

Strategic Human Resource Management and Performance: A Literature Review

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Abstract

The purpose of this article is to conduct an analysis through a literature review of 3 (three) reputable international journal papers related to the contribution of strategic human resource management to company performance, which aims to describe and identify the impact factors of strategic human resource management on performance in international companies. The method used is a systematic literature review of 3 (three) papers published in international journals with the stages of searching for journals through Publish or Perish (PoP), then theme selection and categorization, comparison, apostheory synthesis and conclusion drawing. The results of a systematic literature review show that the implementation of strategic human resource management that is in line with organizational goals in the company can provide a significant impact factor on the performance of international companies, especially in the regions of Kenya, Turkey and the United Kingdom (UK). And it can be synthesized from the author's perspective that strategic human resource management is related to the role of human resource management systems in company performance, especially focusing on aligning human resources as a means to gain competitive advantage and organization performance, namely the function of people, processes and technology.

Keywords

strategic; human resource management; performance



I. Introduction

Business activities in each company will always be related to changes, both changes in market conditions, customers, and competitors, as well as from the internal side there is also the possibility of changes, such as changes in human resources or others. For this reason, companies need to integrate the objectives of the human resources department function with the company's business goals in harmony to get company performance that is in line with expectations in facing the challenges of change in the future. According to (Harris & Ogbonna, 2001) human resource management has been developed into strategic human resource management by researchers who seek to highlight the importance of the concept for the effective functioning of organizations, in the last two decades there have been a number of important developments in the literature dealing with these issues. related to human management.

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).

According to (Gennard & Kelly, 1993) developing Strategic Human Resource Management (SHRM) requires maintaining the core values of the organization and ensuring that these are consistent with the strategic direction of the business, whereas according to (Hamid et al., 2017) Organizations should realize that human resource policies and practices success will have an impact on improving performance in various areas such as productivity, quality and financial performance. The explanation above is also in line with (Akong'o Dimba, 2010) organizational productivity can be measured through the quality of goods, company image, and interpersonal relationships. Employees are asked to choose one of the organizational characteristics that can encourage or motivate them to contribute to the success of the organization. These characteristics consist of the quality of goods, company image, and interpersonal relationships.

With the alignment integration between strategic human resource management and business objectives, it is expected to improve or even increase the productivity or performance of a company or organization. Therefore, the purpose of this article is to conduct an analysis through a literature review of 3 (three) reputable international journal papers related to the contribution of strategic human resource management to company performance, which aims to describe and identify the impact factors of strategic human resource management on performance in the company. International companies, especially in the regions of Kenya, Turkey and United Kingdom (UK).

II. Review of Literature

2.1 Strategic Human Resource Management (HRM)

According to (Armstrong, 2021) Strategic human resource management (SHRM) is defined as the process of ensuring that key issues of human resource management are dealt with strategically in order to support the achievement of organizational goals. Than based on Wright and McMahan in (Gupta, 2020) defined Strategic Human Resource Management as “the pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals.

The term ‘Strategic Human Resource Management’ (SHRM) (Storey et al., 2019) is used to emphasize the strategic character of a particular approach to talent and organization management – though some commentators would argue that HRM itself is inherently strategic in nature. Hence, the terms HRM and SHRM are often used interchangeably. And based on (Malik, 2018) The literature on SHRM focuses on linking a firm’s business and competitive strategy with its HRM practices. While this may seem like a logical step to achieve alignment and fit, an organization’s decision to pursue a given competitive strategy or the process of strategy making is far from simple; it involves exercising choices by managers.

According to (Azmi, 2019) The concept of SHRM is essentially based on this principle of people power, SHRM is basically concerned with the integration of HRM with the strategic management process. And refer to (Neo et al., 2016) The strategic management process has two distinct yet interdependent phases: strategy formulation and strategy implementation. Meanwhile, according to (Nasukah, 2018) Strategic Human Resource Management is part of the company's Strategic Management itself where human resource management activities are aligned with activities in other parts, through

appropriate human resource strategies so that all parts of the organization can go hand in hand in an effort achievement of objectives.

And it can be synthesized from the author's perspective that strategic human resource management is related to the role of human resource management systems in company performance, especially focusing on aligning human resources as a means to gain competitive advantage and organization performance, namely the function of people, processes and technology.

2.2 Organizational Performance

An organization is a consciously coordinated social unit, composed of two or more people, that functions on a relatively continuous basis to achieve a common goal or set of goals (Robbins, 2019). According to (Conțu, 2020) Organizational performance refers to the level in which the organization, with its multiple informational, financial, and human resources, positions itself to be effective in the business market. Achieving organizational performance depends largely on how an organization adapts to changes in the external environment.

While according to (Silitonga & Widodo, 2017) Thus can be said organizational performance is a picture of the work of the organization in achieving goals that of course will be influenced by resources owned by the organization. And refer to (Tangkilisan, 2005) organizational performance is a description of the level achievement, implementation and tasks within an organization, in realizing the goals, objectives, mission, and vision of the organization. Organizational performance according to (Sobandi, 2006) is something that has been achieved by the organization within a certain time, both related to input, output, outcome, benefit, and impact.

Cherrington in the (Demeke & Tao, 2020) defined organizational performance as a concept of success or effectiveness of an organization, and as an indication of the organizational manner that it is performing effectively to achieve its objectives effectively.

According to (Demeke & Tao, 2020) organizational performance defined in the following six main approaches.

- a. Goal Approach: organizational performance is the ability of the organization to achieve its goals.
- b. System Resource Approach: This approach discovers the relation between the organization and the environment. Organizational performance concept with a new dimension, i.e., relevancy or client satisfaction, despite its inability to resolve the discord in the concept.
- c. Social System Approach: Therefore, we can recognize that “effectiveness,” “relevancy,” and “efficiency” are the three dimensions of organizational performance. In the definitions of the goal approach, the system resource approach and the social system approach effectiveness, relevancy, and efficiency used as common elements
- d. Competing Values Approach: Competing values approach states that organizational goals will be created in different ways by multiple interest groups because of their different expectations, Cameron, K. S et. al in (Demeke & Tao, 2020).
- e. Subjective approach: “successful” business as one that will achieve the goals set by the management coalition, not necessarily one that achieved them.
- f. Constituency Approach: accomplishing objectives involves satisfying at least the minimal interests of all stakeholders.

III. Research Method

This article is intended to conduct an in-depth exploration of the contribution of strategic human resource management to organization performance. The method used is a systematic literature review to identify and classify several research results on strategic human resource management and organizational performance. Literature reviews are generally used to describe the purpose of a review, and suggest how the article should be evaluated.

Table 1. Journal articles reviewed

No	Author & years	Title of article	Methods	Locus of research
1	Harris, Lloyd C., and Emmanuel Ogbonna (2001)	Strategic human resource management, market orientation, and organizational performance.	Descriptive Quantitative	1000 unit multi-industry sample in UK firm.
2	Hamid et al (2017)	The impact of strategic human resource management on organizational performance.	Qualitative Approach	Theoretical review
3	Dimba, Beatrice Akong'O (2010)	Strategic human resource management practices: effect on performance	Quantitative	50 large companies in Kenya

The research method used by (Harris & Ogbonna, 2001) is descriptive quantitative approach, data obtained from the FAME database of 1000 multi-industry units listed companies in the UK. Using a systematic random selection procedure, the appropriate media and large companies were selected according to the established criteria, namely the date of company registration, turnover rate, and the number of workers who responded, namely 342. Then, the analysis tools used were the calculation of rates (which eliminates negative responses). does not meet the requirements of the sample size). These results are especially above those of comparable studies, perhaps reflecting the usefulness of adopting the survey design and the administration's recommendation of the study respondent's 1000 unit multi-industry sample in a UK firm.

Hypothesis 1 (H1) SHRM has a significant effect on performance

Hypothesis 2 (H2) Market orientation has a significant effect on organizational performance

Hypothesis 3 (H3) SHRM and market orientation have a significant effect on performance

The research method used by (Hamid et al., 2017) is a qualitative approach, namely through specific examples from academic research on the impact of strategic human resource management practices on organizational performance. The results of this study, after emphasizing that human resources are an important source of competitive advantage, defined strategic human resource management. Meanwhile, the research method from (Akong'o Dimba, 2010) where the design/methodology/approach of SHRM practice is conceptualized as an independent variable measured through a set of different practices. Organizational performance as the dependent variable is measured using image construction, interpersonal relationships, and product quality. The model was tested with data from 50 large foreign multinational companies operating in Kenya. The findings or results of this study indicate that the SHRM practice that best predicts company

performance is the training and development and compensation system. The relationship between the use of SHRM practices and firm performance did not hold across the five bundles of what were considered “high performance work practices”. The results of this study also assume that the relationship between SHRM practices and company performance is not directly through motivation.

IV. Results and Discussion

The findings suggest that the development of a market orientation depends in part on the proper strategy of human resource management facilitating the development of an appropriate organizational culture. Indeed, an examination of the coefficient of multiple determination (R^2) found that the size of the HRM strategy explained 25% of the market orientation variance. In other words, the strategic HR level can predict 25% of the market orientation level of an organization. Findings regarding the development of an external focus seem to depend on an internal orientation. This argument holds true if strategic HRM is purely focused on internal dynamics as was possible with early HRM research. However, recent theories in strategic HRM emphasize both internal and external focus (Harris & Ogbonna, 2001).

Then, the relationship between HRM and company performance has been a hot topic of debate over the last two decades. With most of the major scientific research coming from the USA and to a lesser extent from the UK. The underlying assumption of HRM practices is that the organization's main resources and organizational performance depend heavily on them. Therefore, if the right range of HR policies and processes are developed and implemented effectively. Then HR will make a substantial impact on company performance. Most research over the last two decades has attempted to answer two basic questions: Do HR practices have a positive impact on organizational performance? And if so, how was the impact achieved?. Thus, it was found that human resources rarely have a direct effect on firm performance. This is especially true when the business logic of the HR effect requires that human resources drive company performance through their contribution to effective strategy execution. HR professionals and line managers need to recognize that effective strategy execution is the foundation of shareholder value and effective strategy execution. Strategy managers must understand the importance of causal relationships between HR decisions that ultimately drive strategic success in the organization (Hamid et al., 2017).

In addition, based on the results of research from (Akong'o Dimba, 2010) showed that the hypothesis was tested using Pearson's product moment correlation and simple regression analysis. In the practice of SHRM, training and development showed a value of $r = 0.4$, $p < 0.01$ had the strongest positive correlation between SHRM practice and performance. Next is a compensation system with an r value of 0.3, at $p < 0.01$ and a performance appraisal that is $r = 0.2$, $p < 0.01$, and finally, flexible work arrangements get a value of $r = 0.3$, $p < 0.05$. Company performance is not correlated with recruitment and selection ($r = 0$). This implies that if there is a relationship between SHRM practice and performance indirectly through other variables that are not part of this study. Where training, development and compensation systems have a significant influence on performance. Training and development and compensation systems explain up to 20 percent of the variance in firm performance ($R^2 = 0.2$). All strategic HR practices, except recruitment and selection, are positively and significantly correlated with motivation. This shows that the use of best HR practices in training and development, performance appraisal, compensation and flexible work arrangements have a significant positive effect

on employee motivation. Employee motivation accounts for 10 percent ($R^2 = 0.1$) of the variation in firm performance.

Similarly, the best predictors of company performance showing the relevant SHRM practices are training and development and compensation systems. These two SHRM practices alone explain up to 20 percent of the variance in firm performance ($R^2 = 0.2$). As a result, SHRM motivation and practices account for 30 percent of company performance.

Findings of interviews with heads of HR, marketing and production, and employees of six companies as a follow-up to problems arising from questionnaire responses that require clarification of additional data. The interviews expanded on the information provided on the questionnaire about SHRM practices, motivation, and company performance. Minitab for regression, statistical data analysis software, is used to convert qualitative data into quantitative data. Reports from six companies on organizational performance as measured by the quality of goods, corporate image, and interpersonal relationships. Employees are asked to select one organizational characteristic that encourages or motivates them to contribute to the success of their organization. These characteristics consist of the quality of goods, company image, and interpersonal relationships. Of those interviewed indicated that they are motivated to contribute to organizational achievement because they feel that their organization produces products of superior quality when compared to competitors' products. This implies that employees perceive their company's products as superior to those of competitors. Similar responses were given for interpersonal relationships. In this case, the perception of employees is that people interact very well with each other in MNC and this is the cause of their motivation. As far as corporate image is concerned, it shows that the motivation to contribute to performance occurs because they believe that their organization's image stands out among its competitors. Only a small number of other reasons related to employee motivation and organizational performance. There is a perceived relationship between high motivation and high performance. The qualitative data, although descriptive only, confirms that MNCs utilize SHRM practices to achieve their goals, which means that there is a positive relationship between SHRM practices and organizational performance. The data support the assumption from quantitative data analysis, that the relationship between SHRM practices and firm performance is direct and indirect through motivation and, consequently, motivation affects firm performance.

V. Conclusion

SHRM and Organizational Performance where strategic HRM is centered on managing organizational culture shows that strategic HRM and market orientation both have a significant effect on organizational performance although strategic HRM has an indirect effect. The research findings lead to a number of implications for both marketing theory, HRM and practitioners. The first implication can be derived from the finding that both strategic HRM and market orientation are related to organizational performance. Consistent with various existing theories and studies, evidence was found to show that strategic HRM and market orientation are related to the overall performance of an organization. Therefore, organizations that want to improve company performance should focus their attention on the needs, wants, and demands of the market, by making use of their human resources. This finding provides some support for a 'universalist' perspective on HRM theory, in that strategic HRM is found to be related to performance albeit indirectly. However, the findings also support aspects of the 'contingency' perspective through the implication that the success of strategic HRM depends on policies that are

consistent with market needs, wants and demands. Thus, for Strategic HRM to lead to improved performance, the policies and practices arising from it must not only be internally consistent, but must also be focused on producing a market-led organizational culture.

Moreover, it is clearly understood from academic research that human resources are a source of sustainable competitive advantage, while, traditionally, the costs associated with developing HR strategies include operational costs. This fee would be better thought of as an investment in a capital asset. The way an organization manages its human resources has a significant relationship with organizational outcomes, where business competitiveness is linked to investments in company-specific assets. Although published research generally reports a positive statistical relationship between the greater adoption of HR practices and business performance, it should also be borne in mind that many factors other than HR practices can influence organizational performance. It is possible that there are complex relationships between HR practices and other resources of the firm. The causal relationship between HR and organizational performance will enable HR managers to design programs that will produce better operational results to achieve higher organizational performance. The focus of HR management should be understanding organizational performance processes and designing HR practices that affect process and outcome variables. SHRM-enterprise performance results are largely consistent with the results obtained in practice studies

SHRM and corporate performance performed in other geographic settings. However, the applicability of Western countries models of SHRM practices in multinational companies operating in developing countries is questionable because the relationship between the use of SHRM practices and firm performance does not hold across the five bundles of what are considered “high performance work practices” in the context of the SHRM models of low-income countries western developed countries. It is recommended that future studies focus on more than five bundles to provide a wider scope of practice. Broader coverage is needed because it can, for example, help MNCs avoid practices that go against traditional ways of doing things in the host country. Although research suggests that SHRM practices should focus on more than the five bundles used in this study, a sound theoretical development explaining how such SHRM practices operate should be established. This study suggests a longitudinal design to look at SHRM practices, motivation and performance over time to examine the sequential and reciprocal relationships among these organizational aspects. For the effective interaction of people with technology and processes, the people in the organization must be sufficiently competent, with the necessary knowledge, skills and abilities. Individual competence is an important factor that determines operational effectiveness in terms of providing quality products and services in a short time.

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