

Management of Organizational Performance: the Role of Human Resource Management Strategy

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ABSTRACT

Human resource management practices are important to determine strategic competition, business sustainability, and tight global issues. Companies that properly apply human resource management practices will compete and win an increasingly fierce business war. There are four approaches to human resource management practices: universalist, contingency, configuration, and contextual. The four approaches provide an important role and contribution in shaping the uniqueness of the company's position in business competition to improve medium and long-term performance. This study has shown that companies with the right and effective implementation or practice of human resource management strategy will improve company performance. This paper provides additional references for researchers as well as to the practitioner environment

Keywords: Strategy, human resources, contingency, configuration, contextual

INTRODUCTION

In this new global context, societies are changing, and so are contingencies, so that this will have an impact on the disruption of corporate structures and practices (Davison, 2020; Kilkki et al., 2018; Skog et al., 2018), therefore it is important to ensure that individuals do not offer too much resistance to change, and in the same way, that corporate history does not prove to be a barrier to change. Over the last twenty years, the rate of change has increased dramatically; society has grown and can now choose what it wants and where it wants. The retail market is no longer limited to general stores but many sources, including teleshopping, catalogs, the internet, big box stores, specialty stores (Russell, 2009). This diversity of procurement methods requires companies to review the way they do things, the structure and management of their human resources are required to adapt to these new demands for competitiveness. The situation remains the same for the history of the company, where, despite being guided by past methods and previous ways of doing things, companies have no choice but to adapt by changing their leaders or minds.

Everything changes, the changes that occur are a result of economic turmoil and a change in mentality among workers. Increasingly, employees want to work for companies that value their work and encourage employee participation. This need is sometimes so strong that employees who lack these feelings will prefer to start their own small business as an alternative. Therefore, this change implies great upheaval in the company, and this is only the beginning. In fact, with the emergence of baby boomers and Generation Z, thousands of jobs have to be filled, and therefore thousands of new employees will have a different way of thinking and seeing.

Furthermore, as there are more jobs and job seekers than there are available, it would be appropriate to welcome employees from all over the world ([http: www.educnet.cdueducation](http://www.educnet.cdueducation)). However, this will further highlight the gap between the current and future desires of the workforce. Therefore it is important to try to understand it. Thus, the new context will require a review of the company's human resource management practices. They and their existing employees are aware of cultural differences and customers who will also become increasingly diversified (Bemier, 2005).

The current labor market has changed for good reason, and businesses must also enter into a competitive global market, computerization, innovation, organizational performance; all these ideas are now part of the everyday vocabulary of companies. To survive in the new environment, businesses have no choice but to find the right weapon. Among them are the human resources of these companies. Thanks to the research of many researchers, it has been observed over the years the ever-increasing value for human resources in companies when it comes to developing a company's competitive strategy. This is not without reason because the role of human resources changed and has also become a strategic element in the company. To be strategic, a resource must be scarce, difficult to imitate, and cannot be replaced, which therefore confer more importance on human resources management strategy (HRMS) practices. Furthermore, knowledge and ideas of human resources are now a source of innovation and prosperity for several companies. However, this much-coveted workforce is increasingly diverse in terms of taste, gender, and origin, leading to better identification.

For this reason, it is necessary to continuously study the role of the HRMS to improve company performance both in the medium and long term. The purpose of this paper is to find out whether HRMS can significantly affect the company's performance, both theoretically (in the form of a literature review) and empirically. By gathering literature evidence and empirical data, we believe this paper will contribute additional thoughts to readers about the role of HRMS in business.

METHOD

This study is a verification approach that aims to re-proven whether the human resource management strategy has a significant effect on the company's performance and how the human resource management strategy affects the company's performance. The data used in this study are secondary data and primary data. Secondary data is obtained from reference books and previous research related to the carved topics, namely human resource management strategies, and company performance. This secondary data is expected to be the primary reference in laying out theories and hypotheses developed. On the other hand, primary data is obtained from direct sources, namely to obtain respondents' perceptions of the variables studied to determine the developed hypothesis.

To be able to obtain primary data from respondents, firstly, a questionnaire was developed based on existing reference studies (with some minor adjustment and changes), namely for the variable human resource management strategy this study refer to Li et al. (2019) while, for the company performance variable, this study followed Sánchez et al., (2015).

The questionnaire that had been built was distributed to the respondents, 80 questionnaires were distributed, but only 45 were complete and appropriate to be processed. The

questionnaires were distributed to employees in four medium-sized manufacturing companies. In addition, the questionnaires were distributed to the management level and supervisory level. The results of the questionnaires that were collected and deserved to be processed were tabulated, then analyzed using a covariance approach using SPSS, to obtain conclusions on the hypotheses that had been developed and to provide an interpretation of perceptions of how human resource management can affect company performance based on empirical evidence with the employee perception approach at four companies.

RESULT AND DISCUSSION

As previously mentioned, it was found that 45 questionnaire results were feasible to be processed from the 45 respondents; if they were group, there were 12 respondents women (or around 27% of them) while the rest are men. Furthermore, based on the position level, it was found that 52% of the respondents were at the supervisory level, 33% were at the middle-level manager level. In comparison, the rest, or 15%, were senior management.

Table 1.
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
HRMS	45	3.75	5.00	4.4117	.67881
Performance	45	2.97	5.00	3.8775	.45747
Valid N (listwise)	45				

This study used primary data to answer the hypothesis that has been built. The primary data in question is the respondents' perception data on the variables studied, namely human resource management strategies and company performance variables.

In Table 1, descriptive statistics provide an overview of primary data collection result; it was found that from 45 respondents who gave responses about the perception of the variables studied that, the HRMS variable had a minimum value of 3.75 and maximum value 5 with an average of 4.4117 and standard deviation 0.67881. The performance variable has a minimum value of 2.97, a maximum value of 5 with an average of 3.8775, and a standard deviation of 0.45747. The two variables studied found that the standard deviation value was below the average value, which indicated that the ITAS variable data was quite good.

Table 2.
Correlation

		HRMS	Performance
HRMS	Pearson Correlation	1	.645**
	Sig. (2-tailed)		.000
	N	45	45
Performance	Pearson Correlation	.645**	1
	Sig. (2-tailed)	.000	
	N	45	45

The results of data processing using SPSS it was found that the correlation between HRMS and company performance was positive 0.645, this indicated that there was an honest and positive relationship between HRMS and company performance, meaning that the increase in HRMS coincided with the increase in company performance, management's efforts in managing the improvement of human resource capabilities always resulted in increase company performance.

Table 3.
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.645 ^a	.416	.400	3.69292

a. Predictors: (Constant), HRMS

In Table 3. Model Summary found that the magnitude of the contribution of HRMS to company performance is around 42%, meaning that the efforts to improve company performance by 42% are determined by HRMS. In contrast, the rest is determined by other variables outside of this research, which can be good planning, adequate budgeting systems, good supervision, and other variables.

Table 4.
Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.624	4.094		.152	.880
	HRMS	.517	.103	.645	4.997	.000

The significance test aims to answer the acceptance or rejection of the research hypothesis built. Based on Figure 4. Coefficients, it is found that the t-test value is 4.997 and the significance level was 0.000 or less than 0.01, which means the hypothesis was accepted, there

was a significant and positive impact between the HRMS on company performance. Figure 4. Coefficients are also shown that the regression equations from the findings of this study are:

$$\text{Performance} = 0.624 + 0.517 \text{ HRMS}$$

The regression equation showed that every effort to improve HRMS that has been made contributed to improving company performance. The results of this study indicated that there was a significant and positive influence of HRMS on company performance. This study is in line with previous research, which showed that adequate HRMS could significantly positively affect the company's performance (Peregrino et al., 2016; Hassan, 2020). Therefore, it is recommended that management conduct a good and proper human resource management strategy so that company performance can constantly be improved.

Discussion

Contingency Approach

The researchers who support this approach do not support the idea of best practice, even calling it utopian. According to these researchers, many companies do not allow such generalizations because each has very different needs, goals, and characteristics, making them separate entities that cannot use all the same practices. According to proponents of the contingency approach, business strategy or objective variables will influence this relationship. Therefore, this moderating variable will affect the cause and effect dependent on the business strategy or objective variables. And therefore, it is possible to generalize human resources management practices by considering these variables in their implementation. However, human resources management policies and practices will only be helpful if they are consistent with its goals and strategies (Van Doesburg, 2002).

According to this thought, it is based on the theory of human resource behavior. Indeed, according to this theory, organizations can only achieve their objectives insofar as the actors within them seek to align their behavior with the strategic requirements of the firm. In this line of ideas, therefore, human resources management only represents an instrumental variable whose purpose is to encourage and strengthen the behavior desired by the organization. Therefore, it is important for companies to modify their human resources management practices to suit the different possibilities that they have to face. Making human resources management congruent with the company mindset will improve employee performance. There will be no interference because everything will be harmonious. It is also appropriate to determine that companies react in different ways to their choice of HRMS, and this has to do with the various contingency factors they experience. Indeed, companies will tend to react in a defensive, prospective, analytical, or reactive perspective, and according to their choice, the HRMS will be different. Therefore, when studying a business, it is important to know what type of location it is in because if it is defensive, it will tend to work in a stable market/product niche without trying its best to please everyone. Therefore there will be little change and little employee participation (Van Doesburg, 2002).

According to Lacoursière (2002), if a company prefers a forward-looking vision, it will find a strategy that is in a completely different perspective from the general one, always looking for new markets, new and changing strategies requires an enormous capacity to adapt. The search for this strategy requires new technology, various products, research skills, and therefore choosing human resources management such as communication, training, and participation

according to the circumstances. Furthermore, Van Doesburg (2002) also said that analytical firms will tend to oscillate between two niches, one stable and the other not, which will require an HRMS such as communication and training but without always causing too many lots of participation. The last type, namely, companies that choose a reactive perspective, will tend, as the term implies, to react after an event or a near miss. They will often make last-minute decisions in response to their environment without using a structured HRMS (Lacoursière, 2002).

Although several researchers have looked at this approach, it appears that very few have yielded convincing results or have been able to demonstrate a relationship between human resource management practice and organizational performance. However, Arcand (2005) found a positive relationship between human resources management practice and organizational performance on the condition that it is by its business strategy.

Configuration Approach

There are at least two reasons that explain why it is beneficial to classify HRMS practices. First, it allows the company to organize itself. Indeed, if building a new training system to train human resources management will create high-value employees, consequently avoiding high employee turnover rates to retain them, it will consequently harmonize practices so that anything becomes possible. Finally, as can be seen in psychology, this line of thinking has the advantage of providing guidance, so if the company provides only one line of thought by aligning its practices, it will amplify the power of its message and thus clearly define its expectations for all employees. Second, so that it can demonstrate that there is a positive relationship between the relationship between human resources management practices and performance, but this is only evident from the side of social performance, namely the alignment between human resource management practices and business strategies only affects social efficiency such as employee satisfaction and turnover rates (Schermerhom et al., 2002).

However, it is important to determine the complexity of this approach (Van Doesburg, 2002). Indeed, since this approach requires internal and external relations, it therefore creates several possible configurations of human resource management practices and therefore, certain uncertainties about the choices to be made. Thus, this approach is ideal as a theoretical construct but not an observable empirical phenomenon due to its complexity in business practice.

As can be seen, researchers have various ways of understanding the causal relationship between HRMS and organizational performance. There are slight differences between the three approaches. Several authors have attested to certain approaches. Therefore it is important to understand each one and understand the nuances to be created. Responding to this nuance, the question that needs to be asked is how the HRMS environment affects the performance of the company organization.

Contextual Approach

The contextual approach views the need for a significant shift from the point of view of HRMS analysis. This approach provides a clear, global descriptive picture of a broader model and should apply to different situations that can mask the specificities of all geographic and industrial contexts. The most significant contribution of the contextual approach lies in reconsidering the relationship between the HRMS system and its context (Fernando et al., 2005).

Keeping in mind the objectives determines an important part of the methodology used from a contextual perspective. Analytical methods are based almost exclusively on simple statistics, such as analysis of means and standard derivatives. However, it should be noted that the use of more complex qualitative and quantitative methods allows a deeper analysis of social, institutional, and political forces and can provide a better understanding of the impact of decisions. As a result, contextual consequences can complement rational and normative approaches from perspectives other than more descriptive and social ideas (Arcand, 2006).

Universalistic Approach

We realize that the cause and effect relationship results from a shift between certain economic and human principles. Indeed, in recent years HR has proven to be a key factor for companies and, therefore, a source of improved performance. Resource theory is also the starting point of a universalist approach according to which the existing resources can be physical. Organizations and unique people are a competitive advantage for companies as long as they are difficult to imitate and cannot be replaced. Therefore, establishing human resource management practices that make resources challenging to imitate, non-substituted and scarce improves organizational performance (Arcand, 2006).

Another foundation of the universalist approach is the human capital theory, which states that employees' knowledge, skills, and competencies are important sources of economic value. Therefore, providing adequate human resources management practices, such as training and recruitment, increasing the value of human resources, will improve company performance (Peregrino et al., 2016).

Two approaches that also underlie this universalist approach are the transaction cost approach and agency. Although both theories originate in economics, they both support a universalist approach with two options for companies to human resource management, either go it alone or go to the market. This principle also applies in human resource management in explaining a universalist approach because selecting the right human resources management will reduce transaction costs and improve company performance. Furthermore, the agency theory separates the two parts between the agent and the principal, who have different goals and different views about risk. Therefore, a wise human resource management choice will allow the company to reduce risk due to information asymmetry. Ultimately, the agent and the principal want to unite and guide towards improving organizational performance. Over the past few years, several researchers have tried to show a cause-and-effect relationship between human resource management practices and performance, taking into account different practices. Still, most have looked towards the company's performance as a significant contribution (Peregrino et al., 2016).

Previous research has proven that there is a relationship between human resource management strategy and performance. Ghebregiorgis & Karsten (2007) found that employees who are well managed and perform well (in human resource management activities) such as internal motivation, employment, equal working hours, quality of education, reasonable wages, vacation time, and so on will improve company performance. The results also report that employment growth will continue in line with the decline in employee transparency, absenteeism, and employee complaints. The findings also show that knowledge reflecting training designed to engage employees will improve performance and improve organizational, operational outcomes. The results of other studies indicated that job motivation and job

satisfaction have a significant and positive effect on performance (Springer, 2010). The result also found that motivation, job satisfaction, and job stress have a positive and significant impact on job performance (Hassan, 2020).

CONCLUSION

Although the disciplines of human resource management practices are still relatively new in development compared to their predecessor disciplines, these topics and practices are understood to be very important to determine strategic competition, business sustainability, and tight global issues. Companies that properly apply human resource management practices will compete and win an increasingly fierce business war.

There are four practical approaches to human resource management: the universalist approach, the contingency approach, the configuration approach, and the contextual approach. The four approaches provide an important role and contribution in shaping the uniqueness of the company's position in business competition to improve medium and long-term performance. This paper provides additional references for further researchers in human resource management practices and company performance. Likewise, this study has shown that companies implementing appropriate and effective HRMS practices will improve their performance.

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