Digital Transformation and Efficiency of Sharia-Based HR Management on MSME Performance with Organizational Culture Moderation: A Quantitative Study in Cileungsi

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Abstract

Digital transformation has become a crucial factor in enhancing the competitiveness of micro, small, and medium enterprises (MSMEs) in the era of globalization. Digital technology enables MSMEs to innovate, improve efficiency, and expand markets. However, many MSMEs face challenges in adopting this technology, such as limited resources and resistance to change. Sharia-based human resource management (HRM), which emphasizes justice and welfare, can provide solutions in creating a productive and harmonious work environment. This study aims to fill the gap in the literature regarding the interaction between digital transformation and Sharia HRM on MSME performance, with the moderation of organizational culture. The research method uses a quantitative approach with a case study on MSMEs in Cileungsi, involving 100 randomly selected respondents. Data were collected through questionnaires and analyzed using SEM-PLS. The SEM test results show that digital transformation and Sharia HRM have a significant effect on MSME performance. Organizational culture has a strong moderating role, strengthening the positive impact of digital transformation and Sharia HRM on MSME performance. The results indicate that the integration between digital transformation and Sharia HRM, supported by a strong organizational culture, can enhance productivity, operational efficiency, as well as employee satisfaction and motivation. This study emphasizes the importance of adopting digital technology and applying Sharia principles in HRM to improve MSME performance, with organizational culture as an essential supporting factor. These findings provide practical guidance for MSME actors in developing strategies that improve efficiency and employee welfare.

Keywords: Basic Physics, COVID-19 Pandemic, Educational Technology, Learning Motivation, Quizizz

INTRODUCTION

Digital technology has brought significant changes in various sectors, including the micro, small and medium enterprise (MSME) sector. Digital transformation is not just the adoption of new technology but also includes fundamental changes in the way businesses operate, interact with customers and provide added value(Fahrurrozi & SE, 2023). Digital technology serves as a catalyst that accelerates innovation and efficiency, enabling MSMEs to compete more effectively in an increasingly dynamic global market.(Syafi et al., 2023).

The development of digital technology includes various aspects such as business process automation, the use of big data for decision making, and the adoption of digital platforms for marketing and sales. The use of this technology allows MSMEs to increase productivity, reduce operational costs and expand their market reach. Apart from that, digitalization also helps MSMEs improve the quality of customer service through the use of digital tools such as customer relationship management (CRM) and data-driven marketing.

However, the challenges faced by MSMEs in the digital transformation process are also not small. Many MSMEs experience difficulties in adopting new technology due to limited resources, both in terms of finances and technical capabilities. Apart from that, resistance to change and a lack of understanding of the benefits of digital technology are also the main obstacles in this transformation process.

On the other hand, sharia-based human resources (HR) management emphasizes the principles of justice, welfare and compliance with Islamic values.(Abu-Tapanjeh, 2009)states that sharia HR management is not only about fulfilling religious obligations, but also about creating a harmonious and productive work environment. These principles include honesty, responsibility, transparency, and appreciation for hard work. Sharia-based HR management can provide a strong foundation for building a fair and balanced organizational culture(Grace, 2018). By implementing sharia principles, companies can increase employee satisfaction and motivation, which in turn can increase performance and productivity. Apart from that, sharia HR management can also help reduce conflict and increase cooperation in the workplace, because the values applied encourage mutual respect and togetherness. However, the implementation of sharia HR management also

faces challenges. One of the main challenges is ensuring that sharia principles are applied consistently and comprehensively throughout the organization. In addition, there are also challenges in integrating sharia principles with modern management practices, which are often based on different principles.

While many studies have explored the influence of digital transformation on organizational performance and the importance of effective HR management, there is still a gap in the literature regarding how these two factors interact and influence MSME performance simultaneously. Digital transformation and sharia HR management can be considered as two different but complementary approaches in improving the performance of MSMEs. Digital transformation brings innovation and efficiency, while sharia HR management ensures that these changes are carried out in a fair and balanced manner.

In this research, the variable role of organizational culture is added as a moderating variable, which in this case has not been widely studied. Organizational culture, which reflects the values, norms, and practices prevailing within an organization, can influence how technology and management practices are adopted and implemented. According to Denison and Mishra in(Tempest, 2020), organizational culture has an important role in determining the effectiveness of organizational strategy implementation. A culture that supports innovation and change will facilitate the digital transformation process, while a culture that prioritizes justice and prosperity will support the implementation of sharia HR management.

A strong organizational culture can increase alignment between organizational and employee goals, thereby facilitating the adoption of new technologies and more effective management practices. For example, in an organizational culture that supports innovation, employees will be more open to change and quicker to adopt new technology. Conversely, in a culture that supports well-being and fairness, employees will feel more valued and motivated to perform better, which ultimately improves organizational performance.

To understand how digital transformation and sharia HR management can work synergistically to improve MSME performance, this research aims to examine the interaction between these two factors as well as the moderating role of organizational culture. By understanding this relationship, MSMEs can be more effective in implementing strategies that not only increase efficiency and productivity but also ensure fairness and employee welfare. It is hoped that this research can make a significant contribution to the literature on MSME management and provide practical guidance for MSME actors in adopting digital technology and sharia management principles.

Literature Review
Digital Transformation and MSMEs

Digital transformation has become an increasingly important topic in management and business literature, especially in the context of micro, small and medium enterprises (MSMEs). Research by(Mazzarol et al., 2020)highlighting that digital technology serves as a catalyst that accelerates innovation and efficiency, enabling companies of all sizes, including MSMEs, to compete more effectively in an increasingly dynamic global market. Digital technologies, such as business process automation, the use of big data, and the adoption of digital platforms for marketing and sales, provide opportunities for MSMEs to increase productivity, reduce operational costs, and expand their market reach.

Research by(Bican & Brem, 2020)found that the application of digital technology in MSMEs can improve operational performance through increased efficiency and wider market access. They note that digital technology enables MSMEs to increase productivity and reduce operational costs, which in turn can increase profitability and competitiveness. This study also emphasizes the importance of adequate technological infrastructure and government support in supporting digital transformation in MSMEs.

However, challenges in adopting digital technology in MSMEs have also been documented. Various studies show that MSMEs often face limited resources, both financial and technical, as well as resistance to change and a lack of understanding of the benefits of digital technology. Research by(Scuotto et al., 2017)highlighting the need for external support, such as training and financing, to help MSMEs overcome these obstacles and succeed in the digital transformation process.

Overall, the literature shows that although digital technologies offer various benefits, the successful adoption and implementation of these technologies in MSMEs is highly dependent on organizational readiness and adequate external support. Therefore, further research is needed to understand the factors that can support the success of digital transformation in MSMEs, including the role of management and supporting policies.

Sharia-Based Human Resources Management

Sharia-based HR management is an approach that prioritizes the principles of justice, welfare and compliance with Islamic values. According to research by(Alabdullah et al., 2019), sharia HR management does not only focus on fulfilling religious obligations, but also creates a harmonious and productive work environment. These principles include honesty, responsibility, transparency, and appreciation for hard work, which are expected to increase employee satisfaction and motivation.

Research by(Khan et al., 2019)provides a theoretical basis for understanding how Islamic principles are applied in HR management to achieve efficiency and justice. They emphasize the importance of integrity, honesty and responsibility in managing human resources, as well as how these principles can be applied to create a fair and balanced work environment.

This study also emphasizes that sharia HR management can help improve employee performance through increasing satisfaction and motivation.

(Tlaiss & Elamin, 2016)found that sharia HR management can increase employee motivation and productivity by creating a work environment that values the contribution of each individual and provides fair rewards. This study shows that this approach can help in reducing conflict and increasing cooperation in the workplace, because the values implemented encourage mutual respect and togetherness. However, the challenges of integrating sharia principles with modern management practices have also been a focus of research, with emphasis on the need for flexible and adaptive approaches.

Overall, the literature shows that sharia HR management has great potential to improve organizational performance by creating a fair and productive work environment. However, the successful implementation of this approach is highly dependent on the consistent application of sharia principles throughout the organization and the ability to integrate them with modern management practices.

Organizational Culture as a Moderating Variable

Organizational culture has been recognized as an important factor influencing the effectiveness of technology adoption and management practices in the management literature.(Denison & Mishra, 1995)highlights that organizational culture, which reflects the values, norms, and practices prevailing within an organization, can influence how technology and management practices are adopted and implemented. A culture that supports innovation and change will facilitate the digital transformation process, while a culture that prioritizes justice and prosperity will support the implementation of sharia HR management.

Research by(Quinn & Cameron, 2019)shows that a strong organizational culture can increase alignment between organizational and employee goals, thereby facilitating the adoption of new technologies and more effective management practices. For example, in an organizational culture that supports innovation, employees will be more open to change and quicker to adopt new technology. Conversely, in a culture that supports well-being and fairness, employees will feel more valued and motivated to perform better, which ultimately improves organizational performance.

In addition, research by(Heskett, 2022)shows that a strong and adaptive organizational culture can help companies face external and internal challenges more effectively. They emphasize that an organizational culture that is flexible and responsive to changes in the business environment can improve a company's ability to innovate and adapt to technological and market changes.

Overall, the literature shows that organizational culture has a very important role in determining the effectiveness of organizational strategy implementation, including digital transformation and sharia HR management. Therefore, it is important to understand how organizational culture can moderate the relationship between digital transformation, sharia HR management, and MSME performance.

Integration of Digital Transformation and Sharia HR Management

Although many studies have explored the influence of digital transformation on organizational performance and the importance of effective HR management, there is a gap in the literature regarding how these two factors interact and influence MSME performance simultaneously. Digital transformation and sharia HR management can be considered as two different but complementary approaches in improving the performance of MSMEs. Digital transformation brings innovation and efficiency, while sharia HR management ensures that these changes are carried out in a fair and balanced manner.

Research by(Ade et al., 2019)examines how integration between digital technology and sharia management principles can provide competitive advantages for companies. This study shows that by combining the strengths of these two approaches, companies can improve operational efficiency while maintaining employee satisfaction and motivation. However, this research also emphasizes the importance of a supportive organizational culture to ensure the success of this integration.

In the context of MSMEs, research by(Khan et al., 2019)shows that sharia HR management can play an important role in supporting digital transformation by creating a work environment that is conducive to change and innovation. This study found that sharia values applied in HR management can help overcome resistance to change and increase employee involvement in the digital transformation process. In addition, this research also highlights that an organizational culture that supports justice and well-being can facilitate the adoption of digital technology more effectively.

Overall, the literature shows that the integration of digital transformation and sharia HR management has great potential to improve the performance of MSMEs. However, the success of this integration is highly dependent on the support of a strong and adaptive organizational culture. Therefore, it is important to understand how these two approaches can work synergistically in the context of a supportive organizational culture to achieve optimal performance.

METHOD

This study uses a quantitative approach. The case study was chosen to gain an in-depth understanding of the influence of digital transformation, sharia HR management efficiency, and organizational culture on the performance of MSMEs in Cileungsi. The research population consisted of all MSME owners in Cileungsi, a sample of 100 respondents selected using a simple random sampling technique. Data was collected through questionnaires distributed directly to respondents. Each respondent was given an explanation of the research objectives and how to fill out the questionnaire, which was filled out independently to collect subjective perceptions from MSME owners and resources. Before collecting the main data, the questionnaire was tested for validity using content and construct validity, as well as reliability using Cronbach's alpha coefficient. The questionnaire is considered valid if the AVE value is more than 0.50 and reliable if the Cronbach's alpha value is more than 0.70.

RESEARCH RESULTS AND DISCUSSION

A. Measurement Model Testing (Outer Model)

The AVE value can be used as a measure of discriminant validity. The more variations of latent variable measurement items explained by the higher the AVE, the better the model fits the data. The AVE value is considered good if it is at least 0.50. The following are the AVE values obtained from data analysis using SEM-PLS software:

Table 1. AVE Values (Average Variance Extracted)

	Average Varaince Extracted	Information
Digital Transformation (X1)	0.724	Valid
Sharia HR Efficiency(X2)	0.729	Valid
Organizational Culture (Z)	0.821	Valid
MSME Performance(Y)	0.678	Valid

Source: SEM-PLS

Table 1 shows that the average value of each variable is 0.724 for Digital Transformation, 0.729 for HR efficiency, 0.821 for organizational culture, and 0.678 for MSME performance. All these numbers are above the 0.50 cutoff, therefore very good indicators of their respective variables. Because all indicators have passed the discriminant and convergent validity tests, we can proceed to reliability evaluation. Cronbach's alpha > 0.70 indicates reliability, as well as composite reliability. Cronbach's Alpha and Composite Reliabilityare as follows:

Table 2. AVE (Average Variance Extracted) Value

	Cronbach's Alpha	Composite Reliability
Digital Transformation (X1)	0.806	0.819
Sharia HR Efficiency(X2)	0.874	0.885
Organizational Culture (Z)	0.850	0.870
MSME Performance(Y)	0.781	0.786

Source: SEM-PLS

All Composite Reliability results in Table 2 are more than 0.70. Constructs are considered credible when their test scores are greater than 0.70. As a consequence, Composite Reliability and Cronbach's alpha for the four variables were good.

B. Structural Model Testing (Inner Model)

R-Square

The higher the R-Square (R2) shows the better the prediction value of the proposed model. A model is considered strong if the R-Square value is 0.67 or higher, moderate if the R-Square value is 0.33 or higher, and weak if the R-Square value is 0.19 or lower.

Table 3. R- Square Values

Research Variables	R-Square	R-Square adjusted
Organizational Culture (Z)	0.842	0.839
MSME Performance(Y)	0.871	0.866

Source: SEM-PLS

Table 3 shows that the R-Square value for the organizational culture variable is 84.2% and MSME performance explains 87.1%, while the remaining influence comes from other factors. To test the hypothesis, the path coefficient can be

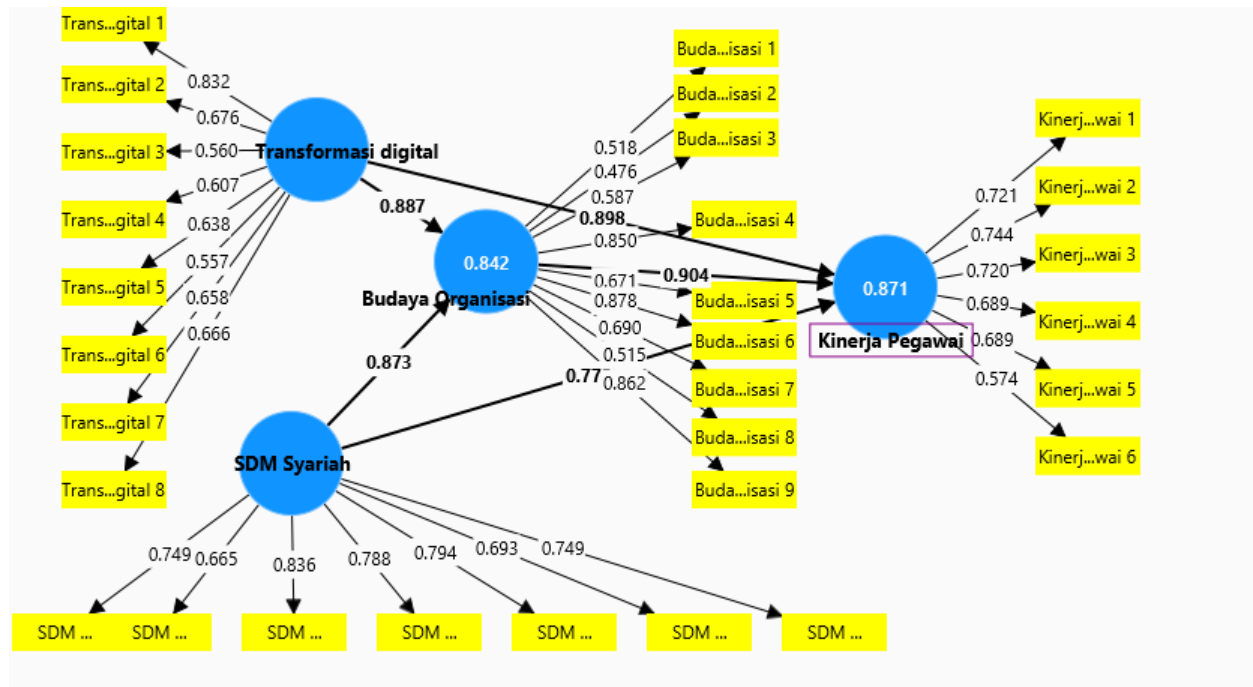checked using the inner model diagram as shown in Figure 1 below:

Figure 1. Path Analysis

Path coefficients are used to test the significance and strength of relationships as well as to test hypotheses about path coefficients. The P-Values are smaller than 0.05 and the T-statistics are above 1.96. The coefficients are shown in the table;

Table 4. Coefficient

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T-Statistics (I0/STDEVI)	P-Values
Digital Transformation -> Organizational Culture	0.519	0.519	0.089	5,832	0,000
Digital Transformation-> Employee Performance	0.516	0.512	0.81	6,377	0,000
Sharia HR -> Organizational Culture	0.437	0.440	0.086	5.112	0,000
HR Syariah -> Employee Performance	-0.206	-0.210	0.099	2,086	0.017
Organizational Culture-> Employee Performance	0.627	0.636	0.109	5,755	0,000

Based on the data, it can be seen that Digital Transformation (X1) has a significant effect on Organizational Culture (Z), with a T-statistic of 5.832 (higher than 1.96) and a P-value of 0.000. The initial sample value of this correlation is 0.519. Apart from that, Digital Transformation (X1) has a significant effect on MSME Performance (Y), with a T-statistic of 6,377 (higher than 1.96) and a P-value of 0.000. The initial sample value of this correlation is 0.516.

The data shows that Sharia HR (X2) has a significant effect on Organizational Culture (Z), with a T-statistic of 5,112 (higher than 1.96) and a P-value of 0.000. The initial sample value of this correlation is 0.437. Apart from that, Sharia HR (X2) has a significant effect on MSME Performance (Y) although the effect is not too strong, with a T-statistic of 2,086 (higher than 1.96) and a P-value of 0.000. The initial sample value of this correlation is - 2.086. Meanwhile, Organizational Culture (Z) and MSME Performance (Y) have a significant effect with a T-Statistic of 5,755.

Discussion
The Effect of Digital Transformation on Organizational Culture
The path coefficient connecting digital transformation with organizational culture is 0.519, with a T-statistic of 5.832 and P-values of 0.000. This shows that digital transformation has a significant and positive influence on organizational culture.

Effective digital transformation can strengthen organizational culture by introducing new practices that support innovation and change. For example, the adoption of new technology can improve internal communication and collaboration between departments, which in turn strengthens organizational cultural values that support innovation and efficiency.

The Effect of Digital Transformation on MSME Performance
The path coefficient between digital transformation and MSME performance is 0.516, with a T-statistic of 6.377 and P-values of 0.000. This shows that digital transformation has a significant and positive effect on MSME performance. The application of digital technology helps MSMEs increase productivity, reduce operational costs and expand market reach. Technologies such as business process automation, use of big data for decision making, and digital platforms for marketing and sales contribute greatly to improving the overall performance of MSMEs.

The Influence of Sharia HR Management on Organizational Culture
Sharia HR management has a path coefficient of 0.437 on organizational culture, with a T-statistic of 5.112 and P-values of 0.000. This shows the significant and positive influence of sharia HR management on organizational culture. Sharia principles such as justice, prosperity, honesty and responsibility help create a harmonious and productive organizational culture. These values encourage mutual respect and togetherness, which strengthens organizational culture and improves employee performance.

The Influence of Sharia HR Management on MSME Performance
The path coefficient between sharia HR management and MSME performance is -0.206, with a T-statistic of 2.086 and P-values of 0.017. Even though this effect is significant, the negative coefficient value indicates that there is an opposite impact on MSME performance. This may indicate that sharia HR management, although it has many benefits, may face challenges in its integration with modern management practices which may affect the performance of MSMEs. These challenges may include resistance to change or difficulty in consistently applying sharia principles.

The Influence of Organizational Culture on MSME Performance
Organizational culture has a path coefficient of 0.627 on MSME performance, with a T-statistic of 5.755 and P-values of 0.000. This shows that organizational culture has a significant and positive influence on MSME performance. A strong culture that supports innovation and fairness plays an important role in increasing employee motivation and productivity. Organizations with cultures that support innovation tend to be more successful in adopting new technologies and implementing effective management practices, which overall improves organizational performance.

CONCLUSIONS
This research shows that digital transformation and sharia HR management have a significant influence on MSME performance, especially when supported by a strong organizational culture. Digital transformation helps MSMEs increase productivity, reduce operational costs and expand market reach through the adoption of technology such as business process automation and the use of big data. On the other hand, sharia HR management, which focuses on the principles of justice and welfare, creates a harmonious and productive work environment, increasing employee satisfaction and motivation. An organizational culture that supports innovation and fairness plays an important role in ensuring the successful adoption of new technology and the implementation of sharia HR management.
1. Technology Investment, MSMEs need to invest in the right digital technology to increase operational efficiency and competitiveness. It includes automation software, digital marketing platforms, and big data analytics.
2. Employee Training, Providing the necessary training for employees to master new technologies and adopt changes in daily work practices. This training should include the use of digital tools and an understanding of the importance of technology in improving MSME performance.
3. Integration of Sharia Principles in HR Management, MSMEs must consistently integrate sharia principles in HR management practices to create a fair and balanced work environment. This includes internal training, regular evaluations, and the development of supportive policies.
4. Organizational Culture Development, Building and strengthening an organizational culture that supports innovation, justice and prosperity. This can be done through effective communication, involvement of employees in decision making, and appreciation for their contributions.

Recommendation
1. Collaborating with External Institutions, MSMEs should collaborate with the government, academics and non-profit organizations to obtain support in the form of training, funding and guidance in the digital transformation process and implementation of sharia HR management.
2. Periodic Monitoring and Evaluation, MSMEs need to carry out regular monitoring and evaluation of the digital transformation process and sharia HR management to ensure organizational goals are achieved and make adjustments if

necessary.

3. Flexibility in Implementation, Facing challenges in implementing sharia principles and digital technology with a flexible and adaptive strategy. This is to ensure that both approaches can be applied effectively in a variety of situations.

4. Government Support and Policy: The government should provide support in the form of policies that facilitate the adoption of digital technology and sharia management practices in MSMEs. This includes tax incentives, financial assistance, and training programs tailored to the needs of MSMEs.

This research provides practical guidance for MSMEs in adopting digital technology and sharia management principles to improve their performance. Effective implementation of these two approaches, supported by a strong organizational culture, can help MSMEs increase productivity, efficiency and overall employee well-being.

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