The marriage between strategic human resource management and firm performance, the journey to everlasting love

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ABSTRACT

Human resource management (HRM) practices have been viewed as an essential tool for organisational survival. Embracing the resource-based view and configurational perspective, it is argued that to pursue competitive advantage, HRM practices have to be unique, valuable and imitable. The quest to determine what and how these HRM practices shape and impact firm performance is still limited. This paper examines the evidence for such link. Data were collected from 312 employees from seven insurance firms in Klang Valley using self-administered questionnaire technique. The results confirm that the configuration of recruitment and selection, internal communication, and performance appraisal practice is positively associated with the overall firm performance. This demonstrates that aligned HRM practices serve as an internal firm strategy for firms to achieve superior performance. Finally, after emphasising that strategic HRM practices as a source of competitive advantage, implications are discussed for HRM practitioners in the insurance industry.

Key words, Strategic human resource management; firm performance; resource-based view of the firm; configurational perspective; insurance firm.

1. Introduction

The insurance industry in Malaysia is expected to remain a strong contributor to the sustained growth of the Malaysian economy. Moreover, the insurance industry remains the largest source of employment opportunities and as a result, strategic HRM practices play a significant role in generating, reinforcing and sustaining employees to achieve competitive advantage globally and locally. Employees play a crucial role in insurance industry to develop customer focus, attending customer needs, supplying accurate information and providing better service quality will have great impact on firm performance. Schneider and Bowen’s (1993) study concurred that HR practices and procedures that are in place will facilitate the employees’ delivery of excellent service, thus increase firm revenue and performance.

There is a growing body of research studies on HRM practices and its effects on firm performance (Dobre, 2012; Loo & Beh, 2013). It is increasingly acknowledged that human capital is a valuable resource for business success, generating revenues and profits (Liu et al., 2007), and a source of competitive advantage (Barney, 1991). Firms employing HRM practices that are internally consistent, strategically aligned and compatible with firm strategy are believed to be superior performance. Thus, to properly evaluate strategic HRM practices


