

# Review on Strategic Human Resource Management

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**Abstract:** *The aim of this paper is to discuss the important relationship between the High Performance Working System (HPWS) as the main component of Strategic Human Resource Management (SHRM) and organizational performance as the basis for the determination of sustainable competitive advantage. It also explores the link between HR strategy and business strategy. Findings validated the association between SHRM-HPWS and the financial as well as non-financial (employee outcome) organizational performance based on literature review as demonstrated. HR strategy is also linked to business strategy as it contributes to maintaining high-quality customer satisfaction, performing high-quality, loving employees, and maintaining employee dedication and commitment to the organization for successful and sustainable competitive advantage. It thus strengthens employee growth, motivation and willingness to remain in the company longer. To conclude, to maintain the competitive advantage, organizational efficiency can be achieved through different sources. Also the conceptual framework illustrates how the study comes into conclusion.*

**Keywords:** *Business Strategy, Competitive Advantage, HPWS, HR Strategy, SHRM, Organizational Performance*

## I. INTRODUCTION

With the advent of new and innovative ways of working, industry is gradually deteriorating with increasing demand for strategic human resource management (SHRM)[1]. Human resources are considered the organization's most valuable assets, where individuals or workers work in an integrated system. With strong SHRM being applied through the High Performance Work Systems (HPWS)[2], companies are likely to improve their performance contributing to organizational success. In addition, proof on using HPWS for achieving sustainable competitive advantage. This is possible with the acquisition of highly skilled and competent workforce by the company that is unable to mimic rivals and, most particularly when properly motivated, enables such employees to perform beyond expectations. Increasing workers to engage in decision-making and providing them with quality training and information sharing that further improves expertise, capabilities and decision making.

Given these facts, the purpose of this paper is to address the significant relationship between the HPWS as the main component of SHRM and organizational success as the basis for determining the competitive advantage that is sustainable. It also discusses HR policy[3] and business strategy integration. Next, the topic starts with the description of Human Resource Strategy and its relationship to business strategy, and then describes the HPWS and seven dimensions as well as the fundamental theories underlying the SHRM framework.

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## **II. HR STRATEGY AND BUSINESS STRATEGY**

HR policy as a way of attaining the goals and objectives of the enterprise by increasing the use of human resources. It also answers the common question of where the business is and which way the company should go right now. He exclaimed in relation to human resource management[4] that creating an efficient HRM can be achieved by encouraging employee engagement and dedication and growth, which in turn creates a positive relationship between HR policy and the strategy of the company. Business strategy[5] as long-term business planning which considers the people working in the organization performing basic management functions such as planning, organization, controlling, etc. HR policy is important in maintaining the organizations ' sustainable competitive advantage, as well as achieving the goals and objectives of the organization. Its role extends to combining tactics, programs and purposes to meet the overall company's Performance and corporate principal roles. In addition, the HR strategy focal point is characterized with employees having superior attributes, unique skills and expertise to suit the customer satisfaction requirements. A successful HR approach is characterized by high-performance, caring staff, devoted and committed employees demonstrating to maintain competitive advantage. Therefore, it also focuses on selecting the right candidates in the job, having characteristics such as special abilities and skills as well as integrity and dedication to the organization.

## **III. HIGH PERFORMANCE WORKING SYSTEM**

High performance work system applies to HR activities that take the greater involvement and obligation of workers to achieve workplace productivity into consideration. Considering humans as the lifeblood of controlling human resources and a source of competitive advantage. Numerous researches have exclaimed there is a strong significant relationship between SHRM-HPWS and the success of organizations. Employees, who are highly committed, empowered with HRM empowering programs also contribute with implemented HR practices to the organizational performance. HPWS developed the HPWS areas for hiring, choosing, creating, empowering and retaining staff. Therefore, maintaining a competitive advantage helps the sets of interrelated HR activities to improve management expertise, employee engagement and efficiency or HPWS employability. While HPWS has varying meanings and methods, different authors have settled on a common denominator to define HPWS components that include: robust recruiting and selection processes, incentive compensation programs, training and development initiatives, employee engagement[6], flexible work arrangements, and job security.

## **IV. ORGANIZATIONAL PERFORMANCE**

There are various ways to measure the efficiency of the organization. Success can be calculated, for example, by financial metrics such as revenue and profitability[7]. On the other hand, it can also be measured according to employee satisfaction and productivity as well as other non-financial measures such as increased market share, company image and best quality products. Output is best evaluated with financial analysis such as revenue and productivity which is also this paper's key argument. On analyzing the various literatures presented, the study identified a relationship between SHRM and financial performance[8]. Output is best evaluated with financial analysis such as revenue and productivity which is also this paper's main argument. On analyzing the various literatures presented, the study established a relationship between SHRM and financial performance. But this is not always the scenario when referring to Wright and Williams ' study arguing that it is not the HPWS practices that contribute to the competitive advantage of sustainability but the human resources. Further statement concluded that, in sales, profitability and cost savings, SHRM-HPWS directly relates to the financial performance of the company preferably.

Meeting the target of excellent organizational success is the driving force for companies to uplift the image of the company. In fact, the main objective of HRM is to improve the performance of the company by evaluating the efficiency and effectiveness of the employee at work. Commitment and dedication by the people working within the company will help the organization achieve the goals and objectives of the organization that influence the success of the business. Organizational efficiency[9] is largely determined by human resources, considering their communication skills, Motivation and leadership in recognizing and valuing the wellbeing of the workforce as important assets and an instrument for maintaining and increasing the performance of the company.

## **V. SHRM-HPWS AND ORGANIZATIONAL PERFORMANCE**

The definition of human resources is represented in two approaches: the generalist and distinctive approach. The generalist approach as those people who work for the company while the distinctive approach suggests that the following have been taken into account by personnel or human resources: Knowledge, intelligence, judgment, risk-taking and experience of persons affiliated with a business. In other words, the mixed use of knowledge, education, training, skills and company workers ' expertise as an equivalent definition of human resources explains the distinctive approach. While several studies suggest the relationship between SHRM-HPWS and organizational efficiency, a dominant finding mainly relates the relationship to organizational financial performance while affirming the results of recruiting professional and scalable workforce at the same time would increase revenues and decrease costs. It was found that HPWS activities common to many companies have a positive relationship with the financial performance of the organization. Therefore, SHRM-HPWS has helped the organization to come up with strategic decisions that endorse the development of long-term competitiveness for businesses, employee safety and the fostering of a skilled workforce, commitment, and incentive to achieve competitive edge. It also has a positive impact on the performance of the organization as a result of productive cooperation through employee work

synergies that allow the company to tackle environmental factors that hinder the business from going forward. Better efficiency, for example, is achieved by companies who use strategically innovative HRM strategies while low-performance businesses find themselves using conventional methods. SHRM therefore provides a competitive advantage in many ways as it results in increased economic benefit and shareholder value, added consumer value or increased market share, And even greater dedication to staff, as well as strengthened abilities, expertise and talents. This thesis incorporates HRM methods according to Jeffrey Pfeffer's seven dimensions in his book entitled "The Human Equation" that includes: (1) Employment security. (2) Selective hiring of new personnel. (3) Self-managed teams and decentralization of decision making as the basic principles of organizational design. (4) Comparatively high compensation contingent on organizational performance. (5) Extensive training. (6) Reduced status distinctions and barriers, including dress, language, office arrangements, and wage differences across levels. (7) Extensive sharing of financial and performance information throughout the organization.

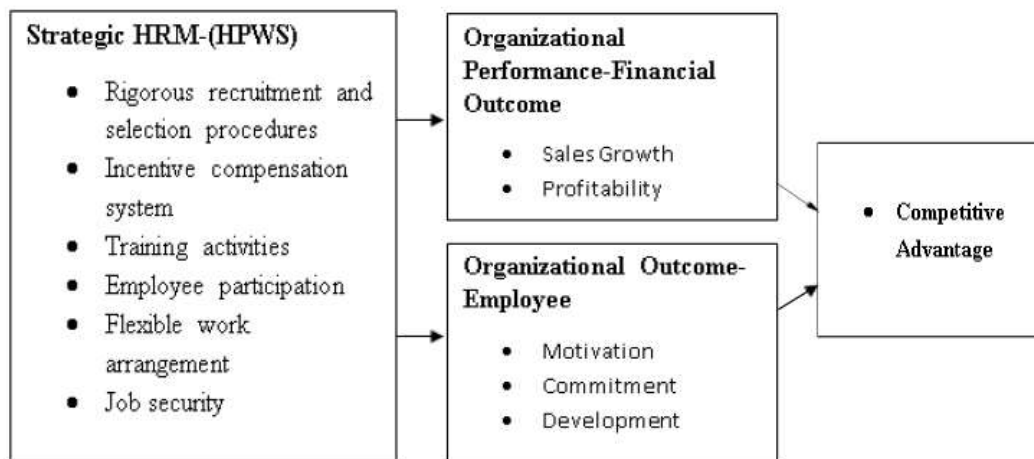
In addition, it is possible to state brief descriptions for each of those dimensions. Selective hiring of new employees is the selective hiring which emphasizes the employees ' ability to match the position between the qualification and the work environment. It also believes that hiring qualified personnel can increase productivity and thus lead to increases in revenue and profitability. Nevertheless, comprehensive training is described as training that improves the problem-solving skills of the employee and also helps employees to increase skills to perform their duties more effectively and efficiently. Teams and Decentralization[10] claim that the unity and cooperation of workers in working groups allows them to perform better in line with the safety rules, which ensures that greater cohesion guarantees familiarity with the role assigned. Information Sharing assumes that information sharing between managers and employees will result in employee trust in management and sharing the same information across organizational levels, enhancing the comfortable environment between employees and managers that can be accomplished through open-ended discussion.

Quality rewards indicate that workers are respected in their efforts to improve organizational quality when they are compensated or well-paid. They proclaimed that when they are well-rewarded and earn bigger bonuses, workers perform better and well-motivated. On the other hand, job security would mean the insurability that the employee works continuously in the company or is gainfully employed for longer periods as evidenced by contract terms, collective bargaining agreements and supported by the company's labor laws and legislation, as well as economic stability.

Investing in human resources is the main objective of gaining competitive advantage, which means that it is the type of employee working in the business that is considered to be assets that affect organizational success, add value, uniqueness, cannot be imitated while meeting the conditions set by strategic human resources practices. This is to underline that SHRM and the employee morale should work together to improve overall performance. The three areas of HRM systems which enhance the hiring and development of human resources including, first, the

recruitment of people with the skills and training provisions required; Job design that facilitates inclusive learning through cooperation with fellow workers and, lastly, rewards based on performance.

**Figure 1 will summarize the relationship between HR Strategy, HPWS with the Seven Dimensions and SHRM in a diagram.**



**Fig.1: Conceptual Framework for Strategic HRM**

## **VI. RELATIONSHIP BETWEEN SHRM-HPWS AND ORGANIZATIONAL PERFORMANCE**

Selecting the right person based on the qualification required for the job, such as the results of superior skills, knowledge and attitudes to direct impact or contribution to the financial performance of organizations such as profitability and growth. The study supported this argument that hiring the most skilled employee reduced the company costs by requiring minimum training and higher productivity expected. The more workplace training will tend to improve the skills of individuals that contribute to profitability, decreased turn-over due to frustration. It also saves costs from recruiting and hiring candidates outside the organization, as internal staff have the opportunity to develop themselves, thereby reducing risk, enhancing employee performance, bigger loyalty and engagement. Self-managed teams have shown positive impact and growth of the company in two different ways: the growth stage in the business cycle which allows decision-making not only of managers but also of middle managers in a decentralized environment Where they gain authority and teams can be set up as the company continues to expand and the number of employees is increasing to manage more operational activities and customers. Employees perform better when they are aware of how they do by performance-based compensation where bonuses are offered to those with superior performance, as it also has positive effects on performance of employees. In the analysis it is established that there is a direct correlation between the performance pay and the performance of the company.

In addition, the commitment of the information sharing relationship to financial performance has shown in the study that it facilitates consistent organizational efficiency, decreases turn-over, good relationship with employees.

This in turn increases profitability while increasing productivity. In fact, in a collaborative working environment, managers and employees manage to work in teams to achieve synergy, and managers make decisions with the joint efforts of middle managers and employees to fulfill the organization's strategic goals, thereby increasing the company's sales growth and profitability.

## VII. CONCLUSION

In summary, the relationship of strategic human resource management to organizational performance, whether financially or employee performance, has been proven in this paper which in turn promotes productivity. HR Strategy also contributes to business strategy development and has become vital in meeting and maintaining high-quality customer satisfaction, high-quality performance and loving employees, and maintaining employee dedication and commitment to the organization for successful and sustainable competitive advantage. It thus strengthens employee growth, motivation and willingness to remain in the company longer. To conclude, in order to maintain competitive advantage, organizational efficiency can be accomplished through different sources. Nevertheless, in this report, more reasons that support SHRM directly connect the seven dimensions as well as the HR strategy that fosters financial performance such as sales growth and income, as well as efficiency of employees as outcomes. The diagram also illustrates how the study comes to an end. Though more studies develop the link between the success of HRM and the company.

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