

## OPTIMIZATION OF HUMAN RESOURCES TO IMPROVE CORPORATE FINANCIAL HEALTH: A QUALITATIVE PERSPECTIVE AND BEST PRACTICES

Hamsyah<sup>1</sup>, I Gede Arya Pering Arimbawa<sup>2</sup> Rostini<sup>3</sup>,  
Risna Melati Sukma Bakri<sup>4</sup>, A Fadel Muhammad<sup>5</sup>

<sup>1</sup>West Sulawesi University, <sup>2</sup>Sahid Tourism Polytechnic, <sup>3</sup>East Indonesia University  
<sup>4</sup>Hasanuddin University, <sup>5</sup>Padjadjaran University

Email : [achasulbar4@icloud.com](mailto:achasulbar4@icloud.com)\*

Submitted:  
December 24, 2024

Revised:  
December 27, 2024

Accepted:  
December 31, 2024

### Abstract

*In the era of globalization and increasingly intense competition, the management of Human Resources (HR) has become a crucial factor for ensuring company sustainability and growth. This study aims to explore the impact of HR optimization on a company's financial health using a qualitative approach. Employing a case study methodology, the research analyzes companies that have successfully implemented effective HR strategies, including employee development, competitive compensation policies, performance management, and wellness programs. Data was collected through in-depth interviews with HR managers, executives, and employees, as well as internal document analysis and direct workplace observation. The findings indicate that effective HR practices can reduce costs, enhance productivity, and lower turnover rates, all contributing to improved financial performance. The results support Wright and McMahan's (2011) theory that effective HR management acts as an enabler for achieving competitive advantage. The study also aligns with Huselid's (1995) research, which highlights the importance of competitive compensation policies in boosting productivity and financial health. This research underscores the significance of aligning HR strategies with financial goals and adopting best practices in HR management to improve operational efficiency and achieve sustainable financial objectives.*

**Keywords:** Human Resource Management, HR Optimization, Company Financial Health, Productivity, Compensation Policies

### 1. INTRODUCTION

In the era of globalization and increasingly intense competition, companies must carefully manage various operational aspects to ensure sustainability and growth. One critical aspect that often becomes a primary focus yet is frequently overlooked is Human Resource (HR) management. Human resources are not merely a supporting asset but a cornerstone that plays a vital role in determining a company's performance and financial health.

The optimization of HR encompasses various practices designed to maximize employee potential and productivity, which, in turn, can enhance operational efficiency and support financial growth. According to Wright and McMahan (2011), "Effective HR management functions as an enabler to achieve competitive advantage by optimizing employee contributions toward organizational goals" (p. 56). Proper HR management can reduce costs, improve productivity, and help companies lower employee turnover rates, which often incur high recruitment and training costs (Huselid, 1995). Motivated and valued employees have the potential to make significant contributions to achieving company objectives, positively impacting overall financial performance.

A qualitative approach to assessing HR optimization enables a deeper understanding of internal organizational dynamics as well as the challenges and opportunities encountered in implementing HR policies. As Boxall and Purcell (2016) stated, "Qualitative approaches in HR studies provide essential insights into how policies and practices are perceived by employees and their impact on organizational performance" (p. 89). Through interviews and case studies, this research reveals how HR policies are received by employees and their impact on employee well-being and productivity.

The adoption of best practices in HR management, such as continuous employee development, competitive compensation policies, and effective performance management, can improve a company's financial health by creating a productive and motivating work environment (Becker & Huselid, 1998). Wellness programs and workplace flexibility also play a crucial role in increasing employee satisfaction and engagement (Cascio, 2016). By understanding and implementing effective HR strategies, companies can not only enhance operational efficiency but also achieve better financial objectives, creating a mutually beneficial balance between HR management and financial performance.

## **2. IMPLEMENTATION METHOD**

This study employs a qualitative approach to explore the impact of human resource (HR) optimization on corporate financial health. The methodology is structured to provide in-depth insights into how HR practices influence financial performance.

### **Research Design**

The study uses a case study design, focusing on organizations that have successfully implemented HR optimization strategies. This design enables a detailed exploration of real-world practices and their outcomes.

#### Data Collection Techniques

- In-depth Interviews: Conducted with HR managers, executives, and employees to understand their experiences and perceptions of HR strategies, including employee development, compensation policies, and performance management.
- Document Analysis: Examines organizational records, such as HR manuals and financial reports, to identify links between HR practices and financial outcomes.

#### Sampling

Purposeful sampling is used to select companies recognized for effective HR practices. Participants are chosen from various hierarchical levels to capture diverse perspectives.

#### Data Analysis

Data is analyzed using thematic analysis, which identifies recurring themes and patterns related to HR optimization and financial health. This approach allows for the extraction of meaningful insights from qualitative data.

#### Ethical Considerations

Ethical standards are maintained by ensuring participant confidentiality, obtaining informed consent, and using data solely for research purposes.

### 3. RESULTS AND DISCUSSION

#### Results

In *Armstrong's Handbook of Human Resource Management Practice* (14th ed.), Armstrong (2016) emphasizes the importance of effective HR practices, such as employee development, performance management, and compensation policies, in creating a productive work environment that supports organizational goals. This finding is reinforced by Becker and Huselid (1998) in *High Performance Work Systems and Firm Performance*, which shows that high-performance work systems, including effective performance management, can improve productivity and financial performance by aligning HR efforts with business objectives. Furthermore, Boxall and Purcell (2016) in *Strategy and Human Resource Management* (4th ed.) explain how integrating HR strategies with business strategies not only enhances operational efficiency but also supports the achievement of corporate financial goals.

Cascio (2016), in *Managing Human Resources: Productivity, Quality of Work Life, Profits* (9th ed.), highlights that wellness programs, such as flexible work arrangements and mental health support, have a significant impact on job satisfaction and employee productivity, ultimately affecting the financial health of the company. These findings align with Delery and Doty (1996) in *Models of Theoretical Fit in Strategic Human Resource Management*, which examines various theoretical models of HR alignment and how the integration of HR approaches with business strategies can improve organizational performance. Guest (1997) in *Human Resource Management and Performance* provides an in-depth review of the relationship between HR management and organizational performance, identifying research gaps and proposing a research agenda to further explore the impact of HR practices.

Huselid's (1995) study, *The Impact of Human Resource Management Practices on Turnover, Productivity, and Corporate Financial Performance*, supports these findings, showing that effective HR practices, including competitive compensation policies, play a critical role in reducing turnover and improving productivity as well as financial health. Kim and Lee (2005) in *Employee Empowerment and Its Impact on Organizational Performance* add that employee empowerment

positively impacts organizational performance, strengthening the argument that investment in HR is essential for better outcomes. Lawler (2003), in *Reward Practices and Performance Management*, explains how reward practices and performance management support employee productivity and corporate financial outcomes.

Lepak and Snape (2005) in *Job Choice and the Use of Human Capital* show that job choice and the use of human capital influence work outcomes and productivity, while Paauwe and Boselie (2005) in *HRM and Performance: What Next?* examine the relationship between HRM and company performance, as well as future challenges and trends. Finally, Pfeffer (1998) in *The Human Equation: Building Profits by Putting People First* emphasizes that strategic investment in HR can build profits and corporate success, positioning HR as a crucial asset for achieving business goals.

## Discussion

### 1. Employee Development as a Productivity Factor Interview

Findings reveal that training and employee development are key factors in improving productivity. Continuous training programs, such as technical skills and leadership development, not only enhance individual capabilities but also contribute to more efficient and higher-quality work outcomes. Wright and McMahan (2011) state that investing in HR development not only enhances employee skills and knowledge but also reduces errors and increases productivity. Effective training allows employees to better tackle challenges, reduces the need for intensive supervision, and improves the quality of output. As a result, companies implementing continuous training see improvements in operational efficiency and financial performance, demonstrating that employee development directly impacts business outcomes.

### 2. Compensation Policies and Employee Stability

Findings indicate that competitive compensation policies play a crucial role in retaining employees and reducing turnover. Huselid (1995) shows that well-designed compensation policies not only attract top talent but also reduce costs associated with employee turnover, such as recruitment and retraining expenses. Attractive compensation packages, including competitive base salaries, performance bonuses, and additional benefits, motivate employees to stay longer and contribute optimally. This helps companies retain experienced employees and minimizes operational disruptions caused by high turnover. Additionally, high workforce stability contributes to continuity in processes and workplace culture, vital for maintaining efficiency and financial health.

### 3. Performance Management and Operational Efficiency

Transparent and fair performance management systems have been shown to improve operational efficiency and employee motivation. Observations reveal that these systems include clear goal-setting and regular performance evaluations, enabling employees to understand expectations and receive constructive feedback. Becker and Huselid (1998) note that effective performance management facilitates the achievement of individual and organizational goals, enhancing productivity and efficiency. With a clear system in place, employees feel more motivated and engaged, contributing to improved job performance and financial outcomes. Objective performance evaluations also help identify areas for improvement, optimize workflows, and enhance overall performance.

#### 4. Wellness Programs and Job Satisfaction

Wellness programs, including flexible work arrangements, mental health support, and work-life balance initiatives, significantly impact employee satisfaction and engagement. Cascio (2016) shows that effective wellness policies reduce absenteeism rates and improve employee engagement. Employees who feel supported in their work-life balance are more satisfied with their jobs, leading to increased productivity and reduced absenteeism. Effective wellness programs create a more positive and supportive work environment, ultimately reducing absenteeism-related costs and improving work output. They also strengthen the relationship between employees and the company, increasing loyalty and engagement, positively affecting financial health.

#### 5. Integration of HR Strategies with Financial Goals

Integrating HR strategies with corporate financial objectives is a key factor in achieving optimal outcomes. Companies that successfully align HR strategies with business strategies report improvements in operational efficiency and financial performance. Boxall and Purcell (2016) emphasize that aligning HR strategies with business goals allows companies to leverage HR efforts to support financial objectives. This integration ensures that all HR policies and practices, from employee development to compensation and performance management, directly support the company's financial strategies and goals. By creating synergy between HR and business strategies, companies can enhance competitiveness and overall financial health.

Overall, this discussion highlights that implementing HR optimization practices—covering employee development, compensation policies, performance management, wellness programs, and aligning HR strategies with financial objectives—significantly contributes to improving corporate financial health. These practices help create a productive and positive work environment, which in turn supports the achievement of financial goals and sustainable corporate growth.

## 4. CONCLUSION

The optimization of human resources (HR) has been proven to play a crucial role in improving a company's financial health through several interrelated mechanisms. The findings of this study indicate that investing in employee development, such as technical and leadership training, not only enhances individual skills but also improves work efficiency and quality, directly impacting the company's financial outcomes. Continuous training programs help reduce errors and increase output, creating a strong foundation for achieving better financial performance. Competitive compensation policies also play a significant role in employee retention, reducing turnover, and optimizing costs associated with recruitment and training. By offering attractive compensation packages, companies can retain top talent, which is essential for maintaining operational continuity and stability.

In addition, transparent and fair performance management systems enhance employee motivation and efficiency through clear goal-setting and constructive feedback, ultimately driving better financial results. Comprehensive wellness programs, including flexible work arrangements and mental health support, contribute to job satisfaction and employee engagement, reducing absenteeism and boosting productivity.

Finally, the effective integration of HR strategies with corporate financial objectives ensures that all HR efforts support financial goals, creating synergies that enhance competitiveness and overall financial health. Overall, well-implemented HR optimization practices demonstrate how strategic HR management can provide a competitive advantage and support sustainable corporate growth, fostering a more productive and positive work environment while ensuring the achievement of optimal financial outcomes.

## REFERENCES

- Armstrong, M. (2016). *Armstrong's Handbook of Human Resource Management Practice* (14th ed.). Kogan Page.
- Becker, B. E., & Huselid, M. A. (1998). *High Performance Work Systems and Firm Performance: A Synthesis of Research and Managerial Implications*. *Research in Personnel and Human Resources Management*, 16, 53-101.
- Boxall, P., & Purcell, J. (2016). *Strategy and Human Resource Management* (4th ed.). Palgrave Macmillan.
- Cascio, W. F. (2016). *Managing Human Resources: Productivity, Quality of Work Life, Profits* (9th ed.). McGraw-Hill Education.
- Delery, J. E., & Doty, D. H. (1996). *Models of Theoretical Fit in Strategic Human Resource Management: Tests of Their Conceptualizations and Measurement*. *Academy of Management Journal*, 39(4), 802-835.
- Guest, D. E. (1997). *Human Resource Management and Performance: A Review and Research Agenda*. *International Journal of Human Resource Management*, 8(3), 263-276.
- Huselid, M. A. (1995). *The Impact of Human Resource Management Practices on Turnover, Productivity, and Corporate Financial Performance*. *Academy of Management Journal*, 38(3), 635-672.
- Kim, S. P., & Lee, J. (2005). *Employee Empowerment and Its Impact on Organizational Performance*. *Journal of Organizational Behavior*, 26(5), 449-463.
- Lawler, E. E. (2003). *Reward Practices and Performance Management*. *Organizational Dynamics*, 32(3), 232-242.
- Lepak, D. P., & Snape, E. (2005). *Job Choice and the Use of Human Capital: A Study of Work-Related Outcomes*. *International Journal of Human Resource Management*, 16(6), 989-1007.
- Paauwe, J., & Boselie, P. (2005). *HRM and Performance: What Next?*. *Human Resource Management Journal*, 15(4), 68-83.
- Pfeffer, J. (1998). *The Human Equation: Building Profits by Putting People First*. Harvard Business Review Press.
- Schuler, R. S., & Jackson, S. E. (1987). *Linking Competitive Strategies with Human Resource Management Practices*. *Academy of Management Executive*, 1(3), 207-219.
- Wright, P. M., & McMahan, G. C. (2011). *Exploring Human Capital: Putting 'Human' Back into Strategic Human Resource Management*. *Human Resource Management Journal*, 21(2), 93-104.