

## THE LINKAGE BETWEEN STRATEGIC HUMAN RESOURCE MANAGEMENT AND ORGANIZATIONAL PERFORMANCE THROUGH EMPLOYEE RELATIONS AS AN INTERVENING VARIABLE AT PT. BORWITA CITRA PRIMA MANADO

### MANAJEMEN SUMBER DAYA MANUSIA STRATEGIS DAN KINERJA ORGANISASI MELALUI VARIABEL INTERVENING HUBUNGAN ANTARA KARYAWAN PADA PT. BORWITA CITRA PRIMA MANADO

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**Abstract:** A distributor company was established to provide products and services that are needed by the consumers. To perform good activities of distribution, human resource management is required to carry out their job and responsibilities. Strategic human resource management is important in managing human resources in order to determine the success of a company. This study aims to analyze the linkage between SHRM and Organizational Performance through Employee Relations as an intervening variable. This research is using quantitative research method, Population in this research is the all permanent employees in PT Borwita Citra Prima Manado with the sample size are 67 samples. Path analysis was used to measure the causal relationship between SHRM and organizational performance and employee relations as mediation. This research used sobel test to measure the indirect effect. The result of this research revealed there are positive relationship between SHRM toward organizational performance and employee relations as an intervening variable in PT. Borwita Citra Prima Manado. In this research is categorized as partially mediation effect. The company should reconsider to give appreciation for employees who work on time or employees who have low rate absenteeism and more maintain the stability of employee relations to reduce the employee's interpersonal conflict.

**Keywords:** *strategic human resource management, organizational performance, employee relations.*

**Abstrak:** Perusahaan distributor didirikan untuk menyediakan produk dan layanan yang dibutuhkan oleh konsumen. Untuk melakukan kegiatan distribusi yang baik, manajemen sumber daya manusia diperlukan untuk melaksanakan pekerjaan dan tanggung jawab mereka. Manajemen sumber daya manusia strategis adalah penting dalam mengelola sumber daya manusia untuk menentukan keberhasilan suatu perusahaan. Penelitian ini bertujuan untuk menganalisis hubungan antara MSDM Strategis dan kinerja organisasi melalui hubungan karyawan sebagai variabel intervening. Penelitian ini menggunakan metode penelitian kuantitatif, Populasi dalam penelitian ini adalah seluruh karyawan tetap di PT Borwita Citra Prima Manado dengan jumlah sampel sebanyak 67 sampel. Analisis jalur digunakan untuk mengukur hubungan kausal antara MSDM strategis dan kinerja organisasi dan hubungan karyawan sebagai mediasi. Penelitian ini menggunakan uji sobel untuk mengukur efek tidak langsung. Hasil penelitian ini mengungkapkan ada hubungan positif antara MSDM strategis terhadap kinerja organisasi dan hubungan karyawan sebagai variabel intervening di PT. Borwita Citra Prima Manado. Dalam penelitian ini dikategorikan sebagai efek mediasi parsial. Perusahaan harus mempertimbangkan kembali untuk memberikan penghargaan kepada karyawan yang bekerja tepat waktu atau karyawan yang memiliki tingkat absensi rendah dan lebih menjaga stabilitas hubungan karyawan untuk mengurangi konflik interpersonal karyawan.

**Kata kunci:** *manajemen sumber daya manusia strategis, kinerja organisasi, hubungan karyawan.*

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**INTRODUCTION****Research Background**

A distributor company was established to provide products and services that are needed by the consumers. The distribution function starts from the production carried out by the manufacturer and ends when the product produces distributed or sold to the consumers. A good distributor is not only offering products and services but also must be able to provide the best services to consumers, to give trust and be loyal to the company in order to compete with the other competitors.

To sustain the company profitability, there are several measurement factors that indicate the performance of the company. According to Anthony and Govindarajan (2003), to increase the competitiveness of the company in the long term, the measurement of financial performance is not enough. Therefore, in addition to measuring financial aspects, non-financial aspects also needed to be measured because the information that comes can be transformed into a controlling tool at the operational improvement in physical measurement towards the input and output so that it is useful to improve the competitiveness.

The non-financial factors that affect the performance of a company are the organization that exists in the company itself, where the organization consists of a group of people who have the same goals. Arranging excellent management of an organization is very influential in the activities of distribution. To perform good activities of distribution, human resource management is required to carry out their job and responsibilities as effectively and efficiently as possible. Based on Sani (2012), stated that human resources are representing an asset that can provide a value of competitive advantage because it's often difficult to duplicate by competitors and hard to substitute even within the same organization.

According to Samwel (2018), organizations cannot perform better and achieve their objectives if there is a bad relationship between employees and employer, therefore it is very important for managers to create and maintain a good relationship with their employees. The employee is a valuable asset in the organization and as executor to implement strategies that have been planned by the company. However, the organizational objectives cannot be achieved through individuals but in cooperation between employees. To synergize the work between employees, then a good communication which is intertwined between employer and employees must be created. Correct management of employees can provide values and results that can contribute to the organization's strategy.

Company have to pay greater attention to strategic resources and how they are managed, especially those are that capable of providing economic value and competitiveness for companies because each organization requires abilities to adjust the environment, including changes in employee policies and management with the aim of being able to retain employees through change management. In this case, strategic human resource management is needed.

According to Ngo, Lau, and Foley (2008), strategic human resource management is related to human resource alignment with the firm's strategy, human resources practices are the exact mechanisms aimed at the acquisition, development, and motivation of human capital. Strategic human resource management focuses on what a firm does with human resources, and human resource practices refer to how these resources are managed. The outcome of good or bad effects on the organization performance of the company depends on the strategy implemented by managerial. Therefore, strategic human resource management is important in managing human resources to optimize the process of the strategies of management in order to determine the success of a company.

PT. Borwita is chosen in this study because the strategic human resource management such as strategic recruitment and selection, strategic training and development, strategic planning, strategic compensation, strategic succession and strategic performance appraisal already implemented by the company to achieve company goals through organizational performance. As a company that engaged in the distribution of the goods sector, human resources are the center of all activities at PT. Borwita Citra Prima Manado. Furthermore, PT Borwita gives priority to all of the employees cause the activities operational and managerial that start from marketing, distribution, admin, etc is carried by the employees.

However, in accordance with the observation and interview with a key person the result at PT. Borwita has found there are still some problems that affect the process of strategic human resource management so it's not running well and has been defined into several cases such as employees are often late for work, high rate of absenteeism, also employees do not have a good relationship with fellow coworkers in the company so that conflicts between employees interfere with operational activities that are running and causes the individual work performance not maximize to achieved company objectives. Moreover, employees complained about the heavy workload along with the increasing products distributed. But the company does not recruit new employees while the salary is difficult to rise.

The researcher has presumed if the strategic human resource management is not the only factor that affected the optimal result of organizational performance, it is assumed if the employee relations also affected the result of organizational performance. From the research background explained above, the researcher is interested to find out “The Linkage between Strategic Human Resource Management and Organizational Performance through Employee Relations as an Intervening Variable at PT. Borwita Citra Prima Manado”.

### **Research Objectives**

The objectives of this research is:

To find out The Effect between Strategic Human Resource Management to Organizational Performance and Employee Relations as an intervening variable at PT. Borwita Citra Prima Manado.

## **THEORETICAL REVIEW**

### **Human Resource Management**

According to Armstrong (2011), Human resource management is defined as a strategic and coherent approach to the management of an organization’s most valued assets, the people working there who individually and collectively contributes to the achievement of its objectives.

### **Strategic Human Resource Management**

The rationale for strategic human resource management is the perceived advantage of having an agreed and understood the basis for developing approaches to people management in the longer term. Wright and McMahan (1992) defined, SHRM as the pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals.

### **Organizational Performance**

Organizational performance is a way to measure the effectiveness of the ability to achieve goals and objectives that have been set by the company. According to Tsou and Liao (2014), organization represent a group of people based on the responsibility and levels in order to achieve goals and objectives by adapting and coping the changing environment, performance refers to the level of target achieved by an organization from individuals , groups, and organizations that implemented by the performance of job satisfaction, personal adjustment, group levels that refers to the morale, cohesion, efficiency, productivity, absenteeism rate, turn-over rate, and adaptability.

### **Employee Relations**

Employee relations is a broad term that covers many issues or an important aspect concerns the participation and involvement of employees that start from collective bargaining, negotiations, employment legislation to more recent considerations such as work-life balance, equal opportunities and managing diversity (King, Price, and Dainty, 2004).

### **Correlation between Research Variable**

#### **The relationship between Strategic Human Resources Management and Organizational Performance**

According to Becker, Huselid, Pickus, and Spratt (1997), strategic human resource management focuses on organizational performance rather than individual performance. It also emphasizes the role of human resource management systems as solutions for businesses as a whole rather than individual human resource management practices in isolation. Previous research conducted by Azmi (2011), revealed that Since human resource management is linked to organizational goals through a strategic point of view by SHRM, it has a significant role in order to increase organizational performance can be concluded that SHRM positively influence organizational performance.

#### **The relationship between Strategic Human Resources Management and Employee Relations**

The relationship between strategic human resource management and employee relation can be explained by Ngui (2016), that the associations between Strategic Human Resource Management to Employee Relations has a positive effect for the quality of communication between managers and staff and between employees among themselves on working performance that express the level of trust from employee to being ready and willing

undertake their duty responsibly in order to achieve company goals. According to Alvesson (2009), SHRM is concerned with how the employment relationships for all employees can be managed in such a way as to contribute optimally to the organization’s goal achievement.

**The relationship between Employee Relations and Organizational Performance**

The relationship between Employee Relations and Organizational Performance can be explained by Torrington and Hall (1998), that an Organizations need employees who can peacefully work together towards the achievement of the set objectives and goals, and this can only be achieved if there is a good employee relations in the organization as the objectives of employee relationship is to achieve harmonious employee relations and minimize conflict practices in employment. Organizations cannot perform better and achieve their objectives if there is a bad relationship between employees and employer, therefore it is very important for managers to create and maintain good relationships with their employees (Samwel, 2018). It means that employer-employee relation is essential to the organization because it inspires employees to work better and produce more results.

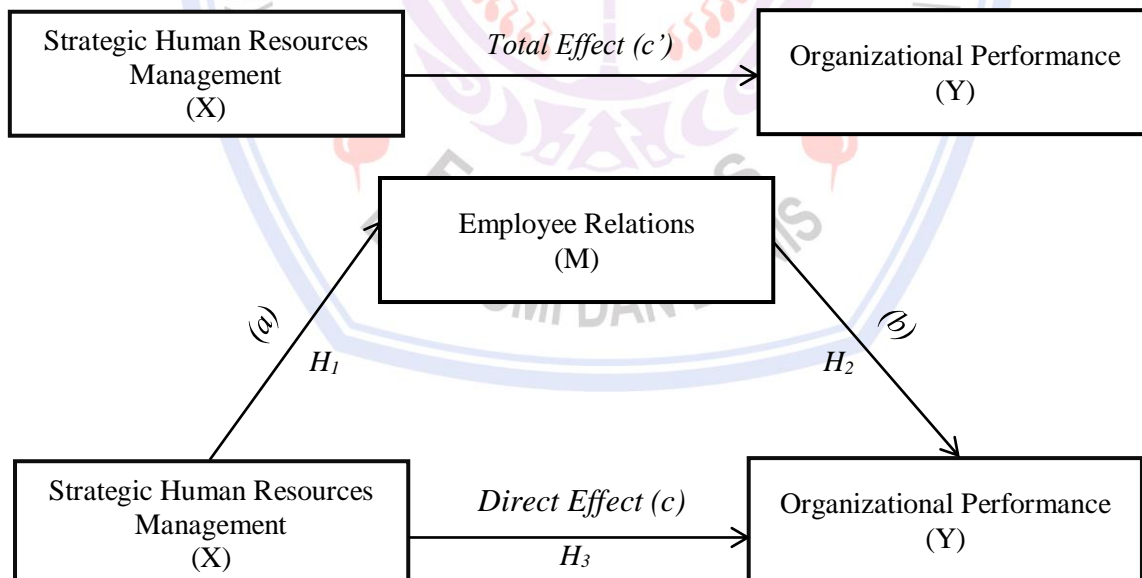
**Previous Research**

Ali, Lei, and Wei (2018) conducted a research about “The mediating role of the employee relations climate in the relationship between strategic human resource management and organizational performance in Chinese banks”. The result of this previous research is strategic human resource management has a significant positive relationship with operational performance. In addition, the employee relations climate was found to mediate the relationship between strategic human resource management and organizational performance.

Anvari and Amin (2011) conducted a research about “Strategic training practices and turnover intention: the mediating role of Organizational Commitment”. This research aims at determining the relationships between strategic training practices, turnover intention, and organizational commitment. path analysis were used to test the direct and mediated relationships among the variables. The survey results further demonstrated that organizational commitment is a partial mediator between strategic training practices and turnover intention.

**Conceptual Framework**

Conceptual framework explain about how to identify and analyze the The Linkage between Strategic Human Resource Management and Organizational Performance through Employee Relations as mediating.



**Figure 1. Conceptual Framework**  
 Source: Data Analysis Method, 2019

The conceptual framework above is to make an easier to understanding about this research. From the conceptual framework, this study explore the linkage between strategic human resource management and organizational performance through employee relations.

## RESEARCH METHOD

### Research Approach

This research is Causal type of research. This research used quantitative methodology and judging from the problems studied, this research is a causal research, which aims to determines and investigates the linkage between strategic human resource management and organizational through employee relations, via hypothesis testing. Quantitative method based on Sugiyono (2013), defined as research method based on positivist paradigm that used to investigate specific population or samples.

### Population, Sample and Sampling Technique

Population in this research refers to all employees in PT Borwita Citra Prima Manado. This research is using a Simple Random Sampling regarding obtaining information efficiently. The total size is 67 respondents.

### Data Collection Method

The data used in this research consist of two types of data, which is primary and secondary data. Secondary data is data collected from several sources such us articles, journals, and relevant literature from library and internet. Primary data is the data that collected directly from respondents to address the research problem using questionnaire survey.

### Data Analysis Method

#### Validity and Reliability Test

By comparing correlation index in Pearson Product moment with significance level of 5% it can be seen valid or not a research instrument. If probability not correlation is less than 0.05 (5%) then the research instrument is stated as valid (Sekaran, 2005). Reliability test is established by testing for both consistency and stability of the answer of question. Alpha Cronbach is reliable coefficients that can indicate how good items in asset have positive correlation one another (Sekaran, 2005).

### Path Analysis

Path analysis is a statistical analysis tool used to analyze relationship patterns causal between variables with the aim of knowing the direct and indirect, both simultaneously and individually cause variable for a variable due, Relationship between independent variables and dependent variables in the regression model can be expressed with the following functions:

$$M = \alpha + \beta_3 X + \varepsilon_3 \quad (1)$$

$$Y = \alpha + \beta_2 X + \beta_2 M + \varepsilon_2 \quad (2)$$

$$Y = \alpha + \beta_1 X + \varepsilon_1 \quad (3)$$

Y = Organizational Performance

$\alpha$  = Constant

$\beta_1, \beta_2, \beta_3$  = regression coefficient of each variable

X = Strategic Human Resource Management

M = Employee Relations

$\varepsilon_1, \varepsilon_2, \varepsilon_3$  = Error

## RESULT AND DISCUSSION

### Descriptive Statistic

Table 1 shows the descriptive statistics such as the maximum value, minimum value, mean and standard deviation of the variables.

**Table 1. Descriptive Statistic**

	N	Statistic	Min	Max	Mean	SD
SHRM	67		30	90	75.63	11.651
ER	67		14	45	36.87	5.823
OP	67		18	60	51.36	7.557

Source: Data Processed, 2019

The result table 1 above shows strategic human resource management (SHRM) minimum value is 30, the maximum value is 90, the mean of SHRM is 75.63 with a standard deviation is 11.651. For the employee relations,

the minimum value is 14, the maximum value is 45, the mean is 36.87 and the standard deviation is 5.823. the last is the organizational performance, its minimum value is 18, the maximum value is 60, the mean is 51.36 and the standard deviation is 7.557.

### Validity and Reliability Result

**Table 2. Validity Test**

		SHRM	ER	OP	TOTAL_SCORE
SHRM	Pearson Correlation	1	.743**	.871**	.965**
	Sig. (2-tailed)		.000	.000	.000
	N	67	67	67	67
ER	Pearson Correlation	.743**	1	.740**	.859**
	Sig. (2-tailed)	.000		.000	.000
	N	67	67	67	67
OP	Pearson Correlation	.871**	.740**	1	.942**
	Sig. (2-tailed)	.000	.000		.000
	N	67	67	67	67
TOTAL_SCORE	Pearson Correlation	.965**	.859**	.942**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	67	67	67	67

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (1-tailed).

Source: Data Processed, 2019

Table 2 shows that value of correlation index for relationship among variables strategic human resource management, employee relations, and organizational performance are greater than 0.195 and below the significance level of 5%. Therefore, the data is considered valid.

**Table 3. Reliability Test**

Cronbach's Alpha	N of Items
.877	3

Source: Data Processed, 2019

Table 3 shows that Alpha Cronbach is 0.877 which is shows above the limit of 0.6. Therefore, the research instrument is reliable.

### Path Analysis

**Table 4. Result of Substructure (a)**

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	t	
(Constant)	8.786	3.174		2.768	.007
SHRM	.371	.041	.743	8.948	.000

a. Dependent Variable: ER

Source: Data Processed, 2019

The result of the path analysis of the direct effect of the strategic human resource management variable on employee relations is 0.371. The p-value is 0.000. Because p-value <5%, strategic human resource management has a direct effect on employee relations. Thus, it can be interpreted that strategic human resource management affects employee relations.

In order to find out the amount of standard error ( $\epsilon_3$ ) the formula as below:

$$\epsilon_3 = \sqrt{1 - R^2}$$

$$= \sqrt{1 - 0.550}$$

$$= \sqrt{0.45}$$

$$= 0.670$$

Therefore, the structural equation for path analysis substructure a:

$$M = 8.786 + 0.371X + 0.670(\epsilon_3)$$

**Table 5. Result of Substructure (b) and (c)**

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	6.271	3.090		2.030	.047
SHRM	.466	.057	.718	8.161	.000
ER	.268	.114	.206	2.344	.022

a. Dependent Variable: OP

Source: Data Processed, 2019

The result of the path analysis of the direct effect of the strategic human resource management variable on organizational performance is 0.466. The p-value is 0.000. Because p-value <5%, strategic human resource management has a direct effect on organizational performance. Thus, it can be interpreted that strategic human resource management has an effect on organizational performance.

The result of direct path analysis of variable employee relations toward organizational performance obtained value 0.268 with a significant value equal to 0.022 <5%, hence employee relations have a direct effect on organizational performance.

In order to find out the amount of standard error ( $\epsilon_2$ ) the formula as below:

$$\begin{aligned}\epsilon_2 &= \sqrt{1 - R^2} \\ &= \sqrt{1 - 0.792} \\ &= \sqrt{0.208} \\ &= 0.456\end{aligned}$$

Therefore, the structural equation for path analysis substructure b and c:

$$Y = 6.271 + 0.466X + 0.268M + 0.456(\epsilon_2)$$

### Hypothesis Testing

**Table 6. Sobel Test**

Path	A	B	SE <sub>A</sub>	SE <sub>B</sub>	TCount	Sig.
X-M-Y	0.371	0.268	0.041	0.114	2.2753424	0.0228854

Source: Data Processed, 2019

Table 6 shows that Sobel test results obtained value estimation (a) is 0.371, value estimation (b) 0.268, standard error (a) is 0.041, standard error (b) is 0.114, with Sobel test value is 2.275 > 1.96 and the p-value 0.0228 < 0.05. The result shows the type of mediation is partial mediation. Partial mediation means both direct and indirect effects are significant, so it can be concluded that the employee relations mediate strategic human resource management on organizational performance.

**Table 7. Total, direct, indirect of Strategic Human Resource Management on Organizational performance**

Types of Effect	Effect	p-value
Total effect	0.565	0.000
Direct effect	0.466	0.000
Indirect effect	2.275	0.023

Source: Data Processed, 2019

Table 7 above shows all the types of effects that were measured with Baron and Kenny procedures for testing the hypothesis. The result of the indirect effect was taken from the Sobel test and The total effect was found is 0.565 that comes from the outcome of the indirect effect plus direct effect which is  $0.466 + 0.099$ .

In order to find out the amount of standard error ( $\epsilon_1$ ) the formula as below:

$$\begin{aligned}\epsilon_1 &= \sqrt{1 - R^2} \\ &= \sqrt{1 - 0.759} \\ &= \sqrt{0.241} \\ &= 0.490\end{aligned}$$

Therefore, the structural equation for the Total Effect:

$$Y = 8.623 + 0.565X + 0.490(\epsilon_1)$$

## Discussion

### The Influence of Strategic Human Resource Management on Employee Relations

The significant result of the direct effect at the substructure (a) SHRM confirmed has a 0.000  $p$ -value  $<5\%$  on the employee relations which means H1 is accepted. SHRM is well known as the basic understanding of employee management, where in this research, the relationship between all the SHRM that have been implemented by the company received positive responses from the employees of PT Borwita Citra Prima. It is corresponding with the research by Rehman, Shen, and Ali (2015), has shown a positive relationship between SHRM and employee relations in the banking sector of Pakistan. It can be concluded from the statistical result, In PT. Borwita Citra Prima employees are agreed and showing a good response toward the implementation of all strategies.

### The Influence of Employee Relations on Organizational Performance

Employee relations confirmed has significant value ( $0.022 < 5\%$ ) on the organizational performance, which means H2 is accepted. This indicated that the employee relations affect the organizational performance in PT Borwita Citra Prima. It means in order to achieve a good organizational performance that can produce good beneficial for organizations inside the company, employee relations are required to sustain the organizational performance on the right track. Based on the research by Samwel (2018) there is a positive significant relationship between employee relations and organization performance. Maintaining harmonious relations is very important for the survival, prosperity, and growth of the organization. Good and healthy employee relations will lead to better organizational performance.

### The Influence of Strategic Human Resource Management on Organizational Performance

Strategic human resource management confirmed has significant value ( $0.000 < 5\%$ ) on the organizational performance. Thus means H3 is accepted, which concludes that the strategic human resource impressively being implemented to affect the organizational performance at PT Borwita Citra Prima. Based on the research by Kazlauskaitė and Buciuniene (2008), human resource management is linked to organizational goals through a strategic point of view by strategic human resource management and it has a significant role in order to increase organizational performance and to achieve sustainable competitive advantage.

### The Influence of Employee Relations Mediates the Relationship between Strategic Human Resource Management and Organizational Performance

The Sobel test statistic result of indirect effect is confirmed to have  $2.27 > 1.96$  with the  $p$ -value  $0.023 < 5\%$  where employee relations mediate strategic human resource management on organizational performance. This means H4 is accepted. It is supported by previous research by Ali, Lei and Wei (2018) that revealed there is a positive effect of employee relations as an intervening variable between strategic human resource management practices and organizational performance in Chinese banks.

## CONCLUSION AND RECOMMENDATION

### Conclusion

After examining the findings and discussing the result, the conclusions based on this research can be formulated as follows:

1. Strategic Human Resource Management has a significant effect on Employee Relations at PT Borwita Citra Prima Manado.



2. Employee Relations have a significant influence on the Organizational Performance at PT Borwita Citra Prima Manado.
3. Strategic Human Resource Management has a significant influence on Employee Relations at PT Borwita Citra Prima Manado.
4. Employee Relations as the intervening variable are proved to mediating the relationship between Strategic Human Resource Management on Organizational Performance at PT Borwita Citra Prima Manado.

### Recommendation

Based on the analysis and conclusions from overall result in this research regarding linkage between Strategic Human Resource Management and Organizational Performance through Employee Relations. The researcher makes the following recommendations for PT. Borwita Citra Prima Manado.

1. PT Borwita Citra Prima Manado is recommended to continuing the managerial system strategic at *Strategy Human Resource Management* because this method is highly efficient to be selective in selecting a new employee and observing the vision and mission of the company.
2. PT Borwita has to pay more attention to the *Compensation* system because according to the research, employees are complaining about the salary that is not fit with the heavy workload. As one of the factors that influence *Organizational Performance*, the company must consider to increase salaries for employees or giving commissions, bonuses and overtime wages.
3. PT Borwita Citra Prima Manado must more maintain the stability of *Employee Relations* to reduce the employee's interpersonal conflict fellow coworkers before it affects the individual performance. In other words, it is better to be innovating or establish new programs, events and certain gatherings so that good relationship can be created.
4. PT Borwita has to be more reconsider to give appreciation for employees who work on time or employees who have low rate absenteeism. Warning and giving punishment for the employees that are often late for work and have a high rate of absenteeism in order to solve employees' problems that affect the performance.
5. For further research, it is highly recommended to increase the number of samples research and have to try another intervening variable that could influence the formation of *Strategic Human Resource Management*.

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