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Analysing the Impact of Strategic Human Management on Organizational Performance

Bachelor Thesis

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Škoda Auto Vysoká škola

REGISTRATION FOR BACHELOR THESIS

Candidate: **Jan Vrba**

Study programme: Ekonomika a management

Track: Human Resources Management

Thesis title: **Analysing the Impact of Strategic Human Management on Organizational Performance**

Aim: This bachelor thesis investigates the influence of Strategic Human Resource Management (SHRM) on organizational performance. By examining the link between SHRM practices and employee productivity, engagement, and overall performance, the study aims to provide evidence-based recommendations for optimizing human capital. Through a literature review and empirical analysis, this research contributes to understanding the strategic significance of HRM and offers practical insights for implementing effective HR strategies to improve performance and achieve competitive advantage.

Content areas:
1. Introduction to the theory
2. Investigation of current approaches and identifying the best practice.
3. Summarize the findings and provide identified strategies and best practice

Length of thesis:　　　　25 – 30 stran

Recommended literature:

1. SIMON, Patrick; MAOR, Dana; PARK, Michael. The State of Organizations 2023: Ten shifts transforming organizations. [online]. 2023. Accessible from: https://www.mckinsey.com/capabilities/people-and-organizational-performance/our-insights/the-state-of-organizations-2023.
2. MADGAVKAR, Anu; SCHANINGER, Bill; WHITE, Olivia. Performance through people: Transforming human capital into competitive advantage. [online]. 2023. Accessible from: https://www.mckinsey.com/mgi/our-research/performance-through-people-transforming-human-capital-into-competitive-advantage.
3. MADGAVKAR, Anu; PICCITTO, Marco; SMIT, Sven. Human capital at work: The value of experience. [online]. 2022. Accessible from: https://www.mckinsey.com/capabilities/people-and-organizational-performance/our-insights/human-capital-at-work-the-value-of-experience.

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Mladá Boleslav, 4th of December 2023   *Jan Vrba*

Contents

List of abbreviations and symbols

SHRM   Strategic Human Resources Management

HR   Human Resources

HRM   Human Resources Management

ESG   Environment, Social, Governance

AI   Artificial intelligence

P+P   Performance + People

Introduction

This bachelor thesis explores the impact of Strategic Human Resource Management (SHRM) on organizational performance, with a focus on the relationship between SHRM practices and key indicators such as employee productivity, engagement, and overall performance. The study aims to provide evidence-based recommendations for optimizing human capital by conducting a thorough literature review and empirical analysis. In the face of evolving challenges, including the widespread adoption of Artificial Intelligence and stricter Environmental, Social, and Governance (ESG) goals.

Strategic Resource Management has gained significance to navigate these disruptions and ensure the long-term well-being of employees. The chosen topic, "Analysing the Impact of Strategic Human Management on Organizational Performance," seeks to define Strategic Human Management as an approach and gain insights into how businesses approach human resources, examining both current practices and the latest theories from reputable organizations and academic professors.

The objective is to identify best practices that businesses can implement to effectively manage and stabilize their human resources at the time of these dynamic changes.

1   Introduction to the theory

This passage aims to provide basic theories of established and mentioned approaches that are currently used regarding Human Capital topics. First, the thesis will investigate approaches such as Strategic Human Capital Management SHRM and its contrast to Traditional Human Resource Management HRM and clearly lay out the benefits and cons of each approach towards the firm. Following on definition of the mentioned approaches the thesis will investigate Organizational Performance and its ties to SHRM purely on a theoretical basis, while also naming the latest disruptors that firms and organizations across the world currently face and how such disruptors affect their business and strategies toward future reliability. The end of this passage will focus on the hypothesis "Does the effective implementation of SHRM practices lead to improved organizational performance?" which will follow up on previously mentioned theories and identify potential ties between SHRM and Organizational performance, while focusing on results by combining these approaches.

1.1   Definition of the Strategic Human Resource Management

According to the Chartered Institute of Personnel (2023) factsheets Strategic Human Resource Management is about creating a logical framework for employees to be hired, managed, and developed to play an active role in an organization's long-term goals (CIPD, 2023). It is important to bear in mind that the concept of SHRM is relatively new and is constantly evolving alongside overall business strategies. The term SHRM initially emerged in the early 1990s when the academic sector was talking about definitions such as

- „The undertaking of all those activities affecting the behaviour of individuals in their efforts to formulate and implement the strategic needs of business" (Schuler, 1992).

- „The pattern of planned human resource deployments and activities intended to enable the organization to achieve its goals" (Wright and McMahan, 1992).

According to Boxall and Purcell (2011), It is important to recognize the difference between Strategic planning and Strategy, which authors argue is not the same concept. The authors define Strategic planning and Strategy as follows:

- „Strategic planning is a formal process, usually in larger organizations, defining how things will be done".

- „Strategy, by contrast, exists in all organizations (even if it's not written down and articulated) and defines the organization's behaviour and how it attempts to cope with its environment".

It is important to talk about SHRM alongside business strategy since each strategy has a direct impact on each other and can influence organizations over the long term. According to ADP (2023), being aware of SHRM and implementing the approach into business strategy will most likely help the organization with its budget allocation and maximize its return on investment. While this benefit is the most notable one, there are numerous specific benefits which an organization may notice over the long term, some of which may include:

- Reduction in turnover

- Improvement in employee engagement and enhanced productivity

- Attracting superior talent

- Minimizing business disruptions

While initially, the reduction in turnover and the attraction of top-tier talent may seem like the primary advantages, it is essential to recognize the long-term significance of minimizing and mitigating business disruptions and the risk that comes with such disruptions. Over time minimizing business disruptions ensures growth and stability.

When an organization is creating or adapting its SHRM strategy it may tend to gather data on which the strategy will be built from within the organization. However, this is not an optimal approach. According to Ulrich (2019), Organizations would benefit from adopting the Outside-in perspective. The outside-in perspective involves the alignment of organizational strategies and capabilities with expectations from external stakeholders. Understanding the stakeholders plays a crucial role in developing an effective and impactful SHRM strategy that drives value creation and business success and lays the ground for strategy development for future strategy adjustments or total revision of already established ones (Ulrich, 2019).

1.1.1 How does Strategic Human Resource Management fit into Business Strategy

The relationship between SHRM and Business Strategy is complex and often cannot be clearly defined, although, on a very basis, it can be defined as follows:

Source: Author's version of Weller, 2017 scheme

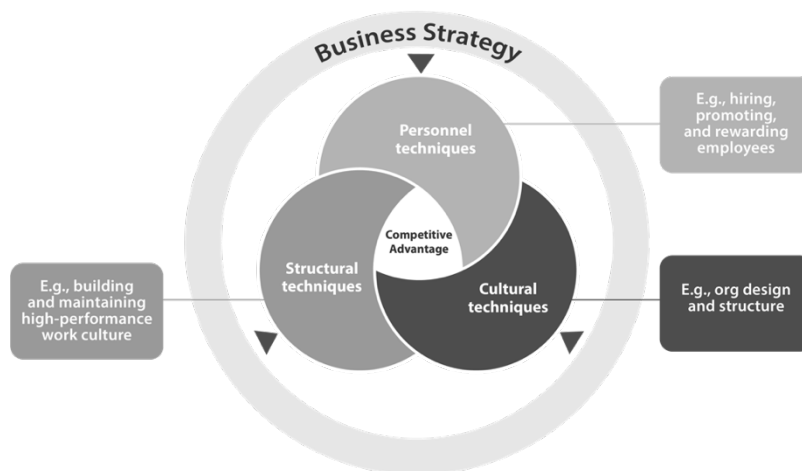Exhibit 1: SHRM in ties to Business Strategy and wider context

Scheme shows us on a very basis the relationship between SHRM and Business Strategy and how it ties towards the overall organizational Leadership, while also proportionally describing the role of Human Resources in the whole context of SHRM. To cultivate effective and resilient leadership, it is essential to integrate both the Business Strategy and Strategic Human Resource Management in a comprehensive sense. Ensuring that neither aspect is neglected is crucial as both parts are significant to the development of organizational leadership (Weller, 2017).

As shown in the first exhibit, Human Resources are just a small branch of the overall Strategic Human Resource Management, to give a more well-rounded picture of what may be included in the overall topic it is important to define which segment or techniques are the topics of discussion for SHRM. Employees may initially think about Human Resources as a department that purely handles recruiting and staffing of employees, making contracts, and keeping the key to a higher salary or career progression. Such thinking is a misconception of what Human Resources and overall, SHRM address (Weller, 2017).

SHRM is spread in every aspect of any organization, being present at every level although different issues are being discussed at different hierarchy levels, such influence makes the topic difficult to understand on every level, which is why we need to be clear about which hierarchy level we want to address SHRM topics since the topics will largely differ between the top management and first line management.

The following framework illustrates the difficult relationship between business strategy and Strategic Human Resource Management (SHRM) and outlines SHRM into 3 key techniques.

Source: Author's version of Vulpen, 2023 scheme

Exhibit 2: SHRM and its ties to Business Strategy

The three primary HR techniques displayed in the framework are accompanied by a real-life example of each technique's impact in the SHRM area, such examples lead to SHRM topics that point to a specific area, which can address most issues that may arise, falling within the field and competence of SHRM (Vulpen, 2023).

Personnel techniques are techniques that will impact individual employees the most, well-established personnel areas will define organizational success and future over the long-term period (Vulpen, 2023). Some of which may include the following areas:

1. Talent acquisition and Staffing

2. Training and Development

3. Performance Management

Structural techniques can be a key point to success once the organization is established and managed to develop a strong presence in the market. After an

organization establishes a substantial presence, it may over a longer period face issues due to the flexibility of its business model (Vulpen, 2023). Several issues might be addressed by following points:

1. Alignment with business goals & objectives

2. Change management.

Cultural techniques give a picture of the organization and its work environment from the inside as well as the outside world (Vulpen, 2023). Some of these may include:

1. Succession planning

2. Employee Engagement & Motivation

While the vast majority of the issues have been highlighted in numerous discussions between HR leaders and experts in the field, this is not the case for Change management which is a relatively new concept developed in the late 1990s. Change management was first mentioned by John Kottler in a 1996 publication "Leading Change" which brought the theory of change management to academia and later to the practical world (Emerson, 2022). The concept of Change management may still be a well-hidden mystery for start-ups/scale-ups and there is no secret why, it is simply not in their area of focus. Change management will most likely have a more significant impact on already established organizations that face a transformation into resilient and future-oriented organization. Previously mentioned approaches can navigate executives in defining strategic approaches toward Human capital, however, it is also important to embrace mobility and recognize the potential of our own employees. According to McKinsey's Global Institute (2022), "Most employers can benefit from challenging the status quo of how they select people for open roles". This means that organizations are set to benefit more from internal mobility instead of external hires since it saves costs that often come with creating specific role-based assessments and recruiting schemes (McKinsey Global Institute, 2022). As stated by McKinsey's Global Institute (2022), "If someone's track record shows the acquisition of new skills over time, it probably means that person is capable of learning more." Integrating this method into SHRM and Business Strategies guides the organization in attracting external talent and provides employees with an opportunity to showcase their capabilities.

1.1.2 Strategic vs Traditional Human Resource Management

To understand how SHRM differs from other Human Resources strategies and approaches it is important to compare it to the traditional way organizations may think about human capital and resources. According to Surbhi (2018), the differences might be defined as follows:

Tab 1. Difference Between HRM and SHRM

BASIS FOR COMPARISON	HRM	SHRM
Meaning	Human resource management (HRM) implies the governance of manpower of the organization in a thorough and structured manner.	SHRM is a managerial function which implies framing of HR strategies in such a way to direct employees efforts towards the goals of organization.
Nature	Reactive	Proactive
Responsibility lies with	Staff specialist	Line manager
Approach	Fragmented	Integrated
Scope	Concerned with employee relations	Concerned with internal and external relations
Time horizon	Short term	Long term
Basic factor	Capital and products	People and knowledge
Change	Follows change	Initiates change
Accountability	Cost center	Investment center
Control	Stringent control over employees	It exhibits leniency.

(Surbhi, 2018)

This comparison highlights the major differences between HRM and the more strategic-oriented approach of SHRM. Based on the comparison we can state that SHRM is more of a top management issue, in contrast to traditional HRM which is mostly reactive to current situations and changes. SHRM looks at Human Capital

from a longer time horizon and looks for a way that is the most suitable for an organization over a longer period. It is safe to assume that a shift from traditional human resource management towards SHRM is vital in the top management scheme since it steers organizational development and nurtures culture within the organization for years to come. Well-developed SHRM practice can serve as an effective prevention tool for unexpected risks that are to occur within an organization's lifespan. In the end, SHRM develops proactive and future-oriented thinking which can to some extent prepare organizations for the uncertainty in the current market (Surbhi, 2018).

1.2 Organizational performance and its ties to SHRM

To identify the relationship between Organizational performance and SHRM, it is vital to define what Organizational performance is and what it measures. According to Kennedy (2020), "Organizational performance refers to how well an organization is doing to reach its vision, mission, and goals". And is a vital part of strategic management. "Performance is a very complex concept, however, and a lot of attention needs to be paid to how it is assessed" (Kennedy, 2020). "Using a variety of performance measures and benchmarks is valuable because different measures and benchmarks provide different information about an organization's functioning" (Kennedy, 2020). Stated definitions lead us to believe that Organizational performance is more of an approach towards measuring individual aspects of organizations rather than a topic around which a sector of an organization is being built. The following definitions suggest that the evaluation of organizational performance is mainly focused on assessing specific components within an organization, rather than acting as the foundational pillar around which a particular sector of the organization is built. For the needs of this paper Organizational performance will be addressed dually, firstly defining the topic as a methodical approach to measuring organizational key performance indicators towards strategic topics and organizational matters. Due to such a connection, there cannot be a SHRM without Organizational performance and vice versa. Firstly, the connection will be addressed in aspects of human capital topics.

Secondly, the issue of Performance versus People focuses on leading the employees within an organization and their efficiency (McKinsey & Company, 2023).

1.3 Current disruptors and challenges for SHRM

In recent years, the business world has seen a radical transformation in trends and future outlooks largely due to a shift of focus towards sustainability and overall ESG (Environment, Social, Governance) practices. In the last year, the world has been disrupted by working Artificial Intelligence models, which are now reshaping the way every organization on the planet works. A large of the daily workload will be automated, making way for a new perspective on how to approach workload and implement AI models into a core organizational structure and function. In the following passage, the thesis will investigate Sustainability and Artificial Intelligence as the two main trends and their effect on organizations now and how they are expected to change organizations in the future.

Whenever an organization talks about Sustainability in Human Resources it is mostly geared towards the term called "People Sustainability" which takes more or an integrated approach towards human capital practices. Lavri (2023), states that "People sustainability refers to the concept of managing an organization's human capital in a way that ensures its long-term viability and success. It involves focusing on employee engagement, retention, and development and ensuring that the organization's workforce is diverse, inclusive, and adaptable to change." The concept does not only involve employees, but it can also include topics such as community engagement, rational environmental practices, and approaches towards them as well as promoting well-being programs for employees and executives (Lavri, 2023). HR in the past has been traditionally involved in areas such as talent acquisition, compliance, and performance management, as was previously stated within chapters 1.1 and 1.2. such practices have evolved and brought new topics that also started thinking about Sustainability and its role within People management and HR (Lavri, 2023). According to Lavri (2023), some of the topics have been directly related to Sustainability and ESG agenda, examples of these are the following:

1. Sustainable talent management
2. Ethical talent sourcing
3. Employee upskilling programs

Listed topics are a great example of how an organization can turn its SHRM strategy towards a Sustainable operating model.

Although Sustainability is a relatively new trend in organizations it was rapidly surpassed by the latest artificial intelligence (AI) text models, which gave the world new tools that can highly advance and able to automate large amounts of processes and routines. Companies like OpenAI, Microsoft, or Anthropic are at the forefront of AI-based text model development, which can pretty much influence daily work for most of the white-collar employees on the planet.
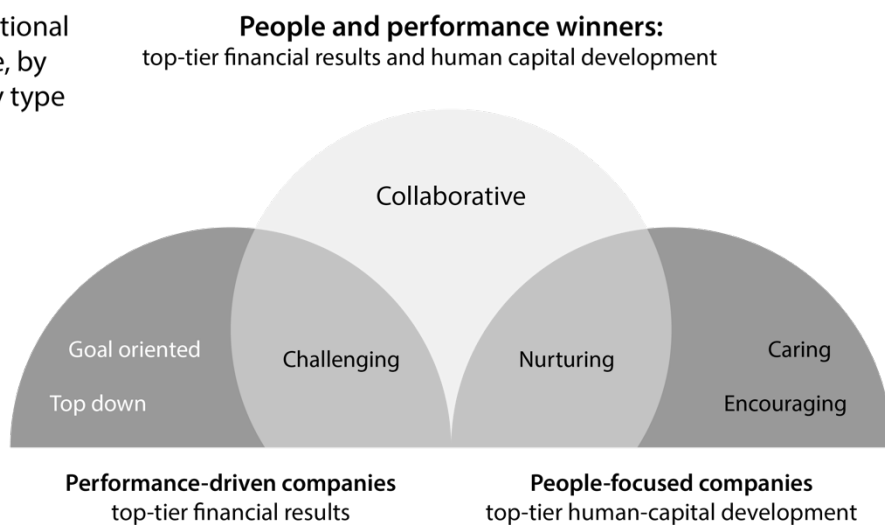
Artificial intelligence can add tremendous value to Human capital and talent acquisition. One of the key contributors to how AI can help organizations with its recruiting process is by predicting candidate's talent needs for specific sectors within an organization. According to Maskey (2022), "AI's ability to power insight-driven predictions can be used to efficiently collect and analyse data around vacancies and new team requirements from across departments, which can significantly help HR teams prioritize their hiring needs." While data analysis and its collection are significant, the usefulness of AI models doesn't stop there. Making sure that the right vacancy reaches the targeted talent pool is also one of how AI can be utilized, selecting proper channels to advertise vacancies is just as important as identifying the correct talent and competency needs for such vacancies (Maskey, 2022). It is important to bear in mind that utilization of AI text models can largely cut the headcount of the Recruitment team within organizations, since the whole process from creating vacancies, and advertising to processing and scoring resumes can be to some extent automated (Maskey, 2022). AI is set to disrupt and change the HR sector as it's known today, which begs the question. How can organizations tackle such disruption? The future of HR may be more of a strategic role and identifying potential AI tools that would furthermore only advance the efficiency of such process altogether (Maskey, 2022).

AI-powered HR has the potential to completely change the way organizations think about not just recruiting but also employee engagement, career development, and skills nurturing (Maskey, 2022). This disruption not only comes with greater responsibility but also a potential to access different talent pools, new markets, and more efficient passive employee sourcing, while developing new topics that are not currently in use.

1.4 Performance-driven versus Employee-focused approach and its effect on Organizations

The issue of balancing performance with employee's well-being is a difficult task to achieve, hence some companies may lean more toward one of the two or completely disregard the other. There are companies with a culture of up or out approach that is built on performance, that are trying to resolve the issue of employee's well-being to the point that the performance won't be affected to any degree. In contrast, the employees will be able to maintain working in high pressure and demanding environment.

Organizational signature, by company type

People and performance winners:
top-tier financial results and human capital development

Collaborative

Goal oriented
Top down

Challenging

Nurturing

Caring
Encouraging

Performance-driven companies
top-tier financial results

People-focused companies
top-tier human-capital development

Source: Author's version of McKinsey Global Institute, 2023 scheme

Exhibit 3: People & Performance Comparison

Research from McKinsey's Global Institute (2023) describes the significance of attracting and retaining talent as follows: "Companies that successfully develop people and manage them well, gain a long-term performance edge".

McKinsey & Company (2023) defines the main findings as:

1. Organizational capital – "Companies that successfully build human capital have more consistent earnings than sector peers do and greater resilience during a crisis. They are also better at retaining talent, with attrition rates that are about five percentage points lower than those of peers".

2. Dual success. – "Some organizations prioritize talent development and manage to deliver top-tier profitability at the same time. These companies are more likely to become largescale superstars. They exist in all sectors and average more than $1 billion in economic profit".

3. Competitive advantage – "Companies that combine people and performance success have a distinctive organizational signature that challenges and empowers employees while fostering bottom-up innovation".

4. Capability building – "Talent benefits from an organization's people focus too. Skills learned on the job contribute 46 percent of the average person's lifetime earnings, and companies that build human capital are more likely to propel their employees into higher earnings brackets throughout a career".

According to McKinsey & Company (2023), the People + Performance Winners approach covers most of the spectrum when it comes to the key aspects of organizational structure. While such an approach may be suitable for most organizations since it poses an optimal middle ground, the selection of which to adapt is solely in the hands of the organizations and their priorities.
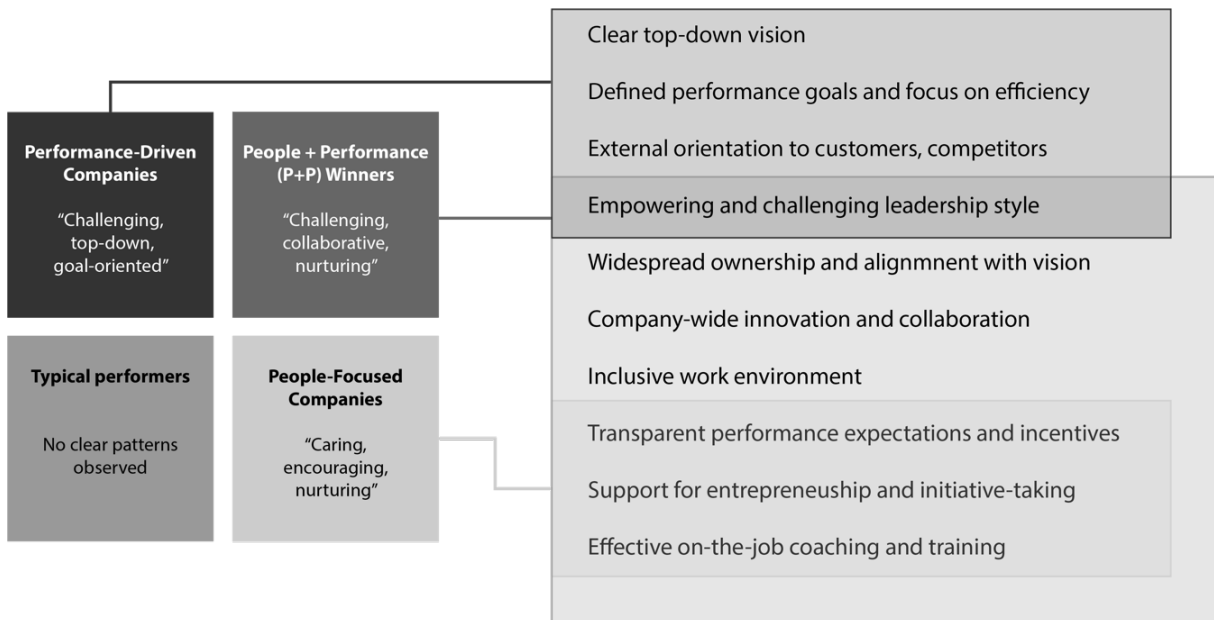
Source: Author's version of McKinsey Global Institute, 2023 scheme

Exhibit 4: Performance-driven versus People-focused approach and organizational elements.

Maintaining a balanced organizational structure, as mentioned earlier, is a challenging task that demands a clear vision and set goals. Considering whether the organization leans towards a Performance-driven or People-focused approach, it becomes a necessity to implement tailored measures and to adapt the organizational framework to maximize its productivity and ensure that the best possible balance for the organizational goals is established.

While most of the organizations will fall into the P+P Winners, the number of organizations that solely focus on People or Performance is not insignificant (McKinsey Global Institute, 2023). Many organizations whose primary objective is their performance cannot be easily transferred to the P+P model since the very basis of their existence was throughout the years based on Performance, companies that fall into the Performance-driven category are present in sectors such as Investment Banking and overall Finance sector, as well as consulting and professional services. These sectors serve as foundational components of the economy, and any alterations within these organizations significantly affect the broader market and directly influence the rest of the organizations within the market (McKinsey Global Institute, 2023).

2 Introduction to the monitored company

The focus of the practical part of this thesis is the investigation of Radiohouse, a Czech company with its headquarters in Prague, as a prominent media representation agency. It is very well-respected and present in the radio industry across the entire Czech Republic, representing multiple local and state-wide radio stations. Its portfolio of services extends beyond representation, the services go to the length of creating campaigns for nationwide reach with potential targeting for specific regions within the Czech Republic. With a team involving marketing professionals and media consultants, the organization not only understands the complex problem of radio communication but also other marketing services that are directly and indirectly related. The current Radiohouse portfolio is characterized by a diverse range of radio stations, showcasing complete ownership of notable stations such as Radio Blaník, Fajn Radio, Hitradio, and Rock Radio (Radiohouse, 2023). Additionally, Radiohouse actively engages in supporting and representing partner radio stations, playing a role in their marketing, public communication, and online advertising efforts. Notable radios falling under this representation wing of Radiohouse include Classic Praha, Expres FM, radio Krokodýl, Fajn Helax, and other various Czech regional radio stations (Radiohouse, 2023). This strategic combination of completely owned and represented entities underlines Radiohouse's influence and reach and ensures a dynamic and expansive media presence.

The Organization is present in an online environment as well as the primary radio one. Within its online division called RH Digital, Radiohouse shows a commitment to the planning and execution of influential and targeted internet campaigns (Radiohouse, 2023). The philosophy at the core of Radiohouse stresses that each campaign represents a strategic investment. To ensure that investments follow through the company has developed a media strategy that was carefully designed to ensure the highest level of effectiveness for every client within the broader context of the media mix (Radiohouse, 2023).

The organizational approach involves building partnerships based on mutual trust, ensuring a lasting impact of successful campaigns for all involved parties which in ideal scenarios ideally result in established long-term partnerships in media and online advertisement space (Radiohouse, 2023).

The Organization currently employs more than 150 media experts and consultants with additional back-office workers. Having offices present in the largest cities in most Czech regions, with each region having its own commercial directors and support staff. Its regional operation requires significant resources and a well-established governance strategy and network to operate efficiently, mostly due to the lower number of employees. That's what makes the company an ideal candidate to investigate its approach to Strategic Human Resource Management as well as Human Capital itself and how both sectors influence the company`s operation performance and maintain stable growth while ensuring relevance in a regional market.

As mentioned on the previous page Radiohouse`s primary goal is to build a partnership based on mutual trust and satisfaction of all involved parties. That is why the company must view the business outlook over a longer period since building a long-lasting partnership takes time. In terms of strategy, the organization focuses on hiring and developing people not based on their academic achievements but rather on a profile of someone who fits the sales criteria, is emphatic, and has rather above-average communication skills. Finding the right people who fit the criteria is the first step to creating a successful employee, but making the employee stay requires a very careful and detailed approach which Radiohouse possesses. In a very basic sense, Radiohouse put a lot of attention to initial trainings and development plans with career counseling and transparent career growth options as well as potential high profit-sharing policies.

2.1 Questionnaire for the thesis's practical part and research methods.

To assess how the organization approaches SHRM. The following questions were asked to define the position of the company on the overall topic, specific approaches, and current disruptors.

Tab. 2 Questionnaire

2.2	**ANALYSING CURRENT APPROACHES TO SHRM**
	Can you provide an overview of your organization's current approach to Strategic Human Resource Management (SHRM)? /Does the company acknowledge HR as part of the Business Strategy?
	Did your organization evolve its SHRM strategies over the years, considering the dynamic nature of the business environment? If so, how so?
	What specific activities or initiatives does your organization undertake to implement SHRM effectively? How is SHRM and HR implemented in Business Strategy and how does it align to Business Strategy.
2.3	**ANALYSING SHRM PRACTICE TOWARDS OPERATIONAL GOALS**
	How does your organization align its SHRM practices with its operational goals?
	Can you share examples of how SHRM initiatives have directly contributed to the achievement of operational objectives within your company? If any
	How do you ensure that SHRM practices are integrated seamlessly into the day-to-day operations of the organization?
2.4	**APPROACHES TOWARD CURRENT INDUSTRY DISRUPTORS**
	Considering the current industry disruptors, such as sustainability and artificial intelligence, how has your organization adapted its SHRM strategies to address these challenges?
	Can you provide specific examples of how your company navigates disruptions related to sustainability and artificial intelligence in the area of human capital management? If applicable
	What proactive measures does your organization take to stay ahead of emerging trends and disruptions in the industry?
2.5	**IDENTIFYING THE BEST PRACTICE**
	From your perspective, what do you consider as the best practices in Strategic Human Resource Management, especially concerning organizational performance?
	Can you highlight specific instances where your organization has identified and implemented best practices in Strategic Human Resource Management, leading to positive outcomes?
	How does your organization benchmark itself against industry standards and other successful companies in terms of Strategic Human Resource Management, best practices? /If the company benchmark itself

(Vrba, 2023)

The questions were largely selected in relevance to the theoretical part of this thesis, tailoring each question to the practical part with the goal of identifying any potential nuances between the practice and theory. However, the answers to the questionnaire may to some extent fall into different parts of the practical side of the thesis because of relevance to the topic and analysis of the SHRM model that was linked to a theoretical part. Lastly, the questionnaire was not the only thing how the Radiohouse was assessed. The company went through an extensive shadowing of sales/business directors in Prague, Liberec, and Ustí nad Labem offices.

In addition to the structured questionnaire and extensive shadowing, discussions with employees from various hierarchy levels and different regions across the Czech Republic have been held. Conversations with employees provided more well-rounded insight into how the Radiohouse functions and how the organization structured its Business Strategy and how it is communicated to employees and challenged. This all-around approach stresses the commitment to a detailed analysis, ensuring that the identified SHRM practices within Radiohouse and the entity`s Business Strategy are as comprehensive and insightful as possible, so the thesis can provide both theoretical definitions and extensive practical analysis and appliance of theoretical discoveries into the practical part.

Furthermore, by engaging in direct conversations with employees, the research aimed to gain the subjective experiences and perspectives of individuals across the company, not just management and board members. These qualitative insights serve as a primary source of information for this thesis, while the main data from which the thesis's practical part was being based on were the answers to the questionnaire from a management and board.

2.2 Analysing current approaches to the SHRM

During the thesis's theoretical part, Strategic Human Resource Management was defined as a complex problem without a single approach or solution that is effective for every organization on the planet, while some organizations may not be thinking of Human Capital in a more complex sense through strategic alignments Radiohouse view Strategic Human Resource Management from a different perspective. It doesn't necessarily have a structured SHRM approach since it's quite a small company and their business model usually needs direct and on-the-spot solutions without a need for a clear future. However, the company certainly has a vision for the future and the way forward.

Answers from the questionnaire suggest that the company largely values five primary topics that are closely linked to SHRM. These include:
1. The ongoing development of its employees,
2. Promise to transparent career growth based on individual merit,
3. Support from more senior employees,
4. Personal mentoring programs
5. Large number of company events, and free entries/passes on to client events.

In terms of Human Capital, Radiohouse prioritizes the holistic development of its consultants and employees from day one, offering tailored training programs covering topics like negotiations, professional presence, ethics in business, and communication. Developing its own employees in a way corresponds to the issue of Organizational Performance, where individual skills shape the organizational success since the consultants are fully responsible for their own work and partnerships. The following approach tells us how Radiohouse thinks about matters like Organizational Performance and if it's even considered a KPI or a measured metric. In that sense, Radiohouse approaches Organizational performance as a collective performance review of its own consultants, monitoring the performance of each consultant and measuring it towards its yearly goals and by that increasing its investments.

Radiohouse does not have a fixed Strategic Human Resource Management strategy within its overall Business Strategy, since the Business Strategy is not explicitly outlined as it tends to be flexibly adapted to address evolving requirements, especially in the SHRM area which largely stays independent from the business one. To define Strategic Human Resource Management that is currently used in Radiohouse the Strategy will be constructed from 3 key areas that were defined in section 1.1.1. A well-constructed SHRM strategy consists of 3 key areas, these being Personnel techniques, Structural techniques, and Cultural techniques.

1. As for Personnel techniques, which are very well defined. Radiohouse has transparent promotion plans and outlook, as well as a clear reward system including base pay with a large amount of profit-sharing scheme.

2. Cultural techniques are largely related to an established top-down structure that has proven to work quite efficiently for the entrepreneurial company.

3. Structural techniques at last are generally more geared toward building a high-performance work culture. This surely is present in Radiohouse its entire operations are based on a high-performing and demanding culture which to some point can cause the consultants to burn out. This risk issue is mostly mitigated through a one-on-one conversation with the regional business director and employee.

Our constructed Radiohouse`s Strategic Human Resource Management (SHRM) strategy is designed to create a dynamic and sustainable work environment. The strategy presents the company`s transparent practices, including well-defined promotion plans as well as its reward system that combines base pay with a profit-sharing scheme. The company`s culture is set as an efficient top-down structure, designed to align with its entrepreneurial environment. Radiohouse maintains its high-performance-oriented work culture, of which the company acknowledges the potential risk of employee burnout to address this issue, the strategy utilizes one-on-one conversations between employees and regional directors which displays the commitment to individual well-being within the context of achieving desired individual and organizational performance. However, the firm could largely benefit from incorporating the SHRM strategy into its Business Strategy. This could lead to a more aligned Human Capital by acknowledging the company`s business needs, ultimately preventing disruptions within its human capital structure.

2.3   Analysing Radiohouse's SHRM practice towards Operational goals

As mentioned earlier, Organizational Performance within a company can be approached in two ways. One aspect involves evaluating individual performance, while the other involves assessing the relationship between people and performance. In the case of Radiohouse, the emphasis is on the latter—people versus performance. This choice is particularly influenced by the number of employees and organizational structure & business model that is in place. Analysing individual performance might prove inefficient and could potentially lead to micromanagement or on the other hand complete freedom without much support at harder times, which may not align with the desired organizational structure, however, this largely depends on the management team and their vision for the company.

When considering McKinsey's Global Institute (2023), People-focused or Performance-driven layout, Radiohouse initially leans more towards the Performance-driven part of the scheme. This inclination is largely caused by having a set of individual consultants whose reviews largely affect the overall performance of the company. This comes with traits that are commonly associated with Performance-driven companies which shows us how the organization is being run. Defining traits for performance-driven companies are Clear top-down vision, defined performance goals and focus on efficiency, external orientation to customers and competitors, and at last empowering and challenging leadership style (McKinsey Global Institute, 2023). These four traits are to some extent present in Radiohouse which would make them a purely performance-driven company, however, the organization also shows signs of effective on-the-job coaching and training as well as support for entrepreneurship and initiative-taking. When considering all these traits that were discovered during company monitoring, office visits, and management shadowing. The structure of Radiohouse could be defined as an initially Performance-driven organizational structure with the traits of a people-focused company, which ultimately places Radiohouse in a Performance + People winners' group on McKinsey's scheme of Performance versus People organizations.

Giving Radiohouse a very challenging and rewarding place to work with the option to further develop the skillset for the future, while having an entrepreneurial environment. In addition to this assessment, Radiohouse's approach to Organizational Performance is different from other media agencies by its promise to hold on to the environment that values skill development and entrepreneurship. Throughout the on-the-job training and coaching programs, the organization supports the professional growth and development of its media consultants and back-office employees and invests a portion of its profits towards development, this investment is increased annually as the company grows.

The emphasis on entrepreneurship and initiative-taking displays an unusual combination of Performance-driven attributes with the addition of a few people-focused traits and shows us that Radiohouse is not afraid to create their own bespoke business models and strategies that they consider to be effective in their industry. The focus on both the Performance-driven and People-focused structures not only puts Radiohouse in a challenging and rewarding category on McKinsey's Global Institute scheme but also develops a workplace environment that thrives on individual development. The rare combination of Performance and People-structured business model positions Radiohouse as a dynamic and future-oriented entity within the ever-evolving landscape of organizational structures.

2.4 Approaches towards current industry disruptors

Radiohouse operations could to some extent be influenced by the latest disruptors, this poses not just a risk for the company but to a certain degree those disruptors could enhance operations, the overall firm`s governing body, and internal processes and manners. Radiohouse is not primarily threatened by Sustainability and its evolvement in the Operational part of the business since the company`s operations are largely services. However, the Sustainability part can also be approached from the perspective of People as we defined in section 1.4.

Radiohouse currently utilizes 2 out of 3 approaches that were defined, namely Sustainable talent management and Employee upskilling programs which are present in every hierarchy level of the company. Both approaches are directly linked to each other.

1. **Sustainable talent management** is approached by hiring people who display desired traits to ensure long-term success, growth, and positive impact on both the business and its work culture, to minimize the fluctuation of its employees, while also recognizing them by their Sustainability practices. A large portion of Sustainable talent management is maintained through upskilling programs.

2. **Employee upskilling programs** are well presented in Radiohouse, giving the employees the opportunity to develop in and off-site the workplace in various topics that are related to the company`s business as well as non-related work topics where Employees can study through online courses topics like Sustainability, Finance, etc… or enroll in various soft-skill trainings. The platform that is used for online courses and MOOC certificates is Udemy, for which Radiohouse completely covers expenses and encourages employees to self-educate themselves to stay relevant in the dynamic business world.

In the case of Radiohouse, the company has a dedicated HR department, however, the department mostly serves as a support for managers. Human Capital and Strategic Human Resource Management is run through the managers of each region, this practice gives a large amount of workload on top of a manager's daily agenda, hence such processes need to be automized to the maximum extent to optimize the manager's workload. To optimize the workload of managers, the organization utilizes AI for a significant portion of its HR processes. The most significant usage of AI models starts in talent sourcing for which Radiohouse uses

models to determine if candidates possess qualities that the company looks for, this is done by testing the candidate's skills and experience against Radiohouse`s highest-performing sales and business directors to see if the candidate can to some extend to match the qualities and culture established in the organization. In addition to talent sourcing, Radiohouse implements AI models into various stages of its HR, an example of this is a tailored training plan that is based on annual reviews, after which the artificial intelligence is used to recommend a selection of trainings that would further enhance employee's effectiveness and performance.

This data-driven approach ensures a more simplified recruitment process, aligning new hires with the established qualities and organizational culture, in doing so contributing to sustained success and harmonious team dynamics. Artificial Intelligence is also utilized in organizational primary business the media, and radio campaigns. The company utilizes AI models to select and target a specific group for every media campaign to make tailored campaigns for its clients. This demonstrates that Radiohouse can implement recent trends into its Operations and Internal matters to stay ahead of its competition.

In the end, Radiohouse combines sustainability practices within its human resources through its talent-sourcing process and employee development programs. Utilizing artificial intelligence not only simplifies HR processes and makes the whole process less time-consuming, but also drives the organization's media campaigns, showcasing a commitment to staying ahead in a fast-paced industry. The company's approach positions them as a dominant player in the field of media advertisement agencies, embracing opportunities for sustained success and stable growth.

2.5 Identifying the best practice

In the analysis of Radiohouse`s current approaches to Strategic Human Resource Management (SHRM), becomes evident that the company, despite its smaller size, has adopted an original perspective on SHRM. Rather than following a defined and structured SHRM approach, Radiohouse preferably relies on flexible on-the-spot solutions that are long-term oriented and aligned with its entrepreneurial environment and business model. As stated in the conducted interview attached in the appendix the company has not yet identified and tested best practices that would lead to a positive outcome, since the topic of SHRM is relatively new to them. However, the company considers Stability, Certainty, Transparency, Development, and Education as potential best practices within the Strategic Human Resource management realm and will continue to investigate its theory. The mentioned values are directly related to previous chapters within the practical part of this thesis, organization emphasis ongoing employee development, transparent career growth, senior support, and personal mentoring programs, as key SHRM values and potential to develop into a best practice. While Radiohouse's current SHRM strategy promotes a dynamic and sustainable work environment, there is an opportunity to further align it with the overall business strategy for more effective Human Capital management and disruption prevention.

In the theoretical part, the best practice would be described as a structured approach with integrated SHRM into Business Strategy, which could potentially minimize risks by mitigating or preventing disruptions within the organization`s human capital and ensuring competitive advantage. To facilitate a strong SHRM strategy, it should be built upon three main techniques, those being personnel, cultural, and structural techniques which if correctly integrated within Business Strategy could potentially give organizations valuable competitive advantage (Vulpen, 2023).

2.5.1 Enhancing Operational Goals through a People-Performance Balance

The assessment of Radiohouse`s SHRM practices toward operational goals revealed a unique attention on the relationship between people and performance rather than individual evaluations. Aligning with McKinsey's Global Institute (2023) People-focused versus Performance-driven scheme, Radiohouse initially leans more towards a Performance-driven approach, however, this is not entirely correct. This inclination comes from the influence of the individual performance of the company`s employees and its effect on overall company performance. Radiohouse displays attributes that are commonly associated with Performance-driven companies, such as a clear top-down vision, defined performance goals, and a focus on efficiency. However, Radiohouse also shows elements of people-focused strategies, including on-the-job coaching, company and e-learning trainings, and inspiring entrepreneurship culture ultimately developing an intrapreneurship environment. This dual approach helps Radiohouse position itself as a dynamic player within its space that is also navigating the challenges of both Performance-driven and People-oriented structures. Maintaining a balanced organizational structure helps Radiohouse enhance its Operational Goals since it utilizes the best of Performance and People approaches. The benefit of maintaining such a structure is also helping Radiohouse with a potential fluctuation struggle, since it offers above-average career growth opportunities, while also bearing the work-life balance and other People-focused topics in mind.

2.5.2 Addressing Industry Disruptors with Sustainable Practices and AI Integration

Radiohouse's response to current industry disruptors demonstrates a proactive strategy aimed at transforming challenges into operational improvement. The company strategically uses sustainable talent management practices and employee upskilling programs to align with Sustainability trends in the Human capital field in to to achieve long-term success and minimize employee fluctuation. Furthermore, the established HR processes within the firm don't restrain Radiohouse's SHRM and Human Capital practices from constantly evolving. Instead, the organization maximizes efficiency by automating various processes using artificial intelligence (AI) models for its operative and human practices, largely thanks to the cost savings that come with modern AI models. The firm uses AI models for its talent sourcing process, training plans that are being planned through AI, and lastly in its media campaigns for targeting customers and research operations. This data-driven approach automates operational processes causing significant time-saving benefits and simplifies HR processes, helping new hires to align with the firm's organizational culture, team dynamics and at last contribute to the sustained success of the company.

Radiohouse's combination of people sustainability practice and AI integration positions it as a major player in the field of media advertising agencies in the Czech Republic, demonstrating adaptability to new trends and a fast approach to new industry disruptors as well as its commitment to staying in front in rapidly changing industry that media advertisement surely is.

3 Summarize the findings and provide identified strategies and best practices

The theoretical part considered and compared the issues linked to Human Capital to the industry-accepted theories relevant to the topic of Strategic Human Capital Management in contrast to the conventional practice of Human Resource Management. The 1.1 chapter and its 1.1.2 and 1.1.3 subchapters cover the definition of SHRM, its alignment with business strategy, and the three key techniques: personnel, structural, and cultural. Ultimately leading to the hypothesis of whether effective SHRM implementation leads to enhanced organizational performance. The relationship between SHRM, business strategy, and organizational leadership is defined as a complex one, highlighting the need for integration. Three primary HR techniques are shown alongside real-life examples. Furthermore, the comparison between SHRM and the traditional approach of HRM highlights their key differences proving their significant difference and in the end positioning SHRM as a top management agenda. The theory further evolves into the issue of organizational performance, defining it as a complex concept measured by various benchmarks, which highly depends on how organizations want the performance to be measured. The discussion extends to organizational performance, defining it as a complex concept measured by various benchmarks. Founding research indicates that the SHRM agenda is directly linked to organizational performance, further addressing human capital topics and McKinsey & Company's performance versus people scheme. Lastly, the theory explores and analyses current disruptors and challenges for SHRM, including sustainability and artificial intelligence, with a focus on people sustainability and AI's transformative impact on talent acquisition.

Moving on to the practical part. In evaluating Radiohouse's stance on Strategic Human Resource Management (SHRM), a distinctive approach emerges, characterized by adaptability within its entrepreneurial environment. The organization shows strategic thinking traits while acknowledging essential SHRM values, such as ongoing employee development, transparent career growth, and mentoring programs. Despite lacking a clear formulation of its SHRM strategy, Radiohouse's focus on stability, transparency, development, and education suggests the potential for evolving and proving best practices in a real business

environment. During the observation, the company's operational approach was leaning towards a Performance-Driven structure with notable People-Focused elements. Prioritizing collective performance over individual evaluations, with work-life balance programs and traits effectively combines Performance and People strategies to enhance its operational goals as well as internal matters to ensure that the company is running effectively. This priority serves an employee's transparent career growth while addressing work-life balance concerns that are present in the consulting field and other very tense work environments such as investment banking or private/venture equity.

Radiohouse demonstrates a proactive response to the latest industry disruptors such as Sustainability and Artificial intelligence, utilizing sustainable talent management and employee upskilling programs. Additionally, the integration of Artificial Intelligence (AI) into its HR processes, highlights the organization's ability to learn and understand new trends quickly which results in the adaption of new practices into its operations. Sustainability practices and the firm's AI integration acknowledge Radiohouse as a key player in the competitive media advertising industry. In identifying potential best practices in SHRM, Radiohouse recognizes stability, transparency, and ongoing development as key aspects that could drive the SHRM agenda forward. The organization is currently focusing on aligning its SHRM strategy with overall business goals to simplify its overall business strategy to make the strategy more evident, and transparent. Realizing the need for a more structured approach to effective human capital management and potential disruption prevention, the company's management will keep educating itself about the latest trends to mitigate operational risks.

Conclusion

In conclusion, an overview of perspectives summarized in the thesis reflects the complicated balance between a performance-driven nature and a people-focused approach. Highlighting the critical role of human capital in establishing sustained profitability and resilience, the thesis explores the latest research insights regarding the processes of attracting and retaining talent. The Radiohouse case study illustrates its Strategic Human Resource Management (SHRM) approach characterized by a dedication to continuous employee development and adaptability to industry dynamics. The organization's integration of Performance and People strategies not only expresses its current resilience but also positions it strategically for sustained success and growth. As businesses navigate the evolving landscape, it becomes vital to formalize and adjust SHRM strategies to ensure alignment with desired business objectives. Overall, this research captures both theoretical framework and practical applications, contributing to a nuanced understanding of the current HR landscape and its key role in organizational prosperity, and confirming the stated hypothesis that effective implementation of SHRM practices leads to improved organizational performance to some extent if correctly used.

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The author used [ChatGPT; https://chat.openai.com/] for the purpose of text summarisation and rating of paragraphs. After using this tool, the author has checked the content and takes full responsibility for it.

List of tables

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Appendix 1 Interview answers

Tab 3. Answer sheet for an interview with a Radiohouse representative.

<table>
<tr><td></td><td>**ANALYSING CURRENT APPROACHES TO SHRM**</td></tr>
<tr><td rowspan="2">**2.2**</td><td>**Can you provide an overview of your organization's current approach to Strategic Human Resource Management (SHRM)? /Does the company acknowledge HR as part of the Business Strategy?** SHRM is an essential component for the further development of our company RADIOHOUSE s.r.o., including its parent company Media Bohemia a.s. In 2019, a special department was established for the direct management of human resources however large amount of HR work agenda lies within regional directors, the independent department serves as a support to a regional manager. There are a few ways we think about the SHRM agenda, some of which involve the recruitment and initial training of new staff, reeducation of current employees, well-communicated career growth based on employee performance, and provision of benefits such as company events, free passes to client's events, etc. The aim of that package is primarily to enhance the development staff and explore the most suitable economic paths to motivate human resources for better performance, not only in financial terms but also in the context of personal development, in connection with ensuring a quality environment and qualified leadership. However, a large amount of our media consultants are to a greater extend responsible for their own performance and yearly goals, hence the executive team is here mostly to resolve any potential issues, while still keeping the entrepreneurial spirit. Our Organizational performance is measured on employee's individual plans and their fulfillment.</td></tr>
<tr><td>**Did your organization evolve its SHRM strategies over the years, considering the dynamic nature of the business environment? If so, how so?** We do not have a set SHRM strategy that would go hand in hand with our business approaches and hence is more flexible. However, we are evolving in a few areas, for example, a support department has been established to ensure basic technical support for employees within the work process, aiming to alleviate their administrative burden and expedite and streamline the flow of information between various departments, with the goal of optimizing and simplifying all processes for all involved parties. A new CRM system has been installed, incorporating all essential company information necessary for the activities of respective sections. The product portfolio has been expanded to enhance competitiveness and, consequently, improve Radiohouse's positioning in the market. This expansion is coupled with an increase in the number of targeted products and educational seminars, whether on a personal basis through live lectures or in an online environment through e-learning platforms such as Udemy which we fully cover and encourage people to use to their own benefit. For newcomers, we have a set of initial trainings that cover topics such as presentation skills, negotiation, ethics, and communication just to name a few.</td></tr>
<tr><td></td><td>**What specific activities or initiatives does your organization undertake to implement SHRM effectively? How is SHRM and HR implemented in Business Strategy and how does it align to Business Strategy?** At least</td></tr>
</table>

	four training sessions per year for senior executives regarding managerial processes, ongoing education, and development for senior employees as well as newcomers, and mentoring programs as support from the management team. The company also implemented "The Media Academy" project to enhance the qualifications and prestige of business positions. Additionally, one-on-one employee performance reviews are in place as well a simple anonymous satisfaction/dissatisfaction questionnaire was introduced for company processes and individual departments, with the subsequent public disclosure of the obtained data.
	ANALYSING SHRM PRACTICE TOWARDS OPERATIONAL GOALS
2.3	**How does your organization align its SHRM practices with its operational goals?** A certain percentage of profits is allocated as an investment in the development of human resources, and this investment is increased annually. We also try to support our media consultants as much as we can, while still giving them the freedom to do anything they want if the annual performance plans are being fulfilled. We value the entrepreneurial environment that is established in our company.
	Can you share examples of how SHRM initiatives have directly contributed to the achievement of operational objectives within your company? If any? The implementation of a regular educational process and bonus components in salaries has led to an increase in the company's turnover.
	How do you ensure that SHRM practices are integrated seamlessly into the day-to-day operations of the organization? Through regular education of the management and constant monitoring of employee performance, if the performance falls under expected rates, we deploy tailored trainings that would target the area that employee is falling behind.
2.4	**APPROACHES TOWARD CURRENT INDUSTRY DISRUPTORS**
	Considering the current industry disruptors, such as sustainability and artificial intelligence, how has your organization adapted its SHRM strategies to address these challenges? We optimize talent sourcing AI-based software to efficiently select potential candidates and tailor employee trainings through AI recommendations. As for Sustainability we largely think of Sustainability in terms of our people and not primarily our operations thanks to the nature of the business we run, making sure to offer them continuous development and scaling to prevent fluctuation to a maximum point.
	Can you provide specific examples of how your company navigates disruptions related to sustainability and artificial intelligence in the area of human capital management? If applicable? (Answered in the previous question) mostly in the recruiting stage and development of employees.
	What proactive measures does your organization take to stay ahead of emerging trends and disruptions in the industry? By participating in industry and international seminars, keeping ourselves open to new trends and constantly looking for ways to implement new technologies into our processes.

2.5	**IDENTIFYING THE BEST PRACTICE**
	From your perspective, what do you consider as the best practices in Strategic Human Resource Management, especially concerning organizational performance? Stability, certainty, transparency, development, education.
	Can you highlight specific instances where your organization has identified and implemented best practices in Strategic Human Resource Management, leading to positive outcomes? We are currently still exploring the SHRM topic there are no specific best practices that have been identified so far, we only consider a few key points that could potentially result in best practices, but none have a verified positive outcome yet.
	How does your organization benchmark itself against industry standards and other successful companies in terms of Strategic Human Resource Management, best practices? /If the company benchmark itself. It does not.

ANNOTATION

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SUMMARY	This bachelor's thesis explores the theoretical foundations of Strategic Human Resource Management (SHRM) and its ties to organizational performance, emphasizing its proactive, long-term approach compared to Traditional Human Resource Management. The study also examines current disruptors like sustainability and artificial intelligence, examining their implications for HR practices in the evolving business landscape.
KEY WORDS	Strategic human resource management, organizational performance, artificial intelligence, sustainability, human resources, human capital