

Study on the Impact of Strategic Human Resource Management on Enterprise Performance

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Abstract

With the development of economy, the competition among enterprises is becoming more and more intense in China. Human resources as the core competitiveness of enterprises are very important to the performance of enterprises. This article mainly discusses the impact of strategic human resource management on enterprise performance. The article has four parts including introduction, literature review, materials and methods and result and discussion. In this article, there are two hypotheses. The first one is the career development and employee training programs have the positive impact of improvement of strategic human resource management on business performance; the other one is performance based wage has the positive impact of improvement of strategic human resource management on business performance. After data analysis, these two hypotheses are verified.

Keywords: SHRM, enterprise performance, impact

1. Introduction

With the rapid economic development, competition between enterprises is becoming more and more intense. If enterprises want to gain an advantage in the competition, business performance is one of the most important factors for enterprise performance. In order to improve business performance, enterprises need to fully consider a wide range of factors, human resources is a part that cannot be ignored. Competition between companies began to change from the competition of capital to the competition of human resources. For the

performance of enterprises, the market share is no longer the only standard and the talent occupancy became an important evaluation index of enterprise performance. Therefore, how to cultivate talents and motivate employees to achieve the strategic goal of enterprises is one of the important issues that enterprise managers should consider. When the human resource management compliance with strategies of enterprise development, enterprise performance can be improved effectively, which led to the strategic human resources management came into being.

The core of strategic human resource management is to improve the performance of enterprises, some well-known scholars around the world agreed that strategic human resource management can affect the performance of enterprises, but researched of the relationship between human resources management and business performance and how they work together to affect enterprise performance have not formed a unified understanding and argument yet. Both human resource management and enterprise performance play an important role in the operation and management of enterprise in China. Therefore, to research the impact of strategic human resource management on enterprise performance could help managers to improve their management ability that help enterprises to survive from intense competition.

2. Literature Review

Strategic human resource management is the integration product of strategic theory and human resource management theory. As early as 1981, the concept of the Strategic Human Resource Management (SHRM) was formed in the United States. American scholars Devanna, Formbrun and Tichy published a famous article called "human resources management: a strategic perspective" (Devanna, Fombrun, & Tichy, 1981) in the "Organizational Dynamics" journal in 1981. Since then, a lot of scholars started to research on strategic human resource management in the United States and some developed countries. What is strategic human resource management? The most common definition accepted by scholars is the pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals (Wright & McMahan, 1992), which defined by Wright and McMahan in 1992. The research of SHRM mainly from aspects such as research on theories of Strategic Human Resource Management, research on methods of Strategic Human Resource Management and research on the relationship between performance and Strategic Human Resource Management etc..

Research on the theories of SHRM includes three parts which are basic theory research, practice method research and effect research. The basic theory research of SHRM started from the beginning of the 1950s, when the book called "The Theory of the Growth of the Firm" (Penrose, 2013) mentioned the basic theory of strategic human resource management. The practice method research of SHRM was started from the 1980s. At that time, Japanese enterprises were implementing strategic human resource management that made Japanese became the pioneer of practice method research of SHRM. The reason of Japanese first research on practice method of SHRM is because human resource management of Japan's enterprises mainly focused on people management. In 1982, Baird, Meshoulam and DeGive

(Baird, Meshoulam, & DeGive, 1983) published an article "Meshing Human resources Planning with Strategic Business Planning: A Model Approach" which is the sign of effect research of SHRM.

Kochan and Osterman (Kochan & Osterman, 1994) argued that strategic human resource management can affect the performance of organization deeply, so the organization must determine the practice scope of strategic human resources management and ensure that strategic human resource management can be implemented. Huselid (Huselid, 1995) used the method of High Performance Work Practices to evaluate the links between strategic human resource management and firm performance. Pfeffer (Pfeffer, 1996) proposed 16 items of human resources management and Delaney and Huselid (Delaney & Huselid, 1996) identified the seven items of strategic human resources management.

Ferris et al. (Ferris, Arthur, Berkson, & Kaplan, 1998) proposed social context theory, which established a dynamic relationship model between human resource management and organization effectiveness in 1998. In 2000, Mitchell Park proposed a conceptual model of strategic human resource management and organizational performance (Sheppeck & Militello, 2000). They argued that organizational performance improvement is the result of enterprise environment, business strategy, human resource management practice and human resource management support that interact with each other. Some scholars also conducted quantitative analysis of human resources performance and designed a lot of quantitative analysis and quantitative research models and methods. Such as: Human Resources Index questionnaire, human resource case study, human resources competition benchmark, human resources key indicators, human resources utility index, human resources reputation research, human resource cost model etc..

In the 1990s, the theory of strategic human resource management was introduced into China. Since then, many Chinese scholars and entrepreneurs started to research on strategic human resource management. Youyi Li (Li, 2001) defined strategic human resource management as to develop human resources management plans and methods based on enterprise strategy and to achieve the strategic objectives of enterprise through human resources management activities. Yong Gai (Gai, 2004) argued that the human resources strategy refers to enterprise determine business goals and human resource management goals based on internal and external environmental analysis. Then, to achieve business goals and human resources management goals through human resource management functions, which to maintain and create a sustainable competitive advantage. According to these definitions, strategic human resources management consists of two parts. First, enterprise need to determine the development and utilization of human resources, the overall goals, the overall policies, implementation and overall budget arrangement based on the requirements of enterprise strategic objectives in a certain period of time; second, enterprise need to formulate a complete business plan and human resource management plan, which includes recruitment and introduction plan, organizational structure and post design plans, personnel succession and promotion plans, education and training programs, performance evaluation and incentive plans, retirement and dismissal plans etc..

Shuming Zhao (Zhao, 2005) pointed out that performance management is the core of strategic human resource management. Enterprises should establish a performance assessment system based on strategic platform that will not only get the information of staff performance and strategic objectives, but also encourage employees to improve their skills. In addition, Shuming Zhao believed that strategic human resource management is actually to combine the individual performance with enterprise strategic objectives in the process of human resource management practice, to obtain and maintain the competitive advantage of enterprises through continuous improvement of personal performance and to achieve the strategic objectives of enterprises eventually.

Hongzhang An (An, 2005) pointed out that the choices of the strategy and the technology of organization are restricted and influenced by the enterprise human resource management system. Meanwhile, when the enterprise formulates the human resources management policy, it must be restricted by the enterprise's own strategy, technology and operating environment. Yuyong Wu (Wu, 2009) believed that the role of the human resource management department cannot be limited to the role of performer. It is also plays a role of the decision maker and participant of the strategy. Strategic human resource management is integrated with enterprise strategy management, so in the formulation and implementation of departmental performance, staff performance should be consistent with the long-term performance of the organization. Enterprises need to establish a long-term incentive-based performance management system to improve the competitive advantage of enterprises.

3. Materials and Methods

This article mainly analyses two typical types of employees participate in management practices which are career development and employee training program and performance based wage and how these two typical types contribute to strategic human resource management to influence on enterprise performance.

3.1 Hypothesis

The unique human capital is the fundamental source of enterprise competitive advantage. In order to respond to the changing circumstances and to gain sustainable competitive advantage, enterprises must develop a kind of flexible human capital to adapt to possible changes of enterprise strategy quickly. Career development program can improve the ability of employees and support their career development. Employee training program gives employees the opportunity to acquire skills and knowledge to improve job performance. Employees come into contact with a wide range of knowledge and ideas through career development and employee training programs, which lead to employees are willing to accept new knowledge and creative methods.

Extensive career development and employee training extend the human resources available for strategic implementation and help enterprises adapt to a variety of strategic needs of human resources flexibly. As a result, career development and employee training programs can improve the positive impact of strategic human resource management on business performance. Hypothesis one based on above is career development and employee training

programs have the positive impact of improvement of strategic human resource management on business performance.

In order to implement the human resources strategy effectively, enterprises must use some methods to make all employees understand the intentions of these strategies. The most effective and direct way is the performance based wage plan, which is combined the personal interests of employees with business goals through linking wage to employee's performance. Therefore, human resources management of enterprises can control the behavior and attitude of employees through the performance based wage, so that to force the performance of employees compatible with enterprise strategic objectives. Without the support of performance based wage, other activities may not be able to fully support the human resource strategy. Because if there is no incentive mechanism, employees may be reluctant to participate in the implementation of the new strategy and they do not want to cooperate with the temporary working group and they do not want to participate in new training program. Therefore, enterprises must implement performance based wage as an important part of the human resources strategy. Based on the above, hypothesis two will be performance based wage has the positive impact of improvement of strategic human resource management on business performance.

3.2 Method

The samples of this article are from 300 enterprises in the eastern cities of China with more than 100 employees. 251 questionnaires were collected and the collect rate is 83.67%. Among them, 219 valid questionnaires were valid and the valid rate of the questionnaire was 87.25%. There are 22 foreign-invested enterprises, accounting for 10.04%; there are 51 Sino-foreign joint ventures of 219, accounting for 23.29%; there are 105 private enterprises of 219, accounting for 47.95%; there are 41 state-owned enterprises, accounting for 18.72%.

4. Result

Variables are measured by using Likert scale. Modifying Strategic Human Resource Management based on Hyondong Kim and Sung-Choon Kang's research (Kim & Kang, 2013), including six items, the Cronbach's alpha reliability of the scale is 0.87 calculated by using SPSS see from Table 1 (the reliability greater than 0.7 is acceptable). The number of career development and employee training is the average number of career development and staff training programs with formal employee participation. The performance based wage uses the average ratio of official employee performance based wage to the employee's total wage. The enterprise's performance is mainly measured by profit the enterprise. At the same time, to set the years of establishment of the enterprise and enterprise scale as control variable.

Table 1. Measurement and reliability of variable

Variable	Measurement items	Coefficient of reliability
Strategic Human Resource Management	To take effective methods to ensure the coordination of human resources management and enterprise strategy	0.87
	Other departments regard the department of human resources management as a close partner	
	Human resource management supports the achievement of enterprise strategic objectives effectively	
	Human resource management is integrated with enterprise strategy closely	
	Human resource managers have significant impact on enterprise strategy development	
	Human resource managers affect the decision of CEOs significantly	

After determined the measurement, the next step is use the structural equation analysis by using AMOS to get the path coefficient between the variables. From table 2 we can find out that strategic human resource management, career development and employee training program, performance based wage have a significant positive impact on business performance.

Table 2. Path coefficient between variables

Relationship of variables	Path coefficient	Significance level
SHRM → business performance	0.546	Significant
career development and employee training → business performance	0.417	Significant
performance based wage → business performance	0.412	Significant

The next step is using method of hierarchical regression to verify two hypotheses. To verify the moderating effect of career development and employee training program, performance based wage of on the relationship between strategic human resource management and business performance by using moderator-mediator variable distinction model created by Baron and Kenny (Baron & Kenny, 1986). Because there is a large difference between the different variables, and the value range is not in the same numerical interval. Therefore, we need to use method of deviation standardization for all variables before the verification. Next

step is regression analysis of the dependent variable by using the independent variables to formulate model X1. Then, multiplying the preset variable by the moderator variable to calculate the interaction factor and added into the independent variable for regression analysis to formulate model X2. If the R² of model X2 is greater than the R² of model X1 and the independent variables and the interaction factor regression coefficient are significant, then the moderating effect is existed. If the two conditions are not met at the same time, the moderating effect is not existed.

We can find the result of moderating effect of career development and employee training programs from Table 3. The difference of R² equals 0.32, and the independent variables and interaction factor are significant, therefore, the moderating effect of career development and employee training existed that means career development and employee training programs have the positive impact of improvement of strategic human resource management on business performance, hypothesis one is verified.

Table 3. Moderating effect of career development and employee training

Independent variable & interaction factor	Regression model	
	X1 regression coefficient and t test	X2 regression coefficient and t test
SHRM (a)	0.554 (9.28) **	0.332 (6.56) *
Career development and employee training (b)	0.467 (8.76) **	0.196 (5.76) *
(a)*(b)		0.132 (5.54) *
R ²	0.23	0.55
Difference of R ²	0.32	

** , p<0.01; * , p<0.05

The result of moderating effect of performance based wage can be found in Table 4. The difference of R² is 0.20 and the independent variables and interaction factor are significant. Therefore, the moderating effect of performance based wage existed that means performance based wage has the positive impact of improvement of strategic human resource management on business performance, hypothesis two is verified.

Table 4. Moderating effect of performance based wage

Independent variable & interaction factor	Regression model	
	X1 regression coefficient and t test	X2 regression coefficient and t test
SHRM (a)	0.536 (9.58) **	0.326 (8.64) **
Performance based wage (b)	0.401 (4.64) *	0.208 (5.11) *
(a)*(b)		0.129 (4.99) *
R ²	0.32	0.52
Difference of R ²	0.20	

** , p<0.01; * , p<0.05

5. Conclusion

The core of enterprise competition is human resource, in the process of implementation of enterprise strategies, human resource management must be the most important part of enterprises. This article investigated enterprise's activities such as career development, employee training and performance based wage and assumed that these activities have positive impact of improvement of strategic human resource management on business performance. After analysed data, two hypotheses are verified. We can find out that both career development and employee training programs and performance based wage have positive impact of improvement of strategic human resource management on business performance. Comparing the difference of R2 between career development and employee training programs and performance based wage we can find that moderating effect of career development and employee training programs is greater than moderating effect performance based wage. To sum up, if enterprise want to improve the competitiveness and growth of economic benefits, the enterprise need to combine human resource with enterprise strategies and realize the importance of human resource to performance of enterprise.

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Glossary

SHRM: strategic human resource management.

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