

The Importance of Human Resource Management (HRM) in Improving Organizational Performance

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ARTICLE INFO

Article History:

Received : 3 July 2025

Accepted : 21 July 2025

Available : 31 July 2025

Keywords:

Human Resources, Management,
Organizational Performance

ABSTRACT

Human resources have an important position in every organization because to achieve maximum organizational performance, it is necessary to utilize the resources it has, including human resources. Utilizing individuals in the organization to participate in maximizing organizational performance is the task of human resource management. This research aims to find out the importance of human resource management in improving organizational performance. This study uses a qualitative approach with the Miles and Huberman interactive analysis model. Qualitative data analysis is carried out interactively and continuously until it is complete, so that the data is saturated and consists of 3 main activities, namely: data reduction, data presentation, and conclusion drawn. Based on research, it is found that the importance of human resource management (HR) in improving organizational performance has proven to be significant in the context of business and management. HR management plays a crucial role in creating a healthy work culture, increasing employee motivation, and increasing the overall productivity of the organization. By paying attention to factors such as transformational leadership, employee development, diversity management, and results-based performance management. MSDM can create an effective work environment and ensure that organizations have a qualified and high-performing work team, so that it can face business challenges, increase competitiveness, and achieve long-term success.



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1. INTRODUCTION.

In the ever-evolving digital era, companies are faced with the demands of adapting to rapid technological changes. Digital transformation has become the key to increasing the competitiveness of companies in an increasingly competitive market. One of the most important aspects of digital transformation is human resource (HR) management. Effective and targeted human resource management can be a key driver in improving company performance in the digital era. Human resource management must be able to identify new competencies needed, design competency development programs, and facilitate organizational culture change to support digital transformation (Istiqomah 2023)

Human resources have a very important role in an organization. The success of an organization in solving the challenges that come is not only determined by the behavior of the employees who are assigned according to their job description. Employees are expected to be able to work more optimally, not only work according to their job description, but can do more or extra things such as wanting to work together, helping each other, giving each other advice, actively participating and being able to make extra contributions to the organization. Without human resources or a lack of quality from these human resources, it will be difficult for companies or organizations to run and operate properly. One of the things that companies can do in managing and maintaining human resources is to pay attention to the quality of their employees' performance (Ummah 2019)

To achieve the maximum results of the organization's work, each organization must strive to meet its goals by utilizing the resources it has while ensuring the long-term sustainability of the organization. This means that organizational performance is achieved if tasks or work are carried out effectively and efficiently and remain relevant to the wishes of all stakeholders (*Stakeholder*). Here it is emphasized that the main components of organizational performance are the understanding of achieving goals that are on target (effective) and using relatively few resources (efficient) as operational management behavior. A fundamental problem in management is how an enterprise organization can achieve superior performance and maintain a competitive advantage (Lestari, Syahriza, and Harahap 2023)

One of the key factors for the success of an organization in achieving its vision and mission is the quality of good human resources. Human resources (HR) are the most important assets for the organization because human resources are the main drivers of organizational activities, both as operators, maintainers, manufacturers, and designers of every system in the

organization. Improving the quality of human resources needs to be done so that the organization becomes more competitive and able to respond to external challenges for the existence and sustainability of the company. The quality and capabilities of human resources play a very important role in the progress of an organization. Human Resource Management is how to utilize the individuals in the organization to achieve the goals that the organization has set (Maryadi 2021)

Human resource management is the design of formal systems in an organization to ensure the effective and efficient use of human talent to achieve organizational goals. Human resource management plays a role in increasing organizational resilience whether at the individual, team or group level, and even the organization itself (Utamy, Ahmad, and Eddy 2020)

Previous research conducted by Adwishanty, (2021) found that training, compensation, work performance, and work environment carried out by human resource management have a positive and significant effect on improving employee performance which is also related to improving organizational performance. Excellence in competition is largely determined by human resource management strategies, among others. With the right human resource management strategy, the company's human resource excellence is expected to support the achievement of competitive advantage for the company. Several previous studies have added insight into the importance of human resource management to improving organizational performance. The novelty of this study is that it provides several factors that can improve organizational performance through human resource management (Putri et al. 2022)

Based on the above background, it is explained that the importance of human resource management in improving organizational performance. Thus, this study aims to find out the importance of human resource management in improving organizational performance.

2. LITERATURE REVIEW

a. Human Resource Management

Human resources management is a series of organizational activities that are directed at attracting, developing, and retaining an effective workforce.

The function of Human Resource Management is to determine the quality and reliability of employees who will fill all positions in the Company, Ensure the availability of current and future workers, so that every job has someone to do it, Avoid mismanagement and overlap in the implementation of tasks,

Facilitate coordination, integration, and synchronization (KIS) so that work productivity increases, Avoid shortages and excess employees, To be a guideline in establishing a program of withdrawal, selection, development, compensation, integration, maintenance, discipline, and dismissal of employees, To be a guideline in carrying out mutations and to be the basis for employee assessment (Yuliani 2023)

b. Organizational Performance

Organizational performance is the totality of the work results achieved by an organization, the achievement of organizational goals means that, the performance of an organization can be seen from the extent to which the organization can achieve goals based on previously set goals. The results of the work achieved by an agency in carrying out its duties, within a certain period of time, both related to inputs, outputs, outcomes, benefits, and impacts with responsibilities can facilitate the direction of government organizational structuring. The results of work achieved by agencies with full responsibility will achieve effective and efficient performance improvements. Government organizations use tools, the theory used, namely performance theory from Baban Sobandi and other experts in his book entitled Decentralization and the Demands of Regional Institutional Structuring, the following are the indicators of organizational performance according to Baban Sobandi, namely Output, Results, Business Relationship with Achievements, Explanatory Information (Poernamasari, 2023)

The following are the factors that affect the performance of the organization, namely Technology which includes work equipment and work methods used to produce products or services produced by the organization. the higher the quality of the technology used, the higher the level of performance of the organization, the quality of inputs or materials used by the organization, the quality of the physical environment which includes work safety, room layout, and cleanliness, organizational culture as a pattern of behavior and work patterns that exist in the organization concerned, leadership as an effort to control members of the organization to work in accordance with the organization's standards and goals. Human resource management which includes aspects of compensation, rewards, promotions and others (Utamy et al. 2020).

The objectives of Human Resource Management (HRDM) according to Husaini & Sutama, (2021) are as follows:

- a. Advise management on HR policies to ensure that the organization/company has highly motivated and high-performing human resources, equipped with the means and infrastructure to deal with change.
- b. Maintain and implement HR policies and procedures to achieve the goals of agencies, institutions/companies.
- c. Overcoming crises and difficult situations in relationships between employees so that there are no interruptions in achieving the agency's goals.
- d. Provide communication facilities and infrastructure between employees and organizational management.
- e. Assisting the development or advancement of the direction and strategy of the agency/company as a whole by paying attention to the human resource aspect.
- f. Provide assistance and create conditions that can assist line managers in achieving goals.

3. METHOD

This research uses a qualitative approach, where the purpose of using this approach is to find out or describe the reality of the events being researched so that it is easier to obtain objective data. A qualitative approach is a research and understanding process based on a methodology that investigates a social phenomenon and human problem. In this approach, the researcher creates a complex picture, examines the statements, detailed reports from the respondents' point of view, and conducts a study on the situation experienced. Meanwhile, the research model used is the Miles and Huberman interactive analysis model. Qualitative data analysis activities are carried out interactively and continuously until they are complete, so that the data is saturated. This analysis consists of 3 main points

- a. Data Reduction
- b. data presentation, and
- c. Conclusion Drawn.

4. RESULTS AND DISCUSSION

Human resource management is a crucial aspect in the implementation of education as a whole. Therefore, every function in human resource management needs to be implemented optimally in order to meet needs

related to the goals of individuals, institutions, and organizations as a whole. In addition, a structured and good human resource management system is expected to be able to answer various challenges, especially the problems of the Indonesian nation related to low competitiveness. Human resource management can be interpreted as a continuous process and effort to develop, motivate, and evaluate all human potential needed to achieve organizational goals. This definition includes all stages starting from the selection process of individuals who have the right competencies and qualifications to fill certain positions in an organization according to the principle of "the right man on the right place" to efforts to maintain, improve, and develop these competencies on an ongoing basis. Therefore, human resource management is a continuous process, in harmony with the dynamics of the educational process, so special attention to this aspect is important in the context of educational institutions (Pahira & Rinaldy, 2023)

Organizations are currently facing considerable strategic challenges and heavy pressure to become more responsive to the demands of society by improving quality and efficiency. This situation makes the management control system insufficient to achieve some strategic objectives, so organizations are required to improve their performance effectively, innovatively and efficiently. Competition in an organization requires workers to be better prepared to face the challenges that come their way. In order for an organization to continue to exist, it must have the courage to face challenges and its implications, namely facing change and winning competition. Human Resources (HR) is a potential that is an asset and functions as capital (non-material/non-financial) in a business organization, which can be realized into real potential (real) physically and non-physically in realizing the existence of the organization

Human resource management involves all management decisions and practices that directly affect its human resources. Human resources are needed to increase the effectiveness of human resources in organizations. The goal is to provide the organization with an effective work unit. Human resource management (HRD) has the following characteristics.

- a. An MSDM system consisting of various elements of MSDM, such as practice, is a subsystem of the management system.
- b. Employees are considered a source of continuous competitive advantage; In other words, they are strategic resources.
- c. Subsystems as part of a macro system or organization at large.

- d. All of the above definitions focus on the fit between HRM and management strategies. Proponents of this way of thinking believe that optimal HR practices will vary with management strategies. They emphasize the importance of how MSDM strategies and systems fit together.
- e. Focus on the effects that affect organizational performance (Sakti *et al*, 2023)

The factors that affect organizational performance are organizational culture, work environment, transformational leadership, and the application of information technology. Organizational culture is an integrated pattern of human behavior and is related to the problem of adjustment or integration of internal and external conditions. When workplace culture aligns with employees, they tend to feel more comfortable, supported, and valued. Companies that prioritize culture can also face tough times and changes in the business environment and become stronger. The organizational environment is all elements inside and outside the organization that can affect part or all of an organization. There are two classifications in the organizational environment, namely the internal environment and the external environment.

Effective human resource management plays a vital role in the survival and success of an organization. People are the main asset in organizations, and in the context of globalization and increasingly fierce competition, managerial functions have an increasingly strategic role. An organization can function well if its managers and members are also qualified. In the context of Islamic basic education, human resource management greatly contributes to improving the quality of institutions. Human resources in this case include teachers, administrative staff, school principals, and all parties involved in the operational and management activities of educational institutions. Therefore, human resource management plays a significant role in improving the quality of education. The quality of education greatly determines the quality of students, both during the learning process and after they complete their education. Thus, the quality of education must always be maintained and improved, where the main role is in the hands of educators. All aspects of human resources in educational institutions will greatly affect the quality of educational outcomes provided to students (Pahira & Rinaldy, 2023)

Leadership includes how to influence, mobilize, motivate, inspire, and provide opportunities for all members of the organization to reach their full potential. In the practice of the world of organizations, leadership is very easy to find in various scopes and levels of the organization. One of the organizational leadership styles is transformational leadership. Transformational leadership refers to a set of abilities that allow a leader to

recognize the need for change. This leadership style emphasizes the high development of motivation and strong will from the members of the organization by creating an inspiring vision and mission for the future of the organization. This very rapid advancement of information technology has also really caused the world to become a narrower place and without limits because information technology has a very wide reach. So that information technology is the main need in an organization.

5. CONCLUSION

Based on the results of the study, it is shown that the importance of human resource management (HR) in improving organizational performance has significant relevance in the context of business and management. Organizations today face complex strategic challenges and pressures to become more responsive to societal demands and improve quality and efficiency. Therefore, HR management is becoming increasingly important to achieve organizational goals effectively, innovatively, and efficiently. In an effort to improve organizational performance, HR management has an important role. HR is considered a strategic asset that can provide a sustainable competitive advantage for the organization. HR management involves decisions and practices that affect human resources, including aspects such as planning, organizing, directing, and controlling. The main goal of HR management is to provide the organization with an effective and efficient work team in achieving strategic goals.

Human resource management (HRD) has a crucial role in improving organizational performance. MSDM focuses on the management of individuals within the organization with the goal of creating a healthy work culture, increasing employee motivation, and increasing overall productivity. By paying attention to aspects such as transformational leadership, employee development, diversity management, and results-based performance management, HR can create an effective work environment and ensure that organizations have a qualified and high-performing work team. By leveraging the right HR practices, organizations can better address business challenges, increase competitiveness, and achieve long-term success.

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