Influence of Business Strategy and Human Resource Management Practice on Organizational Performance with Mediation Human Resource Outcome (Study on Banking in Southeast Sulawesi Province)

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Abstract: This study aims to determine the mechanism of causal relationship between Human Resource Management (HRM) Practice on Organizational Performance. In response to the debates from previous researchers on how HRM Practice affects Organizational Performance, it encourages further research in this dissertation by involving Business Strategy variable as an external factor of HR management and HR Outcome variable as an internal factor of HR management. Research this dissertation uses a universal perspective approach, contingency perspective and a configurationally perspective. The hypotheses based on these three approaches include the structural relationship between Business Strategy, HRM Practice, HR Outcome and Organizational Performance variables. Conducted a study on 52 units of banking organizations in the region of Southeast Sulawesi to obtain information related to research variables. The data obtained are statistically analyzed by Regression Structural Equation Modeling (SEM) by using IBM_SPSS_AMOS (Analysis of Moment Structure) application to obtain information of structural relationship between research variables simultaneously.

The results obtained showed that the universal approach of placing Business Strategy horizontally or together with HRM Practice has an effect on Organizational Performance showing significant value. The contingency approach puts Business Strategy vertically above or precedes the HRM Practice so that structurally the influence of Business Strategy on Organizational Performance is through HRM Practice, the results are supported significantly. The Configurational Approach puts Business Strategy vertically ahead of the HRM Practice that is configured with HR Outcome that structurally mediates the impact of HRM Practice on Organizational Performance, the results are also supported significantly.

A more in-depth analysis of the configuration theory is obtained that the HRM Practice dimensions affect the HR Outcome dimensions in certain realms, namely; The dimension of Resourcing & Development has an effect on the Employee Skill, the dimension of the Rewards affects Employee Attitude, the dimension of Involvement affects Employee Behaviour. HRM Practice can directly influence Organizational Performance but only from certain dimension that is the dimension of Resourcing & Development of human resources, while for the dimension of Rewards and Involvement can't have direct effect. However, SEM analysis shows the dimensions of Rewards and Involvement can influence indirectly through its influence on HR Outcome that is on Attitude and Behaviour dimension. Analysis of the effect of dimensions of HR Outcome variables including Skill, Attitude, and Behaviour to Organizational Performance variables, shows that only the dimensions of Behaviour can directly influence or can realize Organizational Performance. The result of SEM analysis shows that between the dimensions in HR Outcome variable have serial effect. in accordance with the of AMO theory (Ability - Motivation - Opportunity) is the intellectual process of human resources leads to behaviour that is an opportunity to realize Organizational Performance.

Keywords - Business Strategy, HRM Practice, HR Outcome, Organizational Performance, Resourcing & Development, Reward, Involvement, Ability, Skill, Attitude, Motivation, Opportunity, Behaviour

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I. Introduction

Research on the relationship between HR Management to *Organizational Performance* was still unclear why this relationship exists. In order to provide a convincing explanation of the relationship of HR Management to Performance, according to Guest (1997) it is necessary to improve the theoretical and analytical framework in three main areas: the nature of HR Management, Performance characteristics, and the nature of the relationship between HR Management to Performance. Recent developments, management experts have

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involved external factors and internal factors that are believed to play a role in the relationship between HR Management to *Organizational Performance*. External factors that affect them according to them are special in the organization environment that is *Business Strategy*, while the internal factor of Human Resource Management is human (HR) itself (*HR Outcome*).

To understand the relationship between HR Management and *Organizational Performance*, a perspective approach that investigates these relationships is needed: The "universal", "contingency", "configuration" approach (Delery & Doty, 1996). The universal perspective puts HR Management as a set of ideal practices that indicate that a particular set of HR practices (called "best practices") will always yield superior results regardless of the circumstances that accompany it (Pfeffer, 1994 ; Huselid, 1995 ; Brewster, 1999 ; Claus, 2003). The contingency perspective puts the integration of an HR Management Strategy that believes that an organization regulates *HRM Practice* and practices will be effective when consistent with other organizational strategies (Fombrum, Tichy, & Dev anna, 1984 ; Gomez-Mejia & Balkin, 1992; Dyer, 1985; Gold & Ramanujam, 1985; Schuler & Jackson, 1987; Lengnick-Hall & Lengnick-Hall, 1988; Milkovich, 1988; Schuler & Jackson; 1987a; Butler, Ferris, & Napier, 1991; Cappelli & Singh, 1992). The configurational perspective puts HR Management as a bundle utilizing the so-called "bundle of HR practices", implying a certain combination or configuration of HR practices that fit the organizational context, where the key is to determine which is most effective in terms of leading to higher business performance Arthur, 1992; Guest & Hoque, 1994; MacDuffie, 1995; Huselid & Becker; 1996; Delery & Doty; 1996; Wright & Snell, 1998; Boudreau, 2003; Alcazar, Fernandez & Gardey , 2005).

Though from three perspectives; universal, contingency, configurational, complementing others by adding constructs, variables or relationships, serious limitations of recent literature reviews indicate that other factors play a role in mediating relationships between HR Management and business performance that are perceived as "black boxes," that is, lack of clarity about what mediates in the relationship mechanism between the variables.

In empirical investigations based on a universal, contingency and configurational perspective, most studies are based on cross-sectional data and the analysis used is "hierarchical regression model" (Youndt, Snell, Dean, &Lepak, 1996; Delery & Doty 1996) or "model competitive regression "(Baron & Kenny, 1986) without proving causality. Furthermore, Becker and Gerhart (1996) and Fey, Bjorkman and Pavlovskaya (2000) strongly advise researchers to use "Structural Equation Modeling" (SEM). The use of SEM is particularly pronounced when testing the direct and indirect linkages between *HRM Practice* and *Organizational Performance* (Dyer & Reeves, 1995) and is particularly true when testing the theoretical path mechanisms between exogenous and endogenous variables (Guthrie, Datta, & Wright 2004).

Therefore, the purpose of this study is to use a research model that includes a core part of the perspective of causal relationships of HR Management on *Organizational Performance*, and empirically will test using a structural equation modeling (SEM) methodology instead of a regular regression equation. The researcher's consideration is that no study has theoretically tested the pathway mechanism between this variable and the SEM methodology in the Indonesian context, and according to previous research suggestions to conduct longitudinal research on different areas or sites, more specifically for this study will be limited within the scope of bank organization in Southeast Sulawesi. the effort undertaken in this dissertation is to investigate how HR Management affects the *Organizational Performance* by involving internal and external factors of core variables within the context of the research area of banking organizations in Southeast Sulawesi.

II. Literature Review

Business Strategy

For the classification of *Business Strategy* measurements follow the methodology of Snell and Dean (1992), Youndt *et al.,* (1996), Sanz-Valee, Sabater-Sanchez, & Aragon-Sanchez (1999) and Huang (2001). *Business Strategy* is measured by 8 items (cost reduction, customer service, distribution channels, quality improvement, brand image, innovation, product improvements, product diversification) that define potential competitive priorities in bank services, including cost, quality and innovation .

HRM Practice

For the classification of *HRM Practice* measurements follow Armstrong (1996) and Foot & Hook (1999). *HRM Practice* is measured by four main areas of HR: *resourcing* (recruitment, selection, segregation, flexible work arrangements), development (training and individual and team development, training and development monitoring, career, work design, performance assessment) (job evaluation, compensation, promotion arrangements, incentive schemes, benefits), and relationships (employee participation, *Involvement*, communications, health and safety).

HR Outcome

Classification of *HR Outcome* measurements include Skill dimensions, ie competencies (Guest, 2001; Park *et al.*, 2003) and cooperation (Richardson & Thompson, 1999); dimensions of *Attitude*s, namely motivation, commitment, satisfaction (Park *et al.*, 2003); and dimensions of *Behaviour*, ie. retention / employees at home in the organization, presence (absence) (Richardson & Thompson, 1999; Guest, 2001) and altruism/ assist colleagues (OCB *behaviour*).

Organizational Performance

Organizational Performance is measured by indexes such as; effectiveness, ie if the organization meets its objectives (Dyer & Reeves, 1995), efficiency, that is, if the organization uses the least resources possible to meet its objectives (Rogers & Wright, 1998), development, ie if the organization grows in capacity to meet the (Schuler & Jackson, 2005), innovations, products and processes (Guest, 2001), and the quality, reliability, % of high quality products (Richardson &Thompson, 1999).

Influence *Business Strategy* on *HRM Practice*

Previous research findings such as Khatri, (2000); Karami *et al.,* (2004); Ashutosh Muduli, (2012); Karami & Sahebalzamani *et al.,* (2015) that align policy and *HRM Practice* with *Business Strategy* is the momentum of various research works (Krishnan, 2005; Paul &Anantharaman, 2003; Richard and Johnson, 2001). While slightly different as Torrington & Hall (1998) describes the various levels of interaction between *Business Strategy* and HR management, from a completely separate entity called "unstrategic personnel management" to a very close relationship and the reverse which is Human Resource Management that affects *Business Strategy* (Butler 1988, 1991).

Typology Miles & Snow (1984) and Schuler & Jackson (1997), as one of the main references of the built theory developed in the *Business Strategy* relationship and the implementation of HR management. The second principle of the typology is that each *Business Strategy* has only a limited number of choices on *HRM Practice* that match the characteristics of its chosen strategy (Mabey & Salaman, 1995).

To achieve the performance objectives it is necessary to conduct HR Management activities that are capable of supporting the creation of competent individual workers and organizations through a series of systematic efforts of HR management in line with the company's *Business Strategy* (Legge, 1995). While other management experts such as Fombrum, Tichy & Devana, (1984); Jackson & Schuler, (1995); Jackson, Schuler & Rivero, (1989), also stated similarly that the organization's HR management strategy requires different HR practices for different strategies. Schuler & Jackson, (1988) and Arthur, (1992) suggest that organizations that have high alignment between HR management practices and strategies will achieve high performance.

Influence *Business Strategy* on *HR Outcome*

Previous studies such as Green *Et al.,* (2006) found that there was an impact of the HRM Strategy on Outcomes of job satisfaction and individual commitment, but these findings were considered weak, lacking convincing and minimal indicators. In this research will use maximally measure of HR / Outcome indicator. Indicators of HR variables The outcomes used in this study are more optimal because using the more established *HR Outcome* theory, ie AMO (Appelbaum, Bailey, Berg & Kalleberg, 2000) theory that has been adopted in Katou & Budhwar's research (2006, 2010); Muduli, (2012).

HR Outcome according to AMO theory is classified in three dimensions: first (1) Ability in Skill (competence, employee cooperation, management cooperation) and knowledge, second (2) *Attitude* in the form of motivation, commitment, satisfaction, third (3) Opportunities shown by OCB *behaviour*s such as willingness to help, chastity, presence.

Effect of *HRM Practice* on *HR Outcome*

Several previous research literature has found that *HRM Practice* affects *HR Outcome*. As Katou & Budhwar (2006, 2010) found when examining variables mediating the causal relationship between *HRM Practice* and *Organizational Performance*, he placed *HR Outcome* as a mediating variable. Longitudinal studies conducted at different sites and using the same variables were also performed by researchers such as Collins *et al.,* (2005), Alkhazali & Halim (2015), Lazy YY *et al.* (2015), Cheng L. Tan (2015), Arthur *et al.,* (2015), Looise JK et.al, (2015) received relatively similar results, but generally they found that the *HRM Practice* of an organization directly effected Outcome *Skill*s, employee motivational *Attitude*s and *behaviour*s

Boxal & Steeneveld, (1999) states that *HRM Practice* plays an important role in building an organization's human assets (HR) by developing scarce, elusive and non-substituted internal resources (resource-based perspective perspectives). According to this view, *HRM Practice* has a direct impact on employee attributes such as *Skill*s, *Attitude*s and *behaviour*s, called *HR Outcome*, then translated into

Organizational Performance improvements. Thus, we can argue that the influence of *HRM Practice* on *HR Outcome* is positively supported theoretically in the perspective of a resource-based view (RBV)

Purcell *et al.,* (2003); Lepak *et al.,* (2006) shows three systems according to the AMO perspective, namely; the HR management system of 'resource preparation and employee development affects' skill / employee *Skills* ', the HR Management system of employees' *Rewards* / *Rewards* affects employees '*Attitude*s', and the *Involvement* HR system affects employee '*behaviour*'. These three HR management systems are *HRM Practice* sets that affect the *HR Outcome* set.

Thus, from the above description related to this dissertation research, it is reasonable for the researcher to conclude the hypothesis that *HRM Practice* has significant effect on *HR Outcome*.

Effect of *Business Strategy* on *Organizational Performance*

Previous research such as; Arief Purwanto, (2014), Ibn Hajar (2015), Ting Chi & Falih Alsaaty (2014), P. Chege. (2015), M. A Luoma, (2015). Bernhard Tewal (2015). A A. Katou. (2008). Nurlidiagung, (2015), Mustikowati, (2014), Becker & Gerhart, (1996); and Boxall and Purcell, (2003), reported that *Business Strategy* influencing *Organizational Performance* is the main reason for this dissertation research hypothesis. More specifically the Porter's Generic *Business Strategy* (1985) that is cost reduction, quality improvement and innovation strategies is to gain and maintain an organization's competitive advantage. then, Youndt *et al.,* (1996) have proved that *Business Strategy* is a relatively strong predictor of organizational effectiveness, and this has become a commonly used theory in the HR Management literature (Guest, 1997).

Hunger & Wheelen, (2011). suggests that the steps to achieve organizational objectives begin with the preparation of *Business Strategy* (strategy formulation), then translated into management policies and then implemented in the activities of HR Management in the form of programs, budgeting and procedures that lead on achieving the goal of *Organizational Performance*.

Guest (1997) states that the strategic relationship to performance is a general theory used in the Strategic Management literature. This relationship is more evident in Hunger & Wheelen strategy management theory / book strategy management operational framework, 2011). Thus, the *Business Strategy*'s Relationship to *Organizational Performance* is a well-established theory, so there is no doubt that *Business Strategy* has an effect on *Organizational Performance*.

Effect of *HRM Practice* on *Organizational Performance*

Experts in the previous research literature found that *HRM Practice* led to increased *Organizational Performance* such as increased return on assets (Delery & Doty, 1996), higher profit margins (Kalleberg & Moody, 1994), reduced turnover costs (Huselid , 1995), and higher labor productivity (Huselid, 1995; MacDuffie, 1995; Youndt *et al.,* 1996; Datta *et al.,* 2003).

However, from various studies conducted to illustrate the causal relationship between *HRM Practice* and *Organizational Performance*, there are still findings that differ from the results of this study, as obtained in Katou & Budhwar (2010) research, finding that the influence of *HRM Practice* on *Organizational Performance* is not significant, but after mapping the dimensions of variables into partial system packs on the dimensions of resource preparation and development (*Resourcing & Development*) was found to have a significant effect. The gap in the causal relationship between *HRM Practice* on *Organizational Performance* can be observed primarily in the service industry, and the uncertainty of this influence has been widely recognized by management experts (Delery and Doty, 1996, Guest *et al.,* 2003, A Katou, 2010).

Combining the views of experts, resource basedviews (RBV), AMO theory, and universal perspective, contingency, and configurational perspective (Delery & Doty, 1996) on how *HRM Practice* affects Performance, the authors assume that *HRM Practice* can influence directly (Direct effect) and indirect effect on *Organizational Performance* through the mediation of *HR Outcome* variable.

Effect of *HR Outcome* on *Organizational Performance*

HR management experts, researchers and academics in the literature many argued that *HR Outcome* such as skill, *Attitude*s and *Employee Behaviour* have an effect on *Organizational Performance*. this has been put forward theoretically and empirically by experts such as Katou and Budhwar, 2006; Khatri, 2000; Guest, 2001; Delery and Doty, 1996; Huselid and Becker, 1996; Huselid, 1995; Kalleberg and Moody, 1994.

The influence of *HR Outcome* on *Organizational Performance*, can be studied more deeply by adopting AMO theory proposed by Appelbaum, Bailey, Berg & Kalleberg, (2000). The AMO theory predicts the performance of individuals with their ability to perform assigned work, their motivation for individual tasks and opportunities in work *behaviour* to enable performance. Anna C. Nehles *et al.,* (2015) operationalized the AMO theory to predict HR performance, they found that the capabilities and opportunities in line manager *behaviour* can improve their HR performance, while motivation can't directly improve their performance.

The concept of HR architecture and the theory of AMO reveals human resources personally, that people or people will experience the intellectual process, namely the process of mental formation of work, starting from the formation of *Skills* (knowledge and *Skills*), then formed *Attitude* (motivation, commitment, satisfaction), *behaviour* (always present, welcome, helping each other). *Behaviour* (*behaviour*) that formed this then becomes the key that will realize the performance. The better the working *behaviour* that is formed then the better the performance achieved.

The study's design study combines insights from contingency theory, resource-based views (RBV), and AMO theory (Boselie *et al.,* 2005), the emphasis being on the AMO hypothesis. However, the AMO hypothesis is largely untested (Gerhart, 2007). Considering that *HR Outcome* is very important in the relation of Human Resource-Performance Management (resource-based view); then there is a great assumption (hypothesis) that the ability to perform (*resourcing & development*), the motivation to do (compensation and incentives), and opportunities to engage (engagement and design work) (Appelbaum *et al.,* 2000; Lepak *et al.* , 2006) to predict employee *Skills*, *Attitude*s, and *behaviour*s, which in turn, influence *behaviour* in improving *Organizational Performance* (Purcell *et al.,* 2003).
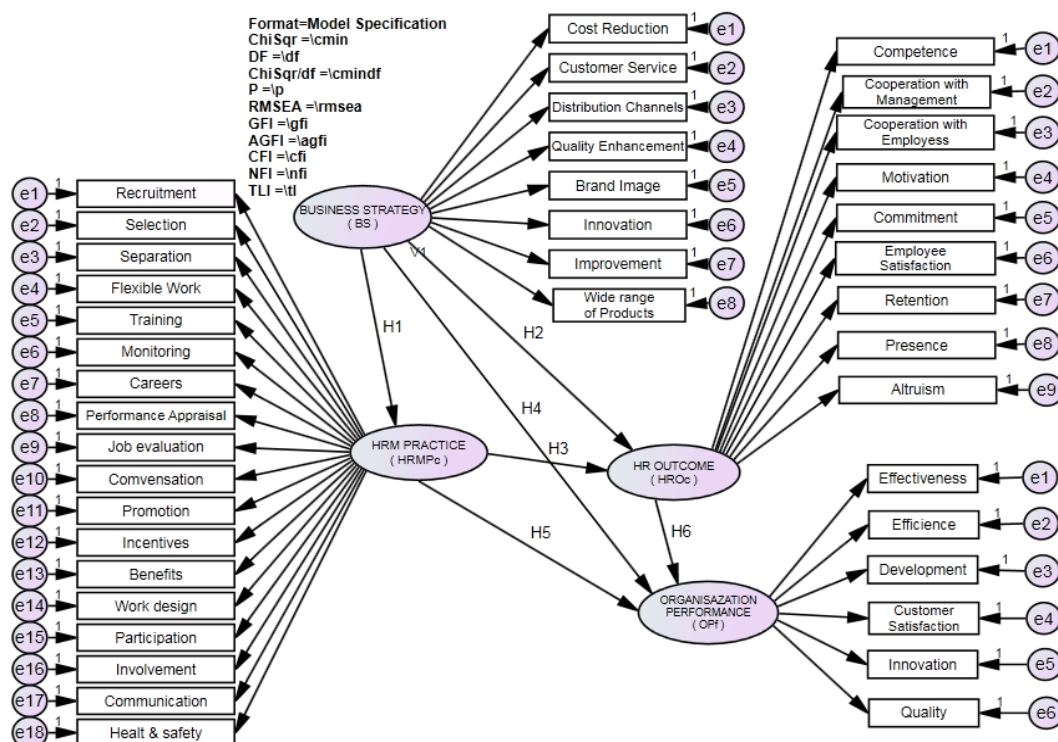
III. Conceptual Framework and hypothesis

Figure 1 ; Research model, operational framework of the relationship of *HRM Practice - Organizational Performance*.

The structural relations mechanism between the research variables is summarized above, and based on the operational framework of the study, we hypothesize that:
1. *Business Strategy* has significant effect on *HRM Practice*
2. *Business Strategy* has a significant effect on *HR Outcome*
3. *Business Strategy* has significant effect on *Organizational Performance*
4. *HRM Practice* has significant effect on *HR Outcome*
5. *HRM Practice* has significant effect on *Organizational Performance*
6. *HR Outcome* has significant effect on *Organizational Performance*

IV. Methodology

4.1 Sample

The study was conducted in banking organizations located in Southeast Sulawesi region, the population of banking organization in three big groups of banks, namely conventional banks of state-owned enterprises, private banks, and Syariah banks. From the employee population scattered in the bank organizational unit, some samples of people representing the bank's organizational units of approximately 180 people to meet the

requirements of Maximum Likelihood Estimation (MLE) in SEM are the number of samples between 100 sd 200

4.2 Consistency of survey instruments

Instruments used in the research first tested consistency with the purpose of measuring the variables to be studied. Observation of instrument consistency is based on the value of validity and reliability of the content of the instrument. The validity of the content was observed on the pearson coefficient value (r) that meets a value of> 0.3, and for reliability is observed at the cronbach alpha value (?) That meets a value> 0.6. Both of these measures are met.

4.3 Statistical Analysis

To test the proposed hypothesis of the proposed framework, the methodology of the 'Structural Equation Model' (SEM) (Hair *et al.,* 1995) was used. Using the AMOS (Analysis of Moment Structur) application, SEM analysis is effective when testing the analytic path model with the mediation variables, and includes testing the latent construction as measured by several items (Luna Arocas & Camps, 2008). Next, use the Maximum Likelihood Estimation (MLE) procedure for assuming sample sizes in the range 100 to 200 (Joreskog & Sörbom, 2004)

SEM analysis involves two stages: (1) Confirmatory Factor Analysis (CFA) stages to test the validity and reliability of the constructs / factors or dimensions of variables used, and (2) Full SEM (Full Structural Equation Modeling) stage for model testing the analytic path in the overall hypothesis.

Assessing the fit of the CFA and Full SEM models, following Bollen's (1989) overall recommendation to examine some indices, using the chi-square and chi-square norm, Good fit index (GFI), and root mean squared error approach RMSEA (Joreskog & Sörbom, 2004). Chi-square is not significant (ie $p > 0.05$) indicating that the proposed model is an adequate presentation of the whole set of relationships. However, in the case of significant chi-square and the high number of degrees of freedom, the normed chi-square value (ie the value of chi-square / df) should be used. The most flexible acceptance value of chi-square / df is higher than 5, but should be more careful above 3 (Pedhazur & Pedhazur Schelkin, 1991). GFI should be no lower than 0.70 in the case of complex models (Judge & Hulin, 1993). The RMSEA considers the suitability of the model to the population covariance / correlation matrix and the RMSEA value of less than 0.08 is a good approximation. Furthermore, the Normad Fit index (NFI) (Bentler & Bonett, 1980) and Comparative fit index (CFI) (Bentler, 1990) are also used, to investigate structures that best suit empirical data. This index should not be lower than 0.90, but in the complex model the lowest acceptable level for NFI and CFI is 0.80 (Hart, 1994).

Tabel 1 : Fit Measures Index

Fit Index	Cut Of Value		Evaluation
	Standard	**Complex**	
P	> 0,05		Good
Chi-Square	small	small	Good
Chi-Square relative (CMIN/Df)	≤ 2,00	≤ 3,00	Good
RMSEA	≤ 0,08	≤ 0,08	Good
GFI	≥ 0,90	≥ 0,70	Good
AGFI	≥ 0,90	≥ 0,70	Good
CFI	≥ 0,95	≥ 0,80	Good
NFI	≥ 0,95	≥ 0,80	Good

V. Result and Discussion

The hypothetical path diagram for the proposed research framework of the proposed Human Resource Management relationship to the *Organizational Performance* is presented in the figure. The light arrow shows the observed variable which is the corresponding latent variable and the thick arrow indicates the structural relationship between the corresponding variables. The numbers assigned to each arrow indicate the standard significance coefficient of estimation. To keep the model as simple as possible without losing its validity, following Paawue and Richardson (1997) does not share *HRM Practice* groups into relevant dimensions (resourcing, development, *Rewards* and relationships), and *HR Outcome* to relevant dimensions (*Skills, Attitude*s,).

The operational model is confirmed by the CMIN/ Df Index (Chi-Sqr norms = 1.993, RMSEA = 0.074, NFI = 0.820, CFI = 0.801, GFI = 0.710), the level of flexibility for RMSEA and GFI has been achieved. Furthermore, the statistical values that show the relationship between research variables are shown as follows;
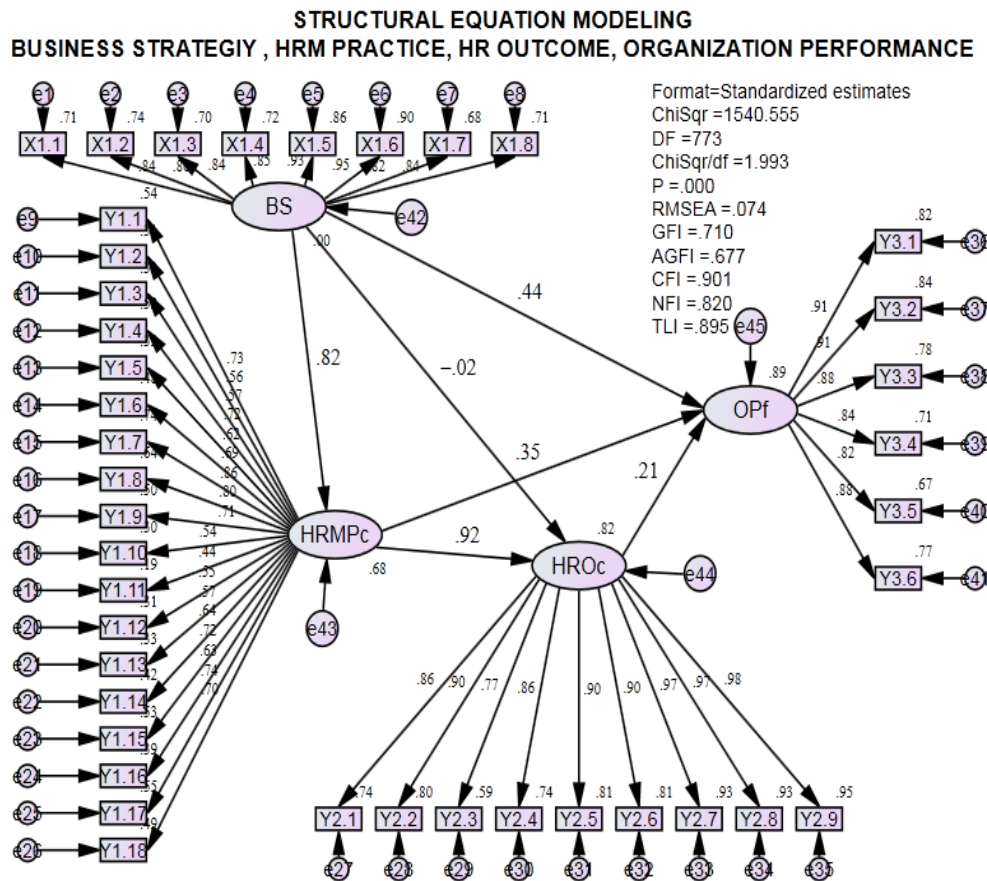
Figure 2: AMOS Graphics Output, Standardize Estimation of structural regression equation

Table 2: Output of AMOS, Table Estimation of structural regression equation

Causal Relationship/ Influence			Estimate	Standardized Estimate (λ)	S.E.	C.R.	P	Label
HRMPc	<---	BS	2.359	.825	.249	9.461	***	H1
HROc	<---	BS	-.008	-.023	.085	-.099	.755	H2
HROc	<---	HRMPc	.370	.924	.044	8.405	***	H3
OPf	<---	BS	1.081	.440	.162	6.653	***	H4
OPf	<---	HRMPc	.275	.352	.097	2.850	.002	H5
OPf	<---	HROc	.479	.209	.189	2.529	.018	H6

Source: Result of data analysis, Output SPSS_AMOS v.22

The structural regression equation formed is as follows:

HRMPc = 0,825.*BS

HROc = -0,023*BS + 0,924*HRMPc

OPf   = 0,440*BS + 0,352*HRMPc + 0,209*HROc

Note :   HRMPc = *Human Resource Management Practice*

HROc   = *Human Resource Outcome*

BS   = *Business Strategy*

OPf   = *Organizational Performance*

Based on the results of data analysis by the AMOS program, the observation on the probability value (P), shows that there are 5 Hypotheses that show significant value that is; Hypothesis 1 (H1), Hypothesis 3 (H3), Hypothesis 4 (H4), Hypothesis 5 (H5), Hypothesis 6 (H6); whereas Hypothesis 2 (H2) is regression of BS variable to HROc variable indicating insignificant value.

VI. Discussion

1. Effect of *Business Strategy* on *HRM Practice*

The influence of *Business Strategy* on *HRM Practice* is positive and significant. This result corresponds to Miles & Snow's literature, (1984), Legge, (1995), Khatri, (2000); Karami *et al.,* (2004);

Ashutosh Muduli, (2012); Karami & Sahebalzamani *et al.,* (2015). *Business Strategy* serves as a guide for organizations to make implementation into the HR management program, so it is said that *Business Strategy* affects *HRM Practice*. The empirical result in this research is the description that occurs in the research object area of the bank in the Southeast Sulawesi region, therefore it is said that the companies / banks in southeast sulawesi generally implement the Program (practice) of human resource management based on the *Business Strategy* they set first. Or in other words, the banks that have a big tendency to prioritize the implementation of a human resource management program are those (banks) that make a big and important priority in its *Business Strategy*, and vice versa.

Emphasis on the importance of *Business Strategy*, (ie organizations giving high priority to strategy, cost reduction, service, distribution channels, quality improvement, brand image, innovation, product upgrades and expansion strategies directly and significantly influence the increase in priority values implementation of a policy / program (practice) of HR management (ie "*Resourcing & Development*" Practices, including recruitment, selection, placement / separation, work dynamics, training, supervision, career development, performance appraisal; "Includes program, position, salary / compensation, promotion, incentives, allowances *participate*, including job design, participation, work *participate*, communication, health and safety insurance

2. Effect of *Business Strategy* on *HR Outcome*

The influence of *Business Strategy* on *HR Outcome* based on SEM analysis result is not significant. The results of this dissertation research found that *Business Strategy* has no direct effect on *HR Outcome*, but the result of SEM analysis can indicate that *Business Strategy* can influence indirect effect through its influence on *HRM Practice*.

The result of SEM analysis which shows that *Business Strategy* can only influence indirectly to *HR Outcome* can be explained because *Business Strategy* is just a business action plan (formulation) that must be implemented further. Because human (HR) is the executor of *Business Strategy* and to make HR have *skill ability*, *Attitude* of motivation and *behaviour* of work (*HR Outcome*), *Business Strategy* must be implemented beforehand into form of program (practice) HR management, so that later will produce human resource can realize *Organizational Performance*.

3. Effect of *Business Strategy* on *Organizational Performance*

The result of Influence of *Business Strategy* on *Organizational Performance* is positive and significant. Important values of the *Business Strategy* (ie organizations giving high priority to strategy, cost reduction, service, distribution channels, quality improvement, brand image, innovation, product upgrades and expansion strategies) directly and significantly influence the increase in *Organizational Performance* (increased effectiveness, improvement of efficiency, development, improvement of consumer satisfaction, improvement of innovation, and improvement of quality). The influence of *Business Strategy* on *Organizational Performance* has theoretical support from experts, among others is Porter (1985) proposed a generic strategy for organization (cost reduction strategy, quality improvement and innovation), according to porter, *Business Strategy* for an organization is to gain excellence competitive, in other words *Business Strategy* is the decisive path to *Organizational Performance*.

Strategic management is essential for effective business performance in a changing environment (Hunger, *et al.,* 2002). The existence of strategies for the business world is useful for maintaining, maintaining, improving the performance and competitive advantage of an organization (Pearce, *et al.,* 2003). A strategic competitiveness is achieved when a company succeeds in formulating and implementing a value creation strategy, and that the success of an organization, both profit-oriented and non-profit is closely linked to their strategy (Hitt, *et al.,* 1997)

More specifically from the results of this study related to the indicator of variables used it can be explained that the emphasis of the importance of *Business Strategy*, (ie the organization gives high priority to the strategy, cost reduction, service, distribution channels, quality improvement, brand image, innovation, expansion of the product) directly and significantly influence the improvement of *Organizational Performance* (ie increased organizational effectiveness in achieving objectives, improving profit efficiency, product and service development, increasing consumer satisfaction, increasing innovation, and improving quality).

4. Effect of *HRM Practice* on *HR Outcome*

The impact of *HRM Practice* on *HR Outcome* is positive and significant. The influence or causal relationship between *HRM Practice* and *HR Outcome*, supported by previous research results (Katou & Budhwar, 2008; Muduli, 2012) and in accordance with the *Resource Based View* perspective (RBV), and AMO theory perspective. But with emphasis that there is a certain influence domain from each dimension of *HRM Practice* variable to *HR Outcome* variable dimension.

=   The empirical evidence of the results of this study also extensively supports the methodology of lepak *et al.,* (2006) and the theory of configuration (Delery & Doty, 1996) that each of the *HRM Practice* Dimensions influences or establishes certain HR Dimensions Outcome,

* First, improving the effectiveness of the implementation of the program *Resourcing & development* will affect the improvement of *Skills* skill employees,

* Secondly, increasing the effectiveness of the *Rewards* program on employees will affect the increase of employee *Attitude* (commitment, motivation, satisfaction).

* Third, improving the effectiveness of *Involvement* program in every organization activity will influence the increase of employee's *behaviour* (always present, retention, helping each other).

        Emphasizing the priority value of program implementation / *HRM Practice* on the dimensions of *resourcing* & development (ie program, recruitment, selection, placement, dynamization / flexibility, training, supervision, career development, and performance appraisal)) directly and significantly impact the improvement of *HR Outcome* dimensions of skill ability (ie competence and ability of cooperation). While emphasizing the priority value of program implementation / *HRM Practice* on the dimensions of the award (ie program, position, salary, promotion / promotion, incentives, and allowances) directly and significantly affect the increase of *HR Outcome* on the *Attitude* dimension (ie satisfaction, motivation,). In addition, the increased priority of program implementation / *HRM Practice* on the dimensions of *Involvement* (ie work program / design, participation, participation in activities, communication system design and occupational health and safety programs) can directly effect *HR Outcome* on *behaviour*al dimensions (diligent / always present, retention, likes to help).

5. Effect of *HRM Practice* on *Organizational Performance*

        The results of this study found that the overall dimension of *HRM Practice* (HRMPc) could have an immediate effect on *Organizational Performance*, in contrast to the findings of Katou & Budhwar (2006, 2008, 2010) which did not find overall direct impact. But after they configure the *HRM Practice* variables, they get some dimensions of the *HRM Practice* variable (ie the *resourcing* dimension and development) have a significant effect on *Organizational Performance*. The same thing done in this research, which is configuration of *HRM Practice* variable into 3 dimension, it is found that only for *HRM Practice* domains related Resource Dimension (Resourcing) & Development which show significant influence value, whereas related to the *Rewards* dimensions and the *Involvement* dimensions do not show significant (insignificant) value of influence.

        Thus, the results of this study can explain the gap of previous research results. The difference in the results of previous research is possible because of the selection of dimensions / indicators of *HRM Practice* variables, as not all *HRM Practice* dimensions provide the same way to influence the *Organizational Performance*. There are practices that directly effect and there are also practices that require mediation (indirectly) to influence the *Organizational Performance*.

        In general, the results of this study on the influence of *HRM Practice* on *Organizational Performance* is in accordance with the theoretical proposals of the classification of lepak *et al.* (2006), and the theory of configuration (Delery & Doty, 1996) on the dimensions of *HRM Practice*,

* *HRM Practice* related to the dimensions of *resourcing & development* directly effect the *Organizational Performance*, In addition to direct influence (direct effect) also indirect effect on *Organizational Performance* through the assumed mediation variable that is *HR Outcome*,

* *HRM Practice* related to reward dimension (Rewards) can't directly influence (direct effect) on *Organizational Performance* but can only indirect effect through assumed mediation variable that is through *HR Outcome* variable

* *HRM Practice*s related to *Involvement* dimension can't have direct effect on *Organizational Performance* but can only indirect effect through assumed mediation variable that is through *HR Outcome* variable

6. Effect of *HR Outcome* on *Organizational Performance*

        The influence of *HR Outcome* on *Organizational Performance* is positive and significant. This dissertation research found that the direct influence of *HR Outcome* on *Organizational Performance* as a whole is significant, but further analysis after the configuration is the decomposition of *HR Outcome* dimensions, the dimensions of *Skills*, *Attitude* and *Employee Behaviour*, it is found that, only *Employee Behaviour* has a significant direct influence, while Employee *Skills* and Employee *Attitude*s have no significant direct effect. This result raises the question, how does the contribution of skill influences and *Attitude* toward *Organizational Performance*?

        The results of this dissertation research empirically show that the dimensions *Behaviour* (*behaviour*) of the *HR Outcome* variable can directly influence in realizing *Organizational Performance*. While the skill dimension and *Attitude* dimension do not directly effect the *Organizational Performance*, but can be through the process of serial / sequential effect (Skill to *Attitude* and *Attitude* to *Behaviour*) until finally the dimensions of *behaviour* formed create opportunities to realize the performance. The results of this dissertation research proves

empirically that there is a process of intellectual human resources (influence serial, Ability - Motivation - *Behaviour*).

However, the overall effect of *HR Outcome* on *Organizational Performance* is in accordance with the theory and opinions of experts (Appelbaum *et al.,* 2000; Boselie *et al.,* 2005; Lepak *et al.,* 2006) and related to the variable indicator, it is stated that the increase in the value of *HR Outcome*; *Skills* (motivation, satisfaction, commitment), and improvement *Behaviour* (diligent, comfortable, willing to help) directly and significantly influence the improvement of *Organizational Performance* (increased effectiveness, efficiency improvement, development, increased consumer satisfaction, increased innovation, and improved quality).

VII.   Conclusion
The conclusion of this dissertation research is as follows;

1. *Business Strategy* has a positive and significant impact on *HRM Practice*, the better the *Business Strategy* formulation, the better the implementation in human resource management activities. Implementation of an activity (practice) of human resource management will depend on the interests of *Business Strategy* that has been formulated in advance by the organization. *Business Strategy* affects all aspects of human resource management activities domains. Human resource management policies and their implementation in the field of *resourcing* practices (development), the realm of *reward systems (Rewards)* and *involvement* design (*Involvements*) domains, are largely determined by *strategies formulated* by organizations.

2. *Business Strategy* has no direct effect on *HR Outcome*, but may indirectly influence its impact on *HRM Practice*. Since *Business Strategy* is a formulation, *Business Strategy* must be implemented in the form of HR management program to produce human resources with *skill ability, attitude* and *behaviour* (*HR Outcome*)

3. *HRM Practice* has positive and significant impact on *HR Outcome*. *HRM Practice* affects *HR Outcome* in a particular domain. The domains associated with the *Resourcing & development* directly effect the employee's *Skill* outcomes, while those related to *Rewards* directly effect *Attitude* outcomes, and those related to the design of *Involvement* direct influence on *Behaviour* outcomes.

4. *Business Strategy* has a positive and significant effect on *Organizational Performance*, either directly or indirectly. *Business Strategy* that directly effects performance such as innovation and quality strategy. *Business Strategy* also indirectly influences *Organizational Performance* through the activities (practice) of HR management and *HR Outcome*.

5. *HRM Practice* has positive and significant impact on *Organizational Performance*, either directly or indirectly. Influences directly in a particular realm (partially affected), and indirectly effect *Organizational Performance* through *HR Outcome* (through formation *Skills* to *Attitude* to *Behaviour*). *HRM Practice* affects *Organizational Performance* in certain domains (domains) only. *HRM Practice* that directly effects *Organizational Performance* is the domain related to *Resourcing & development*, while the *Reward system* and *Involvement* design aspects can't directly influence, but can only indirectly effect through *HR Outcome* (through the formation of employee *Attitude*s to *Behaviour*)

6. *HR Outcome* (ie *Skills*, *Attitude*s, and *Behaviour*s) directly influences *Organizational Performance*, but this influence is partial with certain unique mechanisms that are compatible with AMO theory (Appelbaum, Bailey, Berg & Kalleberg, 2000 ; Boselie *et al.,* 2005) *HR Outcome* affects *Organizational Performance* in a particular domain with a serial causal mechanism between *Skills* to *Attitude*s to *Behaviou*. *Behaviour* is the spearhead of *HR Outcome* that creates opportunities to realize *Organizational Performance*

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