



## Strategic HR Management Impacts on the Performance of an Organization

Peace Doka<sup>1</sup>, Pro. Dr. Fatma Zehra TAN<sup>2</sup>

<sup>1</sup> Ph.D. Candidate, Faculty of Business, Karabuk University, Karabuk, Turkey

<sup>2</sup> Faculty of Business, Karabuk University, Karabuk, Turkey

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**Corresponding Author:**  
Peace Doka

### ABSTRACT

Strategic HR management has an impact on the performance of an organization and it can play an effective role. SHRM constructs organizations' desired objectives which are attainable and boost their performance. For that reason, this paper investigates the impact of strategic HR management on an organization's performance and the correlations between them. Researchers have done some studies on strategic human resources management and explored how strategic H management influences the performance of an organization. However, studies claim that strategic HR management positively impacts the performance of an organization, job attitudes, and personal performance of HR professionals.

**KEYWORDS:** Strategic human resource, management, organization, performance, impact.

### 1. INTRODUCTION

Research has focused on strategic HR management that impacts a firm's performance. Those studies are highlighting the effects of HR management on the performance of organizations. Some studies noted that human resources management must be strategic and integrated throughout organizational strategy to attain the performance that the organization desires to attain the performance which the organization desire (Luftim, 2015). Continuously individuals and teams are taking the responsibility of upgrading business processes and individuals' skills can play a role in accomplishing the required outcomes that the organization's directors set them. The measurement of performance is aiming at creating a culture that has high performance. Management performance is conveyed as the similarity of organizational objectives with an employee that supports the organization's culture. It offers prospects and approved roles of accountabilities, responsibilities, skills, and behaviors (Armstrong, 2006).

Human resources are considered and become the most important bases of an organization. Strategic HR management is aiming at improving businesses or the performance of organizations through workers' (employees) management. To achieve an organization's desired goals and objectives, HR should be managed efficiently and professionally by knowing the potential of the organization's employees (Luftim, 2015).

### 2. LITERATURE REVIEW

Over the past years, strategic HR management has involved a huge number of studies considered as a consequence of its probable impact on the concerns. Studies have found a positive effect of strategic HR management on the performance of an organization and the same result has been firmly established by different studies (Huselid, 1995. Huselid and Becker, 1996. Huselid et al, 1997. MacDuffie, 1995). And investigators study the influence of strategic HR management on HR efficiency and they found surprising negative results which was a correlation (Bennett et al, 1998). The performance of an individual composes of organizational and departmental performance, which is interrelated to the work attitude of an individual (Judge et al, 2001).

#### 2.1 Concepts of Strategic HR Management

Strategic HR management illustrates thoughts of the organization and program in a manner that business objectives can be accomplished over employees. Strategic HR management is constructed on three ideas, personnel resources, people implementing the plan, and a systematic approach defining where the organization heads and how to get there. The use of overarching approaches are involving strategic HR management which develops HR strategies and they are integrating vertical and horizontal into each other. The strategies explain intentness and projects correlated all organizations' attentions (effectiveness of organization) and more specific aspects to the management of employees (Armstrong, 2006).

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The concept of strategic HR management is established that formulate strategy and are rational and linear processes. HR strategies are flowing from business strategies and generate detailed HR strategies to significant extents. It occurs when inner systematic reviews and organization outside surroundings classify business, organizational, and human resource concerns should be handled.

However, in real life strategic HR management is not carrying a proper shape, clearly defined, and linear processing which flows reasonably with work strategy (Mintzberg et al, 1987).

### 2.2 Performance of Organization

An organization's performance becomes the largest used vulnerable variable in organizational programs, and it continues to be one of the biggest unspecific systematic constructs (Rogers and Wright, 1998). However, organizational achievement is an act of comparing the value produced by an organization and the value holders have planned to gain from the organization (Alchian and Demsetz (1972). Meanwhile, Campbell (1999) defined achievement as an attitude or an act related to the accomplishment of an organization's objectives which can be rated or measured. The limited definition of achievement centers reflects outcomes based on financial signs reflecting the attainment of economic principles of an organization (Venkatraman and Ramanujam, 1986). Brumbrach (1988) expressed performance as performance refers to behaviors and outcomes. Behaviors ordinate from the performer and convert achievement from perception to an act. Behaviors are results in their rights (the mental output and physical potential applied to missions) and they can be considered different from the outcomes. According to Armstrong (2006), this clarification means that when managing

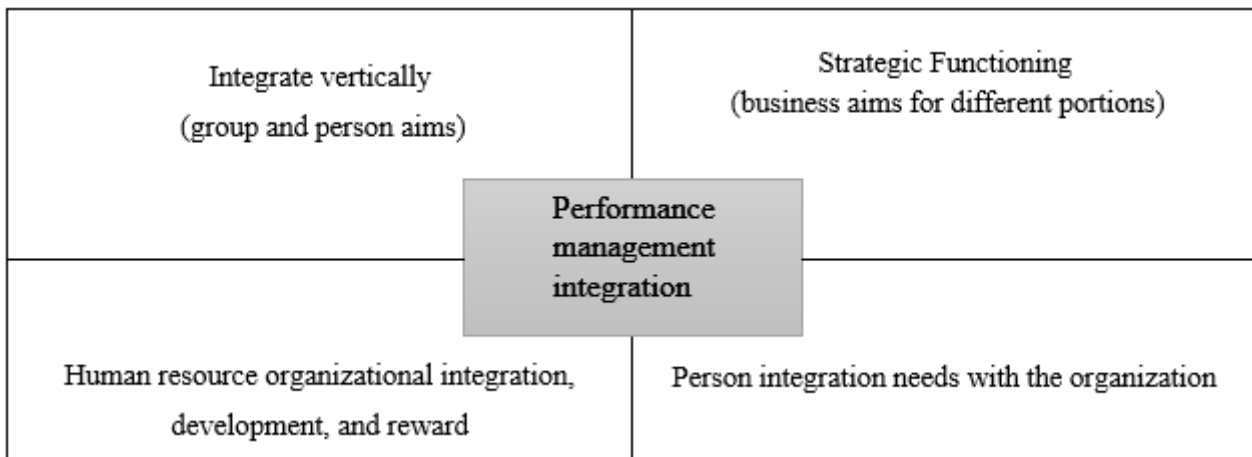
performance jointly inputs (attitude or act) and outputs (outcomes) need to be considered.

### 2.3 Performance Management

Performance management is able to play a major role to provide an integrated and comprehensible variety of HR management procedures to support and add to organizational efficiency improvement. Performance management is an organized plan approach that achieves sustainable corporate success by improving employees' performance and developing their skills as teams and individuals (Armstrong, 2006).

Performance management is the fundamental management based on arrangements or commitments by preference to management by order. It's underlining the assimilations of a person and collaborative objectives and also self-mastery learning development plans initiative (Armstrong, 2006). It's a practice where managers have to ensure that their staff's work adds to the organizational potential of goal achievement. However, regarding the implementation of the appropriate policies, from the beginning administrators have to create their desired activities and outcomes, in order to identify if the staffs meet the assumptions the staffs need to be monitored and if required proper acts of the staff feedback will be provided. Through these procedures, the administrators and their staff might unexpectedly experience some issues, remarkably they should work jointly to learn the most suitable solutions to solve the problems (Harrison, 2004).

According to Armstrong (2006), management's performance is concerned with the broader problems that are facing the business to function effectively in its environment with a common way contemplates to be achieved longer-term aims.



**Figure 1.** The Senses of Integrated Performance Management (Armstrong, 2006)

Accordingly, Armstrong (2006) stated that the performance of management strategy intends to come up with ways for preferable outcomes achieve by the organization, teamwork as well as those individuals who are in an agreed and planned objectives of framework, standards, and competency demands. That comprises expansion processes

to create a common understanding of what needs to be accomplished. To increase achievement chances short and long-term staff attitude needs to be managed and developed.

### 3. THE ROLE OF STRATEGIC HRM ON PERFORMANCE

According to Luftim (2014), SH resource management is representing a new renovation in the field of HR management. The main role of planned management of HR targeting the management of employees as means of achieving a competitive advantage. Organizations are aware of increasing performance in several zones (production, condition, and economic performance) these lead to successful human resources policies and practices. Performance management strategy deals with all business partners not only managers. Therefore, managers are responsible to deliver the desired performance. So managers must have the confidence of sharing authorizations and responsibilities all over the organization. Managers have to team up and recognize as part of their people to report on achieving appropriate performance. Administrators and their teams are altogether accountable for the outcomes result which they obtained also engaged in approving as a team what should be done and how should be done (Luftim, 2014).

The strategy of performance management focuses on continuous development and procedure concludes administrators and all firms that act as one group. It must define by what means they can work jointly to accomplish desired outcomes. It causes probably to put effort into plans of current performance and improvements of future performance. The human resources management plan offers regular discussions among administrators and staff on the needs of performance and extra expansion of the company. HR human management might provide some benefits to an organization (Brewster et al, 2000):

- a. Contributes to the goal achievement and the organization to survival.
- b. Create and maintains the organization's competitive advantage.
- c. Improve cooperation between managers and the HR management department.
- d. Potential of an organization to improve responsiveness and innovation.
- e. Expand possible strategy and available options to the organization.
- f. Get involved in strategic plans and influence the organization's strategic direction.
- g. Supports and implements business strategies successfully.

A study was done by Thompson and Callaghan (2002) to understand the function of job rotation, teamwork, and sharing information in accomplishing the objectives of an organization. The study illustrates that the number of high-performance work methods has been practiced by organizations has a significant effect on their performance.

### 4. HOW SHRM IMPACTS ON ORGANIZATIONAL PERFORMANCE

Earlier studies highlight the importance of HRM in an organization. It plays a main role in the organization's competition in markets. Accurate management of HR enables the organization to accomplish the desired goals or objectives. In the organization, competencies, and knowledge, prospective use of employees' skills make potential recognition of organizational performance. Other studies have confirmed that strategic human resources management has an impact on organizational performance. Esra (2010) emphasized that there was a significant relationship between the technique organizations manage human resources and organizational performance. Besides, the correlation between business performance as well as the adoption of human resources practices was positive statistically, it should also be taken into account that apart from HR practices, there are several other elements that could affect an organization's performance. There is a cumulative concern in measurement some studies demonstrate a positive correlation between HR management and organization performance. Cappelli et al (1996) and Voorde et al (2010) disclose the correlation between human resources management with organizational performance. Organizations' administrators and academics attempt to prove human resources management has an influence on productivity which is positive. Further, D'Annunzio-Green et al (2002) illustrate that HR practices adoption has positive statistical relationships with business performance.

A study done by Kenneth et al (2006) aims to measure the impacts of strategic HR management on an organization's performance, personal performance, job gratification, and organizational levels of commitment of human resources professionals. They found that strategic human resources management has a positive influence on the performance of an organization, job manner, and personal performance of HR professionals. In addition, the study illustrated organizations that are aligned vertically and horizontally combine human resources functions and practices to perform preferably and produce more promised and pleased human resources practices staff who show personal performance improvement.

Based on a study done by Vroom and Baley, Boxall, and Purcell (2003), projected a mode stating that performance acts as a stabilizer role of motivation, capability, and chances of participation. If organizations support staff to improve their abilities and offer them new chances at a job, on that way human resource management practices can have a positive influence on personal performance.

Rogg et al (2001) proposed that HR practices affect the organizational environment first, then performance improves. However, the authors stated that the effect of human resource management rules on performance is not strong, nonetheless, they were able to construct an

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environment that can improve the outcomes of the organization.

According to Appelbaum et al (2000), policies have a strong positive impact on the performance of an organization, for that reason, it promotes commitment, and assurance and improves the intrinsic rewards from work.

Vroom (1964) exposed two factors (motivation and ability) that have an impact on personal performance, Vroom discovered that the impact of motivation on performance

depends on the capability of the employees, however, he added that the impact of capability on performance is affected by the motivation of employees. It means that acts of motivation and ability on performance are interconnected. Concerning performance work uses and the impact on an organization's outcomes, Huselid (1995) revealed that productivity is affected by staff motivation, whereas economic performance is interrelated to staff motivation, abilities, and a good form of the organization.

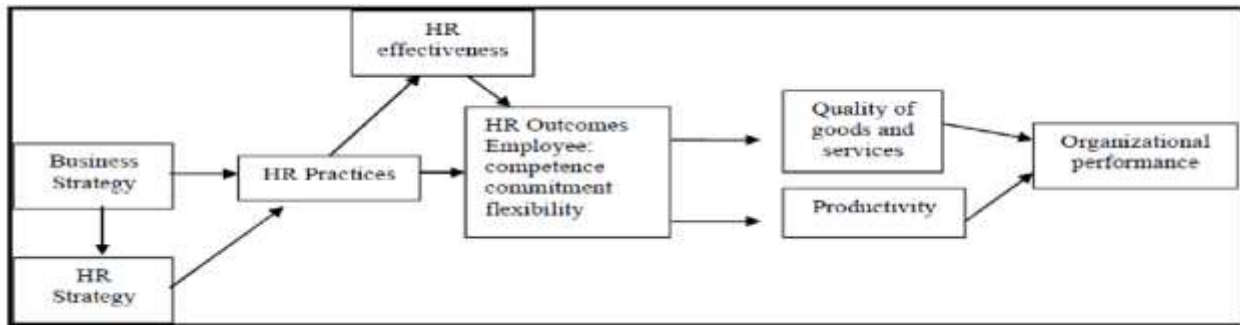


Figure 2. HR Management and Performance Correlation (Armstrong, 2006).

### 5. CONCLUSION

According to previous studies, strategic HR management impacts the performance of an organization. It creates required organizations' goals, objectives achievable and increases the performance of an organization, and guarantees the survival of an organization. Some studies displayed the correlation between strategic HR management and an organization's performance.

Organizations have to motivate employees' new skills. The employees can use the new skills they learn to do better work for the organization. Therefore, managers have to motivate and encourage employees to do their best to attain the organization's goals. The best means for organizational performance improvement is through employees to expand their levels of ability and motivation. For that reason, Human resources administrators set performance at personal levels to maintain the accomplishment of an organization's objectives and traditions. The Implementation of the right human resource practices involves an integrative method to boost organizational performance and aligned HR procedures horizontally and the organization's objectives vertically. To reach HR performance actions horizontally along others HR rules advance staff's productivity, and the organization's adaptability and create facilitation of knowledge Dobre (2012).

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