

## Linking human capital with strategy: A performance-driven shrm approach

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### Abstract

*HR systems can provide a long-term competitive advantage through permitting the growth of firm-specific abilities. Strategic management of human resources involves with establishing a connection amongst the general strategic objectives of the organization and the strategy for human resources and performance. In this study, an approach to surveys was used using an autonomous standardized questionnaires as a data collecting technique, which was communicated to (50) executives and gathered from (29) managers. The study found no significant differences in HRM effects based on work format. Years of expertise significantly influenced HRM dynamics and performance indicators, indicating its crucial role. Overall, expertise had a more substantial impact than work format on HRM-related outcomes. The current investigation makes significant enhancements to the reservoir of information at both the scientific and pragmatic stages, and it offers substantial suggestions that will improve HRM and SHRM management, which will enhance the overall success of the organization.*

**Keywords:** Human Capital, SHRM, HR Practice, Strategic HR, HR Effectiveness

### 1. Introduction

Successful companies are rapidly identifying that, of all of the factors that influence efficiency, human interaction is the most essential (Silva & Lima, 2018). Irrespective of the scope of a company or kind, the operations that it engages in and the circumstances in which it works are established by what choices its workers make and the behaviour in that they take part.

Applying a tactical approach to managing human resources (HR) entails disregarding the people managing mind-set and implementation in the name of emphasizing on issues of strategy rather than operating or practical ones (Dermol, 2014). Strategic Human Resource Management, also called SHRM, entails making managing individuals of the utmost importance in the business and incorporating all the systems related to human resources within the

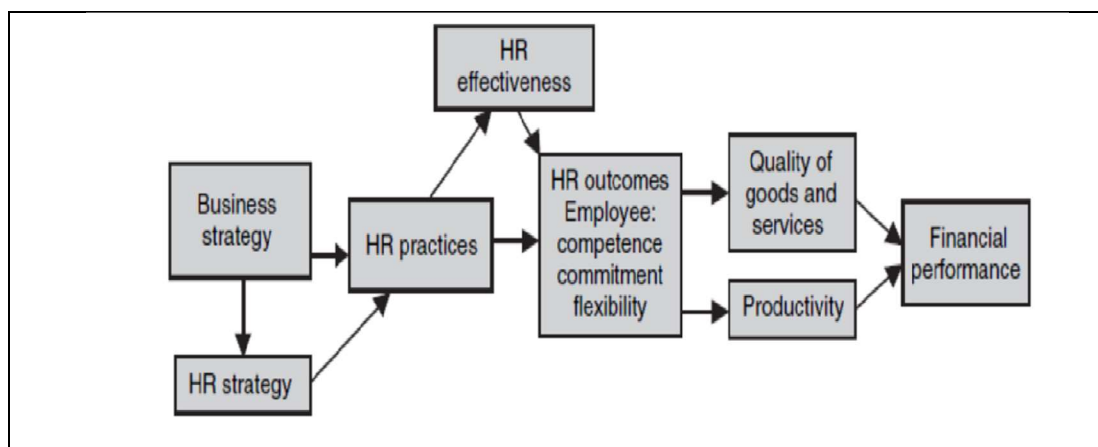
framework of the business's overall approach (Allen & Wright, 2006).

SHRM acknowledges that individuals can either benefit or harm a company as all monetary marketing, functional, and technological options are decided by the staff of a business (Vance, 2019). For the organization to create and support an upper hand, HRM should meet the ensuing vital objectives:

- Invest in individuals by introducing and supporting methods of learning to develop ability and correspond to skills with organizational requirements.
- To make sure that the company understands the knowledge needed to fulfil its objectives and please its customers, and then undertakes measures to pick up and grow this understanding.
- To determine actions that are crucial to business success and to guarantee that these behaviours are encouraged, acknowledged, and compensated.
- Encourage staff members to put all of themselves into the tasks that you achieve for their company.
- Acquiring individual dedication to the company's objectives and principles.

### Human Resource Management's Strategic Part

The job of managing human resources has continually attempted to demonstrate its place in companies (Cardon & Stevens, 2004). Firms readily rationalize consuming on classroom instruction, employees, accolades, and employee engagement programs while there are ample money, yet when confronted with financial challenges, such human resources departments are the first to be abolished. The recent development of the area of strategic human resources administration (SHRM), where examines HR's role in assisting corporate strategy, offers one chance for demonstrating HR's worth to the company (Fahim, 2018).



Source: Noe, et al.

Over the last 25 years, the HRM discipline has seen a significant shift. These changes indicate two important shifts. The initial one is the shift from the area of personnel administration to the field of the management of human resources. The second change is from the discipline of handling human resources to the domain of strategic managing human resources.

The study is concerned with looking at strategic human resources (HR) procedures throughout the region, such as the establishment of a formal strategy for human resources incorporated with the company's overall strategy, the

level of alignment or connection that exists between HRM and the companies plans, the function of various management positions in developing and carrying out of HR strategy, and the impact of business strategy accord adheres to on the general efficacy of organizations.

## 2. Literature Review

The study aims to analyse the impact of HRM practice, situational leadership, employee involvement, engagement, and its mediation on organisational performance. Research indicates that HRM practice has a positive but insignificant impact on organisational performance, while situational leadership has a positive but insignificant impact. Employee involvement has a significant positive impact on organisational performance and mediates the influence of HRM practice on performance (Zamzam, et al., 2023).

In the complicated and continuously changing health market, hospitals should optimize their organisational performance to gain a competitive edge. Human resource management and tactics are crucial to competitive advantage. Balanced scorecard-based study examined human resources strategies and organisational performance. Hospital managers may increase performance (particularly non- financial) by developing human resources strategies including staff training and development, staff pay & reward, and compensation (Nafari & Rezaei, 2022).

In a fast-changing economic environment marked by trends like globalization, rising demands from investors and customers, and more products on the market, government institutions are always trying to improve their performance by cutting costs, updating products and procedures, and boosting quality in order to compete and stay in business. This study was analysed with a quantitative research method. The number of people chosen for this study is 240. The results showed that all of the theories were wrong, except for the fifth one, which said that "decentralization is related to organisational performance in a positive way" (Anwar & Abdullah, 2021).

Human resources are in charge of getting jobs done well at different levels of an organisation. If people resources aren't taken care of, the organisation will fall behind. The SHRM parts affect the parts of organisational success (customer happiness, technology deployment, product quality, and competitiveness) ( $p < 0.05$ ). Recruitment was the most important factor in organisational success in terms of technology deployment, product quality, and competitiveness. However, growth and job development had an effect on customer happiness (Al-Jedaiah & Albdaeen, 2020).

The ability of workers to use their skills, knowledge, and talents would help the organisation do better. You can't deny that effective human resource management is important for a business, since the practices and policies of human resource management affect workers' work, attitudes, and performance. Having said that, human resource policies are focused on many important practices that, in turn, can improve the performance of an organisation. These include human resource planning, hire, selection, training and development, pay, performance management, and employee relations (Khan, 2018).

Professionals' potential use of their knowledge, abilities, and abilities in the business would aid to enhance the company's efficiency. The significance of effective human resource administration in the business cannot be exaggerated, since human's resources managing practices and policies impact worker productivity, mind-sets, and productivity (Voorde, Paauwe, & Marc, 2012).

Employees' possible use of knowledge, abilities, and abilities in the company could assist in improving company efficiency. The significance of proactive human resources management in company can't be over exaggerated since human resource managing procedures and standards impact workers' work, mind-sets, and performance. Personnel laws and regulations, in contrast, are focused on several essential operations that, in turn, may positively impact company results, such as organizing human resources, recruiting, choosing, education and training, remuneration, handling performance, or relations with employees (Delahaye, 2011).

Over the years, a number of assessment addresses have been established. Work-oriented addresses strive for clarity about whatever an individual operates; work-oriented techniques seek to determine the qualities need to perform job duties well; and hybrid methods combine parts of work- and job-oriented methods. Because of the space limits, only frequently used or prototypic approaches have been included above (Brannick, Levine, & Morgeson, 2007).

The contributors outline the basic challenges that the field of strategic human resources management (SHRM) is going to encounter within the decades to come and examine multiple new approaches in SHRM both research and practice. They emphasize the melding of implementation of strategies as the major intervening element in this connection, while emphasizing an easier characterization of the "black box" connecting HR and company performance. There are obvious consequences in SHRM for the definition of fit and constraints (Becker & Huselid, 2006).

### 3. Methodology

The study was carried out using a cross-sectional research methodology, which means that data was taken at a single point in time to give a snapshot of the topic. During data collection, a Likert scale with five possible answers was used so that participants were able to express what they thought. A decision was chosen to target of the commercial banks, Development bank and financial companies in Nepal. The intuitions have earned a reputation as privately owned firms that invest in additional HRM initiatives and initiatives. This study seeks (60) executives as the population of interest for the study, but (50) have been chosen as the sample size for this study since 10 managers were unable to take part due to limitations on time. Nevertheless only 29 surveys were sent back with a (58%) acceptability score. Analysis of Variance (ANOVA), a mathematical method for comparing means across various groups, was used by the researchers to look at the data that was collected. The researchers placed a high emphasis on ethical issues by ensuring that participants provided informed permission, so indicating their voluntary involvement in the study. Furthermore, the principle of secrecy was upheld in order to protect the privacy and anonymity of participants, guaranteeing that their answers were treated as secret and not shared with unauthorized parties. The use of ethical practices is of utmost importance in upholding the integrity and credibility of research investigations.

### 4. Results

Table (1) shows that there exists not a statistically significant variance at a significance threshold of 0.05 or fewer in the study sample of responses to HRM policies and duties, as well as HRM impacts on effectiveness.

**Table 1: The Effects of Policy and Performance (One Way Anova)**

Variables	Sources of variance	Sum of squares (SS)	Df	Mean Square	F value	Statistical significance
<b>HRM policies and roles</b>	Among groups	4.411	1	4.41	.070	.793
	Within groups	16.335	27	.628		
	Total	16.999	28			
<b>Performance indicators that are affected by HRM</b>	Among groups	.201	1	.201	.705	.409
	Within groups	7.683	27	.285		
	Total	7.884	28			

Source: Field Survey

In addition, the findings presented in Table (2) reveal the there are no statistically significant distinctions in responses given by respondents based on their positions in terms of HRM policies as well as duties and their influence on performances.

However, the findings in Table (3) revealed of statistical significance variances in the investigation's sample of SHRM response at an appropriate threshold of 0.05 or less: "HRM laws and roles" and the "Performance measures that are impacted by HRM."

**Fig. 1 The Effects of Policy and Performance (One Way Anova)**

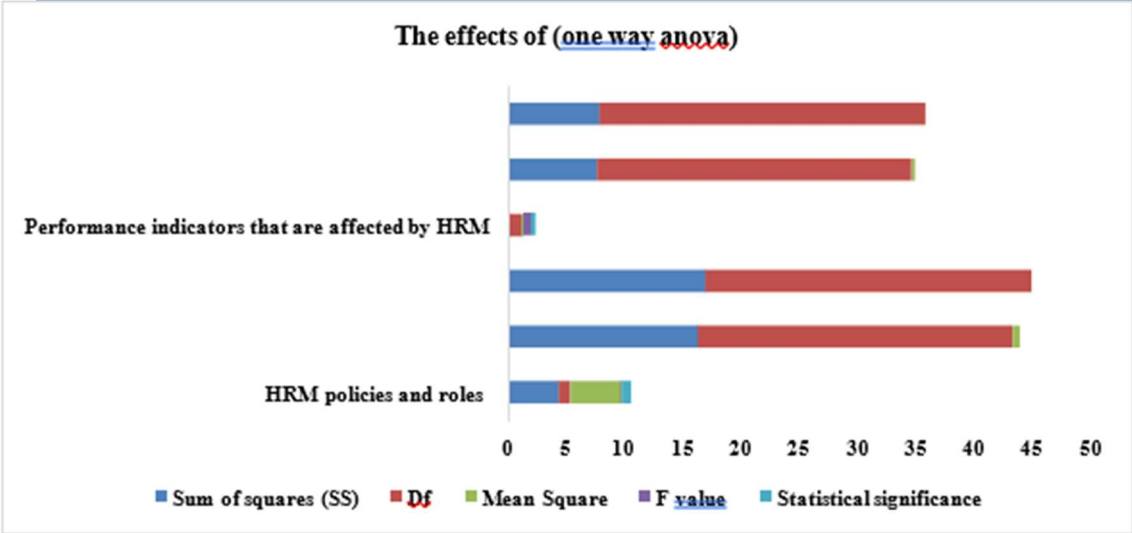
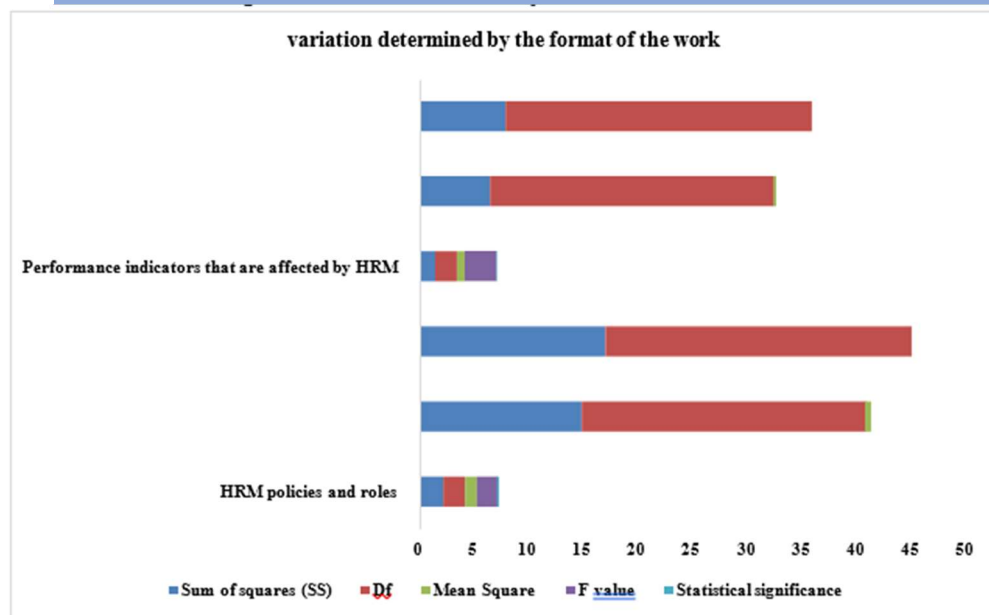


Table 2: Variation Determined by the Format of the Work

Variables	Sources of variance	Sum of squares (SS)	Df	Mean Square	F value	Statistical significance
HRM policies and roles	Among groups	2.166	2	1.083	1.899	.170
	Within groups	14.833	26	.570		
	Total	16.999	28			
Performance indicators that are affected by HRM	Among groups	1.432	2	.716	2.886	.074
	Within groups	6.451	26	.248		
	Total	7.884	28			

Source: Field Survey

Fig. 2 Variation Determined by the Format of the Work

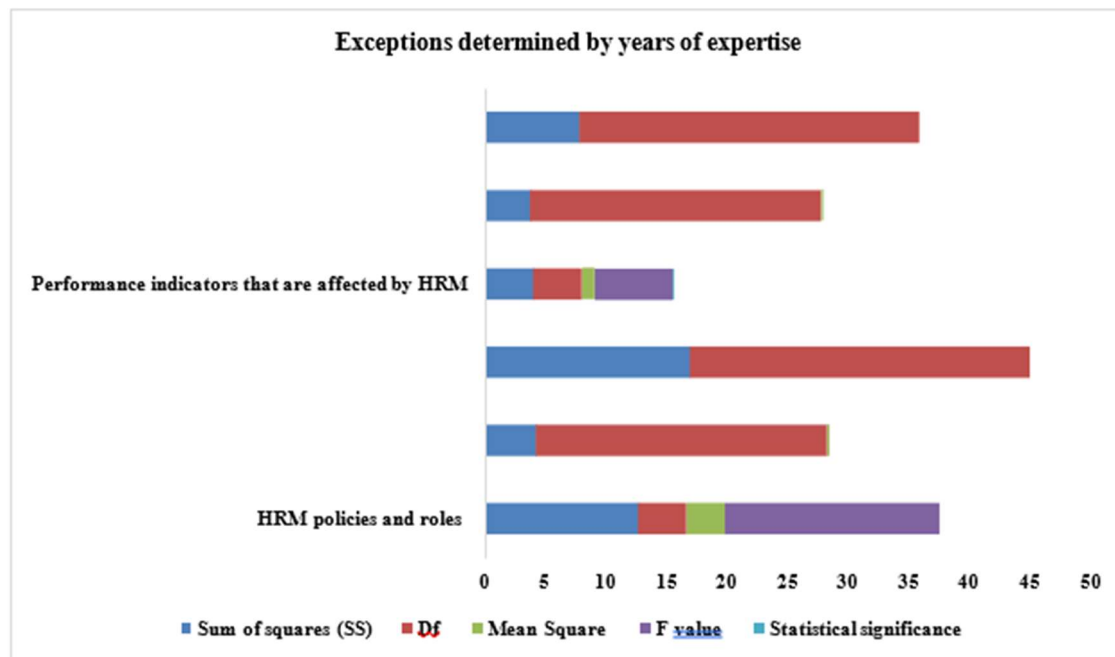


**Table 3: Exceptions Determined by Years of Expertise**

Variables	Sources of variance	Sum of squares (SS)	Df	Mean Square	F value	Statistical significance
<b>HRM policies and roles</b>	Among groups	12.709	4	3.177	17.775	.000
	Within groups	4.290	24	.179		
	Total	16.999	28			
<b>Performance indicators that are affected by HRM</b>	Among groups	4.082	4	1.020	6.441	.001
	Within groups	3.802	24	.158		
	Total	7.884	28			

Source: Field Survey

**Fig.3 Exceptions determined by years of expertise**



## 5. Interpretation and Discussion

This study was directed to explore three dimension first is to identify the effect of HRM on organization performance the results shows that a one-way ANOVA (Analysis of Variance) for two variables: "HRM policies and roles" and "HRM-affected performance indicators." ANOVA is a statistical method used to find out if there are big changes between the means of more than two groups. The study of "HRM policies and roles" found no statistically significant differences between the groups. This is shown by the high p-value of 0.793, which is well above the usual significance level of 0.05. Also, there is no statistically significant difference between the groups for "Performance indicators affected by HRM," which has a p-value of 0.409, which is higher than the 0.05 standard. These data show that differences between groups don't seem to have a big effect on how HRM policies and jobs differ or how they affect success indicators. In real life, this means that the factors being studied in the study don't have a big effect that differs between groups, at least in the way this analysis is being done.

Second aspect was to explore the role of position (format of the work) on organization performance result revealed one-way ANOVA for two different variables: "HRM policies and roles" and "Performance indicators affected by HRM," with a focus on how the style of the work affected the differences.

ANOVA is a statistics method used to find out if the means of three or more groups are very different from each other. For the variable "HRM policies and roles," the analysis separates the difference into two parts: "Among groups" and "Within groups." With 2 degrees of freedom (df), the sum of squares (SS) between groups is 2.166, which gives a mean square of 1.083. The F value, which is a measure of the ratio of the difference between groups to the difference within groups, is 1.899. Importantly, the p-value is 0.170, which is higher than the usual level of significance of 0.05. This shows that there is no statistically significant difference between the groups in terms of



HRM policies and jobs based on how the work is done.

Also, for the variable "Performance indicators affected by HRM," the data show that there are two types of variation: "Among groups" and "Within groups." With 2 degrees of freedom, the between-group SS is 1.432, and the mean square is 0.716. This variable's F value is 2.886, and its p-value is 0.074, which is also higher than the usual importance level of 0.05. Based on how the work was set up, this means that there is no statistically significant difference between the groups in how HRM affects performance measures, even though the p-value is close to the significance level.

In both cases, there are differences between the groups' means, but the ANOVA analysis shows that these differences are not statistically important. So, the format of the work doesn't seem to be a big reason why HRM policies and jobs are different or why they have different effects on success indicators in this study.

And third objective was to analyse the Exceptions determined by years of expertise on employee performance result explored that one-way ANOVA analysis focusing on exceptions determined by years of expertise for two variables: "HRM policies and roles" and "Performance indicators that are affected by HRM." This statistical approach aims to assess if there are significant differences in these variables based on the number of years of expertise.

For "HRM policies and roles," the analysis separates the variance into two sources: "Among groups" and "Within groups." The sum of squares (SS) among groups is 12.709, with 4 degrees of freedom (df), leading to a mean square of 3.177. The F value, which gauges the ratio of the among-group variance to the within-group variance, is 17.775. Significantly, the associated p-value is 0.000, which is much less than the conventional significance level of 0.05. This indicates that there is a highly statistically significant difference among the groups regarding HRM policies and roles based on years of expertise.

In simpler terms, the number of years of expertise has a significant impact on HRM policies and roles. For the variable "Performance indicators affected by HRM," the results also show two sources of variance: "Among groups" and "Within groups." The among-group SS is 4.082, with 4 degrees of freedom, resulting in a mean square of 1.020. The F value for this variable is 6.441, and the associated p-value is 0.001, which is considerably less than 0.05. This indicates a highly statistically significant difference among the groups concerning the impact of HRM on performance indicators based on years of expertise.

In other words, the number of years of expertise significantly influences performance indicators affected by HRM. In summary, the ANOVA results in Table 5 demonstrate that years of expertise play a substantial and statistically significant role in explaining variations in both HRM policies and roles, as well as their impact on performance indicators. These findings imply that professionals with varying levels of expertise have significantly different experiences and outcomes in the context of HRM policies and their effects on performance indicators.

Strategic Human Resources Management (SHRM) is the idea of aligning HR practices with the general business plan to improve the success of an organisation. Interpret the findings as follow:

Alignment of HRM Practices with Business Strategy: One of the primary objectives of SHRM is to make sure that HRM practices are in line with the business strategy as a whole. In this study, the analysis didn't find any statistically significant differences between the different groups in HRM policies, jobs, or how they affect success measures.

This could mean that the organization's HRM practices are the same for all roles or types of work. This could mean that the organisation has a consistent HR plan.

**Impact of Work Format:** The study found that the work format (position) didn't change HRM-related factors in a big way. This means that HR practices were used the same way in all roles, which shows that they were somewhat in line with the organization's general HR strategy. This alignment makes sure that HR practices are fair and uniform for all employees, no matter what part they play in the company.

**Years of Experience:** The most interesting thing that can be learned from this study is that years of experience have a big effect on HRM policies, jobs, and how they affect success indicators. This finding has considerably associated with SHRM. It states that, in terms of HRM, the organisation should think about adapting or changing HR practices based on how long workers have worked there. This customization fits in with the strategy side of HRM because it acknowledges that different employee groups may need different HR methods to help them contribute the most to the success of the organisation.

Ultimately, the results of this research provide credibility to the concepts behind Strategic Human Resources Management by suggesting that HRM policies and procedures ought to be in step with the overarching objectives of the business. Since HRM practices were not significantly varied across groups or work formats, the need of customizing and aligning HRM practices to maximize their efficacy in driving organisational success should be emphasized. This indicates that HRM that takes into account the varied skill sets of its staff members can be a strategic decision that benefits the company as a whole.

## 6. Conclusion

The study aimed to explore the effects of HRM on organizational performance, the influence of work format (position), and the impact of years of expertise. The analysis revealed that, there were no statistically significant differences in HRM policies, roles, or their effect on performance indicators among different groups. Secondly, the format of work did not significantly affect HRM-related variables. However, thirdly, years of expertise had a substantial and statistically significant impact on HRM policies, roles, and their influence on performance indicators. Result suggests that it may be necessary to customize or modify HRM practices according to workers' degree of expertise in order to maximize their influence on organisational success. The results highlight the significance of including the experience element into the design of human resource management (HRM) strategies in order to improve organisational performance. In the future, more research can be done on how HRM practices can be changed based on an employee's years of experience. Look into how certain HRM strategies can be changed to have the most positive effect on the success of an organisation, taking into account the different levels of experience in the workforce.

## 7. Recommendations

Since it is difficult to implement and adjust to the new HRM philosophy at first, it confronts numerous problems, and the researchers provide the following points as recommendations to keep the system running and addressing the gaps found.

- Organisations should think about adjusting their HRM strategies to the years of experience of their workers. Adjusting HR policies, training programmes, and career development opportunities to fit different levels of

experience can lead to more effective HRM practices and, in turn, better organisational success.

- Build up programmes that help workers improve their skills on an on-going basis. These programmes should be made to help workers with different levels of experience keep their skills up-to-date and help them do their jobs well.
- Organisations should do benchmarking tasks to find out what the best HRM practices are in their business. Learning from great case studies and industry stars can help to figure out how to improve the performance of organization HRM strategies.
- Implement means to get workers involved that take their years of experience into account. Acknowledge and recognize the work of both new and experienced workers to create an atmosphere of motivation and inclusion.
- Organisations ought to consider about doing longitudinal studies to see how years of experience affects HRM and success measures as time goes on. This will help HRM managers make smart changes to their plans as their employees gain more experience.

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