

A REVIEW PAPER ON STRATEGIC HUMAN RESOURCE MANAGEMENT AND ORGANIZATIONAL PERFORMANCE MEDIATING ROLE OF EMPLOYEE WELL-BEING

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Abstract

The purpose of this study is Performance management (PM) is a common practice used by organizations to assess and manage employees' work. Much of PM research is closely related to management practices. Corporations in the public and nonprofit sector continuously develop PM programs to ensure the sustainability of their organizations. The study aims to analyze the impact of strategic human resources planning on the organizational performance of public shareholding companies for senior management and functional unit managers (human resources, marketing, finance, and accounting). Several statistical methods were used, most notably the multiple regression analysis. The researchers found out a statistically significant impact of the strategic human resources planning (integration of HRP and strategic planning; strategic participation) on organizational performance. The results showed that adopting the strategic HRP dimensions leads to an increase in an organization's overall productivity, employee satisfaction and reputation, as well as reduced operating costs. HR managers must understand the effectiveness of strategically designed HR practices across functions. Organizations are analyzed to investigate a moderated mediated pathway between a strategic role for HRM and organizational financial performance. The first finding, that high performance human resource practices (HPHRPs) mediate the relationship between the HR strategic role and performance, suggests that the position of the HR professional as a strategic partner enhances the legitimacy of HR initiatives, as well as facilitating the resourcing and support for their implementation. The second finding, that line management devolvement moderates the relationship between the HR strategic role and HPHRPs, suggests a trade-off between a strategic and operational focus for HR professionals, and also indicates the value of embedding HR practice execution in operational administration.

Keywords: SHRM, Organization Performance, Employee Development

INTERDUCTION

Strategic human resource management (SHRM) research focuses on the contribution that HR practices can make to organizational performance and competitive advantage (Collins & Clark, 2003). Within this research context, the role of HR management as a strategic partner with influence in organizational and HR strategic decision making has growing importance (Barney & Wright, 1997).

Globalization of business and the associated intensification in competitive pressures has led to an increasingly strategic role for HR professionals, directed toward aligning HR practices with business strategy (Raub, Alvarez, & Khanna, 2006).

The HR strategic role and financial performance by exploring the mediating role of HPHRPs,

defined as a system of interrelated human resource managerial practices that, taken together, influence employee's ability, motivation, and opportunity by creating conditions of high involvement and participation in them in order to increase organizational effectiveness (Huselid, 1995). HPHRPs reflect a combination of HR practices that aim to improve organizational performance (Boselie, Dietz, & Boon, 2005). Building on recent work by Applebaum, Bailey, Berg, and Kalleberg (2000), this study employs the Ability-Motivation-Opportunity taxonomy of performance to categorize the components of HPHRPs. Consistent with previous definitions, the term HPHRPs is used to refer to a set of HR practices that are intended to enhance employees' skills, motivation, and opportunity to participate, and which, in turn, seek to improve organization performance.

This study also explores the moderating role of devolvement of responsibility for HR practices to line management in the relationship between the HR strategic role and HPHRPs. Line management devolvement is argued to increase the operational integration of HR practices and facilitate a strategic focus for HR professionals by reducing their responsibility for traditional HR practice execution and administration. This study contributes to current research in a number of areas. First, we respond to calls to investigate the impact of the HR strategic role, and pathways through which this effect occurs. Previous research in SHRM has been criticized for its lack of theoretical and empirical work on the mediating, explanatory pathways through which HR strategic factors lead to firm outcomes (Becker & Gerhart, 1996; Delery, 1998; Dyer & Reeves, 1995).

This study builds on prior research exploring the impact of HR strategic role and is one of the first to focus on HPHRPs as a mediating pathway explaining this effect. Moreover, this is one of very few studies to do so in a non-Western context (Bae & Lawler, 2000), providing greater understanding of the utility of the HR strategic role in promoting financial performance in non-Western contexts, especially developing countries.

A further contribution stems from the investigation of line management devolvement as a moderating variable, enabling researchers, HR professionals, and managers to understand the situations under which a strategic role for HR professionals is more or less likely to generate positive organizational performance effects (H. T. Chang & Chi, 2007).

By exploring a moderated mediating relationship, this study clarifies a key mechanism that explains the influence of HR strategic role, as well as identifying circumstances that affect the operation of this mechanism.

LITERATURE REVIEW

This paper will go through some previous studies discussing about the SHRM and organization performance. Then the researcher discussion about the challenges and risk management for the SHRM and organization performance. This exercise included review and study number of research papers, case studies. The concept of literature Review matrix is created based on many previous journals and books.

Strategic human resources management (SHRM) is defined as the process of the alignment and

integration of HR strategies and an organization's multiple levels of strategies (Othman, 2009). Management thinkers differ in defining SHRM functions (Byars & Rue, 2006; Bernardin, 2007; Wattanasupachoke, 2009).

The growing importance of people for organizational performance was found to be consistent with emerging of strategic human resources management (SHRM) as a global area of research (Hartel, Fujimoto, Strybosch, & Fitzpatrick, 2007). HRP comes first, followed by employment, HR development, compensation and benefits, performance appraisal, occupational safety and health, labor relations, and HR research. According to Boon et al. (2018), one of the key objectives of strategic HRP is to enable staff to help their organization achieve its strategic objectives.

A documented HRM strategy helps the organization to develop an HRM vision and objectives and to monitor performance. Some empirical evidence from previous research indicates that the full impact of HR practices on organizational performance occurs when HR practices are strategically congruent and consistent with each other (Khatri, 1999).

A rigorous, valid and sophisticated recruitment and selection system helps in identifying a right candidate with potential to perform. A rigorous selection system generates a sense of elitism, creates high expectations of performance, and signals a message of importance of the people to the organization (Pfeiffer, 1994). The mismatch between the person and the job can hamper performance levels, whereas a sophisticated selection system can ensure a better fit between the person's abilities and the organization's requirement. Also, selection has been found to be positively related to firm performance (Terpsra and Rozell, 1993).

Organizations can develop and enhance the quality of the current employees by providing comprehensive training and development. Indeed, research indicates that investments in training employees in problem-solving, teamwork and interpersonal relations result in beneficial firm level outcomes (Barak et al., 1999).

Organizations can monitor the development of desired employee attitudes and behaviors through the use of the appraisal mechanisms. This appraisal-based information could be used for changing the selection and training practices to select and develop employees with the desired behaviors and attitudes. However, the effectiveness of skilled employees will be limited unless they are motivated to perform their jobs.

A well-functioning career planning system may also encourage employees to take more responsibility for their own development, including the development of the skills viewed as critical in the company. A well-planned career development system along with internal advancement opportunities based on merit, results in high motivation among employees, which has an impact on firm performance Milkovich and Boudreau (1998).

Firms can affect the motivation of employees in several ways. They can use performance-based compensation to provide rewards to employees for achieving the specific goals and objectives of the firm. A substantial body of work has provided evidence that incentive-based compensation has an impact on firm performance (Milkovich and Boudreau, 1998).

DISCUSSIONS OF FINDINGS

It is extremely important to identify a set of relevant metrics while reviewing vast number of literatures that was published by researchers across the world in the domain of SHRM and Organization Performance. Based on some of the components of the SHRM, and also the impact that these factors have on the quality Employees organization performance.

Table 1: Concept of Literature Review Matrix Strategic Human Resource Management and Organizational Performance Mediating Role of Employee Well-being from 2021 – 2007 (List in Chronological Order)

Author/s (Year)	Topic/ Title of the paper	Type of Research	Source of Data/ Intervention area	Research Tools	Research Methodology
Oladipo Jimoh A. 2011	Strategic Human Resource Management and Organizational Performance in the Nigerian Manufacturing Sector: An Empirical Investigation.	A Qualitative Approach.	Nigerian's manufacturing sector.	1- Data collected from survey of 21 Nigerian manufacturing companies. 2- Questionnaires.	A document study of formal management.
Min Young Kim 2020	The Roles of Strategic Human Resource Management and Person–Environment Fit On Nonprofit Public Service Motivation.	A Descriptive Approach.	Korean nonprofit organizations.	1- Primary data collected from survey on Korean nonprofit organizations employees conducted in 2013. 2- 815 Questionnaires.	1- 815 Questionnaires. 2- A document study of formal management.
Mahfuzur Rahman Khan 2021	Strategic human resource management in facilitating the organizational performance.	A Qualitative Approach.	Birds-eye view from Bangladesh.	1- Semi-structured questionnaire. 2- Data collected from group discussions with the employees and management of those companies.	1- Semi-structured questionnaire. 2- Data collected from group discussions with the employees and management of those companies. 3- A document study of formal management.
Shoeb Ahmad 2015	Green Human Resource Management: Policies and practices.	A Qualitative Approach.	Green HRM.	1- Data collected from different databases, websites and other available sources.	A document study of formal management.
Feza Tabassum Azmi 2011	Strategic human resource management and its linkage with HRM effectiveness and organizational performance: evidence from India.	A Quantitative Approach.	Indian Companies. business sectors (including both public and private sectors, and also	1- Primary data collected from survey methodology. 2- Sampling frame from ranking of top 450 companies in India.	A document study of formal management.

			manufacturing and service industries)		
Corine Boon 2017	Integrating strategic human capital and strategic human resource management.	A comparative Approach.	Presents an overview of Strategic Human Capital and strategic HRM.	A document study of formal management.	A document study of formal management.
Abdulkadir Danlami Sani 2012	Strategic Human Resource Management and Organizational Performance in the Nigerian Insurance Industry: The Impact of Organizational Climate.	A comparative Approach.	Insurance companies in Nigeria.	1- Data Collected from survey of 18 insurance companies. 2- 3 questionnaires.	1- Data Collected from survey of 18 insurance companies. 2- Three questionnaires. 3- A document study of formal management.
Gregory O. Ginn 2010	Wellness Programs in the Context of Strategic Human Resource Management.	A Qualitative Approach.	The healthcare industry. Unite management and employees in a corporate culture.	A document study of formal management.	A document study of formal management.
David E. Guest 2011	Human resource management and performance: a review and research agenda.	A Qualitative Approach.	High performance or high commitment human resource management (HRM).	1- survey-based and case-study-based research.	A document study of formal management.
Sait Gurbuz 2011	Impact of the strategic human resource management on organizational performance: evidence from Turkey.	A Qualitative Approach.	HR-firm performance relationship in Turkey.	1- Survey was conducted in Turkey's Top 500 firms (2007). 2- Website. 3- Questionnaires.	A document study of formal management.
Claire Harris 2007	Human resource management and performance in healthcare organizations.	A Qualitative Approach.	Healthcare organizations in the UK,	A document study of formal management.	A document study of formal management.
Robin Kramar 2013	Beyond strategic human resource management: is sustainable human resource management the next approach?	A Qualitative & quantitative Approach.	Sustainable human resource management.	A document study of formal management.	A document study of formal management.

REBECCA MITCHELL 2013	The effect of strategic Human resource management On organizational Performance: the mediating Role of high-performance Human resource practices.	A Qualitative Approach.	Financial and manufacturing organizations in Jordan.	1- Survey data from 118 financial and manufacturing organizations in Jordan. 2- Questionnaires distributed, 121 questionnaires.	A document study of formal management.
Ajit Kumar Nigam 2011	The impact of strategic human resource management on the performance of firms in India.	A Descriptive Approach.	A study of service sector firms in India.	1- Questionnaires from 25 firms. 2- Data Collected from Phone and Emails by Employees of forms.	A document study of formal management.
Shaker Al-Qudah 2020	The impact of strategic human resources planning on the organizational performance of public shareholding companies in Jordan”	A Qualitative & quantitative Approach.	The organizational performance of public shareholding companies in Jordan.	1- Surveyed all the public hare holding companies registered with the Jordan Securities Commission (JSC) in 2019. 2- Questionnaires distributed to 52 firms.	1- Surveyed all the public hare holding companies register with the Jordan Securities Commission (JSC) in 2019. 2- Questionnaires distributed to 52 firms.
Randall Schuler 2014	Human resource management and organizational effectiveness: yesterday and today.	A comparative Approach.	Human resource management (HRM) and organizational effectiveness (OE)	1- Surveyed from firm’s multiple internal and external stakeholders.	1- Surveyed from firm’s multiple internal and external stakeholders.
Esra NEMLİ ÇALIŞKAN 2010	The Impact of Strategic Human Resource Management on Organizational Performance.	A comparative Approach.	HR practices and business performance.	A document study of formal management.	A document study of formal management.
Orlando C. Richard 2010	Strategic human resource management effectiveness and firm performance.	A Descriptive Approach.	Banking industry.	1- Questionnaires. 2- Data Collected from Sheshunoff Bank Search database. 3- Surveyed banks in California and Kentucky.	A document study of formal management.

CONCLUSION

This study is reviewed based on previous researches, that examined the SHRM and organizational performance relationships in organization to understand the relative impact of SHRM and HR practices in different economic and cultural contexts. The past few decades have witnessed dramatic developments in HRM practices and an emerging emphasis on the strategic role of HR. Our results support the recent assumption that the strategic role of HR and its impact on organizational performance are not only widespread, but also valued by other firms.

We extended the current line of research in the SHRM area by incorporating context where there are limited published studies on HRM. Given our current results, managers in organizations should be aware of the fact that vertical alignment and horizontal integration of the HR function and effective implementation of some HR practices may bring in higher organizational performance and more satisfied workforce.

The HR strategic role and financial performance by exploring the mediating role of HPHRPs, defined as a system of interrelated human resource managerial practices that, taken together, influence employee's ability, motivation, and opportunity by creating conditions of high involvement and participation in them in order to increase organizational effectiveness.

The growing importance of people for organizational performance was found to be consistent with emerging of strategic human resources management (SHRM) as a global area of researches.

The HR strategic role and financial performance by exploring the mediating role of HPHRPs, defined as a system of interrelated human resource managerial practices that, taken together, influence employee's ability, motivation, and opportunity by creating conditions of high involvement and participation in them in order to increase organizational effectiveness.

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