

Optimizing Human Resource Management to Realize Competitive Advantage in the Global Era

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Abstract

In the age of global competition, the key to a company's success lies in its human resources. The phenomenon of globalization has led to competition in multiple areas including economic, social, cultural, political, and environmental spheres. As advancements continue to be made in these fields, companies are now finding it necessary to seek out skilled and capable employees to drive their success and maintain a competitive edge in the market. This study delves into how the strategic function of human resource management impacts businesses, taking into account how vital human resources are for a company's edge in the market. The aim of this article is to assess the progress of research in this area. The methodology employed in this study involves an exploratory tactic utilizing library research, examining various articles from both local and global publications. The findings of the study indicate that the image and reputation of an organization can be influenced by the actions of human resources. In today's technologically advanced world, information about companies is readily available to a large audience. Demonstrating professional, ethical, and responsible conduct in HR fosters trust and satisfaction among customers, employees, and other stakeholders. Therefore, the significance of human resource management strategy in promoting competitive advantage in the globalized world cannot be underestimated.

Keywords: Strategy, Human Resource Management, Competitive Advantage

1. Introduction

Globalization has been a common term used in recent times. As per Thompson (1999), globalization is considered as the final phase in an ongoing cycle of social transformation. The term first emerged over twenty years ago to describe a fresh wave of transformations in the economy, technology, and society. It is important to note that globalization is not novel; rather, it is a longstanding process that originated a century ago. Globalization is having an impact on changes in the strategic environment. Globalization is a situation that is difficult to avoid by an organization, including public organizations, business organizations, and social organizations. Therefore, this condition triggers competition in various fields. The impact of globalization on HR management is often overlooked as the effectiveness of HR is not directly linked to business strategy. It is evident that human involvement is crucial in implementing company strategies. Numerous companies have implemented HR training programs to adapt to a fast-paced environment.

In order to stay ahead of the competition and stand out in the market, every company must be prepared to evolve, adjust to changes in the environment, and foster a culture of creativity and innovation. Human resources play a crucial role in the success of a company, providing essential support for its operations and growth. In a competitive business environment, it is essential for



companies to secure skilled and reliable employees in order to thrive and outperform their competitors. It is imperative for companies to attract and retain the right talent to achieve success in today's fast-paced and diverse market. The company needs to prioritize human resource management in order to successfully accomplish its vision, mission, and goals. Human resource management should be structured and all-encompassing. This involves strategically and methodically planning for human resource needs.

According to Dahmiri & Indrawijaya (2022), rapid changes in the external environment have turned the economy into an increasingly globalized one. Companies must have the ability to survive, participate in competitive competition through sustainable competitive advantages in the ASEAN single market and the global market, companies must implement management reform now. Therefore, to complete the adopted plan, effective HR management must be taken into account. Enhancing knowledge, skills, and competencies in HR can help improve the quality of the company's human resources, leading to a more effective organizational strategy. Human resources that are knowledgeable and skilled are essential for successful procedures and activities within the organization. Furthermore, according to Kusumawati (2022), having an efficient human resource management can give a competitive edge to a company by taking into account both internal and external factors. When a company is able to outperform others in a cutthroat market through value creation techniques, it is said to have a competitive advantage. In other terms, competitive advantage is a strategy that is implemented better than the strategies implemented by competitors.

According to Greenberg & Baron (2008), the phenomenon of business competition that is rampant at this time, raises new challenges and opportunities for companies to be able to understand and create effective multinational company management concepts through human resource management (HRM). HRM management is recognized as a global issue and integral to competitiveness in the international business arena. It is undeniable that business competition that arises comes from humans and can only be resolved and managed by humans. Therefore, an international concept emerged, namely through the right people in the right place at the right time.

Based on the description above, it is crucial to study the role of human resource strategy more deeply, given its significance in maintaining company stability and fostering a competitive advantage. Building on the preliminary discussion regarding the role of human resource management strategies, the problem formulation is as follows:

- 1) How does Human Resource Management Strategy affect Competitive Advantage?
- 2) What is the Role of Human Resource Management Strategies on Competitive Advantage in the era of Globalization?

2. Literature Review

2.1. Human Resource Management

Manmohan Joshi believes that the resources of a company encompass the collective efforts, skills, and abilities of all its employees. He outlines the functions of human resource management as employee selection, placement, training, job evaluation, work practices, job design, disciplinary actions, motivation, communication channels, security measures, and planning for changes. According to Joshi, HRM aims to achieve specific results through the activities of its employees, highlighting the significant role of human resources in management. To enhance the organization's competitive edge, a well-formulated strategy is essential in aligning human resource objectives with integrated HR planning for optimal outcomes.

The development of strategies for managing natural resources is a direct outcome of how organizations approach strategic management. In current management trends, various business departments aim to align their operations and methodologies with overall corporate strategies in order to enhance organizational effectiveness. So, as stated by Miles et al. (1978), a resource management strategy is developed as HR departments aim to synchronize their strategies, procedures, and methods with the overall corporate strategy. Without recognizing the connection between HR and corporate strategy, HR functions simply as a routine process within the company.

Resource-based theory is widely cited in the field of SMSDM research. As stated by Barney et al. (2001), a sustainable competitive advantage can only be achieved through a resource that is rare, valuable, inimitable, and irreplaceable. This theory suggests that human resources can be utilized as a sustainable competitive advantage if they contribute value to the company. Companies aim to attract highly skilled and capable workers in order to add value to the organization. Additionally, human resources must be in limited supply in order to establish a sustainable competitive advantage. Organizations with SMSDM practices center their recruitment and selection efforts on bringing in the most qualified and skilled individuals. The key factor is the replicability of human capital. Unique skills, abilities, and competencies are what distinguish inimitable human resources designed for specific individuals. This leads to a sustainable competitive advantage for the company as there is no replacement for human capital. While technology, business processes, production methods, products, services, markets, and other resources can be replicated to some extent, human resources stand out as irreplaceable, giving the firm a lasting edge in the competitive landscape (Barney et al., 2001; Wright & McMahan, 1992).

Human Resources plays a crucial role in any organization. No matter the shape or objective, organizations are established with different goals to serve individuals and are operated and overseen by individuals. Consequently, people are a key element in all activities within institutions. Additionally, HRM involves overseeing and guiding human resources in alignment with the organization's vision to effectively reach organizational objectives.

2.2. Strategic Human Resources and Competitive Advantage

Miller (1989) suggests that it is recommended that in order to gain a competitive edge, every department within a diversified corporation should tailor its HR strategies according to the requirements of the specific product markets they operate in. When reviewed from various opinions of experts (Anthony et al., 2009; Harris, 2001) about the purpose of business organizations, basically it is relatively the same, one of which is in the form of competitive advantage for the survival of the organization. Therefore, according to Becker & Huselid (2006), Implementing a strategy is essential for reaching business objectives using skilled employees. Strategic management of human resources leads to behaviors among employees that align with important business goals, resulting in financial gains, expansion, and boosted market worth.

According to Boxall (1996), in terms of how human resource management can impact a company's competitive edge, businesses will focus on enhancing product innovation, maintaining high product quality, and effectively managing production expenses. This means that human resource management strategies will involve prioritizing the development of employees' skills, establishing clear guidelines, minimizing expenses, investing significantly in workforce development, offering opportunities for increased experience, and acknowledging and rewarding performance for long-term benefits.

2.3. Globalization

According to Thompson (1999), globalization is the most recent development in an ongoing cycle of societal transformation. The concept emerged around two decades ago to account for a fresh surge

of shifts in the economic, technological, and societal spheres. Contrary to popular belief, globalization is not novel; rather, it represents a longstanding progression that commenced a century ago. As according to Milani (2009), at the conclusion of the 18th century, there was a surge of social transformation throughout Europe. Neo-liberals believe that globalization can only occur if there is significant regulatory oppression and the elimination of state barriers hindering the flow of money, goods, services, and capital. They argue for the elimination of government intervention in setting prices and wages, advocating for privatization as a way to limit state ownership of productive assets. They are firm in their belief in cutting government spending to promote economic prosperity, and they believe that regulating the market is crucial for policies related to pensions, healthcare, and other aspects of social security. Essentially, they are against the traditional approach to economic management that was followed from the 1930s to the 1970s. A conceptual overview of the dominant perspective on globalization describes it as a tool for analyzing how human resources function in various social contexts (Scholte, 2000).

3. Methods

The methodology employed in this study involves examining multiple articles through descriptive and exploratory analysis. Articles from both national and international journals across various disciplines are compared and reviewed to extract key insights and conclusions. The focus is mainly on fields such as economics, business, management, and finance. The search keywords used were "strategy", "human resource management", "competitive advantage", which were crossed with the search term "human resource management". Furthermore, this study incorporates existing literature in the field of human resource management to back up the theoretical examination and predictions regarding human resource strategy derived from practical research. Some earlier research has highlighted the importance of human resources in determining a company's competitive edge. However, the correlation between HR management, company performance, and competitiveness has not been explored extensively and warrants further investigation. Literature study is not just reading a piece of literature, but a critical and in-depth evaluation of previous studies. The evaluation method consists of summarizing, analyzing, and synthesizing the articles reviewed. The results of the analysis and summary are then written into a scientific article. The study commences by exploring the impact of globalization on competition among companies. In this competitive environment, businesses are motivated to enhance the skills and capabilities of their workforce to gain a competitive edge. Strategies within human resource management play a crucial role in enhancing the quality of human resources and ultimately, in achieving competitive advantage.

4. Results and Discussion

4.1. Human Resource Management Strategy affects Competitive Advantage

According to Juaini & Rapii (2017), when a business enters a highly competitive market, having a competitive advantage is very important because it will determine the company's success by allowing it to build a strong foundation for a more profitable sustainable advantage. HR management must effectively integrate all aspects of the organization in order to enhance the organization's performance, according to this approach (Emmywati et al., 2024).

According to Ulrich (1998), competitive advantage can be obtained through four approaches, including the following:

- 1) The Strategic Partner partners with senior managers and line managers in executing the planned strategy, translating the business strategy into concrete actions with an organizational diagnosis, it is a system of assessing and combining organizational practices with business objectives that can be established at any level of the organization.
- 2) Administrative Expert, becoming skilled in coordinating the execution of tasks and maximizing administrative effectiveness to ensure cost-effective production with high quality results.
- 3) Employee Champion, mediating between employees and management to fulfil the interests of both parties. With stronger business competition, management's demands on employees are getting higher.
- 4) Change Agent, become a catalyst for transformation, refine the systems and environment to enhance the organization's adaptability to change.

4.2. The Role of Human Resource Management Strategy on Competitive Advantage in the era of Globalization

Table 1 shows some of the literature or journals used by the author for the discussion of HR management strategies, the journals are as follows:

Table 1. Journal References Table

No	Author (Year)	Previous Research Results	Similarities with this article	Differences with this Article
1	Idrus et al. (2023)	Implementation of Human Resource Management Policies in Improving Organizational Performance in the Global Business Era	Human Resource Management in the Global Business Era	At the MSDM Implementation stage
2	Daniswari & Aristana (2023)	Human Resources Development Strategy in Improving Employee Work Effectiveness at CV. Kori Dewata Karya Tabanan	Human Resource Development Strategy	Increased Employee Work Effectiveness
3	Theresia Anggraini, et al (2022)	Challenges, Opportunities and Business Strategies in Facing Globalization through Organizational Culture and Optimization HR	Discussion on Globalization in Relation to Human Resources	Focus on the Challenges and Opportunities of Globalization
4	Gea (2014)	Human Resources in a Competitive Global Business Environment	Discussing Linkages	Focus on Development
5	Permadi & Prayetno (2023)	Human Resource Management Practices in Modern Business to Achieve Excellence Competitive	The Role of Human Resources in Driving Competitive Advantage in the Era of Globalization	Achieving Competitive Advantage Using Modern Business

Based on the analysis of various journal references and including those described above, the role of Human Resource Management strategies creates a company's competitive advantage. For a business or organization operating in a highly competitive environment or one that changes rapidly in an increasingly short period of time, gaining a competitive advantage is critical to success.

The actions of HR departments play a crucial role in shaping the destiny of companies worldwide. A competitive strategy must be developed by the company. Companies must compete for market share to gain a competitive advantage, which can be done in different ways, including the determination of pressures, such as: innovation, quality improvement, cost reduction, or speed. CEOs require HR leaders with a strong vision for strategy, knowledge of the necessary business services, and a deep understanding of the initiatives taken to navigate organizational transformations.

The following are some of the ways HR behavior affects business organizations:

- 1) **Productivity and Performance:** Positive HR behaviors, such as motivation, dedication, responsibility, and teamwork, can improve the productivity and performance of a business organization. A committed and passionate workforce will contribute maximally to the achievement of organizational goals.
- 2) **Innovation and Creativity:** Organizations can benefit from HR practices that embrace change and foster innovative thinking, as this can lead to ongoing adaptation and the generation of fresh solutions. Forward-thinking employees who think creatively can introduce ideas that positively influence the organization's progress and advancement.
- 3) **Collaboration and Teamwork:** The global era requires business organizations to work in diverse and cross-cultural teams. HR behaviors that are able to work effectively in multicultural teams, share knowledge, listen well, and communicate clearly are essential. Good collaboration will increase efficiency, improve employee satisfaction, and produce better results.
- 4) **Reputation and Image of the Organization:** HR behavior can affect the reputation and image of a business organization in the eyes of society. Employees who have high integrity, good work ethics, and strong social responsibility will build a positive organizational reputation. Conversely, unethical or unprofessional behavior from HR can damage the reputation and image of the organization, which can negatively impact relationships with customers, business partners, and the wider community.
- 5) **People Development and Retention:** Business organizations that are able to create a positive work environment and support HR development will increase the likelihood of attracting and retaining high-quality employees. HR behaviors of providing support, providing constructive feedback, and providing development opportunities will motivate employees to stay with the organization and contribute on an ongoing basis.

Human resource management strategy plays a crucial role in preparing companies to tackle the obstacles brought on by globalization. Strategic thinking is essential for creating and executing effective plans. The creation of human resource strategies is vital for the structure and operation of organizations in various sectors, such as public, private, and not-for-profit, despite the political and economic environment in the era of globalization. Therefore, strategic human resource development and capacity building in human resource management are often considered synonymous.

5. Conclusion

The success of the organization in achieving various targets and goals that have been determined is supported by elements of Human Resource Management (HRM). Moreover, with the increased globalization, the level of competition is rising, leading to inevitable obstacles from within and outside an organization. This emphasizes the crucial significance of implementing an effective Human Resource Management (HRM) strategy.

The competitiveness of the organization in question is the ability of human resources to have higher performance professionalism compared to other organizations or institutions. Human Resource

Management in an organization to increase competitiveness must use strategies and pay careful attention to HR competencies in various ways including education and training processes, and can manage them effectively.

Additionally, the reputation and image of a company can be influenced by the actions of the HR department. With the ease of access to information in today's interconnected world, organizations are under constant scrutiny. By showcasing professionalism, ethics, and accountability, HR can foster trust and contentment among various parties, including clients, staff, and partners. Conversely, negative behaviors such as lack of integrity or unfairness can damage an organization's image and destroy valuable business relationships.

Lastly, based on the results of the study of this article and several journals that have been analyzed, the recommendation for future researchers is to focus more on the development of human resource strategies or their implementation. It is important for business organizations to strengthen values and work ethics, including integrity, responsibility, professionalism, and fairness. By ensuring that human resource behavior is in line with these values, organizations can build a positive culture and support greater business goals in the Global Era so that they have competent competitiveness.

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