	0.882
		AGFI			0.824
		CFI			0.881
		NFI			0.868
3	Badness Fit	RMR		$< 0.080$	0.043
		RMSEA			0.107

Source: Primary data

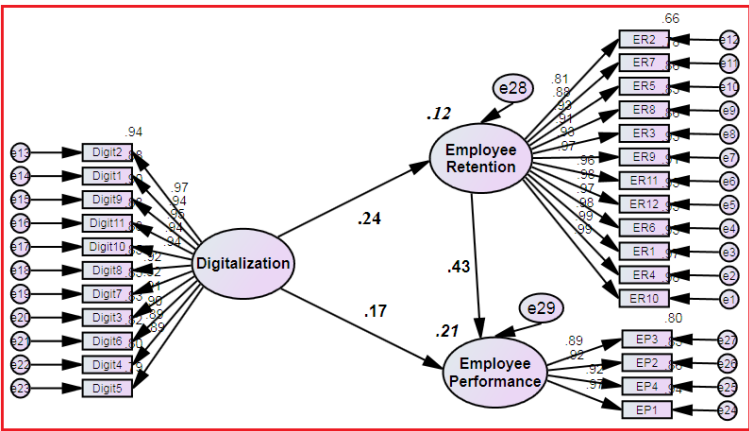


Figure 2: Influence of Digitalization on Employee Retention

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).

H<sub>1</sub>: Digitalization significantly influences employee retention among the employees in automobile industry.

The hypothesis was tested in path model. The finding of the analysis demonstrated that the C.R. value is 3.977;  $\beta$  value is 0.241 and p value is significant. The value of  $\beta$  is 0.241 that digitalization explains 24.1 percent of the employee retention in automobile industry. Therefore, the hypothesis is accepted. Hence, the result demonstrated that the digitalization significantly influences employee retention among the employees in automobile industry. Muhamad Ekhsan, et al. (2023); Ebnezer and Krishna Priya (2022); Elingua Kuume and Nikodemus Angula (2021); Alexen, et al. (2020) found that digitalization significantly influences employee retention.

Table 4: Regression Weights

DV		IV	Estimate	S.E.	C.R.	Beta	p-Value
Employee Retention	<---	Digitalization	0.212	0.107	3.977	0.241	0.001
Employee Performance	<---	Digitalization	0.153	0.107	2.427	0.172	0.012
Employee Performance	<---	Employee Retention	0.456	0.087	5.252	0.426	0.001

Source: primary data

H<sub>2</sub>: Digitalization significantly influences employee performance among the employees in automobile industry.

The hypothesis was tested in path model. The finding of the analysis demonstrated that the C.R. value is 2.427;  $\beta$  value is 0.172 and p value is significant. The value of  $\beta$  is 0.172 that digitalization explains 17.2 percent of the employee performance in automobile industry. Therefore, the hypothesis is accepted. Hence, the result demonstrated that the digitalization significantly influences employee performance among the employees in automobile industry. Zhou, et al. (2021); Ricci, et al. (2020); Martínez-Caro, et al. (2020); Truant & Broccardo (2021); Ratna & Kaur (2016); Kuusisto, (2015); Vuori, et al. (2020); Okkonen, et al. (2019); Tan, et al. (2010) found that digitalization in the workplace had a positive effect on employee performance.

H<sub>3</sub>: Employee retention significantly influences employee performance among the employees in automobile industry.

The hypothesis was tested in path model. The finding of the analysis demonstrated that the C.R. value is 5.252;  $\beta$  value is 0.426 and p value is significant. The value of  $\beta$  is 0.426 that employee retention explains 42.6 percent of the employee performance in automobile industry. Therefore, the hypothesis is accepted. Hence, the result demonstrated that the employee retention significantly influences employee performance among the employees in

automobile industry. Rishab Chauhan (2022); Hemalata Alagan and Nalini Devi Ramasivam (2022); Cuong Nguyen and An Duong (2021); Chong and Lee (2017) identified that job performance was influenced by employee retention.

## 5. FINDINGS OF THE RESEARCH

- It is demonstrated that the digitalization significantly influences employee retention among the employees in automobile industry. Muhamad Ekhsan, et al. (2023); Ebnezer and Krishna Priya (2022); Elingua Kuume and Nikodemus Angula (2021); Alexen, et al. (2020) found that digitalization significantly influences employee retention.
- The analysis found that the digitalization significantly influences employee performance among the employees in automobile industry. Zhou, et al. (2021); Ricci, et al. (2020); Martínez-Caro, et al. (2020); Truant & Broccardo (2021); Ratna & Kaur (2016); Kuusisto, (2015); Vuori, et al. (2020); Okkonen, et al. (2019); Tan, et al. (2010) found that digitalization in the workplace had a positive effect on employee performance.
- It is identified that the employee retention significantly influences employee performance among the employees in automobile industry. Rishab Chauhan (2022); Hemalata Alagan and Nalini Devi Ramasivam (2022); Cuong Nguyen and An Duong (2021); Chong and Lee (2017) identified that job performance was influenced by employee retention.

## 6. SUGGESTIONS

- Employee retention can be enhanced through digital capabilities and improve employee performance. Therefore, when automobile industry improves the digital skills of employees and encourages employee retention, the work culture improves and positively contributes to the performance 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 is able to support the workforce by providing constant training to each and every employee.
- Employee retention in the organization can be improved by providing a good work environment and good leadership support.
- Automobile industry management may improve appropriate digitalization training to encourage active employees. This will increase the retention and their performance of the employees.

## 7. CONCLUSION

Digitalization in the workplace poses new challenges in increasing employee retention, encouraging organizational operations to change to be more complex, demanding speed of



adapting to technological developments, encouraging new initiatives to reduce costs, and increasing company profitability. The research attempts to identify the influence of digitalization on employee retention 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 retention among the employees. The analysis found that the digitalization significantly influences employee performance among the employees. It is identified that the employee retention significantly influences employee performance among the employees in automobile industry. Automobile industry management may improve appropriate digitalization training to encourage active employees. This will increase the retention and their performance of the employees.

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