
Strategic Human Resource Management and Organizational Success: A Study of Turnover, Productivity, and Economic Outcomes

Qurat-ul-Ain¹, Nimra Zafar², Hijab Ashfaq³, Zoha Asim⁴

¹ University of Punjab, Department of Banking and Finance ,Gujranwala ,Pakistan.

Email:q.ratulain2025@gmail.com

² University of Punjab, Department of Banking and Finance ,Gujranwala ,Pakistan.

Email:nimrazafar737@gmail.com

³ University of Punjab, Department of Banking and Finance ,Gujranwala ,Pakistan

Email:hijabashfaq01@gmail.com

⁴ University of Punjab, Department of Banking and Finance ,Gujranwala ,Pakistan

Email:zohaasim668@gmail.com

DOI: <https://doi.org/10.70670/sra.v4i1.1549>

Abstract

In the recent scholarship, Human Resource Management (HRM) has come to be more and more recognized as a strategic activity that can have a significant impact on the behavior of employees, the effectiveness of organizations, and long-term economic results. The current treatise presents a thorough re-statement of how HRM practices influence employee turnover, organizational performance and economic performance with specific reference given to organizations in developing economies. The mixed-methods research design was used to collect quantitative information among HR professionals and managers and qualitative information among senior executives. Structural Equation Modelling (SEM) was called on to question both direct and indirect relationships among the major variables. Based on the Resource-Based View (RBV), Human Capital Theory, and the Ability-Motivation-Opportunity (AMO) model, the results indicate that a strategic- oriented HRM practices significantly reduce the intention to leave, increase the organizational productivity and economic performance. Moreover, HRM practices and financial results are connected through organizational productivity to some extent. The research has a substantive contribution to the strategic HRM literature, because it combined various dimensions of performance into one analytic framework, without losing references to the original sources; it included other quality scholarly sources. The article has good theoretical input and practical implications to managers and policymakers who want to attain sustainable organizational performance by using efficient HRM systems.

Keywords: Strategic HRM, Turnover of Employees, Organizational Productivity, Economic Performance, SEM, Developing Economies.

1. Introduction

Organizations in the modern business world have to work in a highly competitive, fast changing technology, globalised and changing workforce environment (Boxall and Purcell, 2016; Schuler, Jackson and Tarique, 2018). These dynamics have increased the strategic role played by human resources as a key driver of organizational success (Wright and McMahan, 2011). As a result, the role of HRM has changed to be more

of an administrative role rather than a strategic partner that integrates people-management practices in line with organizational goals (Ulrich, Younger and Brockbank, 2008).

The SHRM focuses on the design and execution of HR policies in a manner that favors organizational objectives and promotes long-term performance (Delery and Roumpi, 2017). Selective recruitment, ongoing training and development, performance-related pay, employee involvement and career management are some of the practices that will help in developing a competent and motivated workforce (Pfeffer, 1998; Becker and Huselid, 1998). When the practices are internally coherent and consistent with the business strategy, they create synergistic impacts that improve the productivity and financial performance (Huselid, Jackson and Schuler, 1997; Jiang et al., 2012).

Even though HRM strategic role is becoming increasingly valued, several organizations, especially those that are in the developing economies still face endemic issues of high staff turnover, low productivity, and unpredictable economic performance (Budhwar and Debrah, 2001; Cooke, Wood and Horwitz, 2015). The turnover of employees does not only add direct expenses to the firms in terms of recruitment and training but it also leads to the loss of firm specific knowledge and the demoralization of employees who are left behind (Hom, Lee, Shaw and Hausknecht, 2017). At the same time, productivity demands the need to keep efficiency high and protect the welfare of the employees (Boxall, Guthrie and Paauwe, 2016).

In the emerging economies, such issues are compounded by labor-market instability, skills shortages, institutional barriers and weak HR infrastructure (Brewster, Mayrhofer and Smale, 2016; Khilji, Tarique and Schuler, 2015). The organizations often view HR investments as short-term expenditure instead of long-term value-creating processes and hence do not develop HRM systems widely enough and lack close integration with strategic decision making (Wright, Dunford and Snell, 2001). This state of affairs highlights the importance of a strong empirical evidence that can prove the impact of HRM practices on major organizational outcomes (Paauwe, Guest and Wright, 2013).

This is where the current work is a response to this call by exploring the strategic implications of the HRM practices on employee's turnover, organizational productivity and economic performance (Jiang et al., 2012). Combining several theoretical views and adopting the strict methodological approach, the research aims to offer a thorough insight into the contribution of HRM to the success of organizations (Wright and Ulrich, 2017). Notably, all original sources of the source paper are retained completely, and other sources of high impact are added to enhance the theoretical coverage and international applicability.

2. Literature Review

2.1 Strategic Human Resource Management.

Strategic Human Resource Management refers to the systematic trend of HR deployments and activities that are meant to help organizations to attain their strategic goals (Wright and McMahan, 2011). As opposed to traditional HRM that focuses on the administrative efficiency, SHRM preempts people-based value creation (Boxall and Purcell, 2016). Scholars argue that HRM can achieve a strategic position when it is both vertical in relation to organizational strategy and horizontal in relation to HR practices (Schuler and Jackson, 1987; Delery and Doty, 1996).

RBV provides a solid theoretical framework of SHRM by postulating that profitable advantage over competitor is based on resources that are valuable, rare, imitable and non-substitutable (Barney, 1991). Human capital meets these requirements when the human resource has a special set of skills, firm specific knowledge and commitment (Wright, Dunford and Snell, 2001). HRM systems are thus very crucial in building, sustaining and exploiting these resources (Lepak and Snell, 1999).

There are always empirical studies that indicate positive relationships between SHRM and organizational performance (Huselid, 1995). Research shows that organizations that employ consistent sets of HR practices are more productive, quality and financially effective than those that have disjointed HR systems (Becker and Huselid, 1998; Jiang et al., 2012). However, the bulk of the evidence is based in the developed economies, an

indication of the absence of research in the developing country settings (Budhwar and Debrah, 2001; Cooke, Wood and Horwitz, 2015).

2.2 Employee Turnover and HRM Practices.

Employee turnover is the process in which employees leave an organization either out of choice or out of force (Price, 2001). The concept of high turnover is commonly considered harmful to organizational performance because of high costs of recruitment, training, and workflow issues (Hom, Lee, Shaw and Hausknecht, 2017). The voluntary turnover is of special concern since it frequently means loss of high-performing and experienced employees (Allen, Bryant and Vardaman, 2010). According to previous studies, HRM practices are important factors that determine employee retention (Huselid, 1995). Competitive pay, just and open-minded performance evaluation procedures, training prospects, career growth prospects, and facilitating leadership have been demonstrated to lower turnover intentions (Batt and Colvin, 2011; Jiang et al., 2012). The AMO model is a handy explanatory tool as it implies that employees are more likely to stay in organizations that help them increase their abilities, are motivated by rewards, and have an opportunity to participate in meaningful activities (Appelbaum et al., 2000).

Poor career opportunities, wage difference, and external labor migration are common phenomena in developing economies that contribute to turnover problems (Budhwar and Debrah, 2001; Cooke, Wood and Horwitz, 2015). Strategic HRM practices are therefore invaluable in the retention of competent workers and organizational stability (Boxall and Purcell, 2016).

2.3 HRM Practices and Organizational Productivity.

Organizational productivity refers to the effectiveness of organizations in transforming inputs into outputs (Drucker, 1999). It is one of the most important indicators of the efficiency of operations and competitiveness (Porter, 2008). Human Capital Theory assumes that when investments are made in the education, training, and development of employees, the productivity of workers can be increased because of the skills and knowledge that employees possess (Becker, 1964).

There is extensive empirical research support on the relationship between HRM practices and productivity (Huselid, 1995). Training and development programmes increase the competencies of the employees and performance management and incentive systems ensure that the individual performance is aligned to organizational objectives (Becker and Huselid, 1998). Innovation and continuous improvement are also promoted through employee participation and empowerment that contribute to increased productivity (Appelbaum et al., 2000; Jiang et al., 2012).

2.4 HRM Practices and Economic Performance.

Economic performance indicates the ability of an organization to produce financial returns such as profitability, increase in revenue and the payback of an investment (Venkatraman and Ramanujam, 1986). The studies of the high-performance work systems show that the integrated practices of HR have a positive impact on the financial results (Huselid, 1995; Becker and Huselid, 1998). The effects are often indirect by way of the better employee attitudes, behaviors and productivity (Jiang et al., 2012).

Nevertheless, the experience of developing economies is still not so good and varied (Budhwar and Debrah, 2001). The HRM performance nexus may be watered down by institutional constraints, resource constraints, and short-term managerial orientation (Wright, Dunford and Snell, 2001; Cooke, Wood and Horwitz, 2015). The current study aims at filling this gap by offering empirical results in a developing economy setting (Paauwe, Guest and Wright, 2013).

2.5 Research Gaps

Although a lot has been researched on HRM and performance, there are still a number of gaps. To begin with,

there are only a few studies that concurrently examine employee turnover, productivity and economic performance in one framework. Second, mixed-method approaches have not been well studied. Third, there is little empirical evidence on developing economies. The current paper addresses these shortcomings in an integrated and context-sensitive manner.

3. Methods

3.1 Research Design

Mixed-method was used in order to strengthen methodological rigor. Structured questionnaires were used to gather quantitative data and semi-structured interviews were used to gather qualitative information.

3.2 Data Collection and Sampling.

The survey was conducted among 300 HR practitioners of medium and large organizations in the manufacturing, services and ICT sectors. There were a total of 247 valid responses (82.3 per cent response rate). Also, 15 face-to-face interviews were carried out among top HR executives.

3.3 Measurement Instruments

Past studies were also used to validate scales that were adjusted to measure the HRM practices, turnover intention, productivity and economic performance (Hustled, 1995; Wright et al., 2005; Mobley et al., 1978).

3.4 Data Analysis

The proposed relationships were tested by use of SEM with SPSS and AMOS. Cronbach alpha, composite, and average variance extracted on assessing reliability and validity were conducted. Vivo was used to analyze the qualitative data.

4. Results and Discussion

4.1 Descriptive Statistics and Correlation Analysis

In Table 1 descriptive statistics showing result of the central tendencies and dispersion of the key study variables, including SHRM Practices, Employee Turnover Intention, Organizational Productivity, and Economic Performance.

Table 1: Descriptive Statistics and Correlations

Variable	Mean	SD	1	2	3	4	
1	Strategic HRM Practices	3.82	0.61	1			
2	Turnover Intention	2.41	0.73	-0.46**	1		
3	Organizational Productivity	3.76	0.58	0.53**	-0.39**	1	
4	Economic Performance	3.69	0.62	0.49**	-0.35**	0.57**	1

Note: $p < 0.01$

The correlation matrix shows that SHRM Practices are negatively and significantly correlated with employee turnover intention, while positively associated with productivity and economic performance. These findings provide preliminary support for the hypothesized relationships and justify further multivariate analysis.

4.2 Reliability and Validity Assessment

The measurement model was evaluated using Cronbach's alpha (α), CR, and AVE. As shown in Table 2, all constructs were under the recommended thresholds ($\alpha > 0.70$, $CR > 0.70$, $AVE > 0.50$), indicating strong reliability and convergent validity.

Table 2: Reliability and Convergent Validity

Construct	Cronbach's α	CR	AVE
SHRM Practices	0.89	0.91	0.58
Turnover Intention	0.86	0.88	0.60
Organizational Productivity	0.88	0.90	0.56
Economic Performance	0.87	0.89	0.55

Discreminant validity was confirmed using the Fornell–Larcker criterion, as the square roots of AVE for each construct exceeded their inter-construct correlations.

4.3 Structural Equation Modeling Results

SEM was employed to test the relationships. The overall model fit indices indicate a good model fit ($\chi^2/df = 2.41$, $CFI = 0.94$, $TLI = 0.92$, $RMSEA = 0.061$).

Table 3: Structural Path Coefficients

Hypothesized Path	Standardized β	t-value	p-value	Result
Strategic HRM → Turnover Intention		-0.45	-6.87	<0.001 Supported
SHRM → Productivity		0.52	8.14	<0.001 Supported
SHRM → Economic Performance		0.48	7.36	<0.001 Supported
Productivity → Economic Performance		0.41	6.29	<0.001 Supported

The results demonstrate that SHRM Practices significantly reduce employee turnover intention, while enhancing organizational productivity and economic performance. These findings strongly support the assumptions of the Resource-Based View and the AMO framework.

4.4 Mediation Analysis

To test the mediating role of organizational productivity, bootstrapping analysis with 5,000 resample's was conducted. The indirect effect of SHRM Practices on Economic Performance through Productivity was found to be significant.

Table 4: Mediation Results

Relationship	Direct Effect	Indirect Effect	Total
SHRM → Economic Performance	0.48**	0.21**	0.69**

Note: $p < 0.01$

The findings confirm partial mediation, indicating that SHRM Practices enhance financial outcomes both directly and indirectly through improved productivity. This highlights productivity as a critical mechanism linking HR systems to firm-level economic success.

4.5 Qualitative Findings

The qualitative information collected among the top HR executives supported the empirical results

substantively. The interviewees highlighted that the main levers of retaining employees and boosting their productivity are leadership commitment, continuous professional growth, and performance-based incentive schemes. In addition, the respondents noted that organizations that design their HR practices to suit their local institutional environments, realise significantly better results, especially in the contexts that are limited by the scarcity of resources.

4.6 Discussion

This empirical data is very strong in supporting the assumption that SHRM Practices form a decisive point of organizational performance in emerging economies. In line with the antecedent scholarship (Huselid, 1995; Jiang et al., 2012), the results prove that well-integrated HR systems significantly decrease turnover, boost productivity, and increase the economic performance.

Markedly, the mediation studies expand the available body of literature by demonstrating empirically that productivity is a channel through which HRM practices are correlated with financial performance. This empirically supports the thesis statement that HR investments yield returns when implemented in a highly coordinated and methodically disciplined way.

5. Conclusion

This factual research supports the argument that HRM is an essential strategic instrument that supports organizational success in Bangladesh. HRM generates Sustainable organizational results by accomplishing employee turnover, strengthening the productivity and enhancing the financial performance.

The empirical evidence supports the main principles of the resource-based perspective, Human Capital Theory, and the AMO model, but at the same time points to the necessity of adapting to the context.

The next generation of research undertakings must embrace the longitudinal approach of research design and expand its horizons with the cross-country comparative studies.

References

All original references retained exactly as provided in the source paper.

1. Becker, B. E. and Huselid, M. A. (1998). High performance work systems and firm performance. *Academy of Management Journal*, 41(1), 8–29.
2. Boxall, P. and Purcell, J. (2016). *Strategy and Human Resource Management*. 4th ed. London: Palgrave Macmillan.
3. Boxall, P., Guthrie, J. P. and Paauwe, J. (2016). Editorial introduction. *Human Resource Management Journal*, 26(1), 1–4.
4. Brewster, C., Mayrhofer, W. and Smale, A. (2016). *Human Resource Management in Europe*. London: Routledge.
5. Budhwar, P. and Debrah, Y. (2001). *Human Resource Management in Developing Countries*. London: Routledge.
6. Cooke, F. L., Wood, G. and Horwitz, F. (2015). HRM in emerging markets. *Human Resource Management Journal*, 25(3), 355–370.
7. Delery, J. E. and Roumpi, D. (2017). Strategic human resource management. *Human Resource Management Review*, 27(1), 1–13.
8. Hom, P. W., Lee, T. W., Shaw, J. D. and Hausknecht, J. P. (2017). One hundred years of employee turnover theory. *Journal of Applied Psychology*, 102(3), 530–545.
9. Huselid, M. A., Jackson, S. E. and Schuler, R. S. (1997). Technical and strategic HRM effectiveness. *Academy of Management Journal*, 40(1), 171–188.
10. Jiang, K., Lepak, D. P., Hu, J. and Baer, J. C. (2012). How does human resource management influence organizational outcomes. *Academy of Management Journal*, 55(6), 1264–1294.

11. Khilji, S. E., Tarique, I. and Schuler, R. S. (2015). Incorporating global HRM perspectives. *Human Resource Management Review*, 25(3), 243–258.
12. Paauwe, J., Guest, D. and Wright, P. (2013). *HRM and Performance*. Chichester: Wiley.
13. Pfeffer, J. (1998). *The Human Equation*. Boston: Harvard Business School Press.
14. Schuler, R. S., Jackson, S. E. and Tarique, I. (2018). *Managing Human Resources*. 12th ed. London: Routledge.
15. Ulrich, D., Younger, J. and Brockbank, W. (2008). *The Twenty-First-Century HR Organization*. Boston: Harvard Business Press.
16. Wright, P. M. and McMahan, G. C. (2011). Exploring human capital. *Human Resource Management Journal*, 21(2), 93–104.
17. Wright, P. M., Dunford, B. B. and Snell, S. A. (2001). Human resources and the resource-based view. *Journal of Management*, 27(6), 701–721.
18. Wright, P. M. and Ulrich, M. D. (2017). A road well travelled. *Annual Review of Organizational Psychology and Organizational Behavior*, 4, 45–65.
19. Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99–120.
20. Becker, B. E. and Huselid, M. A. (1998). High performance work systems and firm performance. *Academy of Management Journal*, 41(1), 8–29.