



STRATEGIC HUMAN RESOURCE MANAGEMENT AND ITS IMPACT ON ORGANIZATIONAL PERFORMANCE

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Abstract

Strategic Human Resource Management is a growing approach for companies to match up their Human Resource strategy, practice, and policy with their long-term goals and competitive strategy. Unlike Traditional Human Resource Management, which primarily focuses on administration and operations, SHRM focuses on proactively managing Human Capital as a strategic Asset that directly contributes to the Organizational Success of a Company. This research paper aims to explore how SHRM practice areas (Consisting of Strategic Workforce Planning, Talent Acquisition and Retention, Performance Management, Training & Development, and Employee Engagement) impact Organizational Performance, including Organisational Performance; Productivity, Innovation, and Employee Commitment; Financial Performance. The Abstract shows that companies that develop and implement a planned strategic Human Resource Management system can enhance their organization, thereby attaining sustainable competitive advantage, using these various Theoretical Perspectives (e.g., Resource-Based View; Human Capital Theory). On the basis of the findings presented in this paper, firms that utilise SHRM practices that are consistent and integrated demonstrate increased flexibility to changes in the environment, higher levels of employee motivation, and superior overall performance of their organisation. The study emphasizes the importance that an organization maximizes SHRM to achieve its objectives in creating organizational excellence by matching HR strategy with business goals and getting commitment from leaders.

Keywords: SHRM, Organizational, Performance, Capital Theory,

Introduction

HR is now seen as a major strategic resource for companies to have an efficient, strategic response to today's quick changing economic environment characterised by strong competition, rapid technological advancement, globalisation and the need for employers to meet changing employee needs. HR will help businesses achieve a competitive advantage that lasts by providing the business with its most valuable asset – people. Strategic human resource management (SHRM) is seen as a shift away from traditional Human Resource Management (HRM), where HRM functions were primarily administrative and operational; to a more comprehensive, forward-thinking approach to aligning HRM with the overall strategic direction of an organisation. Strategic human resource management is the means by which organisations develop and implement their HR policies and processes to support the achievement of their organisational strategic objectives. Traditional HRM is generally focused on the administrative aspects of HR operations such as payroll, regulations, recruiting; while SHRM is about using people strategically to create value and increase the flexibility of an organisation and improve the overall performance of the organisation. SHRM includes developing an organisational culture that promotes high-performance work environments and integrates key HR processes such as Employee Performance Management (EPM), Training & Development, Compensation & Rewards, and Employee Relations into an organisation's overall business strategy. Organizations' performance can be evaluated from a variety of perspectives such as productivity, efficiency, quality, innovation, employee satisfaction, and competitive ability. There is significant evidence that organizations with an effective strategic human resource management (SHRM) approach have higher performance because SHRM allows for increased levels of employee engagement, commitment, and competence to improve organizational performance. The Resource-Based View (RBV) states that organizations that have valuable, unique, inimitable, and irreplaceable human resources are likely to have a sustained competitive advantage, and that this RBV provides a strong foundation for the SHRM approach. Organizations must also be able to respond quickly and flexibly to the rapidly changing business environment, which has increased the complexity of business. Strategic HR plans have become necessary for organizations to respond effectively to the external challenges posed by technological disruptions, demographic changes, and the changing nature of the labor market. Through HR planning, organizations can develop leadership capabilities, encourage employee engagement, and foster an environment of continuous learning to support their long-term sustainability as well as short-term performance. Despite increased interest in SHRM, many organizations continue to have challenges with integrating HR plans with their overall strategic plans. There has been warranted concern over the actual impact of Strategic Human Resource Management (SHRM) on company results because of the delay between preparing and implementing an HR strategic plan. In order to do this, the purpose of this research is to examine the relationship between SHRM practices and company performance, looking specifically at how aligning HR strategies with business goals improves both productivity and competitive edge.

Human Resource Management

Human resource management (HRM) is a modern strategy for overseeing an organization's employees. According to this method, human beings are the most important asset. The focus is on the human element of company management. Since an

organisation is a collection of individuals, it is crucial to condition them in the areas of acquisition, skill development, stimulation for advanced conditions of accomplishments, and preservation of their position of faithfulness and commitment. Training like this is under the purview of HRM. There are four primary conditioning steps in human resource management: acquisition, development, stimulation, and conservation of HR. Keeping the association's human relationships strong is the responsibility of human resource management. Along with the advancement of individuals, it aims to bring together the aspirations of the association and its employees. As a subfield of general management, human resource management aims to encourage and support each person in reaching his or her maximum potential in service of the company's goals. HRM isn't a commodity that can be separated from its initial directing role. It is an essential part of the full-fledged directing role. People who placed a premium on people—the "human relationists"—are largely responsible for the development of HRM. Management entails more than just human resource management. Meanwhile, it's important to recognize that HRM is a crucial part of management. Every single director is responsible for this task. In order to gain the respect of his subordinates, a director must assume the primary duty of selecting them and then aiding in their development, motivation, and guidance. To get the job done, nevertheless, he can consult the labor force department's technical services.

Strategic HRM – A brand new emphasis

Alignment with the organization's overall strategy and horizontal alignment across different HR departments are two goals of strategic human resource management, which include applying broad strategies to the growth of HR practices. These plans cover both general organizational concerns, like making the company more productive, and more targeted areas of human resource management, such staff interactions, learning and development, pay, and resources. When it comes to human resource management, strategic planning is all about differentiating your company from the competition, fostering strategic change, and ensuring your business can stay competitive in the long run (Holbeche, 2004). When compared to more conventional forms of HR management, strategic HRM stands out for two main reasons. To start with, it does not place an emphasis on personal success but on the performance of the company as a whole. A second point is that, instead of looking at HR practices independently, it highlights the importance of HR management systems in solving business problems, including positive and negative complementarities. Strategic human resource management is about more than just numbers; it's about building a long-term edge over the competition and using it to your advantage in the marketplace. The connection between an organization's HR framework and its whole performance is the meat and potatoes of the SHRM model. A company's HR architecture reflects the management and development of its strategic human capital through its systems, processes, capabilities, and employee behaviors. The strategic resource's quasi-rents are reflected in the organization's superior performance, which is connected to its HR design.

Strategic Shift in HRM

The change from conventional HRM to SHRM—Strategic Human Resource Management—is a major movement in the field, with the goal of better integrating HR operations with overall business goals (Liu, Combs, Ketchen, & Ireland, 2007). According to this development, HRM's main role is to help the company achieve its long-term goals while also meeting its legal and, to a lesser degree, ethical responsibilities to its workers. The expanding importance of government rules in employment interactions and the clear desire for HRM specialists to play a more strategic role rather than an administrative one explain this change. Within this framework, HRM experts and researchers logically want to bolster HRM's legitimacy by embracing the current organizational emphasis on performance and strategic alignment. Human resource management's function in modern businesses has changed substantially throughout the years. From its roots in more conventional methods of employee management, modern human resource management (HRM) has expanded to cover a wide range of issues related to workers' rights and workplace regulations. Human resource management (HRM) draws on ideas from human resources and human relations (HR) to facilitate more equitable and compassionate interactions between employers and employees. This development has shifted away from the employee-centric and company-centric viewpoints advocated by administrative theory and scientific management. The emphasis of human resource management has changed many times in the last few decades, from business process reengineering—which aims to streamline organizations—to strategic HRM, which aims to enhance organizational value. It is worth mentioning that HRM does not always take the lead in shaping organizational structures, tactics, or management philosophies, but rather follows the crowd. Both SHRM and HRM share a core positivism and managerial focus with other management disciplines (Harley & Hardy, 2004). So, they've changed over time to reflect new understandings of management and employment in organizations and society at large. More and more, people at the organizational level are counting on HRM practices to significantly affect the way their company performs. At the same time, changes have occurred on a social level in regards to the representation and protection of employees, the methods used to establish salaries and working conditions, and the execution of critical HRM activities like recruiting. This shift in society is attributable, in large part, to new laws and regulations, but it is also the product of changing expectations among stakeholders about what constitutes ethical business practices in the workplace.

Strategic Human Resource Management

The idea is Human resource management has come a long way from its humble origins in labor force management, when a director's responsibilities and liabilities were limited to administering hiring processes, keeping payroll records up to date, monitoring employee advancements, and handling other mundane matters pertaining to the workforce. Strategic Human Resource Management (SHRM) is still emerging as a new direction in HRM research and practice. The subtle effects of SHRM

on business operations and, by extension, performance have attracted a lot of interest in the field. More and more, people are coming to believe that in order for businesses to thrive in today's competitive global market, they need to adopt successful HR practices in order to build and oversee top-notch human resource capabilities. This challenges the long-held belief that success in business is solely dependent on technological advancements and efficient management of resources. In a larger sense, SHRM is all about aligning human resources goals and performance with the organization's overall objectives. The document makes an earnest effort to merge HRM with business strategy. Human resource organizational strategies are essentially plans and programs that aim to handle and overcome certain very fundamental challenges associated with HR management from a clearly defined strategic perspective. Their main focus is on aligning and integrating with the association's HR practices, initiatives, and commercial and business unit goals, both vertically and horizontally. In order to tackle the major problems and elements pertaining to human resources, Strategic Human Resource Management offers a philosophical and abstract viewpoint. The Society for Human Resource Management (SHRM) helps members make strategic decisions that have an effect on the association's successful programs and practices over the long run. To create a sustained competitive edge, a company needs employees that are professed, educated, dedicated, and tone-motivated. SHRM's abecedarian objective aims to help organizations develop these qualities in their workforce. The goal is to provide guidance in a confusing situation so that the needs of the organization and its employees may be satisfied via the creation of workable, integrated HR programs. One of SHRM's fundamental tenets is the distribution of HR responsibilities to line directors instead of labor force directors, and another is the importance placed on HRM's integration with business and commercial initiatives.

Research Methodology

The methodology of this study was developed in a systematic and organized way to evaluate how Strategic Human Resource Management (SHRM) can impact the success of businesses. This methodology was set up to provide an accurate and unbiased representation of the data collected through this study.

Research Design

In this study, researchers designed their study using analysis and descriptive. An analysis approach helps establish a connection between SHRM practices and organization performance, while descriptive helps identify and describe prevalent SHRM practices adopted by firms. Additionally, descriptive is used to describe current adopted SHRM practices. The research design primarily focuses on quantitative data but provides qualitative data when required.

Nature and Sources of Data

Both primary and secondary data are utilized in the study.

Primary Data: A standardised survey will be designed to collect data directly from employees as well as Human Resources (HR) personnel and Senior Executives from selected companies. The survey is designed to gain insight into the various areas of Human Resource Management (HRM) such as: recruitment and selection; training and development; performance reviews; compensation and reward; and employee engagement. Additionally, it will provide information about company performance in areas such as: productivity; efficiency; employee satisfaction; and perceived company effectiveness.

Secondary Data: Secondary data on Strategic Human Resource Management and organisational performance come from a variety of literature, peer-reviewed journals, research papers and studies, academic sources related to research, business publications and online databases, that provide empirical evidence as well as help support the creation of a theoretical framework for your analyses.

Sampling Design

To ensure that respondents represent an objective view of the topic, this research employs a Random Sampling Method. A Random Sampling Method allows researchers to obtain a representative sample from a diverse group of employees and human resources experts across multiple organisations and industries. An appropriate sample size was chosen to ensure that the statistical significance of the findings can be generalized to a larger population.

Data Collection Tool

The means of collecting data is through the use of a structured questionnaire. The method by which information will be gathered to establish how SHRM practices relate to organizational performance is through use of a Likert-type scale with five response categories ranging from "Strongly Disagree" to "Strongly Agree." The instrument has undergone pre-testing to assure it is adequately clear, reliable, and valid.

Data Analysis Techniques

Statistical tools and methods are employed on the analysed data from the collection. The data in this analysis is represented by descriptive statistics (like mean, standard deviation, ratio). The impact of SHRM practices on an organisation's success is determined by using inferential statistics (like correlation and regression). Additionally, Cronbach's Alpha is used to test the reliability of the measurement tools being used.

Ethical Considerations

During the course of conducting Research, strict adherence to Ethical Standards is maintained by the Researchers. The Recruitment of Participants is purely voluntary; every attempt will be made to protect the participant's privacy and confidentiality, and all Data collected will only be used for Academic Purposes.

Results

The five tables of data produced by this study include information about your Strategic Human Resource Management and its relationship with business performance. To understand the current trend of Development, descriptive statistics were completed before these data were interpreted.

Table 1: Demographic Profile of Respondents

| Demographic Variable | Category | Frequency | Percentage (%) |
|----------------------|----------------|-----------|----------------|
| Gender | Male | 68 | 56.7 |
| | Female | 52 | 43.3 |
| Age Group | Below 30 years | 34 | 28.3 |
| | 31–40 years | 46 | 38.3 |
| | Above 40 years | 40 | 33.4 |
| Experience | Below 5 years | 38 | 31.7 |
| | 5–10 years | 47 | 39.1 |
| | Above 10 years | 35 | 29.2 |

The respondents have an equal number of males and females, along with similar distributions of ages and time spent working in a profession. The large percentage of respondents aged 31 - 40 and working a moderate-to-high amount of time supports the idea that these respondents have been exposed to organizations, are aware of HR policies, and are familiar with their organization's processes.

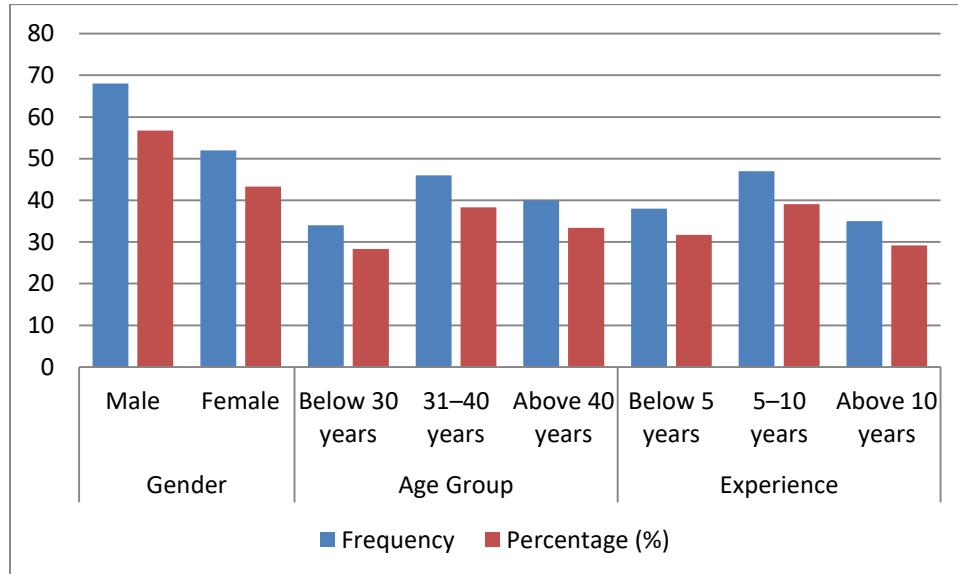


Table 2: Mean Scores of SHRM Practices

| SHRM Practices | Mean Score | Standard Deviation |
|-------------------------|------------|--------------------|
| Recruitment & Selection | 4.12 | 0.63 |
| Training & Development | 4.25 | 0.58 |
| Performance Appraisal | 3.98 | 0.71 |
| Compensation & Rewards | 4.05 | 0.66 |
| Employee Engagement | 4.30 | 0.54 |

Based on average scores, most participants view that their organizations are effectively using SHRM practices. The highest average scores indicate a strong strategic emphasis on the development and inspiration of workers through engagement, training, and development. Performance evaluations received favorable scores, but the average score is lower, suggesting there is an opportunity to better align the strategy.

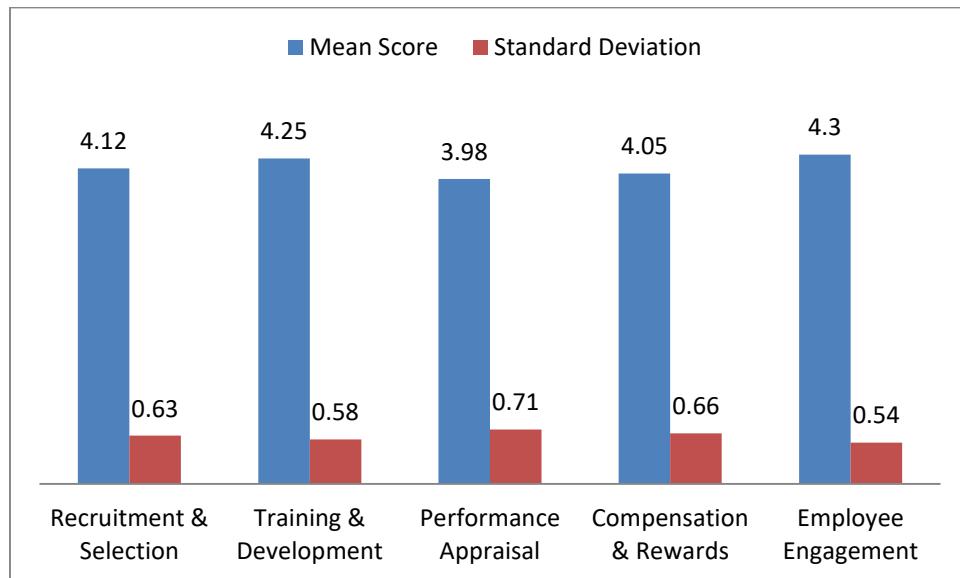


Table 3: Organizational Performance Indicators

| Performance Indicators | Mean Score | Standard Deviation |
|---------------------------|------------|--------------------|
| Employee Productivity | 4.20 | 0.59 |
| Job Satisfaction | 4.35 | 0.55 |
| Organizational Commitment | 4.18 | 0.61 |
| Innovation Capability | 3.95 | 0.72 |
| Overall Performance | 4.22 | 0.57 |

The results of the study show a high perceived level of Organizational Performance. The two items with the highest scores (Job Satisfaction and Overall Organizational Performance) demonstrate how SHRM Practices positively impact employee attitudes and outcomes. Innovation Capability scored relatively lower than Job Satisfaction and Overall Organizational Performance but still had a score above average; however, in order to develop a stronger Innovation Capability through SHRM, it is necessary to be more aggressive with Strategic HRM Interventions related to Innovation Activity.

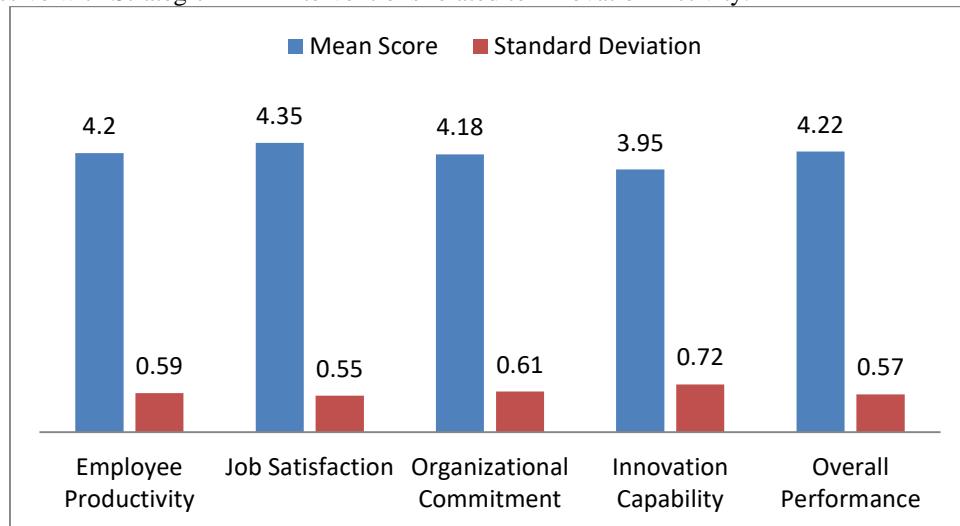


Table 4: Correlation between SHRM Practices and Organizational Performance

| SHRM Practices | Correlation Coefficient (r) |
|-------------------------|-----------------------------|
| Recruitment & Selection | 0.62 |
| Training & Development | 0.71 |
| Performance Appraisal | 0.58 |
| Compensation & Rewards | 0.65 |
| Employee Engagement | 0.76 |

Correlation studies demonstrate that the correlation between Strategic Human Resource Management ("SHRM") practices and Company Performance ("CP") is significant and positive. The correlation coefficient for Employee Engagement ("EE") was the highest of all SHRM and CP variables. Thus, there is a clear connection between employee engagement and improved company performance results. Additionally, Training & Development ("T&D") is highly correlated with itself, indicating that T&D is essential to an effective strategic human resource management system.

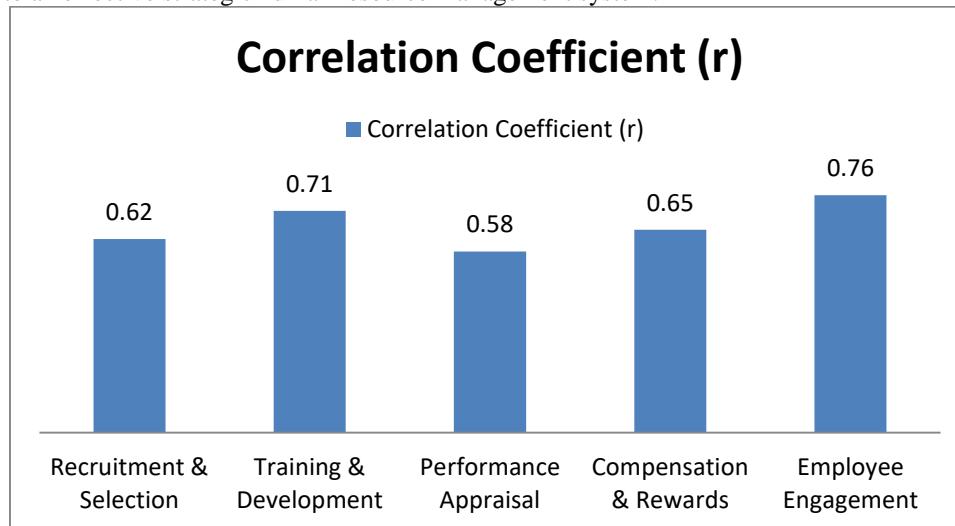
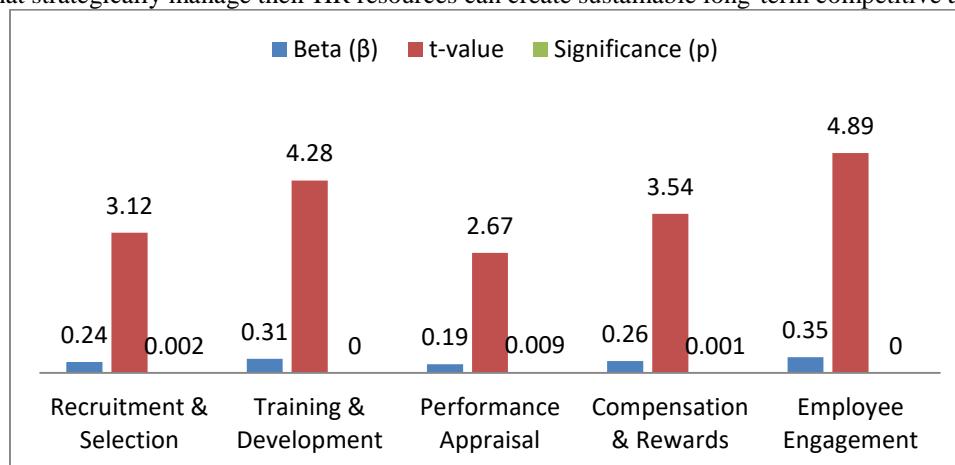


Table 5: Regression Analysis – Impact of SHRM on Organizational Performance

| Predictor Variable | Beta (β) | t-value | Significance (p) |
|-------------------------|------------------|---------|------------------|
| Recruitment & Selection | 0.24 | 3.12 | 0.002 |
| Training & Development | 0.31 | 4.28 | 0.000 |
| Performance Appraisal | 0.19 | 2.67 | 0.009 |
| Compensation & Rewards | 0.26 | 3.54 | 0.001 |
| Employee Engagement | 0.35 | 4.89 | 0.000 |

The results of this study indicate a strong relationship between the use of SHRM practices and the performance of organizations. The three areas that are most predictive of success are Training and Development, Compensation and Benefits and Employee Involvement. All variables with a statistically significant p-value ($p < 0.05$) indicate that the alignment of HR practices with corporate strategy has a positive impact on organizational performance. Furthermore, these findings confirm the importance of SHRM in enhancing business efficiency and effectiveness. Investments in employee involvement/support, professional development and fair compensation will produce positive outcomes in the areas of employee satisfaction, productivity and overall output. The results support existing theories of SHRM and other empirical studies and provide support to the notion that companies that strategically manage their HR resources can create sustainable long-term competitive advantages.



Conclusion

This study demonstrates the role of SHRM as a key factor enhancing business performance. SHRM requires companies in the present environment to recognise the strategic potential of human resources, rather than treating them as an administrative back office function. Rather, the study indicates that success in the long term requires organisations to utilise the strategic

management of Human Resources as a vital factor contributing to organisational performance improvement. The research findings confirm that well-planned and strategically integrated HR practices impact positively upon business performance. In particular, the study demonstrates that the performance measures of an organisation, including productivity, employee satisfaction, employee commitment, and organizational effectiveness, positively correlate to key SHRM practices, such as the recruitment/selection process, training/development process, performance appraisal, reward and compensation processes, and employee involvement. Of these SHRM practices, two stand out as the most important for achieving optimal business outcomes; they are Training/Development and Employee Engagement. By motivating employees and giving employees opportunities to develop their skills, these HR activities lead to optimal organisational outcomes. Further, this study supports the Resource-Based View of the firm, which posits that through using a company's unique and effectively-managed human resources, organisations can maintain a sustainable competitive advantage. The study also advocates for a strategic alignment of HR policies and organisational goals. When HR initiatives are aligned with the broader goals of an organisation, a company has a better ability to adapt to changes, promote innovation, and engage their workforce. However, if there is poor alignment or fragmentation of the HR functions, then it is likely to impede on the benefits and positive impact of Strategic Human Resource Management (SHRM) on organisational performance. There are some limitations of this study, including the use of self-reported data and its relatively small sample size; nonetheless, it provides important new information that complements our understanding of SHRM.

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