

Strategic Human Resource Management and its Impact on Organisational Performance

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Abstract

In Today's volatile environment, organizations are facing emerging challenges in the form of Competitive advantage. Human resources are the assets for an organisation. These assets play a major role towards enhancing the performance of a company. HRM Practices facilitate the development of completeness among the company employees that are specific to an organisation. Strategic HRM focuses on the setting up of a causal link between the overall strategic objectives of an organisation and its HR strategy and its implementation. This research concludes that there exists a positive relationship between good HR practices and business performance. The understanding of casual linkage between the SHRM practices and organisational performance of business enables the HR managers to design programmes that would lead to better operational results. It also helps the organisation to perform better and achieve higher goals. In this paper, the concept that human resources are an important source of competitive advantages has been emphasised. Thereafter, SHRM is defined. Specific examples from academic researchers have been considered to emphasise the influence of SHRM practices on the performance of an organisation. The conclusion reached is that the way an organisation manages, and sustains its human resources has a remarkable relationship with its performance and achievements.

Keywords: Business Performance, Competitive Advantage, HRM Practices, SHRM

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1. Introduction

Economic market today has become very volatile, changing rapidly. Phenomenon like globalization, changing attitudes and tastes of customers, the demands of investors and continuously increasing product-market competitive trends are greatly responsible for this volatility in current business organizations. This brings up the necessity of being able to compete in it market. It becomes necessary for each organization to improve its performance on continuous basis to compete in this environment. This can be done by reducing costs, bringing about innovations in products and processes, improving quality of their products and increasing productivity. Any organization is made up by the people who work in it, i.e. its human resource. They are considered to be one of the most important resource available to an organization. In fact, they have proved to be more important for competitive success in any business. Other resources used to more important earlier but now they are considered to be less important. Therefore, organizations need to develop a different frame of reference for tackling the issues of human resource management and strategy in order to survive in this highly change

and competitive market. It cannot be denied that there are many traditional sources like product technology, process technology and economies of scale which provide a competitive advantage to an organization but the need of HRM cannot be ignored in the present competitive environment. Therefore, nowadays the function of HRM is rising up and it has made its place at a higher level in organizational hierarchy. HRM's objective is to ensure that a skilled and workforce may be procured and employed at the right place in organization as and when required.

SHRM has the object to find and understand the needs of present and future customers and to satisfy their customers by developing their employees. The organization should ensure its human resource contribution, potential, reliability and employability by carrying out learning and continuous development opportunities. This also involves that the selection procedure of employees, management development and training activities should be linked to the requirements of business.

The concept of Strategic Human Resource Management (SHRM) represents a new change in the field of HRM. SHRM deals with the role of HRM systems and practices influencing the performance of the business. It particularly focuses on the

use of human resource asset for taking competitive advantage over the other rival firms. Successful human resource policies and practices increase the productivity of organizations' workforce in diverse areas. The business gets quality work from skilled employees. Thus the business financial performance enhances and gives them an edge in the competitive market. This implies that HRM practices are directly related to the successful performance of a business.

2. Objectives

The objectives of this research paper are as follows:

- To explain the concept of Strategic HRM and its advantages for an organization.
- To provide important ways to implement HRM practices which leads to enhanced organizational performance.
- To examine the relationship between HRM practices and the performance of the business.
- To suggest which HRM practice may result in improving organizational performance.

3. Human Resource - A Source of Competitive Advantage

Michael Porter introduced "Theory of Competitive Advantage". When a business gets a competitive edge over its rivals, it succeeds in creating value for the customers, says Michael Porter. He asserted "the importance of differentiation, which lies in offering a product or service that is perceived industry-wise as being unique". He stated "The need to focus on viewing a particular buyer group or product market more effectively or efficiently than competitors who compete more broadly". In order to gain competitive advantage Michael Porter developed "well-known framework of three generic strategies i.e. cost leadership, differentiation, and focus". These three strategies, he said, can give an organization competitive advantage. Porter's concept, that the factors determining the environment of a company impact the company's performance, has been widely accepted. According to the resource-based view, on the other hand, the basis to gain a competitive advantage over other companies primarily lie in the manner in which the company concerned applies or uses the bundle of valuable resources has in its stock. Resource-based theory of competitive advantage emphasizes the fact that an organization success has a direct link with its internal resources, its strategy and its performance.

According to the resource-based view the human resource systems can contribute to sustained competitive advantage by developing the competence and skill of its employees that are firm-specific. The company which has unique capabilities for managing its human resources has been success in gaining competitive advantage over other companies. It has given a sustained superior performance.

Conversely, if the HR practices of a company reduce the enlistment of new competencies or wipe out their existing skill ironically help their competitors to gain productivity and more profits. Hence, it is important to make sure that the companies policies are in favor of its employees.

It is important to analyze that the organization which gains success through its human resource practices sustains for a long time. Moreover, its practices cannot be readily initiated by its competitors. Generally, it is not visualize the success of HRM practices to others. The culture of a company, how people are managed there, and how effective these things are in relation to the employees' skills and counter behavior are generally viewed by the competitors as spongy side of business, and thus generally ignored. Even when they are not ignored, it is an ascending task to understand the dynamics of a specific company, and how it manages its employees, as both these factors merge together in a system. It is easy to imitate one practice but not easy to imitate several.

It is important to HRM to frame some strategic goals for the company so that it can gain and sustain competitive edge.

- To invest in its human resources by introducing and encouraging the learning process through designed schemes in order to increase the capabilities of the employees. These practices should align employees' skill with the organizational needs.
- To ensure that the organization is able to identify what knowledge is required to meet its objectives and satisfy its customer. HRM practices should work in such directions that the organization is able to develop its intellectual capital.
- To define what kind of behavior the company expects from its employees for its success. Further HRM practices should ensure that the expected behavior is encouraged, valued and rewarded in order to motivate the employees.
- To encourage and inspire its people to engage themselves whole heartedly and conscientiously in the service they give to the organization.
- To drive the commitment of people towards their organization's objectives keeping its values high.
- To achieve these goals it becomes important for the organization to have an insight into the association between the HRM practices and organizational policy.

4. HRM and Its Strategic Value

The HRM practices have to perpetually justify their functions in the organization. When the organization finds itself in sound financial position, it can easily justify expenditure done on the employees' training programmes, new recruitments, a good compensation package to the employees, rewards and employee involvement systems. But when the times are bad and the organization is faced with financial difficulties, the first thing an organization does is to cut short HR expenses. Strategic human resource management (SHRM) is the innovation which is helpful in examining the role of HR in business strategy. It has got an opportunity to exhibit its value to the organization. The advent of the concept of SHRM can be dated back to 1984. **Devanna, Fomhrun and Jichy** widely explained the relationship between business strategy and HR practices. Since then HRM practices have gone through a sea change over the past 2 decades. These changes brought about two key transformations. First, the organizations which identified their employees' management as personnel management changed their perception and transformed the concept to human resource management. This transformation made the organization recognize that their employees are their greatest asset; hence they should be managed analytically and humanely.

The second transformation resulted from the former knowledge base which considered human resources as a discipline. The transformation was founded on the recognition that besides coordinating human resource practices and policies with one another there was a need to link them with the organizations needs and objectives. Considering that these needs are included in the strategies of an organization, this transformation of HRM come to be known as "strategic human resource management".

SHRM is based on the assumption that if the employees of an organization are managed effectively with accurate human resource policies and practices, the organization would have correct number of people required who would behave in an appropriate manner. This would further provide the organization with a workforce that is well motivated and competent to give its best to the organization.

In other words, SHRM indicates that there must be created a link between strategic objectives of business and application of HR strategies in order to achieve an integration in the business. In reality, in an organization overall HR process and practice is operated to achieve the objectives of the business strategy. It creates an integrated approach to manage various HR functions, such as recruitment and selection of personnel, their training and reward packages, in such a way that they complement each other.

SHRM may be advantageous to an organization in several ways:

- SHRM greatly contributes to the goal accomplishment, thereby making the organization sustain for a longer time.
- It supports the organization in implementing its business strategies successfully.
- It helps the company in creating and maintaining an edge over competitive advantage.
- It enhances the innovative potentials of the organization and improves its responses to the needs of its customers.
- It increases the number of achievable strategic options available to the organization.
- SHRM practices make a company successfully participates in strategic planning, thereby influencing the strategic directions available to it.
- It develops a support between the HR department and line managers which greatly strengthens cooperation between them.

In the current scenario SHRM practices have gained much popularity because they promised a greater organizational effectiveness which can be achieved through developing HR strategies. These strategies are linked with the business strategies. Today researchers are examining SHRM. According to some researchers, it is important to take resource-based view to investigate the role of HR practices in the performance of an organization. Resource-based view of strategy clearly indicates that the strategic potential of an organization largely depends on its resource capability, especially its human resources. Many researchers who have made their research on SHRM have suggested that the systematic HR practices results in top performance of the organization. The capable human resources also provide the business competitive advantage as against their rival firms. With a talented and skilled labour force, a business can face any economical or political challenge. SHRM practices can play a great role in this regard. SHRM practices create value addition to its business. When the individual practices are correlated in a manner to ensure the development of critical resources or competencies.

5. Impact of SHRM on Organisational Performance

The market situation today is volatile, posing continual competitive challenges. In such an environment organisations can avail the opportunity by creating and sustaining competitive advantages by improving their business performance. Organisation are now increasingly acknowledging the potential of their human resources they which are capable becoming important source to get them a sustained competitive advantage. The impact of this has been that today most of the organisations are trusting on measurement approaches, like work force score card to investi-

gate how human resources can add value to their business and give them more profit.

The number of studies have been carried out by scholars which show that there is positive and powerful relationship between human resources management and organizational performance this has increased the organizations interest in the measurement approach the relationship between HRM and business performance has been a hot topic of debate in the last two decades. a great volume of primary scientific research has been conducted in the USA, and to a lesser extent , in the UK organizations as well as academic researchers have tried to prove that HRM practices have a positive impact on productivity in competitive and challenging market the published researches two show this assumption emphasising the fact that the employees are any organization are key assets and its performance largely depends on then therefore when in an effective manner, a suitable range of human resource policies and processes are developed completely and implemented, it will positively affect the performance of a business. In last two decades the resources have examined to assumption.

First, do HR practices influence the organisational performance?

If this being true, how is that impact achieved?

The second question needs to be answered. It is not sufficient to validate HRM by proving that it is beneficial to a business. The pertinent fact question is how HRM do and practices succeed in doing so guest at all thought out a model of the relationship between HRM and performance. As we all know there are several business shareholders in an organisation but the main planned target of any business is to attain higher economic performance and maximizing the wealth for the shareholders. Financial performance of a business depends to a great extant on the working performance of its human resources. The operational performance is the function of its people, process and technology. In older to make and optimum use of the process and technology available, the organisations should have human resource that are competent and skilled enough to contribute to the productivity of the organization. A competent individual contributes the operational effectiveness and thereby provides quality products. HRM practices as section of competent and skilled workforce. The tools like professional training and the methods of performance appraisal motivate the employees to give better and editable performance. It is clear that HRM practices have a quality and positive impact on an organizational performance. HR professionals and line managers must understand and recognize that successful strategy is the basic of shareholders profit.

6. Conclusion

It is indeed clear from the study of various researches carried out by academicians that human resources are a source that can give a competitive edge to an organisation. Traditionally the money spent on the development of HR strategies was regarded as an operating expense. But it would be better to consider these expenses as capital expenditure which has been incurred for developing human resource assets. The way an organisation manages its HR assets decides the future of that organisation. The relationship between HR practices and strategic objectives supports the resource-based concept that a company's competitiveness depends, to some extent, to investments in company's specific assets. One thing we have to remember that though most of the published researchers conclude that there lays a positive statistical relationship good SHRM practices and performance of employees, there are several other factors that could influence organisational performance. After understanding the link between HR practices and organizational performance, the HR professionals can make such HR programs that would bring great operational results in the performance of human assets and there by profits to the stakeholders.

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Annexure-I

STRATEGIC HUMAN RESOURCE MANAGEMENT AND ITS IMPACT ON ORGANISATIONAL PERFORMANCE

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