

Strategic Human Resources Management And Organizational Performance: A Literature Review

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Abstract: Strategic Human Resources Management is one of the concepts of how HR management should be carried out in the organization. The strategic HRM approach shows how the organization's goals will be achieved through competent individuals through various HR strategies and integrating HR policies and practices. Consequently, HR professionals must understand various activities that have strategic value. However, various studies have shown that human resources have not optimized achieving performance at the organizational level. Various factors become a black box in determining the extent to which HR can contribute strategically. Creativity and innovation, including the ability to act fast and agile, become imperative for an organization to survive. It is all in the hands of employee that exist in the organization. The Covid-19 pandemic event is momentum for all HR professionals to rethink the extent to which the organization's HR system has been strategic.

Keywords: Strategic Human Resources Management, Organizational Performance, Competency

1. Introduction

"I believe that by focusing on improving the quality of human resources, Indonesia can immediately realize its vision of becoming a developed country."
(President Jokowi, 2019)

"HR can become a strategic asset because the ability to execute strategy well is a source of competitive advantage and people are the lynchpin of strategy execution."
(Dave Ulrich)

How many organizations believe that the key that must be possessed to be competitive and win the competition lies in human? Many organizations are competing to optimize human resources with various concepts and practices applied to lead the organization better. It creates a need to manage the employee well and manage HR strategy, or in other words, HR management, by aligning employee competencies with the organization's strategic needs. Wright & McMahan (1992) define SHRM as "the pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals." The main difference that Wright and McMahan (1992) note between SHRM and traditional HRM lies in (a) a vertical alignment with organizational strategy and (b) coordinating HR practices horizontally through a pattern of various planned actions. Also, SHRM focuses explicitly on "... the determinants of decisions about human resource practices, the composition of the human capital resource pool (skills and abilities), the specification of required human resource behaviors, and the effectiveness of these decisions given various business strategies and competitive situations." After nearly two decades, what are the current HR management practices so that HR can play a role in supporting the strategic organization. The extent to which HR professionals contribute to the development of the role of HR for the organization.

The strategic HRM approach shows how the goals set by the organization will be achieved through individuals through various HR strategies and integrating HR policies and practices. Armstrong (2010) states that the main objective of strategic HR is to produce organizational capabilities by ensuring that the organization has employees who are trained and highly committed, have attachment to the organization and are motivated to achieve sustainable competitive advantage. Nowadays, many organizations are increasingly aware of competent resources' critical role in creating a relative competitive advantage over competitors. Consequently, professional HR needs to understand the organization's business processes, a trend in the business environment that can affect its sustainability, and understand its culture. Therefore, the HR department is expected to have an active role in supporting organizational strategy achievement.

To understand the transformation in HR, HR professionals must understand various activities that have strategic value. Wright, G. McMahan, S. Snell, and B. Gerhart (1998) in Noe et al. (2016) identified three HR

activities: transactional, traditional, and transformational. Transactional activities (transactions that occur daily, such as administration of benefits, record keeping, and HR administration services) have low strategic value. Traditional activities such as performance appraisal, training, recruitment, selection, compensation, and labor relations have a moderate strategic value. These are often the practices and systems in place to ensure a strategy has been executed. Finally, transformational activities create long-term capabilities and adaptability for the organization. These activities can take the form of knowledge management, development management, cultural changes, and changes in direction or strategic renewal. These various activities clearly have a significant contribution to the strategic value of the organization. In this area, HR must allocate more time to contribute to the organization's strategic management.

"You cannot mandate productivity:
You must provide the tools to let people become their best" (Steve Jobs)

For example: "What factors encourage someone who has a potential talent for an organization to be interested in joining the organization and decide to stay?" Bhattacharya, Sen, and Korschun (2008) stated that top management could implement Corporate Social Responsibility as one of the tools to attract, motivate, and maintain a talented pool of workers. Nowadays, it is a challenge for organizations to maintain profitability versus undertaking a social responsibility role. Organizations in carrying out social responsibility start from providing fair returns to investors' capital, providing products and services that are safe and reliable for consumers, fair compensation, and a safe working environment for employees, including a healthy environment for the community. This clearly shows that when social responsibility is exercised, it will promote a company's viewpoint with customers, open up access to new consumer markets, and help attract and retain talented employees. Noe et al. (2011) state the role of the HR Department in supporting the form of CSR implementation. When someone has a potential talent interested in joining the organization, the role of the Human Resources Department to then practice HR is good and right through the practice of HR, or there is an organization that already has a Talent Management program.

2. Human resources strategic and performance

(Wright & Ulrich, 2017; Fuentes et al., 2019) in their article states that research on SHRM has actually developed in terms of quantity and breadth for more than 30 years. These various studies focus on the relationship between HR practices (some use other terms such as high-performance work systems, high-commitment work systems, performance-oriented work systems) and organizational performance. Although these various relationships are naturally expected to form a positive relationship and cannot be debated, many research have shown inconclusive conclusions on various issues. Various studies mention the same HR model or tool or practice being applied in different organizations, but the results can be different; even organizations have failed: HR practices have no positive impact on organizational performance. Delery and Doty (1996) develop three HR perspectives that can explain this: First, the Universalistic perspective: that some HR practices are better than other HR practices, and all organizations should adopt these best practices. Second, the Contingency perspective: For an organization to be effective, HR policies must be consistent with other organizational aspects. Lastly, the Configuration perspective: HR has a relationship "configuration" with other structures and processes in the organization. Until now, there have been many black boxes in the implementation of HR management that do not encourage the achievement of organizational performance (See Figure 1). Therefore, the question that always arises, how can various developing HR concepts and practices encourage organizational

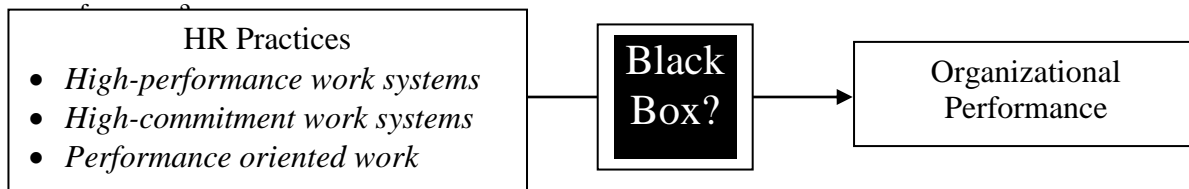


Figure 1
HR Practices and Organizational Performance

(Boon et al., 2017) tries to integrate what is often referred to as human capital and human resources with a strategic approach. The term human capital appears as a strategic resource that is part of applying the resource-based view (RBV) view in strategic management. Organization requires human resources that meet the VRIS criteria (valuable, rare, imitable, and non-substitutable) and will be human capital to encourage

organizations to achieve a competitive advantage and achieve superior performance levels (Barney, 1991). The basic idea is why human capital can have the potential to be a source of competitive advantage (see Figure 2). First, the supply of an organization's human capital can be a vital determinant of the quality of output and organizational efficiency (in this case, human capital resources are valuable, valuable). Second, heterogeneous human capital resources are distributed among organizations (in this case, human capital resources can rarely be found); and factors such as specificity, social complexity, and causal ambiguity can reduce the flow and replication of human capital resources. In other words, human capital resources can be difficult to imitate.

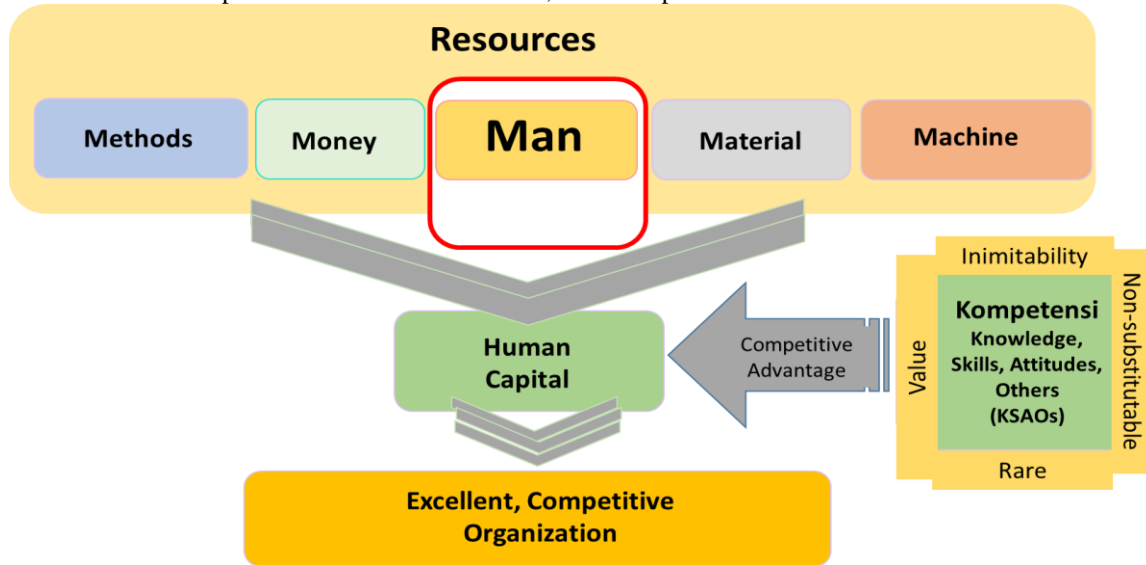


Figure 2.
Human Resources Leading to Excellent and Competitive Organizations

Then how will this human capital lead to competitive advantage? (Barney & Wright, 1998; Coff, 1997) revealed that human capital resources would lead to competitive advantage if they can produce relative economic benefits. Human capital is a unique resource so that individuals can negotiate the value they can provide to the organization. To ensure that human capital resources' competitive advantage can be sustained in the long term, the organization must maintain its resources from imitation or diffusion by others. Diffusion can occur in the context that human capital resources move to competitors. Also, organizations can imitate competing human capital resources by identifying the knowledge, skills, abilities, and other characteristics (KSAOs) that underlie resources and develop them through training programs and other development programs.

The strategic management process has two distinct phases that are interdependent, namely strategy formulation and strategy implementation. In the strategy formulation phase, the team that plans the strategy makes decisions based on strategic direction by defining the organization's mission and objectives, external threats and opportunities, and internal strengths and weaknesses. This team then produced alternative strategies and compared the abilities of various alternatives to achieve the organization's mission and objectives. When implementing the strategy, the organization will run according to the determined strategy. This implementation can appear in the organizational structure, allocating resources, ensuring the organization has competent employees, and developing a compensation system that links employee behavior with the organization's strategic objectives. Strategy formulation and strategy implementation must be carried out effectively, and it must be remembered that the two processes are not carried out sequentially.

3. Hr professionals role

The set's strategic choices will be the answers to questions about the competition, namely how the organization will compete to achieve its mission and objectives. The decision will consist of various issues to compete in, including how and with what organization will compete. How does the HR function develop HR strategies? Various studies have tested how the HR function carries out developing strategic HR to contribute to business strategy. The HR department conducts environmental scans to determine trends or events that could impact the organization (e.g., future talent shortages, increasing expatriate workers, and the workforce's age profile).

Furthermore, what is done is to analyze various business strategy needs (for example, organizational growth, the possibility of expansion into international markets, or whether the organization needs new technology).

Based on these various issues, the HR Strategic team needs to identify HR issues that are specific and important to organizational success (for example, the possibility of a leadership vacuum, lack of expertise in technology, and others). This information will be used to design strategic HR and then prepare various plans for various priorities and leading programs, policies, and processes that must be developed or executed. Finally, the HR strategy is communicated to various relevant parties, both internal and external.

Various businesses in context and the intensity of competition experience changes, causing stakeholder expectations to change dramatically; and HR professionals should increasingly become aware of their interests. Human Resources Competency survey results conducted on 4000 HR practitioners showed the wider and increasing expectations of stakeholders regarding the effectiveness of HR, both outside and within the organization. HR professionals must use their knowledge of business and human resources to help organizations develop strategies and align them with HR policies and practices. HR managers must focus on the times as they are today. Noe et al. (2016) stated that HR managers must have the ability to analyze the impact of the organization's business on decisions that HR must make or in developing and maintaining the best talents to support the organization's business strategy. HR professionals can make various contributions depending on the level of involvement and the nature of the strategy used.

4. Strategic employee competency development practices

If the organization gains a competitive advantage, then conducting training will provide necessary skills development. Organizations should view training more broadly as a way to create Intellectual Capital. That is consists of necessary skills (i.e., skills needed to carry out work), or more advanced skills (for example: how to use technology to share information), or the ability to understand consumer behavior or manufacturing systems, or increase creativity and strengthen working group cooperation. For example, Brassey, Christensen, and van Dam (2016) stated that during the last decade, the movement of the workforce globally has continued due to various factors. The increasingly competitive business landscape, increasing complexity, and the digital revolution require increasingly diverse employees. However, on the other hand, the increasing uncertainty faced by the business world, the demographics of a multigenerational workforce, and the shorter age of knowledge stored in humans make reskilling, and upskilling processes become significant needs. The shift in the digital and knowledge-based economy shows the need for a workforce will and ability to do both. Various studies also show a significant percentage that market capitalization in public companies is based on intangible assets, such as skilled employees, excellent leaders, and knowledge. These various trends are stated by Brassey et al. (2016) led to the importance of the Learning and Development function in today's organizations.

The training design process must be systematic but still flexible so that it can adapt to business needs. Several stages can be carried out simultaneously. The important thing that HR Managers must understand is that designing training in a way that will not systematically reduce the benefits of training. For example, having a training method before determining training needs or ensuring participants' readiness for training will increase the risk that the method chosen is not the most effective method for meeting training needs. Training will be a waste of time and money. The participants may have the required knowledge, skills, or attitudes, but this will not motivate them to do better. Various factors can affect work and learning, such as globalization, demographic changes, new technologies, and economic changes, including in 2020 with the emergence of the Covid-19 pandemic. Various training is carried out classically or traditionally or face-to-face to use technology (e-learning or blended learning) with curricula and training learning resources that are not ready to be carried out with e-learning. These various things can cause organizers, instructors, and participants to experience changes in attitudes and behavior in implementing training.

5. Conclusion

At the beginning of 2020, the whole world experienced an unpredictable situation with the Covid-19 pandemic. The Covid-19 pandemic that has occurred has affected various aspects of life, including the business environment. This situation is one real example that the organization will always face a situation full of uncertainty. For example, how surprised it was when it became imperative for various organizations to implement a work from the home pattern using available technology. Creativity and innovation, including the ability to act fast and agile are imperative for organizations to survive with their business's operationalization. It is all in the hands of humans, employees in the organization. Various global competitive changes, technological developments, changes in work patterns have led to changes in the emergence of various HR practices. For example, the interview process is carried out using Zoom, Webex, Google Meets, Skype, and others, conducting training with the e-learning method, implementing flexible working hours, or the emergence of various jobs that

are done remotely. Some examples of these changes are certainly not easy to implement, and not all organizations are willing or able to adapt and learn quickly.

More and more organizations realize that human resources are the most valuable asset. They adopt various policies such as developing competencies, building teamwork, changing the mindset of "organization as a second home for employees," building competency-based performance systems, and innovating developing employees. Various focus is given to improve employees' welfare, including social security when employees enter retirement by providing a range of benefits (benefits) such as health insurance, life insurance, pension funds, and others. In these various matters, an HR professional has a significant and crucial role in acquiring, developing, maintaining, and firing employees with the various challenges they face. The question is: will HR professionals be able to manage the various challenges that exist? So that the organization has competent human resources?

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