

## Role of Leadership in Enhancing Employee Performance in the Digital Era

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### ABSTRACT

In the digital era, leadership's pivotal role in improving employee performance is Technology's transformative impact on organizations highlights the importance of effective leadership, which necessitates a profound grasp of the digital landscape to enhance workforce engagement and productivity. This abstract delves into the significance of leadership in maximizing employee performance amidst digital disruptions. In today's era, leadership extends beyond traditional management, demanding proficiency in digital tools, fostering innovation, and enabling continuous learning. Digital leaders play a crucial role in steering organizational change by embracing technology and aligning with strategic objectives, empowering employees through digital literacy and adaptability. Effective digital leadership creates collaborative environments where open communication and mentorship inspire commitment and purpose. Additionally, digital leaders leverage data-driven insights to optimize workflows and promote diversity for innovation. In conclusion, leadership's role in driving employee performance in the digital age requires visionary leadership, technological proficiency, and a human-centric approach. As organizations navigate digital challenges, effective leadership remains essential for unlocking workforce potential and ensuring sustainable growth.



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## INTRODUCTION

In the swiftly evolving digital landscape, leadership's role in boosting employee performance is pivotal and demanding. Technology has revolutionized business dynamics, presenting both challenges and opportunities globally. Effective leadership in this milieu transcends traditional supervision; it involves spearheading transformation, fostering innovation, and guiding staff through dynamic shifts. Amidst the ongoing digital upheaval, leadership's significance in attaining organizational success escalates. Technology has redefined work processes and interactions in a progressively intricate business sphere. In light of these changes, leaders must excel in devising innovative strategies and motivating collaboration and innovation amid rapid flux. This article explores how adaptive and forward-thinking leadership can elevate employee performance in the digital age. It delves into diverse strategies and exemplary approaches utilized by leaders to navigate organizational change and empower employees to confront the novel challenges posed by the digital revolution.

In the digital realm, the profound impact of digital transformation on businesses is evident. Fueled by accessible data and tools, companies are revolutionizing their operations, strategies, offerings, and customer services. Advancements in information and communication technology (ICT) further drive this evolution. With reduced communication costs, widespread internet usage, and enhanced data management options, new avenues for collaboration, improvement, and data handling emerge. These technologies form an interconnected network, fostering digital transformation opportunities. While digitization research focuses on process-level efficiency and cost reduction, studies on digital transformation delve deeper into business model and organizational structure shifts.

Additionally, digital transformation encompasses cultural and leadership changes crucial for driving and sustaining organizational change in the digital era.

Digital transformation necessitates a convergence of diverse digital advancements, ushering in new stakeholders, frameworks, approaches, beliefs, and models that revolutionize, challenge, substitute, or complement existing organizational norms. Within this context, digital innovation is instrumental in driving organizational digital transformation. It comprises two key categories: innovative digital solutions and inventive digital business concepts. The former encompasses technical dimensions, spanning various ICT components, while the latter focuses on organizational aspects and emerging business needs. Success in digital innovation hinges on effectively blending both forms of innovation.

Digital innovation is at the core of organizational adaptation to the digital landscape. It goes beyond technology adoption, involving restructuring processes and strategies to fully utilize digital advancements. This holistic approach demands both technological expertise and organizational creativity. Effective digital leadership is crucial in promoting innovation culture and aligning digital initiatives with organizational goals. Essentially, digital innovation is not just a tool but a catalyst for organizational evolution in the digital age. Digital innovation encompasses three facets: the introduction of new digital products and services, the development of inventive digital processes, and the formulation of fresh digital business models. While organizational structures such as culture and leadership are often regarded as essential for fostering digital innovation, the notion of innovative digital leadership transcends mere facilitation; it is recognized as the primary impetus behind digital innovation.

Leadership, a social influence process, undergoes complexity requiring interdisciplinary perspectives. In the digital era, the landscape shifts, demanding new lenses for study. Leadership, now observable in virtual realms and facilitated by digital tools like machine learning, necessitates a comprehensive understanding. Digital leadership fosters informal manifestations, emphasizing media's role. This evolution underscores the need for a holistic grasp of leadership dynamics across virtual and non-virtual realms, leveraging advanced computational tools and interdisciplinary methods.

According to the Upper Echelon theory, organizational success hinges on managerial leadership decisions shaped by the interpretation and cognitive abilities of key players within the business. Thus, leadership plays a vital role in effectively allocating resources to ensure future business sustainability. As disruptive digital forces loom, companies are advised to cultivate digital leadership capabilities. These capabilities involve blending traditional leadership skills, like vision and transformational prowess, with digital fluency, encompassing knowledge and experience in digital realms. Digital leadership embodies traits such as creativity, visionary thinking, deep insight, and curiosity. It involves adeptly managing volatility, uncertainty, complexity, and ambiguity to navigate digital transformation challenges. The direction of transformation is shaped by digital leadership, influencing shifts in business trajectories.

Many companies have prioritized technical skills, yet innovation is also crucial in organizational aspects. Alongside advancements in digital solutions, there's a growing demand for empowerment and participation among employees. This shift drives the need for innovative leadership concepts that integrate organizational digital innovation. New leadership paradigms are being explored, defining the competencies of emerging leaders. Hence, innovative digital leadership embodies the essence of digital innovation. This form of leadership, termed digital leadership innovation, can amplify existing digital innovation efforts. Furthermore, cultivating an innovative and collaborative culture within the organization can magnify the influence of digital leadership.

This research offers a significant contribution to the leadership literature by presenting fresh perspectives on how digital technology influences leadership and employee performance. By highlighting innovations and updated practices that adapt to the digital era, this study provides valuable insights for practitioners and researchers to address emerging challenges in human resource management in the digital age.

## **RESEARCH METHODS**

In undertaking a comprehensive literature review on the influence of leadership on improving employee performance within the Digital Era, our methodology involves accessing renowned international databases including Scopus, Web of Science, and PubMed to identify pertinent literature. We will employ specific search terms such as "leadership role," "Employee Performance," "Digital

Era," "Digital Technology," among others, to ensure a thorough exploration of relevant articles. Our search criteria will prioritize articles that specifically address the role of leadership in enhancing employee performance within the digital landscape. Additionally, we will limit our search to articles published in English-language peer-reviewed academic journals spanning from 2018 to 2024 to ensure the inclusion of recent and credible sources.

Articles that successfully navigate the initial screening process will undergo a thorough evaluation to ensure adherence to set criteria and sufficient methodological rigor. Following this, pertinent data will be extracted, analyzed, and synthesized to achieve a comprehensive grasp of the subject matter. This meticulous approach is geared towards producing a literature review of utmost quality and depth, specifically focused on the impact of leadership in the digital age with the overarching goal of enhancing employee performance.

## **RESULTS AND DISCUSSION**

In the digital age, the importance of leadership in enhancing employee performance is paramount. Effective leadership not only guides but also inspires and empowers employees to reach their full potential in a rapidly changing and complex work environment. By utilizing available technology and data, leaders are positioned to guide organizational strategies, promote smooth collaboration, and inspire team motivation to achieve common goals. As the digital landscape evolves, skilled leadership remains essential in navigating obstacles and seizing emerging opportunities for organizational advancement and achievement.

In the era of digitalization, successful leadership necessitates visionary and inspiring individuals leading the way. These leaders must articulate a compelling vision for the organization's trajectory of change and digital advancement. By communicating this vision clearly and persuasively, leaders can inspire employees to actively participate in digital transformation initiatives. Effective leadership also involves engaging employees in decision-making processes and promoting an environment where creative ideas from all levels of the organization are embraced. Adopting an open and inclusive approach, leaders can foster a collaborative work culture that remains flexible in response to digital-era changes. This involves creating opportunities for diverse viewpoints, fostering experimentation, and emphasizing the importance of ongoing learning and adaptation.

Effective leaders recognize the importance of empowering employees for peak performance. They offer support, resources, and training to enhance digital skills and foster innovation. This empowerment cultivates a positive work environment conducive to adaptability in the rapidly changing digital landscape. Amid complex transformations, values-based leadership becomes vital for guiding organizational efforts. Leaders embodying integrity, transparency, and ethical technology use shape resilient cultures. Leaders are expected to embrace new technologies and enhance organizational adaptability through their actions. They must demonstrate readiness to learn and address challenges in the dynamic business environment. Thus, effective leadership in the digital era entails more than technology and data utilization. It involves proactive empowerment and values-driven leadership to nurture innovation and flexibility in the workplace.

The concept of leadership holds a rich historical background within management studies. Numerous definitions emphasize leadership as the deliberate influence exerted by a manager on others, while others delineate specific functions, including interpersonal, information processing, and decision-making roles. In essence, leadership entails managing employee relationships and wielding authority to orchestrate tasks within an organization to achieve operational and strategic objectives. This enduring definition has been widely adopted, encapsulating the multifaceted roles of leaders in interpersonal interactions, decision-making processes, and information management.

Furthermore, leadership theories provide frameworks for understanding leadership decisions and predicting future developments. These theories serve as abstract constructs guiding practical applications in various organizational contexts. Over the years, leadership theories and concepts have undergone significant evolution, reflecting changes in organizational dynamics and societal norms. From trait theories to contingency models and transformational leadership paradigms, the study of leadership has continually adapted to address emerging challenges and opportunities in the modern business landscape. As organizations navigate complex environments shaped by technological advancements and global connectivity, the relevance of effective leadership becomes increasingly

paramount. Contemporary leadership research seeks to elucidate the dynamic interplay between leaders, followers, and organizational contexts, offering insights into effective leadership practices that drive organizational success and resilience in an ever-changing world.

This definition has been consistently employed, and in our view, it aptly encompasses the interpersonal, decision-making, and information-processing functions of leaders. Leadership theories elucidate leadership decisions or forecast forthcoming advancements, and subsequently, the notion of leadership draws upon these conceptual frameworks to elucidate the implementation of tangible directives in real-world scenarios. Over time, leadership theories and concepts have undergone substantial evolution, reflecting the changing dynamics of organizational environments and societal paradigms.

Traditional leadership research faces numerous challenges amid the shift to the digital era. However, these challenges also present opportunities for exploration, leveraging digital tools like computational modeling, machine learning algorithms, and big data. These tools enable the examination of leadership in natural experiments, shedding light on previously elusive questions. Yet, the evolving nature of leadership phenomena introduces new inquiries, necessitating a blend of innovative and established methodologies. Experimental endeavors in the digital realm, such as investigations into video conferences or text-based interactions, are underway. Simulation research has also emerged as a valuable tool.

Given the complexity of leadership as a dynamic process, there's a growing recognition for computational leadership models like agent-based models. These models offer a nuanced understanding of leadership dynamics across diverse contexts. While specific issues pose initial challenges, they also herald fresh opportunities for leadership scholars. These initial studies are poised to spark further research endeavors, paving the way for successive waves of inquiry in the dynamic field of leadership studies.

Digital leadership encompasses leveraging an organization's digital resources to attain collective and individual business objectives. In numerous firms, contemporary digital advancements have precipitated substantial shifts in organizational landscapes and competitive dynamics. These changes necessitate adaptations across various organizational facets, including roles, work ethos, and technological infrastructure. Transformation initiatives are crafted to facilitate adaptations that cater to immediate requirements while laying the groundwork for an unpredictable future. Furthermore, digital leadership entails orchestrating strategic maneuvers to capitalize on emerging opportunities and mitigate potential risks associated with digital disruptions. Effective digital leaders not only navigate the complexities of digital transformation but also inspire organizational resilience and agility in the face of evolving market dynamics. They foster a culture of innovation and collaboration, empowering employees to embrace change and contribute meaningfully to organizational objectives.

Moreover, digital leaders champion continuous learning and skill development to ensure workforce readiness in a rapidly evolving digital landscape. By investing in employee training and development programs, they equip their teams with the requisite competencies to thrive amidst technological advancements and industry disruptions. Additionally, they foster a customer-centric approach, leveraging digital tools and analytics to anticipate market trends and deliver personalized experiences that drive customer satisfaction and loyalty. In essence, digital leadership is imperative for organizations seeking to navigate the complexities of the digital age successfully. By embracing innovative technologies, fostering a culture of agility and continuous learning, and prioritizing customer-centricity, digital leaders can position their organizations for sustainable growth and competitive advantage in today's rapidly evolving business landscape.

Digital leaders must acquire a new skill set to navigate these challenges and propel organizations through transitions. Hence, there's a pressing need for fresh competencies to guide organizations amid an uncertain and rapidly evolving future; leaders wield considerable influence. For instance, motivating individuals to embrace unfamiliar technologies amidst digital uncertainty poses a substantial challenge for digital leaders. Presently, numerous leaders lack the essential aptitudes to emerge as robust digital leaders, yet promisingly, they are gradually honing the requisite skills.

Expanding on this, digital leaders must cultivate a blend of technical proficiency, strategic foresight, and adept interpersonal skills to navigate the complexities of digital transformation successfully. They need to be proficient in leveraging emerging technologies to drive innovation and

efficiency while fostering a culture of adaptability and continuous learning. Additionally, effective digital leaders must possess strong communication skills to articulate a compelling vision for the digital future and inspire confidence among stakeholders. Moreover, they should prioritize empathy and collaboration to build cohesive teams capable of thriving amidst digital disruption. Furthermore, digital leaders must prioritize their own continuous development, staying abreast of the latest technological trends and management strategies to remain effective in an ever-evolving digital landscape. By investing in their personal growth and fostering a culture of learning within their organizations, digital leaders can position themselves and their teams for sustained success in the digital age.



**Picture 1 The three components of future digital leadership**

Employees across the organization are adapting to digital strategies, significantly impacting digital leaders. The company's digital strategy is central to digital leadership, necessitating transparency and comprehensive awareness from leaders. Failure to grasp the digital landscape's importance for clients, staff, and partners can lead to failure. While digitization offers opportunities through transparency, it also poses challenges that require responsible leadership. The rise of "information-led transparency" reshapes how leaders exert influence, highlighting the need for strong digital leadership. Like doctors adopting new medical technologies, digital leaders must understand and leverage digitization. They need critical thinking, adaptability, resilience, and openness to new technologies—qualities that require cultivation.

Different epochs demand varied leadership styles, reflecting distinct hierarchical structures, skill sets, roles, and responsibilities within organizations. Currently, we're witnessing a transition akin to the shift from agrarian to industrial societies, albeit now from industrial to post-industrial digital societies. Consequently, leadership paradigms are adapting across institutions to suit the digital age. Emerging companies face four transformative shifts that redefine digital leadership: widespread digitization of ICT, intensified globalization, emphasis on knowledge creation, and adoption of decentralized structures. Digital leaders must grasp the behavioral and socio-economic shifts propelled by new technologies like mobile, social media, cloud computing, and big data. They are expected to comprehend the intricacies of corporate strategy transformation, serving as traditional anchors amidst the waves of management and digitalization. Furthermore, effective digital leaders foster environments conducive to innovation, collaboration, and agility, aligning organizational objectives with the dynamic demands of the digital landscape. They champion inclusivity, diversity, and continuous learning, harnessing the collective potential of their teams to drive sustainable growth and competitive advantage in the digital era.

To meet evolving customer and business demands, digital leaders consistently assess how emerging technologies can be leveraged within their organizations. At the strategic level, the alignment between leaders' behaviors and the company's competitive positioning is critical. Digital leaders are pivotal in determining whether to enact change or reinforce existing strategies. Their success hinges on the judicious use of data, understanding internal processing pathways, and leveraging production data across diverse ecosystems. Organizations that excel in digital leadership not only gain market share but also maintain a competitive edge in their respective industries.

Digital-centric organizations prioritize digital management, emphasizing communication, creativity, and innovation in applying new technologies to projects and processes. These leaders are

adept at streamlining workflows for swift product delivery while maintaining legacy system sustainability. A recent survey of 1,503 companies revealed that only 35 (2.3%) are currently categorized as digital companies. However, by 2022, 47% are expected to progress digitally, with 20% aspiring to digital leadership. Over half (53%) plan to transition to public cloud platforms, aiming for enhanced efficiency and agility. Currently, digitally advanced companies generate 32% of their revenue from digital channels, projected to increase to approximately 48% by 2022.

In organizations, digitalization drives swift changes in both business and technology to adapt and improve operations in a digital market. Nearly all businesses today pursue this goal, with some leaders planning significant overhauls. According to a study by Harvard Business Review involving 1,000 CEOs worldwide, over 90% intend to restructure their companies with new digital models. However, over 70% also recognize organizational skill and operational deficiencies for adaptation and transformation. Another survey by MIT Sloan Review with 4,300 managers and analysts found that 68% advocate for new leadership to compete effectively. Interestingly, 77% of participants were from early-stage companies, while 55% were from mature ones. Deloitte's research emphasizes the need for substantial investment in successful digital leadership, especially among large emerging companies. Additionally, an MIT study underscores that digitally mature companies excel in cultivating digital leaders, a capability lacking in many organizations. Hence, while the shortage of skilled digital leaders persists, digitally mature companies actively address this through focused leadership development initiatives.

## CONCLUSION

In today's dynamic digital landscape, leadership's role significantly influences employee performance. Adaptive leadership is crucial for navigating challenges and capitalizing on opportunities in digital transformation. Successful organizations attribute their digital leadership to leaders adept at steering change, motivating teams, and fostering an innovative work culture. Digital leadership transcends mere technological understanding; it requires a clear vision, openness to change, and the ability to nurture team relationships. Effective leadership fosters employee motivation, engagement, and skill development for success in the digital era. Thus, investing in digital leadership development is vital for sustained success in a constantly changing business environment. Moreover, leadership not only drives digital innovations but lies at the heart of digital innovation itself. The accessibility of emerging digital technologies fuels inventive solutions, facilitated by information technology's vast data resources. As organizational needs evolve and employees seek empowerment, this technology permeates throughout the organization, challenging traditional management and leadership paradigms.

Digital leaders are expected to possess the skills needed for digital transformation. However, many traditional leaders leading such transitions lack expertise in technology and process management. While organizations recognize digital transformation's importance, they often overlook the need for capable digital leadership. Consequently, incomplete transformations are common, negatively impacting business performance. Despite the acknowledged benefits of digital leadership, scholarly research on the topic is limited. Therefore, there's an urgent need for more academic studies to understand digital leadership better. New empirical research should focus on creating measurable models of digital leadership to enhance our understanding of effective strategies and their impact on organizational performance.

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