

HUMAN RESOURCE MANAGEMENT STRATEGY AND EMPLOYEE PERFORMANCE IN COMPANIES IN MEDAN CITY

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ABSTRACT

This study analyzes the effect of human resource management (HRM) strategy on employee performance in companies located in Medan City. A quantitative explanatory design was used. The research model positions HRM strategy—represented by recruitment and placement, training and development, performance appraisal, compensation, and employee involvement—as the independent variable and employee performance as the dependent variable. For manuscript-development purposes, the statistical results presented in this article use an illustrative dataset of 150 employees selected through proportional purposive sampling. Data were analyzed using validity and reliability tests, classical assumption tests, simple linear regression, t-test, and coefficient of determination. The illustrative findings indicate that HRM strategy has a positive and significant effect on employee performance ($\beta = 0.724$; $t = 12.65$; $p < 0.001$), explaining 51.9% of performance variance. Training relevance, transparent appraisal, fair rewards, and employee involvement emerge as priority managerial levers. The study provides a practical framework for companies in Medan to align HR practices with operational targets. The illustrative statistics must be replaced with actual survey output before journal submission.

Keywords: Employee Performance; Human Resource Management; Medan; Quantitative Research; Strategy

INTRODUCTION

The city of Medan is the main center of trade, services, industry, and business activities in North Sumatra. In 2023, Medan City's economy grew by 5.04%, with strong growth in accommodation and food and beverages, transportation and warehousing, and other services (BPS Medan City, 2024a). These dynamics increase the company's need for a workforce that is productive, adaptive, and able to meet rapidly changing service standards. The 2023 Medan City employment statistics also affirm the importance of labor data as the basis for sustainable policy planning (BPS Medan City, 2024b).

Employee performance is not only determined by individual ability, but also by the consistency of the human resource management system in attracting, developing, assessing, rewarding, and engaging employees. The HR strategy connects human policies with business goals so that HR practices do not stop at administration. The Ability–Motivation–Opportunity perspective explains that performance improves when organizations simultaneously build capabilities, strengthen motivation, and provide opportunities to contribute (Appelbaum et al., 2000; Boxall & Purcell, 2016).

Previous studies have shown that satisfaction with HR practices is related to performance in roles and extra-role performance, including through work attachment (Boon et al., 2022). Practices that improve skills, motivation, and opportunities are also related to performance through employee well-being (Khoreva & Wechtler, 2018). However, the effectiveness of the strategy is influenced by the organizational context and labor market conditions. Therefore, testing on companies in Medan City is needed to obtain relevant implications locally.

This study aims to analyze the influence of HR strategy on employee performance in companies in Medan City in 2023. The research question is: does the MSDM strategy have a positive and significant effect on employee performance? The contribution of the research lies in the preparation of an operational model that integrates recruitment and placement, training and development, performance appraisal, compensation, and employee involvement in a single MSDM strategy construct.

LITERATURE REVIEW

Strategic Human Resource Management

Strategic human resource management is a pattern of human management decisions and actions that are designed to support the achievement of organizational goals. Vertical integration aligns HR policies with business strategy, while horizontal integration ensures that recruitment, training, assessment, rewarding, and employment practices are mutually reinforcing (Armstrong & Taylor, 2023). A highly committed practice system can improve performance through organizational support, psychological contracts, job security, and job satisfaction (Latorre et al., 2016).

Employee Performance

Employee performance is the level of achievement of work results related to quality, quantity, punctuality, effectiveness, independence, and responsibility. Performance includes task behaviors that directly support technical processes and contextual behaviors that support the social environment of the organization (Koopmans et al., 2014). In this study, performance is measured from the quality and quantity of results, timeliness, effectiveness of resource use, and cooperation.

Relationship between HRM Strategy and Employee Performance

Proper recruitment and placement improve competency suitability; training reduces skills gaps; evaluation provides direction and feedback; compensation strengthens motivation; and engagement gives employees the opportunity to use knowledge in decision-making. Quantitative evidence shows that HR practices are positively related to employee competence and company performance (Siddique et al., 2022). Another study found a positive relationship between HR development practices and performance through job satisfaction (Abdullahi et al., 2024). Based on theory and empirical evidence, the research hypothesis is formulated as follows:

H1: Human resource management strategy has a positive and significant effect on employee performance in companies in Medan City.

METHOD

The study uses an explanatory quantitative approach with a cross-sectional design. The analysis unit is an employee of companies in the trade, services, transportation, accommodation, and processing industries sectors in Medan City. The operational population includes permanent employees who have a minimum of one year of service. The sample was set at 150 respondents with proportional purposive sampling so that there was sector representation and working period. Integrity note: because raw data are not provided with the writing request, the respondent numbers and statistical results in this manuscript constitute simulated data that is consistently designed to demonstrate a quantitative analysis format. Prior to publication, all figures must be replaced with actual survey outputs.

The instrument uses a Likert scale of 1–5. The MSDM(X) strategy is measured through 20 statements on five dimensions: recruitment and placement, training and development, performance appraisal, compensation, and engagement. Employee performance (Y) is measured through 10 statements regarding quality, quantity, timeliness, effectiveness, and cooperation. Validity was assessed through the item-total correlation corrected > 0.30 and reliability through Cronbach's alpha > 0.70 .

The analysis included descriptive statistics, validity tests, reliability, residual normality, heteroscedasticity, simple linear regression, t-test, and determination coefficients. The model tested was $Y = \alpha + \beta X + \epsilon$, with Y as employee performance, X as the MSDM strategy, α as the constant, β as the regression coefficient, and ϵ as the error. The hypothesis is accepted when $p < 0.05$.

Table 1. Operational Definition of Variables

Variable	Dimensions	Indicators	Scale
HRM Strategy (X)	Recruitment and placement	Person–job fit, selection clarity	Likert 1–5
	Training and development	Relevance, access, evaluation	Likert 1–5
	Performance appraisal	Clarity, fairness, feedback	Likert 1–5
	Compensation	Internal fairness, recognition	Likert 1–5
	Employee involvement	Participation, autonomy, communication	Likert 1–5
Employee Performance (Y)	Task and contextual performance	Quality, quantity, timeliness, effectiveness, teamwork	Likert 1–5

RESULTS AND DISCUSSION

Respondent Characteristics

Illustrative data consisted of 150 respondents. The composition of respondents is designed to reflect the variety of sectors and the characteristics of the company's work in the city of Medan. The majority of respondents are in the productive age of 26–35 years and have a working period of 1–5 years, so they have sufficient experience to evaluate MSDM practices.

Table 2. Illustrative Respondent Profile

Characteristic	Category	Frequency	Percentage
Gender	Male	78	52.0
	Female	72	48.0
Age	≤25 years	29	19.3
	26–35 years	68	45.3
	36–45 years	38	25.3
	>45 years	15	10.0
Tenure	1–5 years	82	54.7
	6–10 years	45	30.0
	>10 years	23	15.3

Instrument Quality and Descriptive Statistics

All items in the illustrative data have a corrected item-total correlation between 0.412–0.781. Cronbach's alpha MSDM strategy is 0.932 and employee performance is 0.889, so the instrument meets the reliability criteria. The average MSDM strategy is 3.82 and employee performance is 3.89. The training and development dimension obtained the lowest average (3.68), indicating the need to increase the relevance and equitable access to training.

Table 3. Reliability and Descriptive Statistics (Illustrative)

Variable	Items	Cronbach's Alpha	Mean	Std. Deviation
HRM Strategy	20	0.932	3.82	0.56
Employee Performance	10	0.889	3.89	0.52

Regression and Hypothesis Testing

The residual normality test yielded a Kolmogorov–Smirnov value $p = 0.200$ and the residual pattern did not show heteroscedasticity. The regression results showed that the MSDM strategy coefficient was positive of 0.724. A value of $t = 12.65$ with $p < 0.001$ indicates a significant influence. An Adjusted R^2 of 0.519 means that the MSDM strategy explains 51.9% of the variation in performance, while 48.1% is influenced by other factors such as leadership, work environment, technology, and individual characteristics.

Table 4. Simple Linear Regression Results (Illustrative)

Predictor	B	Std. Error	Beta	t	Sig.
Constant	1.014	0.231	–	4.39	<0.001
HRM Strategy	0.752	0.059	0.724	12.65	<0.001

Model Summary: $R = 0.724$; $R^2 = 0.524$; Adjusted $R^2 = 0.519$; $F = 160.02$; Sig. < 0.001.

Discussion

The illustrative findings support H1 and confirm that the MSDM strategy perceived consistently by employees is related to higher performance. These results are in line with Boon et al. (2022), who explain that positive evaluations of HR practices are related to performance, and Khoreva and Wechtler (2018), who show the role of practice in improving skills, motivation, and opportunities. A fairly strong coefficient shows the importance of viewing HR practices as a system, not a stand-alone program.

For companies in Medan, the first priority is training based on competency gaps and operational needs of the sector. The second priority is a transparent performance assessment with measurable indicators and periodic feedback. The third priority is the consistency of the relationship between assessment outcomes, awards, career development, and nonfinancial recognition. Finally, process improvement forums and employee engagement need to be strengthened to turn field knowledge into productivity improvement.

Medan's growing economic context supported by the service, transportation, accommodation, trade, and industrial sectors creates diverse performance demands. The MSDM system must be standardized enough to guarantee fairness, but flexible enough to accommodate the characteristics of the job. HR dashboards can be used to monitor training completion rates, productivity, quality, attendance, turnover, and follow-up of assessment results.

CONCLUSION

The research concludes that human resource management strategies have a positive and significant effect on employee performance in companies in Medan City. Illustrative data yielded $\beta = 0.724$, $t = 12.65$, $p < 0.001$, and Adjusted $R^2 = 0.519$. Strategies that integrate recruitment and placement, training and development, performance appraisal, compensation, and employee engagement have the potential to improve quality, quantity, timeliness, effectiveness, and cooperation.

Companies are advised to conduct an audit of HR practices, prioritize needs-based training, build transparent performance appraisals, link awards to contributions, and provide spaces for participation. The main limitation of this manuscript is the use of simulation data for the purpose of article preparation. Further field research needs to use actual respondent data, stronger probability sampling, longitudinal design, and mediating variables such as job attachment or job satisfaction.

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