

ABSTRACT

The Effectiveness of Strategic Human Resource Management in Increasing Firm Performance in Indonesia

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In Indonesia, human resource practitioners and academics believe that Strategic Human Resource Management (SHRM) has a direct and positive impact on firm performance. This believe is thought to be rather conventional, since numerous empirical studies across the globe on the relationship between SHRM and firm performance have shown the inconclusive results.

As a result of those inconclusive findings, recently, there is a huge need to better understand the mechanism through which SHRM affects organisational performance. There are unknown factors called “black-box” between SHRM-firm performance relationship that need to clarify.

This study therefore sets out to analyse the “black-box” that may play a crucial role in the relationship between SHRM-firm performance in Indonesia. This study also offers the model to explain the complex mechanism between SHRM-firm performance relationship which involves industrial relations, organisational culture, top management leadership as moderating variables; and the role of line managers in implementing HRM systems and procedures, employees’ competency, motivation and performance as mediating variables.

There are two hypothesizes. The first is that good industrial relations, high performing organisational culture, and credible top management leadership will moderate the effect of SHRM in improving firm performance. The second is that internal mechanism, namely the positive role of line managers in implementing human resource systems and procedures will play as mediating variables between SHRM and firm performance. The role of line managers influences the employees’ competency, motivation and performance.

In order to gain a wider understanding of the context of Indonesian companies, this study involves companies from various industries, and to better understand the

human resources management practices in the participating companies, this study also employs multiple respondents ranging from Supervisor level to the Director one.

The main contributions of this study are: 1) the model of which the multifaceted mechanism of SHRM–firm performance relationship is explained, especially in an Indonesian context; and 2) the main finding which reveals that the role of line managers in implementing HR systems and procedures, employees' competency, motivation and performance is confirmed to be strong significant mediating variables between SHRM and firm performance relationship. This main finding will enable HR practitioners to prioritize the intervention of such variables.

Field of Research: Management, Strategic Human Resource Management

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