

THE IMPACT OF STRATEGIC HUMAN RESOURCE MANAGEMENT PRACTICES ON ORGANIZATIONAL PERFORMANCE

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ABSTRACT

This report explains the role of strategic human resource management (SHRM) on performance in an organization as a whole. Impacts of SHRM on performance for a company or organisation were also illustrated to fulfil the objectives of this report. Articles and journals were used to further support the views in this report. Strategic human resource management plays a crucial role in managing the organization as the human resource is the heart of any organization. Human resource is basically the study of people. The people, known as the employees are the assets of any company and it is definitely crucial to attain the strategic human resource practices to ensure the organization performance is at its peak. This report emphasizes the human resource as well as the strategic human resource practices that will affect the organizational performance. Companies that adopt good SHRM practices will definitely be able to attain their goals in the long run, to sustain their company in the industry. Having good SHRM practices will be a key competitive advantage for the company overall. A few recommendations were given to further enhance company's performance by effective management of human resource, particularly in human resource planning.

Keywords: *Strategic human resource management, human resource planning, organizational performance, impacts, competitive advantage.*

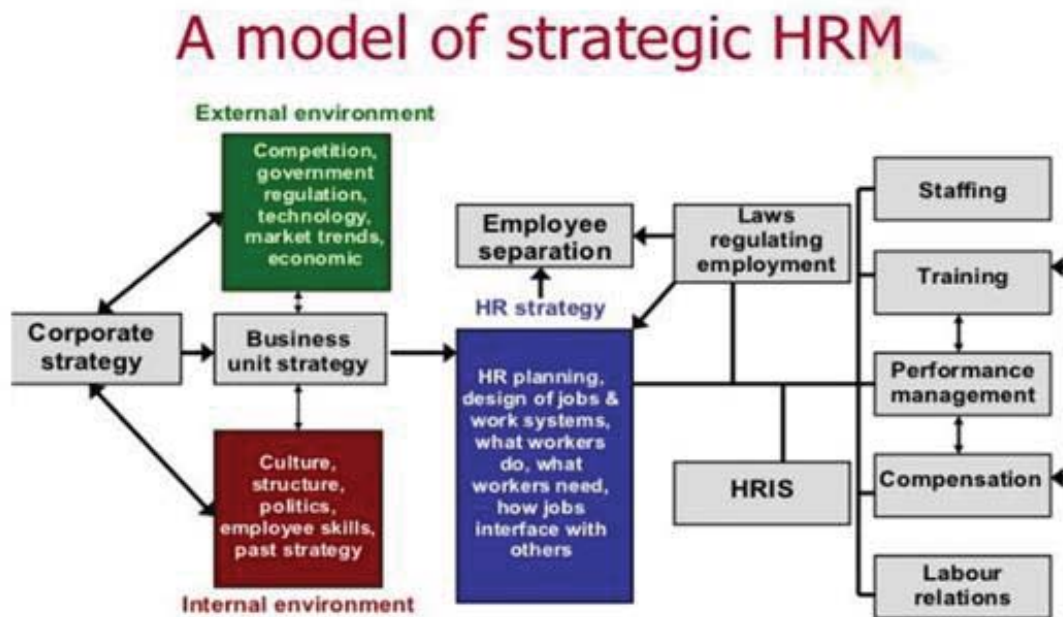
INTRODUCTION

There are a lot of competitions between organizations, taking more business, increased number of buyers, increase profits, etc. Competitions have increased due to globalization, innovation of information systems, as well as many other aspects. Many organizations want to enhance competition between themselves, with many companies being motivated by the market to set their performance goals. Some of the targets are: reducing costs, raising revenue rates, increasing the number of buyers, increasing the percentage of the market, enhancing efficiency and performance, creative goods (Ahsan, 2014). Proper managing of human resource is rather crucial compared to other ways due to the fact the employers have

other assets in the company, generating productivity and achieve objectives (Armstrong, 2016).

STRATEGIC HUMAN RESOURCE MANAGEMENT (SHRM)

Strategic human resource management is directed at enhancing productivity by handling employees. Strategic human resource management is a process involving the use of holistic methods for the creation of human resources (HR) strategies that are vertically integrated with the strategy of the business. Such approaches describe goals and objectives related to general organizational issues, such as organizational efficiency, and more basic aspects of people management, such as rewards, learning and development, resourcing and relationships with employees (Su, 2015). Strategic human resource management (SHRM) is a rather new human resource management transition. SHRM is concerned with the role of human resource management systems in business efficiency, with a specific focus on human resource coordination as a way to enhance competitive edge (Allen, 2016). Companies are now becoming mindful that functional human resource practices in various aspects such as efficiency, reliability, and financial performance of the organization can boost performance.



(Source: Rao, 2014)

Figure 1: Strategic Human Resources Management Model

Strategic human resource management is focused on understanding that organizations can be more successful when the human resources are handled by human resource practices and policies that provide the correct number of people with the right attitudes, the necessary skills and the required degree of motivation to the company. Strategic human resource management is the development of links or collaboration between the overall strategic goals of the organization and the strategy and execution of human resources (Armstrong, 2016).

Processes and individuals within the organization are handled in a manner that supports the goals of the business strategy and provides an integrated approach to the management of the various human resources functions, such as recruitment, training as well as rewards, in order to complement one another.

It is not possible to underestimate HR's strategic importance. It's position as the liaison between staff and the company is critical, particularly given today's extremely competitive environment of the workplace. Human resource planning has now become an important part of the company's strategy, the four-step HR plan to determine HR ability, predict potential needs, identify gaps and align the plan with the organization's strategy is essential to any organization's success. It heavily depends on the ability of a company to adapt and react to the market to be capable of competing efficiently. And a formal HR program is earning its stripes here (Noe, 2017).

On a broader scale, though, an effective HR approach can often set the standard for how a company works as well as how the world views it. There's many different types of HR approaches, but they often start with almost the same cornerstone at their heart: establishing a workplace culture that is associated with committed, efficient and loyal employees. -company is unique and workers of different backgrounds, industries, priorities, aspirations, and so on will be hired. Identifying what sustains and motivates staff and creating a long term plan around that concept is the key to a successful HR strategy.

Attractive wages and job benefits are prevalent in today's competitive job market. Large tech multinationals may have set the course for frequently eye-watering employee benefits and forced other organizations to keep up. Nowadays, employees look beyond how much they can be paid by a business, and what a company stands for has now become an important detail. A good HR approach is coming into use here. At the most successful organizations, while all focus on their people, the most successful HR departments differ in how they cement their good name for groundbreaking HR strategies (Collings, 2018). For example, organizations have the initiative of putting up a recognition for "employee of the month" where this would motivate the employees to increase their productivity and motivate them to further be the best they could be for the organization.

ORGANIZATIONAL PERFORMANCE

Organizational success is among the most widely utilized dependent factors in organisational research today and yet remains one of the most inaccurate and vaguely defined concepts at the same time (Warrick, 2016). Organizational quality was conceptually

characterized as a comparison of a company's value with the value owners supposed to receive from the organization (Armstrong, 2016).

Organizational HRM focuses specifically on incorporating organizational change and the organization's skill base to ensure that the company will be able to compete successfully in the future (Osabiya, 2015). SHRM encourages the growth of human resources that meets the needs of a competitive business strategy in order to achieve organizational goals and mission. Human resource management strategy is an important part of the corporate strategy. This strategy's main focus is on achieving organizational goals. Therefore, strategy is a collection of strategic decisions, many of which will be formulated formally. It is probable that a lot, if not most, of the strategy of an organization appears over time in a flow of action (Shehadeh, 2019).

Organizational success is generally related to achieving the organization's necessary goals. The different actions of employees will affect the organizational performance. Company policies and practices inspire the employees and affect the quality of the firm. Some of these are: human resources planning, recruitment, selection, training and development, rewards, and relationships with employees (Armstrong, 2016).

Google is ranked among the top as the world's best company to work for. The people are what really make Google a good company to work. The business is more than an Internet powerhouse, its headquarters in Mountain View, California offers a seven-acre sports complex, three health and fitness centres, indoor roller hockey rinks, horseshoe pits, and more than 100,000 hours of subsidized massages per year. The philosophy of Google is you can always recruit the best talent with just the right tools and grow more happy and productive staff (Irawati, 2019). Google's leadership is known internationally through these HR activities. Trusting your staff is a long way toward a positive business practice. How much trust one puts on independent staff will contribute to how far in business grow (Shin, 2017).

HOW STRATEGIC HUMAN RESOURCE MANAGEMENT IMPACTS ORGANIZATIONAL PERFORMANCE

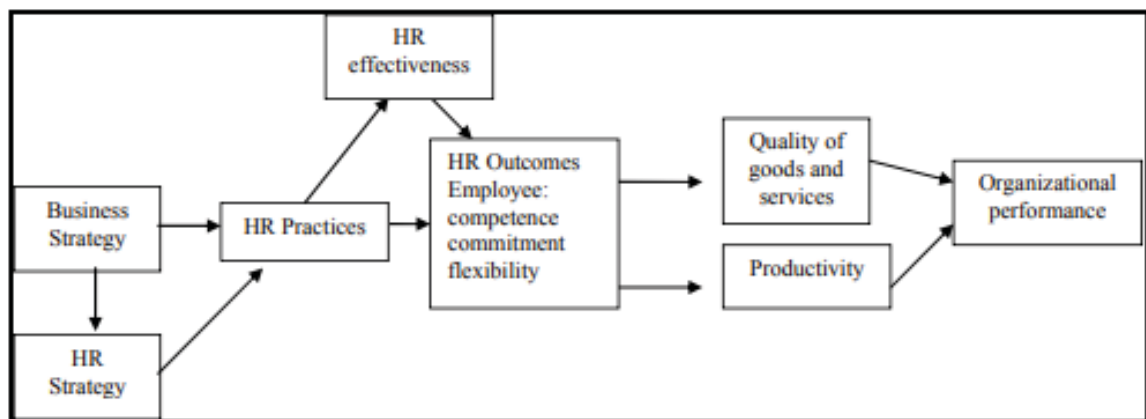
Most companies are facing a stressful situation in the market. In this sort of situation, companies need to strive to improve their market strategy in order to establish and maintain competitive edge.

The potential of their human resources is increasingly identified by companies as a source of continuous competitive edge. To conjunction with this, even more companies rely on assessment methods, such as workplace scorecards, to gain perspective into how their company brings value to human resources (Day, 2017).

A company's organisational performance is a human, method, and tech function. The employees in the organization must be knowledgeable with the necessary knowledge, talents to communicate effectively with the systems and software.

Competence of people is a significant aspect that determines operational efficiency in catering to quality services as well as products in a short period of time. HRM activities such as selection, training, business atmosphere and performance evaluation can boost staffs' ability to achieve higher efficiency (Shehadeh, 2019).

Human resources, of course, seldom have a direct impact on business results. This is particularly the case as HR's business logic allows human resources to improve firm efficiency by contributing to successful implementation of strategy. HR practitioners need to understand that successful execution of strategies is the foundation of shareholder value and that successful implementation of strategies is a system of indirect results.



(Source: Armstrong, 2016)

Figure 2: The Relationship between SHRM and Organizational Performance

Based on the figure 2 above, it is seen that human resource management is associated to the performance of the organization. There are a few key areas in strategic human resource management that will impact organizational productivity. Firstly, by attracting and retaining qualified employees. This will impact the organization through matching staff with the organization's strategic and organizational needs (Purce, 2014). Also, by providing for the recruitment, growth and retention of skilled employees who are able to achieve high performance, efficiency, and high level of social customer service and who "suit" the organization's culture and strategic needs. Moreover, the atmosphere of the workplace itself in terms of culture, vision, work-life-balance and diversity will affect the organization's performance.

When a workplace appeals to potential staff, it will be perceived that the organization would be a productive and a good place to work for. Not only that, reward management will ensure the motivation as well as to ensure that the employees commit to their roles and in return, the organization will reward their staff according to their productivity and how they contribute to the organization as a whole. Furthermore, learning and development also plays a crucial role on organizational performance. It enlarges the

base of expertise and establishes the levels of skill needed by the workforce (Day, 2017). Apart from that, having the right job description also plays a crucial role in the performance of an organization. This will administer potential employees with job scopes that will provide them with the flexibility in order to increase their productivity. This will also increase job satisfaction and their performance in the organization.

A few examples of organizations that adopt remarkable strategic human resource practices are Google and LinkedIn. Such companies have HR approaches that are internationally recognized as ground breaking. And while many of the luminaries on these lists are high-tech companies, it is refreshing to see companies that have been making waves in the HR field for decades. Companies like Nissan have formed a concept of HR that they call 'kaizen.' Kaizen encourages the employees of Nissan to constantly transform the way a work is done. It is associated with a focus on delivering the freedom for managers to hire and create their own teams (Irawati, 2019).

Alliance Boots (the Boots chain's parent company) also succeeds for supporting employee community engagement projects. In reality, Alliance Boots was the first of its kind to give formal accreditation for their community work to staff. Another excellent example is BT, a telecommunications company powerhouse that continued to preserve, train and relocate its existing employees including during the economic downturn. Its focus on its staff has earned her a loyalty reputation matched by their staff (Irawati, 2019).

IMPLICATIONS AND RECOMMENDATIONS

There are a few ways to enhance the overall performance of an organization. Strategic human resource planning is one way to enhance performance. Human resource planning is a process of planning systematically to optimize their assets, which are their employees. This will further assure the organization that hiring the right candidates will maximize their productivity in an organization. By strategic human resource planning, it will indirectly lead to the performance of the employee, which then leads to the overall performance of the organization. These are parts of human strategy that will lead to business strategy to develop effective organizational performance. By hiring the right candidate for the right roles, this will further ease the process of selection and hiring of the employees, and this will lead to the increased performance of the organization. Firms are required to consider their employee's standards to attain the desired results. Realizing employee expectations will allow employees' desired behaviour in the organization.

In general, strategic intradepartmental preparation can be a great way to start the cycle of organizational integration for HR departments. Nonetheless, irrespective of whether strategic planning starts in the HR department or in another department or is handled on a wide-scale enterprise, the HR department's decisions will be crucial to the strategic plan's success. HR practitioners must therefore be vigilant to match the HR role with all facets of the strategic plan, even though the strategic plan does not discuss HR concerns directly. Retention programs, work / life programs, succession planning, and health, safety, and security programs are among the HR strategies that are seen as key organizational issues through which HR can apply to companies strategically. The cycle of HR alignment is often motivated by problems of structure of the workplace. While the specific strategic plan of

each organization is unique, the demographics and other features of the available workforce have a significant influence on the way businesses are employed. The way companies are employed, in turn, has a major impact on the implementation of the strategy of the company.

CONCLUSION

The way a company conducts its HR has a positive relationship with the performance of the organization, while the published research generally indicates positive statistical associations between increased adoption of HR practices and company efficiency, it should also be taken into consideration that other aspects other than HR practices may affect organizational efficiency.

In addition, companies are attempting to create as much competition available in the industry, controlling their human resources to achieve the requisite organizational efficiency. A few of the objectives are to reduce costs, reach sales rates, improve customer volume, raise market share, boost quality of the product, innovative products, increase efficiency. Human resources play a significant role in reaching these metrics of success. But first, companies must be aware of their staff's needs and likewise employees need to demonstrate their abilities, be inspired and act in the way that the company needs in order to attain success. Strategic human resource management is a complex process all through the company of human resource management that is coordinated with the comprehensive approach of the firm. It allows the firm to have employees with the right qualifications and to correctly coordinate the employees as per the level of their experience and qualifications.

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