



# CONCEPT OF STRATEGIC HUMAN RESOURCE MANAGEMENT ON HUMAN RESOURCE MANAGEMENT AND ORGANIZATIONAL PERFORMANCE

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## Abstract

In a rapidly changing competitive environment, human resources are one important source of competitive advantage. Human resource (HR) systems can contribute to sustained competitive advantage through facilitating the development of competencies that are firm specific. Strategic human resource management concerns with the creation of a linkage between the overall strategic aims of business and the human resource strategy and implementation. The published research generally reports positive statistical relationships between the greater adoption of HR practices and business performance. In this paper, after emphasizing that the human resources are an important source of competitive advantage, strategic human resource management is defined. Through specific examples from academic research regarding the impact of strategic human resource management practices on organizational performance, the conclusion is that the way an organization manages its human resources has a significant relationship with the organization's performance.

**Keywords:** Human Resource, business performance, organization's performance

## Introduction

Economic environment is changing rapidly and this change is characterised by such phenomena as the globalization, changing customer and investor demands, ever-increasing product-market competition. To compete successfully in this environment organizations continually need to improve their performance by reducing costs, innovating products and processes and improving quality, productivity and speed to market. The people who make up an organization -human resources- are considered to be one of the most important resources of today's firms. People and how they are managed are becoming more important because many other sources of competitive success are less powerful than they used to. Recognizing that the basis for competitive advantage has changed is essential to develop a different frame of reference for considering issues of human resource management and strategy. Traditional sources of success such as product and process technology, protected markets, economies of scale, etc. can still provide competitive leverage but an organization's human resources are more vital for its sustainability.

Leadership is one of the important roles that managers must play within the organization; because the insight of leaders can affect and determine the fate of organizations in today's competitive world. Perhaps we can say with confidence that there are important differences between traditional leaders in organizations and organizations with superior performance. Over the past years, there was the assumption that large organizations primarily benefit from great and charismatic leaders; however, research has not confirmed this assumption (Collins & Puras, 2001). In organizations that are known as farsightedness, human resources have attained high positions. Leaders of these organizations think that human resources are a strategic asset and, therefore, they have been significantly drawn the attention of leadership. In the viewpoint of these successful managers, personnel costs are not

considered the costs associated with an organization incur, they are the capital and strategic investment for any organization. It can therefore be expected that employees are developed and nurtured for achieving creative purposes and knowledge-based movements in organizations. The concept of Human capital has relatively more importance in labor-surplus countries. These countries are naturally endowed with more of labor due to high birth rate under the given climatic conditions. The surplus labor in these countries is the human resource available in more abundance than the tangible capital resource (Ulrich, 1997). Alignment and linking strategies and partnerships as well as human resources leaders in various fields with senior management are associated with the development of human resources that require planning, human resource development consisting of two parts.

Strategic management of human resources can be described as "All activities that influence people's behavior in inciting them to design and implement the strategic needs of the organization". Strategic human resource management is also defined as the pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals. Strategic human resource management is a method for deciding objectives and plans of organizations related to these issues, such as employment, recruitment, training, compensation and employee performance management. In fact, the strategic management of human resources in general deals with the relationship between human resource management and strategic management organization (Armstrong, 2006, p. 28). The role of strategic human resource management to improve the effectiveness and performance of the organization is inevitable. Organizational effectiveness is the extent to which an organization meet its goals using specific resources without wasting their resources without unnecessary wear and community members. In other words, organizational effectiveness refers to the degree in which an organization fulfills to its objectives (Zahedie et al., 2010). Organizational effectiveness is not a single concept, but it is a very complex subject involving different preferences and expectations (Katskea et al., 2011). Organizational effectiveness is the way in which organizations can assess the successful realization of their missions through organizational strategies (Qiu & Lin, 2011). In simple terms, the organizational effectiveness is usually refers to the degree to which an organization achieves its goals (Kim et al., 2011). In their review of studies on organizational effectiveness, Campbell (1997) demonstrated that the criteria for evaluating the effectiveness of an organization should be created in such a way that they can be used to compare organizations, to assess the impact of efforts to develop organization and determine the characteristics of the organization that are significantly related to organizational effectiveness as a fundamental concept; among these criteria are the overall effectiveness, efficiency, quality, growth, motivation, control, flexibility and adaptability, skills for task management, communication and information management, collaboration and sharing of power, progress, productivity, profitability, absence, job satisfaction, morale, conflict, goal setting and planning, interpersonal skills management, preparedness, use of environmental resources, human resources value, training and development (Kaplan & Norton, 2008).

### **Methodology**

This study used descriptive and causal survey. The population is included all employees of Social Security Organization in Shiraz (n= 350). According to Morgan table, the sample size was calculated 183 employees; in order to ensure the return of the questionnaires, 300 questionnaires were distributed randomly among employees. In this study, strategic human resource management is an independent latent variable (management strategy, proper opportunity for human resources) and effectiveness of human resource management and organizational performance are dependent latent variables. To perform the study, after providing a preliminary explanation about the purpose of the test and measurement instrument, how to respond to the tests was described in detail for the participants. Regarding the ethical considerations, after obtaining consent from the participants and giving the necessary information, they are ensured that the information received will only be used in this study and will be protected from any abuse. A researcher-made questionnaire was used to measure the research variables. The questionnaire contains questions that will be able to measure the variables in five-point Likert-type scales. To confirm its validity, the version of the questionnaire was given professors. Then some of the items that were heavy, unintelligible, ambiguous or unrelated to the topic, territory and population were removed from the questionnaire

and some better and more eloquent items were included. Cronbach's alpha was used to determine reliability. The results showed that the questionnaire has good reliability.

**Table 1: Cronbach's alpha value**

Variable	Number of questions	Cronbach's alpha coefficient
Strategic Management of Human Resources	15	0.875
Effectiveness of human resource management	15	0.963
Organizational performance	15	0.880

The conceptual model of the relationship between the variables was as follows. Structural equation modeling was used to analyze the data. In all analyzes, the significance level was considered  $p \leq 0.05$ .

This table shows the mean and standard deviation of variables.

**Table 2: Descriptive statistics of variables**

Variable	Mean	Mode	Standard deviation	Variance
Strategic Management	3.234	3.55	0.735	0.541
Effectiveness	3.293	3.18	0.618	0.558
Performance	3.291	3.17	0.746	0.383

In order to evaluate hypotheses, we firstly examine the normality of the variables; the results are shown in indicating the normality of the data.

Hypothesis 1: The components of human resources strategic management have a significant effect on the effectiveness of human resource management.

**Table 3: Results of the normality of the data**

Significance level	Z statistic	Variable
Strategic Management of Human Resources	0.715	0.701
Effectiveness	0.618	0.840
Performance	0.818	0.515

Since the data is normal, parametric tests were used to test the hypothesis. Multiple regression was used to analyze the data given in the following tables.

**Table 4: Summary of statistical analysis of the main hypothesis**

Hypothesis	Multiple Correlation coefficient (R)	Coefficient of determination R <sup>2</sup>	Adjusted coefficient of determination	Standard error estimates	Durbin Watson
The main first hypothesis of	0.854	0.730	0.723	0.325	1.964

In [Table 4], multiple correlation coefficient which has been marked by R is equal to 854%. This factor indicates the severity of the impact of the components of strategic human resource management on the effectiveness of human resource management, which its value was fluctuated between zero and one. The closer the value of r is to 1, the stronger the correlation. Additionally, the obtained coefficient of determination showing the amount of variability  $R^2=0.730$  can explain the percentage change in the dependent and independent variables.

**Table 5: Level of significance**

Sig	SS	Df	MS	F	Sig
Regression	22.082	2	11.041	104.055	<b>0.000</b>
Error	8.170	77	0.106		
Total	30.252	79			

[Table 5] shows the significance of regression and linear relationship between the variables; since the significance level achieved ( $\text{sig}=0.000$ ) is smaller than the 0.05% significant error; the relationship between the variables are statistically confirmed at a confidence level of 99.0% and this level is also defined with  $f$  obtained (104.055). [Table 6] shows the relationship of the variables, coefficients of linear regression model and the variables. Linearity refers to the situation that an independent variable is a linear function of other independent variables in the regression equation.

Second hypothesis: The components of human resources strategic management have a significant impact on organizational performance

**Table 6: Main results of the regression for the main hypothesis**

	Non standardized coefficients		Standardized coefficients	T	Significance level	Tolerance	VIF
	$\beta$	standar derror	$\beta$				
Constant number	0.825	0.179					
Strategy Management	0.286	0.057	0.357	5.008	0.000	0.691	1.477
Role and an appropriate position	0.434	0.051	0.603	8.465	0.001	0.691	1.477

According to the result of regression analysis in [Table 6] considering the significance level at 95%, the following results were obtained: management strategy, role and an appropriate position and strategy as well as foreign and internal strategy have significant impact on the effectiveness of human resource management, because they significantly smaller than 0.05. In other words, strategy management has the ability to predict 35.7% of changes, the role and an appropriate position have the ability to predict 60.03% of changes in the effectiveness of human resource management.

The regression equation of the main hypothesis of the research is:  $X_j$  = independent variable

$Y_i$  = dependent variable

**Table 7: Summary of statistical analysis of the main hypothesis**

Hypothesis	Multiple Correlation coefficient (R)	(Coefficient of determination) $R^2$	Adjusted coefficient of determination	Standard error estimates	Durbin Watson
The second hypothesis	0.920	0.846	0.842	0.296	2.032

In [Table 7], multiple correlation coefficient which has been marked by  $R$  is equal to 920%. This factor indicates the severity of the impact of the components of strategic human resource management on the organizational performance, which its value was always fluctuated between zero and one. The closer the value of  $r$  is to 1, the stronger the correlation. Additionally, the obtained coefficient of determination showing the amount of variability  $R^2=0.846$  can explain the percentage change in the dependent and independent variables.

**Table 8: Level of significance**

Sig	SS	Df	MS	F	Sig
Regression	37.273	2	18.639	0.762	<b>0.000</b>
Error	8.170	77	0.088	211	
Total	44.056	79			

[Table 8] shows the significance of regression and linear relationship between the variables; since the significance level achieved ( $\text{sig}=0.000$ ) is smaller than the 0.05% significant error; the relationship between the variables are statistically confirmed at a confidence level of 99.0% and this level is also defined with  $f$  obtained (85.341). Table

8 shows the relationship of the variables, coefficients of linear regression model and the variables. Linearity refers to the situation that an independent variable is a linear function of other independent variables in the regression equation.

**Table 9: Main results of the regression for the main hypothesis**

	Non standardized coefficients		Standardized coefficients	T	Significance level	Tolerance	VIF
	$\beta$	standar derror	$\beta$				
Constant number	0.313	0.163		1.92	0.000		
Strategy Management	0.143	0.052	0.148	2.75	0.000	0.691	1.477
Role and an appropriate position	0.720	0.047	0.829	15.42	0.001	0.691	1.477

According to the result of regression analysis in [Table 9] considering the significance level at 95%, the following results were obtained:

Management strategy, proper role and position as well as internal strategy and external strategy have a significant impact on organizational performance, because they are significantly less than 0.05. In other words, strategy management has the ability to predict 82.9% of changes, the role and an appropriate position have the ability to predict 60.03% of changes in the effectiveness of human resource management.

$X_j$  = independent variable  $Y_i$  = dependent variable

### Conclusion

Since it is clearly understood from academic research that human resources are a source of sustained competitive advantage, while, traditionally, the costs associated with the development of HR strategy have been regarded as an operating expense, these costs would be better considered as an investment in capital assets.

The aim of this study was to evaluate the impact of strategic human resource management on the effectiveness of human resource management and performance of the organization and functioning of Social Security organization of Shiraz City. The results showed that the strategic management of human resources has a significant impact on the effectiveness of human resource management. The results showed that strategic human resource management is significantly related with the effectiveness of human resource management and organizational performance and research hypotheses are confirmed. In the end, it is suggested that strategic planning must be carried out within a specified time according to the organizational goals and the resources available to achieve the objectives during the fiscal year. Strategic planning process should be implemented at least three years; these activities must be conducted every year.

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