

## **Analysis Of the Effect of Work Process Digitalization, Employee Experience, and Ethical Leadership on Employee Performance in Technology Start-Up Companies**

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### **Abstract**

This study aims to analyze the influence of work process digitalization, employee experience, and ethical leadership on employee performance in technology start-up companies in Indonesia. In the digital era, start-up companies are required to continue to innovate and adapt quickly to technological changes, so the role of work process digitalization becomes increasingly crucial. In addition, individual work experience and ethical leadership are also believed to play an important role in driving employee performance. This study uses a quantitative approach with a survey method, involving 100 respondents who work in various technology start-up companies. The analysis technique used is Partial Least Square Structural Equation Modeling (PLS-SEM). The results of the study show that work process digitalization has a positive and significant effect on employee performance. Employee experience also shows a positive effect, although not as strong as the digitalization variable. Meanwhile, ethical leadership has the most significant influence in shaping employee behavior and work motivation. This finding strengthens the results of previous studies, which state that an ethical and digital work environment can drive employee productivity and loyalty. The implications of this study underline the importance of start-up companies adopting digital strategies and focusing on developing ethics-based leadership in their HR management.

**Keywords:** digitalization, employee experience, ethical leadership, employee performance.

### **INTRODUCTION**

The technology start-up companies in Indonesia have experienced rapid growth in the last decade. This phenomenon is inseparable from the rapid advancement of information technology that has transformed conventional business models into more modern, efficient, and digital-based ones. In addition, the growing interest of the younger generation in entrepreneurship has also driven the emergence of innovative ideas that are later realized in the form of start-ups (Tannady et al., 2022). The flexible business model, the use of the latest technologies, and the continuously evolving market demand have made the start-up

ecosystem in Indonesia increasingly dynamic and competitive. However, behind this promising growth, there are significant challenges to be faced, particularly in human resource management. Start-up companies are often confronted with issues such as high employee turnover, heavy workloads, and difficulties in maintaining motivation and team performance in the long term (Sutrisno et al., 2022). This situation is further exacerbated by the fast-changing dynamics of the technology industry, which requires employees to adapt constantly. Therefore, maintaining and improving employee performance becomes a crucial challenge that must be addressed with the right, effective, and sustainable human resource management strategies (Sjahrudin et al., 2023).

One of the strategic approaches that start-up companies have increasingly applied to address the challenges of managing employees is the digitalization of work processes. Digitalization is considered to improve operational efficiency, accelerate workflow, and significantly boost employee productivity. In practice, this digital transformation involves various technological elements, such as the use of cloud-based systems that allow real-time data access, automation of repetitive administrative tasks, and the implementation of collaborative software to facilitate communication and coordination of teams scattered across different locations (Rachmad et al., 2023). However, the implementation of digitalization is not always smooth. The success of digitalization highly depends on the readiness of human resources to accept and use the new technologies. Not all employees have the same level of digital literacy, and this can affect their level of adoption of the new systems implemented by the company. Therefore, companies need to ensure that digital transformation does not solely focus on providing technology but also on enhancing employees' digital competencies through continuous training and mentoring (Abubakar et al., 2023).

Furthermore, employee experience plays a very important role in the adaptation process to digitalization. Employees with longer work experience usually go through various situations and challenges in the workplace, so they have a better understanding of business processes and needs (Violin, 2022). They also tend to have more mature problem-solving abilities, which are very useful in facing the changes in systems or technologies that the company newly implements. Moreover, work experience also contributes to an individual's confidence in facing new technologies (Gai et al., 2024). Employees who are accustomed to dealing with change are usually more open and less intimidated by digital innovations. They view technology as a tool to assist them, rather than a threat, so the process of digital adoption can run more smoothly. Therefore, employee experience becomes an essential asset in ensuring the success of digitalization implementation in the workplace, especially in rapidly growing and dynamic start-up companies (Yunanto et al., 2024).

However, work experience and technology utilization alone are not enough to guarantee success in improving employee performance. A strong and well-directed leadership role is needed to manage a dynamic, diverse team, often working under pressure in a start-up ecosystem. In this context, the concept of ethical leadership becomes highly relevant. Ethical leadership emphasizes the importance of moral values, responsibility, and ethics in every action and decision taken by leaders (Nurdiani, 2022). Leaders who uphold integrity, transparency, and fairness will be able to create a healthy, open, and respectful work environment. When employees feel treated fairly and valued morally, they tend to be more motivated, loyal, and enthusiastic about their work. Ethical leadership also helps build trust and strong emotional relationships between superiors and subordinates, which ultimately has a positive impact on team collaboration and overall performance achievement (Wibowo et al., 2023).

Employee performance is the result of various interrelated factors, such as the digitalization of work processes, individual experiences, and leadership styles within the organization. In the context of human resource management, employee performance not only reflects individual productivity but also serves as an important indicator of the effectiveness of company strategies and policies (Madyatmadja et al., 2020). Therefore, measuring and understanding the factors that influence performance becomes a crucial aspect in achieving organizational goals. Especially in technology start-ups, which are characterized by rapid changes and organizational structures that are not yet fully established, a comprehensive understanding of the aspects that shape employee performance becomes increasingly important (Susanto et al., 2023). Start-ups are required to continuously innovate and adapt to the external environment, thus needing employees who are not only technically competent but also highly motivated, adaptable, and results-oriented. Research on the factors that influence performance in this context can make a significant contribution to the development of more targeted human resource management strategies (Sutrisno et al., 2022). This study aims to empirically test the impact of work process digitalization, employee experience, and ethical leadership on employee performance in technology start-up companies in Indonesia. The results of this study are expected to contribute both theoretically and practically to the development of effective and sustainable HR management strategies.

## **METHOD**

This study uses a quantitative approach with a survey method. Data were collected through online questionnaires distributed to employees working in technology start-up companies operating in Indonesia. The criteria for respondents were permanent employees with a minimum of 6 months of work experience. A total of 100 respondents were successfully collected. The measurement instrument used a 5-point Likert scale, ranging from "strongly disagree" to "strongly agree," to measure perceptions of work process digitalization, work experience, ethical leadership, and employee performance. The validity and reliability of the instrument were first tested using CFA (Confirmatory Factor Analysis) and Cronbach's Alpha. Data analysis was performed using the SmartPLS software using the Partial Least Squares Structural Equation Modeling (PLS-SEM) method. This technique was chosen because it can analyze relationships between latent variables with a relatively small sample size and does not require normally distributed data.

## **RESULT AND DISCUSSION**

The results of the analysis indicate that digitalization of work processes has a positive and significant effect on employee performance. The higher the level of digitalization implemented in operational processes, the better the performance demonstrated by employees. This can be explained by the fact that digitalization makes work processes more efficient, minimizes human errors, and accelerates the completion of routine tasks. Digital technology also facilitates real-time access to information and coordination and improves work flexibility, especially in hybrid or remote work systems. These findings are consistent with previous research, which concluded that the adoption of digital work systems enhances productivity and internal communication effectiveness within companies. Thus, digitalization not only impacts technical operational aspects but also contributes to increasing employee motivation and overall performance.

Employee experience also shows a positive influence on performance, although the impact is not as strong as that of work process digitalization. Employees with longer work

experience tend to have a better understanding of business flows, operational procedures, and team dynamics. They are also generally better at managing work pressure and quicker in making decisions. This experience becomes an important asset in the start-up work environment, which often faces sudden changes and challenges. These findings are in line with previous studies, which stated that work experience contributes to the ability to adapt and individual effectiveness in completing tasks. Additionally, experienced employees often serve as informal knowledge sources within the team and act as mentors to more junior colleagues. Thus, while digitalization plays a key role, the presence of experienced employees remains essential in maintaining team stability and sustained performance.

The ethical leadership variable proved to have the strongest influence on employee performance in this study. This indicates that ethical leadership plays a crucial role in creating a healthy, transparent, and trusting work environment. Leaders who prioritize integrity, fairness, and transparency in decision-making will motivate employees to work better and remain loyal to the company. Ethical leadership creates a sense of safety and mutual respect among team members, which in turn improves both individual and team performance. These findings are consistent with other research, which stated that ethical leadership behavior strengthens the emotional bond between superiors and subordinates. In their research, it was found that leaders who exhibit ethical behavior can create a positive work atmosphere, which leads to increased motivation, commitment, and employee performance. Therefore, the application of ethical values in leadership not only impacts employee well-being but also leads to more optimal outcomes within the organization.

Interestingly, the integration of the three variables—work process digitalization, employee experience, and ethical leadership—shows that success in improving employee performance cannot be achieved by relying solely on technology. Digitalization indeed provides significant advantages in terms of efficiency and productivity, but without sufficient employee experience and supportive leadership, the results will be limited. Employee experience aids in adapting to new technologies, while ethical leadership creates a work environment that encourages higher engagement and motivation. This finding enriches studies conducted by previous research, which has largely focused on the importance of technology in improving performance without considering the contribution of human and leadership factors. This study demonstrates that these three factors must be integrated holistically to achieve optimal employee performance. Therefore, companies need to pay attention to the balance between technology, human resource experience, and the application of ethical leadership values to create a work environment that is not only productive but also sustainable.

Overall, the results of this study confirm that the synergy between technology, experience, and ethical leadership is the main foundation for improving employee performance in the digital era. Each factor plays a complementary role; work process digitalization drives efficiency and productivity, employee experience strengthens adaptation and problem-solving abilities, while ethical leadership creates a supportive work environment and strengthens employee commitment. All three work together to create an ecosystem that supports the growth and sustainable performance of the company. This study also shows that these factors have a greater impact when applied in the context of technology start-up companies, which often operate in dynamic and challenging environments. In these companies, which face rapid changes and fierce competition, it is essential to ensure that employees are not only equipped with the latest tools and technologies but also have sufficient experience and are led by leaders who adhere to strong ethical values. Thus, the success of start-up companies in retaining talent and improving employee performance heavily relies on

the integration of these three elements.

## CONCLUSION

This study shows that work process digitalization, employee experience, and ethical leadership significantly influence employee performance in technology start-up companies. These three variables complement each other and form an important strategic foundation in enhancing individual performance in organizations operating in the digital era. Digitalization supports efficiency and productivity, work experience strengthens resilience and adaptability, while ethical leadership shapes the positive behaviors that are crucial in a dynamic and fast-changing environment. Furthermore, the findings indicate that ethical leadership proves to be the dominant factor in shaping positive work behaviors, which encourage employees to commit to company values and contribute their best. Work process digitalization follows as a supporting factor that enhances operational efficiency, while work experience strengthens individual resilience in facing challenges. Therefore, this study emphasizes the importance of a holistic approach in human resource management in start-up companies, which includes the development of technology, empowering employees through experience, and implementing ethical leadership to achieve optimal organizational performance.

The practical implication of this study is that company management, especially in technology start-ups, needs to develop policies that balance the development of work process digitalization, the formation of ethical leadership, and the enhancement of employee competencies. Policies focused on the implementation of the latest technology should be complemented with leadership training programs that prioritize ethical values as well as the development of technical skills for employees. By integrating these three aspects holistically, companies can create a work environment that is not only efficient and productive but also adaptive to change, innovative in facing challenges, and sustainable in maintaining employee performance. With the right strategy, companies will be better equipped to face the ever-evolving dynamics of the industry while ensuring that employees remain motivated, committed, and capable of delivering their best contributions.

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