



Article

A Review of Human Resource Management Environment and its Impact on Organizational Performance

Aymen Hadi Talib^{*1}, Hameed Shukur Abdul Ameer Al-Azzawi², Basim K. M. Nasrawi³

1. Affiliation Ministry of Education, Iraq
 2. Imam Al-Kadhum College (IKC), Iraq
 3. Technical College Al-Mussib, Al-Furat Al-Awsat Technical University, Iraq
- * Correspondence: Aymenhaditalib@gmail.com

Abstract: The concept of the human resource management (HRM) environment is of great significance due to its substantial impact on the efficiency and effectiveness of HRM functions. The internal environment includes factors or elements that influence HRM, particularly those related to specialization and performance methods within the organization. It represents the domain where interactions and dynamics occur among various units, encompassing all aspects that surround human resources, including nature, human communities, social systems, and personal relationships. This research aims to establish a theoretical framework that enriches the subject and highlights the key elements shaping the HRM environment. The study concludes that numerous significant elements contribute to the formation of an organization's HRM environment, influencing and being influenced by HRM processes. Among the key recommendations is the necessity of enhancing and effectively utilizing the components of the HRM environment to contribute positively to its development, thereby ensuring efficiency in achieving both HRM and organizational goals.

Keywords: Human Resource Management, HRM Environment, Organizational Performance

Citation: Aymen Hadi Talib A. H. Al-Azzawi H. S. A. A. Nasrawi B. K. M. A.

Review of Human Resource Management Environment and its Impact on Organizational Performance. American Journal of Economics and Business Management 2025, 8(3), 983-989.

Received: 16th Feb 2025

Revised: 24th Feb 2025

Accepted: 28th Feb 2025

Published: 07th Mar 2025



Copyright: © 2025 by the authors. Submitted for open access publication under the terms and conditions of the Creative Commons Attribution (CC BY) license

(<https://creativecommons.org/licenses/by/4.0/>)

1. Introduction

In general, administrations, and human resource management in particular, do not operate in isolation but within an environment that influences them and is, in turn, influenced by them. As a result, human resource management places significant importance on its surrounding environment, given its reciprocal impact. Therefore, it conducts analyses and evaluations of all existing factors and variables with the primary objective of identifying and strengthening its strengths to maximize their benefits, as well as exploring ways to further enhance them in the future. Additionally, it seeks to identify weaknesses in each surrounding factor to address, mitigate, or avoid them. This approach enables human resource management to select appropriate alternatives and make strategic decisions. Every human resource management department operates within both an internal and an external environment. The internal environment pertains to the organization itself, including administrative frameworks, formal and informal systems, structures, procedures, communication patterns, and more. On the other hand, the external environment consists of societal forces and factors that interact with human resource management indirectly, such as customers, suppliers, competitors, and government

entities. This study focuses on the internal environment of human resource management within the organization, which has a direct impact on managing human capital.

2. Materials and Methods

First: Research Problem

The research problem can be framed with the following questions:

1. What are the elements and components of the human resource management environment?
2. Does addressing the elements and components of the human resource management environment contribute to providing a broader perspective on this environment?
3. What are the key recommendations and suggestions for benefiting from the attention and development of the human resource management environment elements?

Second: Research Significance

1. The aim is to provide a theoretical framework that describes and diagnoses the human resource management environment.
2. The importance of this research lies in establishing theoretical and conceptual foundations that contribute to a better understanding of the human resource management environment.

Third: Research Objectives

1. Establishing a theoretical framework that enriches the research topic.
2. Highlighting the key elements that shape the human resource management (HRM) environment.
3. Providing a set of recommendations to optimize the benefits derived from the research topic.

3. Results and Discussion

3.1 The Human Resource Management Environment

Human resource management (HRM) is a critical subject that has captured the interest of numerous scholars and business professionals due to its pivotal role in handling the most essential production element—human capital. In the past, personnel management was perceived as an administrative function positioned at the lower organizational levels, primarily responsible for recording employees' work-related procedures, maintaining service records, and ensuring compliance with labor laws. However, HRM has evolved into a dynamic and strategic function that contributes to achieving organizational goals and sustaining competitive advantage. Understanding and analyzing the factors influencing HRM is therefore essential for its effective implementation. In this context, the researcher has reviewed various references and sources to identify the primary factors that influence HRM within organizations. These factors have been thoroughly analyzed and will be discussed in detail throughout the study. Before exploring these elements, it is necessary to define what constitutes the HRM environment. Broadly speaking, the environment refers to the organizational context, which plays a crucial role in shaping both HR and business strategies [1]. Given that the business environment is a fundamental aspect for any organization, HR functions also operate within a specific environment, making related issues highly complex. Since the 1950s, numerous studies have examined the relationship between environmental factors and business activities. Similarly, extensive research has explored HRM and its interaction with environmental elements. In general, environmental factors are linked to HRM activities, either as sources of pressure or as internal and external influences. The HRM environment encompasses various critical factors, including organizational purpose, strategy, objectives, organizational size and structure, history, traditions, past practices, management priorities, executive leadership preferences, power and political

considerations, HRM theories, work characteristics, education, training, and cultural and political factors affecting employees [2].

3.2 Organizational Goals, Strategy, and Mission

HR practices play a vital role in achieving organizational objectives and maintaining competitive advantage. The HR function not only influences organizational goals but is also shaped by them. While multiple factors contribute to an organization's success, employees remain the most crucial determinant of performance. As human resources, employees drive organizational objectives by delivering high-quality and innovative products and services [3]. Several studies highlight that strategic HRM aligns with business and HR strategies. A strategic approach to HR can assist in employee selection, training, and retention, ensuring the organization attracts and retains the "right people" while allowing others to exit [4]. Bratton (2015: 47) emphasizes the necessity of establishing a two-way alignment between business strategy and internal HR strategy. Organizations, in turn, strive to fulfil their mission and vision by implementing actions that ensure program success. This process directly pertains to strategic HRM, which involves designing systems that facilitate the achievement of the organization's mission and vision. The pathways to achieving these objectives vary, with organizations relying on a supportive organizational culture to drive long-term goals [5]. Therefore, integrating HR policies and practices with the organization's strategic management process is essential for executives to recognize HRM's significance and for fostering employee commitment to strategic goals.

3.3 Organizational Structure

Organizational structure can be defined as the framework through which a company is managed. It serves three primary functions: facilitating product development and goal achievement, minimizing the impact of individual differences within the organization, and providing a context for decision-making and authority distribution. Mintzberg describes organizational structure as the division of labor into distinct tasks, followed by coordination between these tasks. Organizations are viewed as interrelated functional processes where policies and guidelines are set by top management, even as authority is delegated to multifunctional teams [6]. Research has explored the relationship between HRM and organizational structure, recognizing HRM and broader structural factors as mechanisms for shaping employee behavior and incentives. While extensive studies have examined HRM's impact on organizational performance, the mechanisms through which HRM influences performance and structure remain underexplored. Employee characteristics, job perceptions, and behavioral aspects—such as turnover intentions and job satisfaction play a significant role in shaping this relationship [7]. Sabella asserts that hierarchical levels are more critical determinants of work motivation than sectoral differences. Additionally, differences in job content, rather than sectoral variations, account for major organizational distinctions. However, non-profit jobs offer greater intrinsic rewards, challenges, and satisfaction compared to private-sector roles.

3.4 Organizational Climate

Organizational climate reflects the psychological atmosphere within an organization, significantly influencing individual and group behavior. It is considered a key mediator in overall productivity. The broader conceptualization of organizational climate, based on an expanded view of organizational systems, positions it as an "open system" capable of influencing external environments [8]. Organizational climate encompasses employees' perceptions of policies, practices, and procedures, shaping workplace interactions and behaviors. Literature suggests that climate is a manifestation of organizational culture and is closely tied to human behavior. While organizational climate impacts employee commitment, few studies have explored its direct influence on workplace behavior. Organizational climate helps define the social and psychological

framework within which employees operate, shaping their willingness to contribute effectively. Research has categorized the following factors affecting organizational climate:

1. Organizational Context: Mission, objectives, and operational goals.
2. Structure: Organizational size, centralization, and operational procedures.
3. Leadership Style: Leadership models, communication, and cognitive processes.
4. Physical Environment: Employee safety, environmental stress, and workplace conditions.
5. Principles and Standards: Commitment, integrity, and reciprocal expectations.

Alwaheeb emphasizes that organizational climate directly impacts HRM outcomes, influencing employee behavior, motivation, and productivity. Assessing the effect of organizational climate on HRM is therefore crucial [9].

3.5 Organizational Culture

Organizational culture significantly influences HRM approaches, as cultural differences necessitate variations in HR practices. Scholars argue that HRM is among the most culturally sensitive management practices, with implications for its design and effectiveness. Cross-cultural differences shape employee behaviour, motivation, communication, conflict resolution, goal-setting, performance evaluation, and reward systems. Economic theory also recognizes the role of culture in shaping corporate governance structures [10]. Hayton notes that culture and HRM systems reinforce each other. On one hand, culture permeates organizational structures, processes, and HRM practices, reflecting the values established by an organization's founders. On the other hand, HRM practices influence and sustain organizational culture. Despite their interdependence, culture is generally considered a precursor to HRM choices, as founders' values influence decisions regarding HR practices. Selection procedures, performance evaluation criteria, and reward systems are strongly shaped by whether an organization emphasizes individual or collective values [11].

3.6 Leadership Style

HRM and leadership are key subjects in organizational sciences, historically studied separately. However, research interest in the interaction between leadership styles and HRM has grown. While leadership and HRM have been extensively studied as independent fields, limited research has examined their interrelation. Some HRM literature views leaders as implementers of HR policies, while leadership studies emphasize the significant role leaders play in shaping HRM practices [12]. Milhem argues that leadership talent differentiates highly engaged organizations from average ones. Studies confirm that leadership significantly influences employee engagement and performance. Organizations often possess untapped talent, which remains underutilized in the absence of effective leadership. Exceptional leaders and inspiring managers are key drivers of employee engagement and productivity. Thus, leadership plays a fundamental role in mobilizing human resources toward sustainable organizational growth, enabling organizations to achieve strategic goals through effective HR management [13].

3.7 Internal Communication

There are multiple perspectives regarding the relationship between internal communication and human resource management. The first perspective considers internal communication as the responsibility of the human resources (HR) department rather than marketing or public relations. This is due to several reasons, including a stronger focus on the relationship between employee behavior and business outcomes, leadership development, and the understanding that effective leaders must also be effective communicators. Additionally, organizations often place internal communication under HR management based on the belief that HR has the best understanding of the needs and expectations of employees within the organization. Sims supports this view, asserting that HR professionals are responsible for ensuring that communication processes function

effectively and that HR should serve as the primary channel for open and integrative communication within the organization. The second perspective argues that contemporary internal communication aims to enhance employee engagement and participation in achieving organizational goals. It emphasizes that communication is more important than any other factor in boosting employee productivity. HR professionals support this claim by providing evidence that effective communication is a fundamental goal of HR. The third perspective highlights the importance of integrating HR management skills with communication expertise to achieve a strategic advantage. While many internal communication activities can be handled by the HR department, it is suggested that communication itself, along with the strategic approach to delivering messages, should be managed by corporate communication experts. The communication department should ensure that messages are conveyed using appropriate language and mediums tailored to the target audience. Ideally, both corporate communications and HR should have a dedicated individual responsible for employee communication [14].

3.8 Job and Work Characteristics

Job characteristics are best categorized into three main dimensions. The first is motivation, which examines how job attributes influence individual responses to work. The second is social and technical interaction, which explores how employees collaborate and contribute to the production of goods and services. The third dimension is contextual elements, which shape job characteristics and can significantly impact individual needs and behaviors. Despite variations in definitions, scholars agree that employees' perceptions of job characteristics strongly influence key outcomes such as job satisfaction and organizational commitment. For instance, job characteristics are linked to satisfaction and commitment, encompassing aspects such as role clarity, role overload, role conflict, task significance, autonomy, job scope, and skill variety. A strong correlation has been identified between job challenge levels and organizational commitment. Furthermore, multiple studies indicate a negative relationship between role ambiguity or role conflict and employee commitment [15]. Job characteristics vary across sectors. Some studies suggest that hierarchical levels are more significant determinants of work motivation than sectoral differences. Moreover, major differences in job characteristics are often attributed to variations in job content rather than the sector itself. However, nonprofit jobs tend to offer greater challenges, variety, satisfaction, and intrinsic rewards compared to private sector positions [16]. There are five key dimensions of job characteristics: skill variety, task identity, task significance, autonomy, and feedback. These dimensions influence employee performance by considering psychological states and individual growth needs. Administrative employees' job characteristics significantly impact overall employee performance. Employee performance is assessed based on the quality and quantity of work completed within assigned responsibilities, measured according to company-established standards. Researchers acknowledge a direct link between job satisfaction and employee performance when employees find satisfaction in their work, there is greater alignment between expectations and actual job execution, which is influenced by job characteristics and organizational commitment. Consequently, motivated employees tend to perform better. Organizations strive to enhance employee performance primarily to improve overall company performance. Therefore, businesses must consider human resource performance as a strategic issue to gain a competitive advantage [17]. Abasalizadeh argues that certain job dimensions enhance employee satisfaction and motivation, potentially leading to significant psychological impacts and important outcomes for both employees and the organization. The Job Characteristics Model has been widely recognized as highly valuable in research. The motivational aspects of jobs are defined by the extent to which a job requires diverse activities and leverages employees' skills and talents. Numerous studies indicate that job autonomy, variety, and feedback are central to job characteristics, significantly influencing employee attitudes within an organization [18]. Furthermore, Abasalizadeh refers to the Job Characteristics Theory by Hackman and Oldham, which

posits that job characteristics create specific psychological states that, depending on the significance of responsibilities and feedback mechanisms, influence employees' attitudes and behaviors. When employees receive feedback on their job goals and performance levels, and when they have greater autonomy in their tasks, they develop a stronger sense of purpose and value in their work. For instance, public sector employees who perceive their work as meaningful and impactful tend to improve their performance, ultimately enhancing job effectiveness [19].

4. Conclusion

1. Several elements shape the human resource management (HRM) environment within an organization. These elements both influence and are influenced by HRM systems.
2. The goals, strategies, and mission of an organization significantly impact the HRM environment.
3. Organizational structure design plays a crucial role in HRM effectiveness and overall performance.
4. There is a direct relationship between organizational climate, organizational culture, and HRM, as HRM systems are designed in accordance with the organization's adopted culture and climate requirements.
5. Job and work characteristics are among the most influential factors affecting HRM functions and vice versa.

Recommendations

1. Organizations should pay close attention to all factors shaping the HRM environment and avoid neglecting any of them.
2. Strengthening the relationship between HRM and organizational structure is essential to optimize workforce utilization and enhance employee performance.
3. Organizations must strive to understand and effectively respond to variables that may impact HRM elements.
4. HRM components should be utilized strategically to contribute to positive organizational development and efficiency in meeting HR and organizational objectives.
5. Employees should be encouraged to adopt behaviors that align with the organization's values and overall corporate culture.

REFERENCES

- [1] A. M. Alwaheeb, "Effects of organizational climate on HR outcomes in the Saudi public universities," 2020, pp. 1-12.
- [2] K. M. S. Azameti, "Impact of organizational climate and leadership style on human capital performance: Conceptual analysis," 2020, vol. 244, pp. 252.
- [3] Y. Abasalizadeh and A. Dadgarinezhad, "Investigating the effect of job characteristics on job involvement and job performance," 2018, pp. 28-36.
- [4] S. Albrecht, A. Bakker, J. Gruman, W. Macey, and A. Saks, "This is the authors' final peer-reviewed (post-print) version of the item published as," 2015.
- [5] I. Bonacci, A. Mazzitelli, and D. Morea, "Evaluating climate between working excellence and organizational innovation: What comes first?" 2020, pp. 1-29.
- [6] J. Bratton, *Strategic human resource management*, pp. 37-71.
- [7] I. Djastuti, "The influence of job characteristics on job satisfaction, organizational commitment, and managerial performance," 2010, pp. 145-166.
- [8] K. Y. Genç, "Environmental factors affecting human resources management activities of Turkish large firms," 2014, pp. 102-122.
- [9] J. Hayton and U. Macchitella, "HRM, organizational culture, and entrepreneurial capabilities: The role of individual and collective knowledge processes," 2013.

-
- [10] R. Mammadova, "Leadership effectiveness in human resource management," 2019, pp. 13-26.
- [11] B. B. Milikić, "The influence of culture on human resource management processes and practices: The propositions for Serbia," 2009, pp. 98-118.
- [12] M. Milhem, H. Muda, and K. Ahmed, "The effect of perceived transformational leadership style on employee engagement: The mediating effect of leader's emotional intelligence," 2019, pp. 33-42.
- [13] N. M. Santos, M. Bronzo, M. P. V. Oliveira, and P. T. V. Resende, "Organizational culture, organizational structure, and human resource management as bases for business process orientation and their impacts on organizational performance," 2014, pp. 100-122.
- [14] D. Sincic and N. P. Vokic, "Integrating internal communications, human resource management, and marketing concepts into the new internal marketing philosophy," 2007, pp. 1-13.
- [15] M. Sonnenberg, "The signaling effect of HRM on psychological contracts of employees," 2006.
- [16] A. R. Sabella, M. T. E. Eid, and N. Labib, "The effects of organizational and job characteristics on employees' organizational commitment in arts-and-culture organizations," 2016, pp. 1002-1024.
- [17] D. Torrington, L. Hall, and S. Taylor, *Human resource management*, 7th ed. Publisher, 2014.
- [18] P. Pitkänen, "The use of company values in increasing the effectiveness of human resource management," 2018.
- [19] S. F. Rasool, M. Samma, A. Anjum, and T. M. Khan, "Relationship between modern human resource management practices and organizational innovation: Empirical investigation from the banking sector of China," pp. 1-13.