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## HUMAN CAPITAL STRATEGIES IN THE FACE OF DIGITALIZATION: A REVIEW OF THE LITERATURE TO IMPROVE ORGANIZATIONAL COMPETITIVENESS

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**Raudia Maharani Saskia Putri**

Universitas Airlangga, Surabaya, Indonesia

Email: [raudia.maharani.saskia-2024@pasca.unair.ac.id](mailto:raudia.maharani.saskia-2024@pasca.unair.ac.id)

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### ABSTRACT

In the digital era, many organizations struggle to align their human capital strategies with rapid technological changes, resulting in suboptimal competitiveness and innovation. This study analyzes how human capital strategies can enhance organizational competitiveness by integrating digital competency development, innovation capacity, and strategic human resource management. A qualitative research design was employed using the Systematic Literature Review (SLR) method, reviewing 13 empirical studies from reputable databases such as Scopus, Sinta, and Google Scholar, published between 2015 and 2024. The findings reveal that investment in human capital through education, training, and learning is essential for sustaining organizational performance. Furthermore, digital transformation significantly drives innovation through improved human capabilities, motivation, and opportunities. Human resources are the foundation for competitive advantage, but challenges like digital skill gaps and adaptive readiness require strategic interventions. The study proposes an integrated framework of human capital strategies tailored to digitalization needs. These insights are expected to guide organizational leaders in developing effective human capital strategies to remain competitive in the digital economy. Future research is recommended to examine empirical evidence on the direct impact of human capital strategies across diverse industries.

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**KEYWORDS** *Human capital, human capital strategy, digitalization, human resources*

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## INTRODUCTION

A human capital strategy is needed to ensure that services or products meet customer needs (Paramarta et al., 2023). According to Edward R. (2024), Human resources is one of the important roles in driving an organization or industry. In an emerging industry, the need for a sustainable supply of talent is of paramount importance, and without a sustainable approach, existing problems can reach unmanageable levels, potentially jeopardizing not only the development and expansion of the industry but also efforts to improve other factors such as ecological sustainability as well as social and economic. The industry will need abundant human resources to reach the next level (Carlbäck M., 2024).

In an organization, human capital is considered an intangible asset representing individual knowledge, skills, experience, abilities, and self-motivation. All forms of ideas owned by each individual, knowledge, innovation, and how to make decisions at work are considered human capital (Reno, 2024). When humans develop skills and motivations that allow them to engage in activities that contribute to their well-being or those of others, they have developed "abilities" to improve income-boosting skills (Tahlin, 2023).

According to Mayo in (Paramarta et al., 2023), there are five components in creating value in human capital or human resources in a company, including individual ability, individual motivation, leadership, the organizational climate and work-group effectiveness. Munchinsky (Paramarta et al., 2023) It was also mentioned that previous research has found several personal factors related to human capital, some of which are often researched, namely, emotional stability, openness, experience, and understanding. Therefore, company management is expected to be more proactive in managing human resources as human capital by periodically providing attention and development so that they can continue the company's business continuity.

Over time, human resources are faced with the era of digitalization. The definition of digitalization itself is the transformation of the socio-economic environment through the process of adoption, application, and utilization of digital artifacts. This definition limits digitalization as a process involving social and economic aspects, specifically by considering the adoption and application of digital artifacts, leading to socio-economic change through new business opportunities, industrial transformation, and the emergence of new socio-economic realities (Gradillas & Thomas, 2023). In this era of digitalization, human resources are required to have qualified digital skills, such as the ability to process data, project management, and mastery of software that can support organizational performance (Fajriyani et al., 2023). According to previous research, digitalization can provide the highest efficiency when work habits and processes change. Work habits and processes related to digitalization must be changed to maximize digital efficiency. Improving overall efficiency by changing the same process from paper to digital is not much. As such, it can be used to know where companies are currently and what the true state of digitalization research is; it is important to predict where companies should move to get the best benefits (Kuusisto, 2017).

The concept of human resource development aims to master the exponential data. Since data is the "digital intelligence" and the basis of human capital, the

concept of human resource development aims to master the exponential volume of data that increases every year. As defined by J. Neisbit, digitalization, automation, and informatization are the main trends in the development of the digital economy. The influence of digitalization on the development of human capital and all its components focuses on the formation and development of an intelligent society, which means a highly intelligent, high-tech, and innovative society (Ortina, 2020). So that human capital becomes one of the most important components in the socio-economic development of a region or country as a whole during the post-industrial period and the formation of the "digital economy". Human capital, as a combination of knowledge and skill, is the most important and most competitive factor in production. Productivity growth and economic growth are influenced by human capital, especially in terms of long-term socio-economic development in many developed and developing countries (Zaborovskaia et al., 2020).

The rapid digitalization era demands that organizations continuously adapt by leveraging human capital as a strategic asset. However, many organizations struggle to align human capital strategies with digital transformation, resulting in suboptimal competitiveness and innovation outcomes. This mismatch between human resource development and digital capability readiness hinders organizations from fully capitalizing on digital opportunities, especially in dynamic business environments.

The urgency of this study stems from the fact that digitalization is no longer an option but a necessity for organizations aiming to survive and thrive in the global market. Human capital, encompassing skills, knowledge, and innovation potential, must be systematically developed to ensure organizations can adapt to technological changes. Without proper human capital strategies, companies risk lagging behind competitors who have successfully integrated digital competencies into their workforce.

Furthermore, digital transformation impacts technology and work processes, requiring a fundamental shift in human capital management approaches. Investment in digital skills, fostering a culture of continuous learning, and enhancing employee motivation are essential steps to maintain organizational performance and achieve competitive advantage. Therefore, a comprehensive understanding of effective human capital strategies in the digital era is crucial for organizational success.

Previous studies, such as Robinson (Reno, 2024), emphasize the importance of investing in education and learning as key drivers of organizational sustainability. Kryscynski (2024) highlights the role of human resources as the foundation for innovation and value creation, necessitating strategic focus on human capital development. Similarly, Long Xu (2024) demonstrates how digital transformation significantly enhances innovation through improved human capabilities and motivation, underlining the symbiotic relationship between digitalization and human capital.

Other researchers, including Seipalla (2024), we have explored the strategic adaptation of human resource management in the face of technological advancements, stressing proactive talent management and flexible work models. Hajar (2024) also argues that digital human resource practices are essential for maintaining employee productivity and quality standards, particularly through the

integration of AI, social media, and automation tools. These findings collectively underscore the critical role of human capital in navigating digital challenges.

However, existing research predominantly focuses on large enterprises and specific industries, with limited exploration of how human capital strategies are implemented across diverse organizational contexts. Additionally, while the importance of digital skills is acknowledged, there is a lack of comprehensive frameworks that integrate human capital development with digital transformation strategies, particularly in emerging markets and developing countries.

This study offers novelty by systematically reviewing and synthesizing recent literature to propose an integrated human capital strategy model tailored for the digital era. By combining insights on digital competency development, innovation capacity, and strategic human resource management, this research provides a holistic perspective that addresses current gaps in understanding how organizations can effectively leverage human capital to enhance competitiveness.

This research aims to analyze and synthesize existing studies on human capital strategies in digitalization, developing a comprehensive framework that guides organizations in optimizing their human resources to achieve competitive advantage in the digital economy.

The expected benefit of this study is to contribute academically by enriching the discourse on human capital management in the digital era, while offering practical recommendations for organizational leaders to design and implement effective human capital strategies. This will enable organizations to enhance innovation, productivity, and competitiveness in an increasingly digitalized business landscape.

## **RESEARCH METHODS**

This study employs a qualitative research methodology using the Systematic Literature Review (SLR) approach, which is designed to identify, review, evaluate, and interpret relevant research on selected phenomena through specific research questions. By adopting the SLR method, a systematic and protocol-driven review of journals is conducted to ensure a structured and comprehensive analysis (Triandini et al., 2019). The primary aim of this SLR is to synthesize existing literature related to the role and influence of human capital strategies in addressing digitalization challenges. Following the framework proposed by Nurhidayah (2024), the process involves several key stages: determining research objectives and questions, establishing clear inclusion and exclusion criteria to filter high-quality and relevant studies, and conducting a systematic search across reputable academic databases such as Scopus, Sinta, and Google Scholar.

The selection process involves screening articles based on predefined criteria, excluding outdated or irrelevant studies, and assessing the quality of selected articles using the Critical Appraisal Skills Programme (CASP) guidelines. High-quality articles are then subjected to data synthesis and thematic analysis, identifying key patterns and findings related to human capital contributions in digital contexts. This analysis facilitates a comprehensive understanding of the topic, leading to well-founded conclusions. The final stage involves systematically presenting the findings using tables and diagrams to visualize the relationships and

contributions of the reviewed literature, thereby enhancing the clarity and relevance of the research outcomes.

#### Inclusion and Exclusion Criteria

Inclusion Criteria	Exclusion Criteria
Articles published between 2015 and 2024	Articles published before 2015
Articles or studies written in English and Indonesian	Articles written in languages other than English and Indonesian
Research that discusses human capital, human resource development, and digitalization	Research that is not related to human capital, human resource development, and digitalization
Research that uses clear and transparent methodologies, including qualitative and mixed methods	Research that does not explain the methodology or does not have an adequate methodology
Articles published in reputable and accredited scientific journals	Articles published in non-accredited sources or journals with a dubious reputation
A study that shows the relationship between human capital strategies in digitalization and human resource management	Studies that do not explain the relationship between human capital strategies in digitalization and human resource management

*Source:* Processed by researcher

With these criteria, it is hoped that this study will only include the most relevant and quality literature, so that the literature review's results can provide in-depth insights and contribute to the development of theories and practices related to the phenomenon studied.

#### Research Population and Sample

The research population refers to all units of analysis that have identical characteristics or have a meaningful relationship with the research issue. The importance of understanding the levels and attributes of a population is underlined to guarantee an accurate picture of the group in the study. The research population refers to the entire individual, object, or event that is the focus of the investigation (Susanto et al., 2024). In this study, the population to be analyzed includes all empirical studies that discuss human capital strategies for dealing with digitalization. This empirical research was obtained from various leading academic journals available in electronic databases such as Scopus, ScienceDirect, Sage Pub, and Google Scholar.

This approach aims to identify relevant primary research to support the development of theories and empirical findings related to this phenomenon. The list of sources used to obtain primary studies will be presented in the table below:

No	Journal Name	Link	Sum
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1.	Journal of Economic and Social Measurement Volume 40, Issue 1-4	<a href="https://journals.sagepub.com/toc/jema/40/1-4">https://journals.sagepub.com/toc/jema/40/1-4</a>	1
2.	Human System Management	<a href="https://journals.sagepub.com/home/hsya">https://journals.sagepub.com/home/hsya</a>	7
3.	Journal of Management Scientific Reports	<a href="https://journals.sagepub.com/home/msra">https://journals.sagepub.com/home/msra</a>	10
4.	SAGE Open Volume 14, Issue 3	<a href="https://journals.sagepub.com/toc/sgoa/14/3">https://journals.sagepub.com/toc/sgoa/14/3</a>	11
5.	Economic and Industrial Democracy	<a href="https://journals.sagepub.com/home/eida">https://journals.sagepub.com/home/eida</a>	5
6.	Journal of Human Resource Development	<a href="https://journals.sagepub.com/home/human-resource-development-review">https://journals.sagepub.com/home/human-resource-development-review</a>	4
7.	Human Resource Development Review	<a href="https://onlinelibrary.wiley.com/journal/17488583">https://onlinelibrary.wiley.com/journal/17488583</a>	7
8.	Procedia: Social and Behavioral Sciences	<a href="https://www.sciencedirect.com/journal/procedia-social-and-behavioral-sciences">https://www.sciencedirect.com/journal/procedia-social-and-behavioral-sciences</a>	12
9.	Essence: Journal of Business and Management	<a href="https://journal.uinjkt.ac.id/index.php/esensi">https://journal.uinjkt.ac.id/index.php/esensi</a>	1
10.	EQUITY Journal	<a href="https://ejournal.upnvj.ac.id/equity">https://ejournal.upnvj.ac.id/equity</a>	1
11.	International Journal of Human Capital Management	<a href="https://journal.unj.ac.id/unj/index.php/ijhcm/index">https://journal.unj.ac.id/unj/index.php/ijhcm/index</a>	4
12.	JENIUS: Scientific Journal of Human Resource Management	<a href="https://openjournal.unpam.ac.id/index.php/JJSDM">https://openjournal.unpam.ac.id/index.php/JJSDM</a>	1
13.	International Journal of Politics and Sociology Research	<a href="https://ijobsor.pelnus.ac.id/index.php/ijopsor">https://ijobsor.pelnus.ac.id/index.php/ijopsor</a>	1

### Data Analysis Techniques

The data analysis technique in this qualitative research will be carried out using the Systematic Literature Review (SLR) method, which involves a thematic analysis approach. This approach allows researchers to identify, analyze, and report

patterns (themes) in the data. According to Noeng Muhadjir in Ahmad in (Ahmad A., 2021), data analysis is an effort to find and replace with systematic data from interviews, observations, and others so that researchers can understand the case being studied and can be presented for future findings.

According to Adelliani in (2023), to carry out the thematic analysis, several steps are needed as follows:

1. Data Familiarization

It is done by reading and listening to data repeatedly. This is done to provide an in-depth understanding of qualitative research.

2. Initial Code Formation

This stage is carried out to identify the initial or main themes of the research results. Researchers often consider data selection to generate interesting and relevant ideas.

3. Theme Construction

It was carried out after the initial code formation and was thoroughly analyzed in the research data. At this stage, a broader theme analysis is also carried out by involving the selection of code to be included in the theme that has the power

4. Review Themes

Once the initial theme has been generated, the researcher should review the theme to ensure clarity and consistency. The goal is to evaluate whether the themes are strong enough and interconnected, and to ensure that the data supporting the themes is representative enough

5. Defining a Theme

At this stage, a further analysis is carried out to refine a more specific theme. The entire story analyzed results in a definition and a name for each theme presented

6. Writing a Report

The last stage, when the overall theme has been designed and the final analysis is carried out, is the formation of the report. The report is formed to tell the research results in a way that is easier to read and convincing.

## RESULT AND DISCUSSION

The authors conducted a literature review on 13 articles published between 2015 and 2024 to ensure their recency.

No.	Journal Identity	Variable	Method	Result
1	<b>Human Capital, Education, Achievement, and Learning</b> Author: Robinson (2015)	Human Capital, Skill	Qualitative (Observation)	Investing in human capital, education, achievement, and learning is essential for the sustainability of an organization.
2	<b>Human Capital Development: A Construct for Underprivileged Students</b>	Human Capital Development, Human Learning	Qualitative (Case Study)	Developments in the field of experimentation and science education, through



	Author : Kongtong, (2020)			a focus on ecology and the environment, have been successful due to empathy, trust, psychological security, participation, a sense of belonging, pride, and financial incentives
3	<b>Empirical opportunities for advancing theory and research on strategic human capital</b> Author : Kryscynski, (2024)	Strategic human capital, Firm-specific human capital, Incentive, Unit-level human capital Capital	Qualitative	Human resources are the basis of a company's competitive ability and need to be a special concern so that human capital can create innovation and value
4	<b>Digital Transformation and Breakthrough Innovation in Chinese Manufacturing Firms: Based on Ability-Motivation-Opportunity (AMO) Framework of Human Capital</b> Author: Long Xu (2024)	Digital Transformation, Human Capital Breakthrough Innovation	Quantitative	This research reveals that digital transformation significantly drives breakthrough innovation within companies. This positive impact is due to increased capabilities, activation of motivation, and expansion of human resource opportunities, thus facilitating innovation breakthroughs.
5	<b>The Impact of Digitalization on Human Resource Management Practices</b> Author: Seipalla (2024)	Human Resources Management, Hospital Management, Digitalization, Management System	Qualitative (Literature Review)	A strategic approach to HRM in the digital age should focus on developing employees who can Adapting to new technologies and proactive talent management.



6	<b>Digital human resources management: a necessity in modern organizations</b> Author : Hajar, (2024)	Digital, Human Resources, Modern Organizations	Qualitative (Literature Studies)	Every organization must develop its digital strategy to increase productivity. With the use of DHR practices and through social media, the internet, AI, and other technologies, organizations can maintain performance and quality standards of employees for the smooth running of the organization.
7	<b>The Role of Intellectual Capital, Competitive Advantage, and Innovation Ability in the Performance of Small and Medium Enterprises</b> Author : Baiquny, (2024)	Digital Business, Organizational Readiness, Innovation Performance	Quantitative (Survey Questionnaire)	Human resources and developing internal processes that develop organizational capital are the keys to success. With this perception, we determine the important role of innovation capabilities as mediators.
8	<b>Training and development of human resources in the organization in the Era of Digital Globalization</b> Author : Dinda Ayu P. S, 2024	HR training and development, Organizational effectiveness, Digital era	Qualitative (Literature Studies)	Training in the digital era must be personal, technology-based, and supports a culture of sustainable learning. Organizations need to provide the right training to overcome the challenges of human resource competencies in the digital era.
9	<b>The Role of Human Resources and Information</b>	Human Resources, Information	Qualitative (Literature Review)	Based on several studies conducted, education and

	<b>Technology in the Implementation of Accrual-Based Government Accounting Standards</b> Author: Subhi (2021)	Technology		training, technical guidance, placement according to educational background, and working period are directly related to the level of human resource competence.
10	<b>The Effect Of Competence, Leadership, And Management Innovation Over The Performance Of Structural Officials Of Echelon IVb</b> Author : Sujanto, (2017)	Innovation Management, Performance	Quantitative (Survey)	Development in the fields of competence, leadership, organizational management, and innovation can improve the performance of an organization
11	<b>Development Strategy Of Human Capital Of Pt Kimia Farma (Persero) Tbk</b> Author: Arifin (2017)	Human Capital, Development, Strategy, HR Planning	Qualitative (Case study)	The results of the study show that to increase competitiveness in the future, it can be done starting from recruiting candidates to integrated employee development
12	<b>Analysis of Human Capital Lecturer Factors in The Process of Achieving The Vision of Higher Education</b> Author, Fadli, (2022)	Human Capital, Vision, Education	Quantitative (Questionnaire)	The components of human capital that form the achievement of the organization's vision consist of four groups: the core component, the supporting component, the process component, and the result component. While the main aspects of human capital are education and

				skills
13	<b>A Review of the Role of Human Capital in the Organization</b> Author : Pasban, (2016)	Human Capital, Characteristics Of Human Capital, The Indices Of Measuring Human Capital	Qualitative	The results show that human skills are a common index, which is important at all levels of management in an organization. Those who work in the organization's core centers must develop higher skills. These people must have knowledge, information, innovation, and creativity to improve customer satisfaction and create a competitive advantage for the organization.

From the results of the research of these articles, here are some findings related to human capital strategies in the face of digitalization to increase organizational competitiveness, the essence of which is obtained as follows

Investing in human capital, education, achievement, and learning is important for the sustainability of an organization (Robins, 2015). Developments in the field of experimentation and science education, through a focus on ecology and the environment, have been successful because of empathy, trust, psychological security, participation, belonging, pride, and financial incentives (Kongtong et al., 2020). Human resources are the basis of a company's competitive ability and need to be a special concern so that human capital can create innovation and value (Kryscynski & Coff, 2024). Human resources and developing internal processes that develop organizational capital are the keys to success. With this perception, we determine the important role of innovation capabilities as mediators, especially in the development of facing the current digitalization era (Baiquny A. S., 2024).

The impact of digitalization on Human Resource practices shows that the role of HR is increasingly important because technological advances have brought significant changes to the way companies manage their human resources. The latest techniques and strategies in HR include data analysis, process automation, and real-time employee monitoring. Innovations in HR, such as the implementation of flexible work models and the use of predictive analytics, allow companies to be more adaptive to changes in the market and workforce needs.

However, while technology offers many benefits, challenges such as finding suitable talent and data security risks still must be overcome. A strategic approach to HR in the digital era must focus on developing employees who can adapt to new technologies and proactive talent management (Seipalla et al., 2024). For companies to have a competitive advantage, they must focus on turning talent into a source of competitive advantage. To achieve this, the role and function of strategic human resource management must be aimed at creating and managing organizational competencies so that the company can adapt its resources to environmental changes as needed. Every organization must develop its digital strategy to increase productivity. By using practices such as DHR and through social media, the internet, AI, and other technologies, organizations can maintain employee performance and quality standards for the smooth running of the organization (Hajar, 2024).

In research conducted by Long Xu in (2024), it was revealed that digital transformation significantly drives breakthrough innovation within companies. This positive impact is due to increased capabilities, activation of motivation, and expansion of opportunities for human resources, thus facilitating innovation breakthroughs. The innovation process theory states that a company's innovation consists of two stages: creative initiation and transformation. Employee knowledge and technological abilities form the basis for creative initiation, while the conversion of ideas into innovations and eventual transformation into products requires organizational recognition and support for employee creativity. Therefore, to achieve innovation, organizations must have integrated capabilities in human capital, activate innovation motivation, and provide innovative opportunities for human capital. Steps that can be taken include: First, integrating the Ability-Motivation-Opportunities (AMO) framework Second, enriching and expanding the relevant literature regarding the economic consequences of digital enterprise transformation and the factors influencing innovative innovation, deepening the understanding of how digital transformation affects innovative innovation in the enterprise, offering empirical evidence to companies involved in digital transformation and management innovation. Third, analyze the mechanism of the impact of digital transformation on human resources and innovative innovation in enterprises that have significant policy reference value to promote the deep integration of the digital economy and the real economy, implement innovation-based development strategies, and apply the principles of the new development concept in economic problems.

The components of human capital that form the achievement of the organization's vision consist of four groups: the core component, the supporting component, the process component, and the result component. Meanwhile, the main aspects of human capital are knowledge, skills, abilities, and other expertise (Fadli et.al., 2022). The results show that the common index, which is important at all levels of management in an organization, is human skills. Those who work in the core centers of the organization must develop higher skills. These people must have knowledge, information, innovation, and creativity to increase customer satisfaction and create a competitive advantage for the organization (Pasban & Nojede, 2016).

From the results of research conducted by Arifin in (2017), it shows that to increase competitiveness in the future, it can be done starting from recruiting candidates to integrated employee development. Training in the digital era must be personal, technology-based, and support a sustainable learning culture. Organizations must provide appropriate training to overcome the challenges of human resource competencies in the digital era (Dinda P.S., 2024). Based on several studies conducted, education and training, technical guidance, placement according to educational background, and working period are directly related to the level of human resource competence (Subhi & Yuhertiana, 2021) so that development in the fields of competence, leadership, organizational management, and innovation can improve the performance of an organization and produce a sustainable mutual relationship (Sujanto et al., 2017).

### **The Importance of Investment in Human Capital**

Investing in human capital through education, training, and learning is the main key to the success of an organization in the digital era. A study conducted by Robins (2015) emphasized that the sustainability of organizations is highly dependent on the development of human resource (HR) capabilities. A study conducted by Kongtong (2020) highlights that an approach that prioritizes empathy, belonging, trust, and financial incentives can create a work environment that supports innovation, especially in the science and environmental sectors. In addition, a focus on psychological safety and participation is also the key to success.

### **Human Resources as a Competitive Resource**

Human resources play a role as the foundation of an organization's competencies to produce innovation and added value (Kryscynski & Coff, 2024). Innovations in human resource management include the use of data analytics, automation, and flexible work models that allow companies to be more adaptive to market changes (Seipalla et al., 2024). However, challenges such as finding suitable talent and data security risks require a strategic approach focused on developing technology adaptation and proactive talent management.

### **The Role of Digital Transformation in Innovation**

Digital transformation has proven to be a facilitator for breakthrough innovation through the activation of motivation, capacity improvement, and opportunities for human resources (Xu et al., 2024). The innovation process theory identifies two main stages: creative initiation and transformation of ideas into products. To support this process, organizations need to adopt an Ability-Motivation-Opportunities (AMO) framework, emphasizing the integration of technological capabilities, innovation motivation, and employee development opportunities.

### **Key Components in Human Capital**

The core components of human capital include knowledge, skills, and innovative abilities, all of which contribute to achieving the organization's vision.

Pasban (2016) emphasizes that individuals at the organization's core must be more able to create a competitive advantage through innovation and increased customer satisfaction.

### **HR Development Strategy**

Studies by Arifin (2017) and Subhi (2021) show the importance of integrating recruitment strategies, technology-based training, and technical guidance to improve HR competencies in the digital era. Placement according to educational background and leadership development is also a key factor in improving organizational performance. Dinda P. S. (2024) emphasized the importance of training that supports a culture of continuous learning, which can have a long-term impact on organizational competitiveness.

## **CONCLUSION**

In the face of the digitalization era, a well-planned human capital strategy that emphasizes human resource development is essential for enhancing organizational competitiveness. By integrating innovation, digital transformation, and competency development, organizations can effectively address technological challenges while sustaining productivity and performance quality, thus laying a solid foundation for long-term success in the digital economy. Future researchers should explore empirical studies that examine the direct and indirect impacts of human capital strategies on organizational performance in various industry sectors and investigate the role of emerging technologies such as artificial intelligence and machine learning in shaping human capital development frameworks.

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