



STRATEGIC HUMAN RESOURCE MANAGEMENT PRACTICES: EFFECT ON PERFORMANCE

Dr. Kannamalla Sudha

Assistant Professor, Department of Commerce & Business Management, University Post Graduate College, (Satavahana University), Godavarikhani, Peddapalli, Telangana.

Abstract

Human resource management is becoming more and more important, especially in a market with great competition. In a rapidly changing competitive environment, human resources are one important source of competitive advantage. It guarantees the continuity of the organization to be competitive in a market. Normally, the implementation of performance indicators achieved through human resources. Human resources are the key for keeping the organization in the market so competitive. Better management of these human resources is necessary to meet the organization's performance goals. By supporting the development of firm-specific competencies, human resource systems can help maintain competitive advantage. Human resources must be strategically managed, and their approach must be adjusted to align with organizational strategy. Establishing a connection between the overall strategic goals of the company and the strategy and execution of human resources is the focus of strategic human resource management. The study investigates the connection between performance and SHRM. The study looks at the relationship between HRM systems' direct impact on performance and their indirect impact or effect through HR outcomes. The linkage between HR and organizational performance will enable the HR managers to design programs that will bring better results to attain higher organizational performance.

Keywords: *Strategic HRM, Competitive advantage, Organizational Performance, HR outcomes, strategy.*

Introduction

Provided that human resource management is moving up the organizational hierarchy, human resources are essential to a company. Even though it is arguably the most frequently used dependent variable in organizational research today, organizational performance is still one of the most nebulous and poorly defined concepts. The fight to give performance a purpose has been going on for a long time and is not just confined to strategic human resource management. The field of human resource management, or HRM, is relatively new and has rapidly evolved. From its initial roots as the function involved in the administrative aspects of hiring, training, and payroll, it has seen stages where union relations, employee satisfaction, and legal compliance have served as dominant areas of emphasis and expertise. HR departments and programs have become an element of the firm's profit equation to be minimized as a cost and maximized as a valueadding component of firm strategy. In fact, in the popular business press it has characterized HR departments as bureaucratic wastelands and suggested doing away with them. Consequently, HR practitioners have become preoccupied with demonstrating the value of the HR function, particularly through showing its impact on firm's performance. Strategic human resource management (SHRM) represents a relatively new transformation in the field of human resource management. SHRM is concerned with the role of human resource management systems which plays in firm's performance, particularly focusing on the alignment of human resources as a means of gaining competitive advantage. Organizations are becoming aware that successful human resource policies and



practices may increase performance in different areas such as productivity, quality and financial performance.

Today's economy is characterized by rapid change and extreme volatility. This volatility in contemporary business organizations is largely caused by phenomena such as globalization, shifting consumer attitudes and preferences, investor demands, and steadily rising product-market competitive trends. This highlights how important it is to be able to compete in its market. In order to compete in this environment, every organization must continuously improve its performance. This can be achieved through cost reduction, process and product innovation, product quality improvement, and productivity gains. 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 word "strategy" is frequently used and assumes significance. The long-term choices made at the top of the organization are linked to strategy. "The art and science of directing military forces" is how strategy is defined in literature. The goal of strategic human resource management is to guarantee that HRM policies are consistent across policy areas and hierarchies, that HRM policies are fully integrated into strategic planning, and that line managers embrace and apply HRM policies in their daily work. There is still much disagreement about what Strategic Human Resource Management (SHRM) actually entails. Definitions range from 'a human resource system that is tailored to the demands of the business strategy' (Miles and Snow 1984) to 'the pattern of planned human resource activities intended to enable an organization to achieve its goals'. The study of strategic management, therefore, emphasizes monitoring and evaluating environmental opportunities and threats in the light of a corporation's strengths and weaknesses".

Objectives

1. To understand the inventive methods used by Indian organizations.
2. To determine whether these practices working together can improve an organization's performance.

Methodology

The study of this paper is totally dependent upon secondary data like journals, books, e-journals, research papers, websites and various magazines.



Importance of SHRM

Strategic Human Resource Management aims to aid management in achieving excellence by assisting subordinates, providing opportunities for them to strengthen their leadership abilities, and assisting them in identifying their potential. The main goal of using an organization's strategic goals is to get knowledge about those goals, and strategic human resource management can help with that and uphold the organization's standards in terms of goals and objectives.

1. Aligning HR practices with business strategy

HR plays a vital role in bringing various stakeholders to the platform through successful partnering and collaborative actions. SHRM assists employees in understanding the big picture by ensuring that HR practices are clearly related to the company's goal and vision.

2. Aids in prioritising goals

In today's changing economy, there are several ways to recruit, train, attract, invest in, and support individuals. However, it is impossible to take up every endeavor at the same time. Aligning with the **business plan** gives HR a strategic focus and helps with goal prioritization.

3. Recruiting the right type of people

While good people are always essential, businesses may require various skill sets or positions at different times. Understanding the strategic goals of the business can help HR attract and retain the right talent at the right time.

4. Employee satisfaction

HR practices are critical to employee satisfaction. Furthermore, human resource planning (HRP) and training and development (T&D) were found to have a favorable impact on job satisfaction. Job satisfaction invariably contributes to improved productivity of an organization.

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.

Impact on Organizational Performance

An organization's human resources are regarded as one of its most valuable assets in today's businesses. Since many other sources of competitive success are no longer as potent as they once were, people and their management are becoming increasingly crucial. Realizing that the foundation for competitive advantage has evolved requires adopting a new perspective when thinking about strategy and human resource management issues. While traditional sources of success like protected markets, economies of scale, and product and process technology can still give an organization competitive advantage, human resources are more important for long-term viability. The function of human resource management is growing in importance in tandem with the realization that human resources are essential to an organization. Human resource management aims to ensure that the organization obtains and retains the skilled, committed and well-motivated workforce it needs. This means taking steps to assess and satisfy future people needs and to enhance and develop the inherent capacities of people – their contributions, potential and employability – by providing learning and continuous development opportunities. It involves the operation of recruitment and selection procedures, management development and training activities linked to the needs of the business. Strategic human resource management (SHRM) represents a relatively new transformation in the field of human resource management. SHRM is concerned with the role human resource management systems play in firm performance, particularly focusing on the alignment of human resources as a means of gaining competitive advantage. Organizations are becoming aware that successful human resource policies and practices may increase performance in different areas such as productivity, quality and financial 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 investigate how human resources can add value to their business and give them more profit.



How HRM and its practices are able to achieve this without any well-thought-out model of the relationship between HRM and performance is the relevant fact question. As everyone knows, an organization has a number of shareholders, but the primary goal of any business is to increase economic performance and maximize wealth for the shareholders. The effectiveness of a company's human resources has a significant impact on its financial performance. Its people, processes, and technology all contribute to its operational performance. Organizations should have human resources that are capable of contributing to the productivity of the company in order to make the best use of the processes and technology available. 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.

Conclusion

Organizations are working to manage their human resources in order to achieve the necessary organizational performance in an effort to become as competitive as possible in the market. Retaining highly skilled employees, hitting sales targets, growing the clientele, creating innovative products, and boosting productivity are a few of the objectives. In order to accomplish these, human resources are crucial. Strategic HRM is a comprehensive approach to human resource management that is integrated with the organization's overarching strategy. Effective human resources management techniques improve worker output and an agency's capacity to fulfill its mission. Integrating the use of personnel practices into the strategic planning process enables an organization to better achieve its goals and objectives. Combining human resource practices, all with a focus on the achievement of organizational goals and objectives, can have a substantial affect on the ultimate success of the organization. The causal linkage between HR and organizational performance will enable the HR managers to design programmes that will bring forth better operational results to attain higher organizational performance. 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 resource-based idea that a company's competitiveness is partially dependent on investments in its unique assets is supported by the connection between HR practices and strategic goals. One thing to keep in mind is that, despite the fact that the majority of published researchers have found a statistically significant positive correlation between employee performance and effective SHRM practices, there are a number of additional factors that may have an impact on organizational performance. HR professionals can create HR programs that will improve the performance of human resources and, consequently, generate profits for stakeholders once they have a thorough understanding of the relationship between HR practices and organizational performance.

References

1. Armstrong M. Strategic Human Resource Management: A Guide to Action, 4th Edition, Kogan Page, London. 2008; 11. PMid:22470592 PMCid:PMC3303257.
2. Becker, B. and B. Gerhart (1996). 'The Impact of Human Resource Management Orgaizational Performance: Progress and Prospects', Academy of Management Journal 39(4): 779-801.



3. Collins CJ, Clark KD. Strategic Human Resource Practices, Top Management Team Social Networks, and Firm Performance: The Role of Human Resource Practices In Creating Organizational Competitive Advantage. *Academy of Management Journal*. 2003; 46(6):740.
4. Delaney, J. T., & Huselid, M. A. (1996). The impact of human resource management practices on perceptions of organizational performance. *Academy of Management Journal*, 39(4), 949-969.
5. Dessler G. *Human Resource Management*. New Delhi: Prentice Hall of India Private Limited. 2007.
6. Frank DF, Taylor CR. Talent Management: Trends that will shape the future. *Human Resources Planning*. 2004; 27(1):33–41.
7. *Fundamentals of human resource management*, (2nd ed). Boston MA, McGraw Hill.
8. K. Aswathappa, *Human Resource & Personal Management* (3rd edition) TMH (2002), 39-50.
9. Rajiv Chopra, *Strategic Human Resource Management and its Impact on Organisational Performance*, Vol 9, Issue 3, July-Sept 2017.
10. Shen, R. (2023, July). The Impact of SHRM on Corporate Performance. In 2023 2nd International Conference on Social Sciences and Humanities and Arts (SSHA 2023) (pp. 1159-1166). Atlantis Press.