

A Review of Strategic Human Resources Management in Organization

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Abstract

This article aims to review three recent articles on the topic of strategic human resource management and discuss their relationship to some theories and concepts. The study used a qualitative descriptive method by reviewing literature from SCOPUS indexed journals to ensure the availability of research related to strategic human resource management. The results of the finding shown that Researchers often link SHRM with company performance, human capital and competitive advantage by using several theoretical approaches, including the resource-based view (RBV), social exchange theory (SET), and human capital theories. The reviewed articles treat the topic of SHRM differently, but, on the whole, they identify gaps that exist in SHRM research and demonstrate the importance of aligning HR practices vertically and horizontally.

Keywords

strategic human resources management; organization; literature review



I. Introduction

Human resources are one of the important assets of the organization because these human resources ensure the survival of the organization and make it possible to obtain other necessary resources and gain profits, as stated by Mathis & Jackson (2000) that human resources in today's era are increasingly plays an important role in achieving organizational success. In order for human resources to be the most useful for an organization, they must be managed properly according to organizational goals by a human resources manager. To help human resources managers achieve this goal, researchers developed a concept known as the concept of strategic human resource management (SHRM).

SHRM has developed quickly since 1970th with two basic changes in the literature, namely: first, the shift from the old personnel administration approach to a more modern concept of human resources and, second, a generic reorientation strategic model for the internal aspects of the organization. But, as time goes by, a number of articles propose models to explain SHRM continued to grow and develop, especially after the important theoretical revisions presented by some previous research such as: Wright and McMahan (1992), Jackson and Schuler (1995), Kamoche (1996) and special editions devoted to this topic by the International Journal of Human Resource Management (1997) and Human Resource Management Review (1998)

Meanwhile, the general idea of SHRM seems to be reasonable and beneficial for organizations, this field still needs thorough research to develop feasible solutions addressing various contexts, issues, and influences on stakeholders. In other words, there are some previous research tried to explain SHRM in way and approach an also many sector.

Based on that background, this article aims to review three recent articles on the topic of SHRM from the SCOPUS indexed journal and discuss their relationship to SHRM theory and concepts. In the end, the authors will give a personal opinion about the article reviewed.

II. Review of Literature

Recent strategic human resource management (SHRM) researches have paid a major attention to the overall issues of managing people which are integrated on corporate level. This is a criticism towards previous studies which focused on strategy and practices of HRM partially and independent from other firm strategies and policies (Lepak and Snell, 2002). The approaches used to explain the process of integrating selected strategy into human resource policy are developing from time to time as the environment keeps changing. Generally, there are two approaches in SHRM: outside-in which focuses on business problems and external environment analysis such as industry structure, competition, consumers, and other people issues as the starting points of human resource strategy management and inside-out approaches. The latter is established to overcome problem which rises since outside-in is not able to fulfill the need and challenges of competition in a dynamic environment. Inside-out is an alternative approach supported by Resource Based View (RBV) theory which defines the integration process between the human resource strategy and policy. In accordance with RBV approach that emphasizes the importance of firm's capabilities and resource in order to achieve rents and sustainable competitive advantage (Barney, 1991; Wernerfelt, 1984), inside-out pays major attention to the status quo of human resource management, that is, strategic human resource management is determined by a firm's internal capabilities and core competencies (Paauwe and Boselie, 2003).

Human Resources (HR) is the most important component in a company or organization to run the business it does. Organization must have a goal to be achieved by the organizational members (Niati et al., 2021). Development is a change towards improvement. Changes towards improvement require the mobilization of all human resources and reason to realize what is aspired (Shah et al, 2020). The development of human resources is a process of changing the human resources who belong to an organization, from one situation to another, which is better to prepare a future responsibility in achieving organizational goals (Werdhiastutie et al, 2020).

SHRM is defined as an integrated cluster of practices, policies, and strategies, by which organization manages human capital that affects or be affected by business strategy, organizational factors, and economical-social factors. (Mulla and Premarajan, 2008). SHRM has been used as a framework to test the relationship between human resource strategy and firm's performance (Rose and Kumar, 2006) as well as a resource of the firm's competitive advantage (Wright, et.al., 2001). Meanwhile, Becker and Huselid (2006) says that SHRM generally explains the relation between HR architecture and its performance, where HR architecture consists of systems, practices, competencies, and an attitude-based employee performance that point out or reflect how the management and development process on human capital go on.

According to Michie and Sheehan (2005), there are three main approaches used in understanding the SHRM: universalistic approach, contingency approach, and configurationally approach. Universalistic approach, or known as best practice, considers that some human resource practices are universal and better than others so that firms which adopt and use that kind of practices will perform better than their competitors (Rose and Kumar, 2006). Despite the popularity, this approach receives many criticisms.

Brewster (1999) claimed that universalistic approach is too simple to explain how a human resource practice can be appropriate and effective to be applied in different industry, situation, or culture contexts (Mulla and Premarajan, 2008). Meanwhile, contingency approach believes that in order to improve its business performance, firm

must make sure there is coherency between human resource policy selected, business strategy and other organizational aspects so that the employee behavior and the firm purpose will be aligned. Last but not least, is the configurationally approach. This approach relies heavily on firm capabilities for creating human resource as a planned system or pattern (planned human resource) that organizes every activity to obtain the horizontal consistency (internal consistency) and vertical consistency (external consistency) that will result in business performance. Horizontal consistency or horizontal fit shows the congruence among the various HRM practices while vertical consistency shows the congruencies between the HRM (functions, system, and strategy) and the firm strategy (Mulla & Premarajan, 2008).

Then, according to Noe, et.al., (2013) SHRM is a process of developing and managing human resources that can provide a competitive advantage value and in accordance with the company's strategy to achieve company goals. The purpose of SHRM refers to vertical alignment, which means that all activities of human resources are related to the implementation of the company's strategy to be competitive.

III. Research Method

This research is a descriptive qualitative research with Literature Review. This qualitative research is intended to explore the existing problems, in this case how SHRM can be implemented in an organization. The literature reviews that were reviewed as primary data sources in this study were the results of various research publications related to SHRM. The publications studied were in the form of journal publications. Literacy search is carried out using the SHRM keyword in the Scopus database using the publish and Perish tool which is used as the most complete index in searching for international publications, offering easy search and having a choice of time ranges that can be determined as needed. From the results of this publication index search, the author then selected 3 journal articles and examined whether there were differences or similarities from the published articles that researched and discussed SHRM in an organization.

IV. Results and Discussion

This brief literature reviews of the SHRM research in many perspectives. A comparison of the results summarized above allows us to make three conclusions concerning commonalities in the SHRM research.

The first article was done by Wright and Ulrich (2017) that provided an overview of the field of strategic human resources management (SHRM) by tracing its roots, describing the current state, and predict the future direction. Wright and Ulrich (2017) stated that researchers identified the need to align HR activities with business goals in the late 1970s, which led to the development of SHRM and the beginning of research in this field. A breakthrough in the field of SHRM occurred when researchers discovered a link between HR practices and business performance. This has led to an increasing body of empirical research demonstrating that successful HR practices lead to better financial performance of organizations; however, critics argued that this relationship is not inevitable. As a result, the authors find that SHRM began to evolve as a way to align HR activities with business needs to increase business performance. In addition, Wright and Ulrich (2017) identified current theoretical models of SHRM, the most popular of which include the resource-based perspective (RBV), social exchange theory (SET) and human capital theory. Their findings also suggest that currently, researchers are continuing to explore the relationship between

HR practices and business performance, but attention has turned to the mediating mechanisms that affect this link. In addition, Wright and Ulrich (2017) found that although there is a link between HR practices and organizational performance, researchers have yet to discover which exact practices contribute to organizational performance as part of that. Researchers discussed the concepts of conformity and flexibility and found little evidence of the impact of conformity on organizational performance. However, flexibility has been widely explored by researchers, and it has been found that a company that invests only in it will benefit in times of change. Finally, the authors of the paper made suggestions for further research in the field of SHRM. Wright and Ulrich (2017) recommend increasing the reliability of the study by using different data sources and evaluators and controlling for endogenous variables. In addition, they propose to study SHRM in a global context, identify specific human capital characteristics that affect firm performance, integrate SHRM research with strategic research, and improve related to actual university studies (Wright and Ulrich, 2017). The implementation of these recommendations is intended to provide practical implications for research and to guide practitioners in the effective management of human resources.

The second article is devoted to the context matter of SHRM and performance. Seibel (2018) aimed at to separately consider studies from the three major economies, the USA, Europe and China, to illustrate differences and similarities. A comparison of these three clusters allows the author to conclude that the US human resource management (HRM) model was adopted by European and, subsequently, Chinese organizations through the mechanism of mimetic isomorphism. In addition, the majority of studies have confirmed that certain HR procedures have a positive impact on organizational performance. Their findings showed that As European organizations adopted HRM configurations and the notion that HR should play a more strategic role from US organizations, the review suggests that Chinese organizations are now imitating US and European HRM. In all summarized studies, there is robust empirical evidence that the HR function is able to directly add value and improve organizational performance. In addition, the researchers compared Chinese HR functions with those of Western ones and tested the effectiveness of strategic HRM by evaluating existing studies. Considering the pseudo-symorphic mechanism, it can be assumed that Chinese organizations adopt the most efficient personnel configurations compared to Western organizations. Reviews also support the prediction that subsidiaries of Western multinational organizations are accelerating the development of China's HR functions.

The third article under review discussed the issues that SHRM related with human capital and competitive advantage. Delery and Roumpi (2017) reviewed the conceptual logic of the link between human resource management (HRM) practices and business results with the aim of highlighting the different treatment for RBVs in the SHRM and literatures of strategic human capital. We then propose a conceptual model showing that HRM practice is not the simple lever that enables firms to create sustainable competitive advantage, as has been recognized by most studies of human capital strategy. Instead, we argue that HRM methods can contribute to a company's sustainable competitive advantage not only by enhancing employee capabilities, providing motivation and opportunities, but also by how to shape mobility constraints on the supply and demand side.

The authors of the reviewed articles used the same research methods. Wright and Ulrich (2017) presented an extensive review of the literature related to the SHRM topic to describe the emergence of SHRM and the current state of research in the field, identifying research gaps and make recommendations for future research. Delery and Roumpi (2017) also completed a literature review, with human capital and competitive advantage. Their

choice is justified since their purpose was to analyze the most influential articles, the findings of which constituted the basis for other research in this field. Seibel (2018) also used the same research methodology, even though he more focused on Strategic human resource management and its impact on performance. Overall, all the authors used research methodologies that were appropriate for the purposes of their work.

The articles under review fit well into the background established by other research devoted to the topic of SHRM. One of the core principles of SHRM is regarding employees not as human resources but as qualities and capacities that can become an organization's source of competitive advantage (Leopold and Harris, 2009). These employees' capacities, which include knowledge, skills, talents, and abilities, are commonly referred to as human capital (Boon, et al., 2017). According to the resource-based view, human capital can be a source of competitive advantage if it provides "valuable, rare, inimitable, and nonsubstitutable resources" (Jiang and Messersmith, 2017). In this regard, Wright and Ulrich (2017) mentioned two types of human capital: general and specific human capital. General human capital includes such characteristics as health and education, and, since these attributes are valuable for all firms and portable, they cannot be a source of competitive advantage (Wright and Ulrich, 2017). Only specific human capital consisting of skills and knowledge applicable within a particular organization contribute to a firm's competitiveness (Wright and Ulrich, 2017). HR managers should keep it in mind while creating training and development HR practices.

While human capital serves as a major source of competitive advantage, it should be remembered that it is provided by people whose life consists not solely of work and who do not like to be managed. Managing human resources is problematic because all people have various identities, tend to defend their interests, and go to work to use an organization for their purposes just as it uses them (Leopold and Harris, 2009). Delery and Roumpi (2017) discussed the outcomes of this problem in their article. According to these researchers, a firm's competitive advantage is contingent on the combination between HRM practices and human capital resources. As a result, the adoption systems of HRM practices appropriate for their particular competitive environment: it is the HRM practices that can influence the characteristics of a firm's human capital resources and determine the extent to which these resources will be effectively combined with other resources and ultimately used to achieve the strategic goals of the firm. The role of HRM systems, however, does not end there. HRM systems are also key in turning competitive advantage into sustainable competitive advantage by influencing the workings of labor markets.

The authors of the reviewed articles emphasized the importance of considering the context in the process of developing HR strategies. Wright and Ulrich (2017) paid particular attention to the importance of contextual factors for HR strategies in international organizations. Thus, it may be concluded that the choice of HR strategies and practices is a challenging process requiring the consideration of many factors that determine the organizational environment. One more significant point regarding the development of HR practices is their vertical and horizontal alignment. HR practices should fit into the organization's business situation and managerial debate, and, at the same time, they should align with each other without inconsistencies (Leopold and Harris, 2009). Wright and Ulrich (2017) referred to the same concepts as vertical fit and horizontal fit, respectively.

The authors of the reviewed articles used different approaches to treating the topic of SHRM. Wright and Ulrich (2017) provided an overview of how the field of SHRM developed over time and gave a summary of its major theories and concepts, such as the RBV, SET, and human capital theories, as well as the concepts of vertical and horizontal

fit and flexibility. Seibel (2018) criticized SHRM research for placing too much emphasis on organizational performance and comparing only three groups namely the US human resource management (HRM) model adopted by Europe and China through mimetic isomorphism mechanisms. Finally, Delery and Roumpi (2017) focused their attention on discussed the firm's competitive advantage is contingent on the combination between HRM practices and human capital resources. The definitions of key SHRM concepts and theories are consistent throughout the three studies.

From the reviewed articles, the authors of the reviewed articles learned that the development of HR practices that would fit the firm's business circumstances and be consistent with each other is crucial to organizational success. At the same time, it is a challenging process requiring the consideration of multiple contextual factors. The most interesting point for me was that the current state of SHRM research was imperfect since research disregarded pressing global HR problems and lacked practical applicability. The authors of the reviewed articles found it interesting because, in opinion of the authors of the reviewed articles, it is important to search for flaws in popular methodologies and directions of scientific thought to be able to improve them and turn attention to critical issues. With regard to unclear points, the authors of the reviewed articles failed to understand what Wright and Ulrich (2017) meant by the multilevel nature of SHRM. As far as the authors of the reviewed articles understand, the authors wanted to show that SHRM is related to all levels of an organization, from individuals to the entire industry. However, the whole argument that the researchers were trying to make appeared to be vague to the authors of the reviewed articles.

The authors of the reviewed articles noticed that scholars were highly concerned about the applicability of research results for practitioners. The authors of the reviewed articles share this concern because the authors of the reviewed articles believe that research should be aimed at providing feasible solutions to problems, with which HR managers are faced in their practice. Therefore, if the authors of the reviewed articles had the chance to ask three questions from the authors, the questions of the authors of the reviewed articles would be related to the link between research and practice. First, the authors of the reviewed articles would ask if there was a possibility to conduct context-specific research that would help develop context-specific HR strategies. The second question of the authors of the reviewed articles would be as follows: if such research were possible, would its results be generalizable for the specific context? Finally, the authors of the reviewed articles would ask, to what extent it was practicable and ethical to test applicability and impact of particular HR practices in the real-world organization environment.

V. Conclusion

To sum up, SHRM is intended to align HR practices with organizational strategic goals, as well as achieve the consistency among these practices. Researchers often link SHRM with company performance, human capital and competitive advantage by using several theoretical approaches, including the resource-based view (RBV), social exchange theory (SET), and human capital theories. The reviewed articles treat the topic of SHRM differently, but, on the whole, they identify gaps that exist in SHRM research and demonstrate the importance of aligning HR practices vertically and horizontally.

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