

Digitalization and Sustainable Leadership – Exploring risks and measures related to people and cooperation in SMEs

Lisa Marie Giermindl (lisa.giermindl@ost.ch), Sibylle Olbert-Bock (sibylle.olbert@ost.ch), Flavio De Bortoli (flavio.debortoli@ost.ch), all Eastern Switzerland University of Applied Sciences, St. Gallen

The business environment is influenced by a variety of factors that contribute to uncertainty and complexity. Technological change and digitization include technology-oriented innovations, changes in organizational structures and processes, and changes in cooperation using modern communication technologies. Digitisation is often seen as an opportunity to solve existing problems and associated with more efficient cooperation, virtual work, or higher effectiveness through assistance in the provision of services.

However, the use of digital technologies also adds to complexity and is accompanied by significant risks (Giermindl et al. 2021). An earlier study, which we conducted on sustainable leadership of SMEs showed that many companies did not specifically anticipate the prerequisites, risks, and consequences of their digitalization projects for the preservation of human and social resources (Olbert-Bock et al. 2018). The purpose of our study is to provide an overview of the risks associated with digitalisation projects from the perspective of sustainable leadership. Thus, our research question are:

- *What risks do business leaders perceive regarding their digitization projects?*
- *Which digitization risks endanger the human and social resources of employees?*

We use the concept of sustainable leadership (SL) as a theoretical lens to discuss the potential risks in various areas, including competences, health, social relations, commitment, and governance. Further, we outline the need for preventive measures to address these risks.

Sustainable leadership (SL) in digitalization

New leadership concepts, such as SL, pay special attention to human and social resources as a central competitive factor in order to ensure both the short-term and long-term success of the company. One of the objectives of SL is to preserve the social and human resources of the company. SL is associated with economic sustainability, to which social, physical, and ethical factors contribute. In the organizational environment SL is intended to create sustainable economic, social, and environmental value for society. Researchers emphasize SL is directed at the organization itself ("inwards"), which pursues the goal of sustainable use of human and social resources. They understand SL as ensuring the achievement of short- and long-term economic success. This requires consistent leadership across all management levels, with the maintenance of mental and physical health, personal and professional competences in a dynamic environment, commitment, readiness for action and the social health of the workforce and its subgroups as equal objectives to economic success (Hargreaves & Fink, 2012; D. Olbert-Bock et al. 2019).

Methodology:

We conducted several quantitative and qualitative studies to explore the perceived risks for social and human resources and potential measures for prevention. In a first study in 2018, we conducted a quantitative survey of top managers from 138 companies based on qualitative interviews to determine whether SMEs are aligning their digitization strategy with their HR strategy and whether they perceive sustainability risks in terms of social and human resources in addition to opportunities. It was already apparent in the qualitative interviews that the companies do not give much thought to either the individual opportunities or the risks. In the quantitative survey results, the aspects of increased efficiency, transparency of processes and workflows, and the possibility of easily calling in additional experts predominated with regard to the advantages of digitization. Top managers perceived the greatest risk and challenge to be keeping their employees up to date with the requirements for skills development. Other risks - such as a decline in the quality and intensity of collaboration - were rated as insignificant by respondents. Overall, it emerged that the potential risks of digitization for social and human resources were little known and little perceived in practice (Olbert-Bock et al. 2019).

The pandemic has proven to be a "booster" for the use of modern information and communication technologies and companies have gained more and more experience with the use of modern technologies. In the course of this, the discussion about the effects and risks of digitization has also progressed. For this reason, we decided to conduct another qualitative study after the pandemic. To find out how risks for SL are now seen, we asked 28 board members of SME from different branches about their digitalization projects and the risks they perceive along the preceding categorization. Additionally, we asked for suggestions on how to prevent them.

Results

According to the social dimension of SL, the statements related to risks for health, competence, retention, commitment, social relations and governance can be condensed as follows: **Health risks (1)** are in the foreground, and here in particular an overload due to the amount of work and permanent accessibility. In second place are **risks in maintaining competencies (2)**, which were also most strongly in the minds of many respondents in our earlier survey. **Risks for commitment (3)** - and here especially the risks closely linked to the change of demands, e.g., the loss of identification potential, meaning or the motivational core of the work as well as **social relationships (4)** - are less discussed. **Governance problems (5)** bring up the rear.

1) Health Risks

In terms of **health risks**, respondents most frequently cited the following risks: Always on, presentism & workaholism (16), overload due to workload (15) or to work compression, complexity, and "newness" (8), lack of ergonomics (7), stress through monitoring and transparency (5), isolation (3). In addition, time pressure, the variety of tasks, short succession of intermediate steps, but also social expectations were perceived as health risks.

For example, one top manager emphasized, "*Simple and repetitive work is being digitized. That increases the complexity of the remaining work and the intensity.*". However, not everyone is affected equally, as one executive pointed out. "*Digitization/automation allows individual tasks to be completed more quickly, which leads to a "backlog" of other employees. If this is not recognized and those affected do not speak up, it can lead to serious health consequences.*" Furthermore, presentism, and fewer opportunities to switch off can lead to increased psychological stress and strain.

With regards to time-related overload, process optimization, rules for accessibility and the use of resources, addressing signs of excessive workload and discussions are seen as possible countermeasures. Overwork is primarily countered reactively.

2) **Competency risks**

With regard to the loss of competencies, the respondents most frequently mentioned the following risks: re-skilling needs in technology- and data competence (10 mentions), creeping loss of competence and loss of ability to innovate due to priority of efficient use of employees (8), higher demands of general competencies and increasing task complexity (8 mentions) retrievability of competence for situations where technology fails/can't perform (5), loss of employability (4), missing expertise and skills (4) lack of experience building and development of intuition (3). Further, cost and efficiency considerations may hinder development and promote creeping loss of competence. In contrast, there was little awareness that automation and digitalization can impair experience building and the development of intuition, which enable the ability to act in complex situations.

Knowledge management, further training, competence development "on the job" among colleagues and the "monitoring" of their implementation are in the foreground as measures to prevent competence risks. The provision of adequate or additional time resources is hardly mentioned.

3) **Commitment risks**

With regard to commitment, the respondents most frequently mentioned the following risks: loss of meaning in work and identification with work (13 mentions); misfits between requirements and qualification leading to reduced activity – on the one hand because of the expectation of not being able to keep up (9) and on the other boredom (8); lack of perception of appreciation and social recognition (4), loss of social interaction (3).

Numerous tasks are becoming more complex and knowledge-intensive in their solution and thus more demanding and stressful. Others are deprived of their "motivational core", as in the case of the reduction of human activity to monitoring activities, which is accompanied by stressful "boredom". Thus, a few executives outlined that from the employees' point of view, the job profile may be perceived as developing in the wrong direction, that the fragmentation of the job means lacking a view of the whole and thus a

sense of purpose, that there is less freedom for the fulfilment of tasks, or that technology-related tasks and administration are too much in the foreground. Further, the social standing may suffer by the change in tasks. At the same time, employees observe that the workload is increasing and the sword of Damocles of job loss hangs over them. Against this background, it does not seem surprising, when employees ask themselves why they should go along with digitalization steps. For instance, one top manager stressed: *"Excessive digitization can lead to a decline in the sense of purpose in work, as employees have the feeling that they are only being trained to perform."* Further, an excessive amount of virtual cooperation can also contribute to a decrease in willingness to work, commitment and experienced appreciation. In the case of more complex tasks, the permanent overload or the *"not being able to do more"* could ultimately endanger engagement. However, this is not addressed much, but rather the problem of not being *"up to speed"* in terms of skills or not being able to keep up.

Therefore, the right selection of employees, *"catching up"* with employees, setting incentives and further training are in the foreground of the considerations to counter the risks. In contrast, alternative measures such as participation in the selection and design of technology is rarely mentioned.

4) **Social Relationships risks**

With regard to social relationships, the executives most frequently cited the following risks: degraded culture of cooperation within and between teams (10 mentions), increase in social competence, conflict resolution and individual ability to cooperate (8), reduced social contacts (8), decreasing trust between employees and with the manager (6), lack of shared competence building (2). Interestingly, despite the experiences of the pandemic, risks for **social relations** are less mentioned. They may be not sufficiently tangible.

Measures of prevention refer to rules of the game for attendance, investments in cooperation software, targeted exchange time, communication concepts and team events. Occasionally, changes in incentive systems are also suggested.

5) **Governance risks**

With regard to governance, the executives most frequently mentioned the following risks: a lack of data culture (12) resulting in conscious and unconscious data breaches (6), surveillance (3), misinterpretation of data (3) and increasing complexity in governance (2). Especially an insufficient *"data culture"* was seen as a risk to governance, as outlined by one executive: *"There is a lack of systematic processes to capture knowledge - it remains in the heads of the employees and is used intuitively."*

The interviewees mentioned training, awareness raising and management routines as possible countermeasures to prevent these risks.

Discussion and Conclusion

Overall, there is an awareness of risk. The fact that these are primarily health risks is probably due to their direct impact and perceptibility while creeping losses of competence or impoverishment of social relationships only gradually become apparent in their effects. They are hardly seen in their interdependence and the build-up of stress while at the same time reducing resources. A "business as usual" approach with the continuation of existing expectations of results or divisions of labour seems to dominate risk reduction measures. Given the risks on the one hand and the measures on the other, it becomes clear how a new and an old world of work exist simultaneously.

The range of proposed measures for prevention remains rather small and much of it corresponds more to a "single loop" learning. Proposals that provide participation of employees in technology planning, selection, and design is lacking. In consequence, digitalization may remain something that employees must adapt to and accept. "Taking employees seriously" instead of "picking them up" for decisions already made could help to remove fears and maintain commitment. It has not yet been possible to agree on how value creation can be achieved in the long term by managing employees sustainably. Putting it on the agenda to clarify the question of how simple tasks can be designed in such a way that employees want to and can carry them out, as well as how sufficient time can be made available to cope with complex demands would be necessary, especially for SME given the demographic development. Questions about a new work culture should also be linked to the question of how additional gains from automation can be distributed appropriately among companies and employees.

Sources

Giermindl, L., Strich, F., Leicht-Deobald, U., Christ, O. & Redzepi, A., (2021). *The dark sides of people analytics: reviewing the perils for organisations and employees.* in European Journal of Information Systems (EJIS).

Hargreaves, A., & Fink, D. (2012). *Sustainable leadership.* John Wiley & Sons.

Olbert-Bock, S. & Redzepi, A. (2018): Digitalisierung und ihre Bedeutung für Arbeit und Personalpolitik. In: Köhler, C./ Olbert-Bock, S./ Strittmatter, M. (2018): Grünbuch Digitale Agenda Bodensee – Eine Bestandsaufnahme zum Potential der Digitalisierung innerhalb KMU in der Bodenseeregion. 22-33.

Olbert-Bock, S., Redzepi, A., Giermindl, L., Cloots, A. (2019). Sustainable Leadership im Spannungsfeld zwischen Nutzung und Erhaltung von Ressourcen, OEP- Open Education Platform for Management Schools.

Orhan, Mehmet / Rijsman, John B. / van Dijk, Gerda M. (2016). Invisible, therefore isolated: Comparative effects of team virtuality with task virtuality on workplace isolation and work outcomes. In: Journal of Work and Organizational Psychology 32 (2016) 109–122.