

EFFECT OF SHRM ON ORGANIZATION PERFORMANCE

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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. These human resources need to be managed effectively to achieve the required performance of the organization. Human resource systems can contribute to sustain competitive advantage through facilitating the development of competencies that are firms specific. It is necessary to manage strategically the human resources and to adapt at its strategy with organizational strategy. 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 study explores the relationship between SHRM and performance. The study examines the relationship in two ways direct impact of HRM systems on performance and indirect impact or effect of HRM system 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.

MEANING OF STRATEGIC HRM:

The term 'strategy' is widely used in and presupposes importance. Strategy is associated with the long-term decisions taken at the top of the enterprise. The literary meaning of strategy is 'the art and science of directing military forces'. Strategic human resource management is to ensure that human resource management is fully integrated into strategic planning, that HRM policies cohere both across policy areas and across hierarchies and that HRM policies are accepted and used by line managers as part of their every day work. Strategic Human Resource Management (SHRM) is an area that continues to evoke a lot of debate as to what it actually embraces. 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".

INTRODUCTION

Human resources are vital for an organization, since human resource management is going up in the organization hierarchy. Organizational performance is probably the most widely used dependent variable in organizational research today yet at the same time it remains one of the most vague and loosely defined constructs. The struggle to establish a meaning for performance has been ongoing for many years, and is not limited to the field of strategic HRM. Human resource management (HRM) is a relatively young field, which has undergone a rapid evolution. 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 value-adding 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.

OBJECTIVES

- To understand the innovative practices in the Indian organizations.
- To understand whether synergy among such practices can enhance organization performance

METHODOLOGY

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

REVIEW OF LITERATURE

Strategic Human Resource Management practices are not standardized, some scholars (Katou & Budhwar, 2007) have proposed the use of a mediating model that adopts two systems of SHRM practices that are usually present in almost all works, namely, resourcing and development, aiming at attracting and developing human resources, and rewards and relations which aim at retaining and motivating human resources. Specifically this study applies motivation as a mechanism by which SHRM practices impact upon organizational performance (Gerhart, 2005). Studies show that motivation, being a translation of effort and strength of behavior, leads to performance. However, specifications of individual and situational attributes are required.

People can be motivated because they value an activity or there is a strong external influence. The issue of people supporting a certain behavior out of their interests and values, or demonstrating it for reasons external to the self, is common across every culture. Most studies examining the relationship between SHRM practices and organizational performance have been conducted on large manufacturing companies in a few developed countries (the US and the UK); but the question still left unanswered is the influence of SHRM practices on human capital or specifically, employee motivation, and organizational performance in varied cultural contexts (Katou & Budhwar, 2007).

The reported evidence for the US (see Gerhart, 2005) suggests that labor productivity and organizational performance are positively related to diverse features of HR management systems such as recruitment and selection (Koch y McGrath, 1996); training programs (Bartel, 1994); performance evaluation (McDonald and Smith, 1995); compensation and benefits (Gerhart and Trevor, 1996; Gómez-Mejía, 1992); and innovative practices (Delaney and Huselid, 1996; Huselid, 1995). Similarly, some research has shown that firms characterized by the use of the above practices outperform those that display inflexible HR strategies within the same economic sector (Barton, 2004; Black and Lynch, 2001; 2004; Ichniowski et al., 1997; among others), even in the case of small and medium-size units (Way, 2002). Becker and Gerhart (1996), Boxall and Purcell (2003), and Gerhart (2005; 2007a,b) have made comprehensive reviews of the seminal work on the relationship between HRM practices and firm performance as done by Arthur (1994), MacDuffie (1995), and Ichniowski *et al.* (1997) in manufacturing and by Batt (2002) in the service sector. Huselid (1995), in turn, conducted an early and influential study that introduced the concept of complementarities as applied to HRM practices (Milgrom and Roberts 1990).

The existence of positive linkages between at least one specific dimension of firms' economic performance and certain HRM practices has also been found in small and medium size units. From a theoretical point of

view, due to its strong emphasis on a subset of these practices that would operate as “best practices”, supposedly superior to more traditional ones (and with a theoretical rationale behind it), much of this literature has been equated with a “universalistic perspective”. The logic posed assumes that the relationship found can be generalized to any context, developing a set of ‘High Performance Human Resources Practices’ with a progressive impact on organizational performance (e.g. Delaney and Huselid, 1996). Universalists such as Pfeffer (1995) and Osterman (1994) argue that greater use of “high performance” practices such as participation and empowerment, incentive pay, employment security, promotion from within the firm, and training and skill development result in higher productivity and profits across organizations.

THE IMPACT ON ORGANIZATIONAL PERFORMANCE

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 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. Parallel to the understanding that human resources are vital for an organization, human resource management function is also going up in organizational hierarchy. 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.

BENEFITS THAT STRATEGIC HRM BRINGS FOR AN ORGANISATION

The strategic HR framework aims to leverage HR practices to build critical capabilities that enable an organization to achieve its goals. Strategic management offers both financial and non-financial benefits to an organization which practices it.

- To meet the expectations of the customers effectively.
- Provides a clear business strategy and vision for the future.
- Provides an objective view of management problems.
- Creates a framework for internal communication among personnel.
- To develop and retain of highly competent people.
- Helps to integrate the behaviors of individuals into a total effort.
- To ensure high productivity.
- Represents a framework for improved co-ordination and control of activities.
- Identifies, prioritize and exploits the opportunities.
- Minimizes the effects of adverse conditions and changes.
- Allows more effective allocation of time and resources to identified opportunities.
- Encourages a favorable attitude towards change.
- To ensure business surplus through competency.

CONCLUSION

Organizations are trying to create as much competitive in the market, reaching to manage their human resources in achieving organizational performance required. Some of the goals are to retain high competent people, achieving sales levels, increasing the number of customers, innovative products, improve productivity. Human resources are playing an important role in achieving these. Strategic HRM is a detailed process for human resource management throughout the organization that it's integrated with the organization's overall strategy. Strategic human resources management practices enhance employee productivity and the ability of agencies to achieve their 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. The focus of the HR management should be to understand organizational performance processes and design HR practices that influence process and outcome variables.

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