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## **The Role of Strategic Human Resource Management in Decision-Making for Attaining a Competitive Edge**

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### **Abstract**

*In the present competitive and dynamic business world, organisations are increasingly appreciating the contribution of Strategic Human Resource Management (SHRM) to the decision-making processes to achieve and maintain competitive advantage. SHRM entails bundling human resource policies and practices to the overall strategic goals of an organisation. The paper will discuss the role of SHRM in facilitating effective and informed decisions by incorporating talent analytics, workforce planning, and performance management into the overall business strategies. It notes how sophisticated decision aid tools like AHP, FAHP and AI-based analytics are being utilised in the efficient/ streamlining of HR processes as well as in improving organisational responsiveness. Its potential strategic significance of contributing to innovation, employee engagement and branding using the growing emphasis on Diversity, Equity, Inclusion and Belonging (DEIB) is also discussed. According to empirical literature and recent findings, it can be resolved that organisations that have been implementing the SHRM practices are finding it easier to rely on enhanced agility, retention of workforce, enhanced innovation capacities, and attaining a better competitive position, among others. For further empowerment of the HR managers to arrive at data-driven decisions, the incorporation of technology and especially AI and digital platforms, is in place. Nevertheless, challenges of the SHRM implementation sessions, like the lack of compatibility with the business objectives, deficiency in Clover-level analytics capabilities, uncooperative cultures and the issues of data privacy are also present. The conclusion of the paper is that*

*SHRM has changed to be a facilitating role and a strategic foundation as opposed to a source of sustainable competitive advantage. Strategic HR practices will be required to be incorporated at the deepest level of decision-making to develop a future-ready and resilient workforce in Indian business ventures that want to scale in the global and digital markets.*

**Keywords:** *Strategic Human Resource Management, Decision-Making, Competitive Advantage, Talent Analytics, DEIB*

## **Introduction**

The changing and highly competitive global market requires organisations to find new and innovative ways of sustaining themselves continuously. Strategic Human Resource Management (SHRM) is one of those approaches which has become more prominent. It is different to the traditional human resource practices, where the traditional human resource practices mainly engage in administrative and administrative-related activities; SHRM, on the other hand, entails a careful combination of human resource activities and functions to the overall strategic objectives of an organisation. It is central to making sure that workforce abilities match business goals, which allows companies to make it in the market (Leapsome, 2025). SHRM underlines the importance of the planned approach in acquiring, developing, and retaining talent, so that the talents are placed in an adequate position at the appropriate time. By doing this, it has replaced the view of seeing the human resources as just operational, but as a major factor in developing and implementing the corporate strategy. Such a change can enable organisations to make use of their labour as an avenue of long-lasting competitive advantage, specifically when there is efficient administration, improvement, and use of human capital (Sustainability Journal, 2019).

Moreover, SHRM facilitates proper decision making that is properly informed and effective through the incorporation of talent analytics, performance management systems and strategic workforce planning. Data science tools help leaders to make decisions based on data that is not only useful in the business's internal operations but also their effectiveness in responding to the external market needs. In the era of digitalisation, when companies need to be fast enough to respond to changes in the technological sphere and different forms of global shock, the role of HR in the strategy grows in importance. The study examines the ways of SHRM in improving these processes of making decisions that lead to organisational success. It seeks to give evidence that, where HR strategies are tightly integrated with mainstream business strategy, companies can be

more successful and even more competitive; they have the potential to become more innovative and stay that way; they are even more likely to retain top talent and become more sustainable in the long term. Finally, SHRM is no longer a supporting wing but a planning partner in setting the organisational direction and development.

### **Objective of the study**

To investigate how Strategic Human Resource Management (SHRM) can improve organisational decision-making to gain a long-term competitive advantage.

### **Need for the study**

For organisations to remain sustainable and grow in the fiercely competitive and quickly changing business world of today, human resource practices must be in line with strategic objectives. Complex workforce issues can no longer be handled by traditional HR methods. A proactive and integrative approach, strategic human resource management (SHRM) connects organisational strategy with inclusion practices, talent management, and decision-making tools. Exploring how SHRM supports innovation, enhances agility, facilitates informed decision-making, and generates long-term value is crucial, particularly for Indian businesses looking to grow in a digital and globalised economy.

### **Methodology**

The study uses secondary data and a descriptive research design. It entails a thorough analysis of the body of research on SHRM practices and their strategic applications, including industry reports, scholarly journals, and case studies. Conceptual comprehension is prioritised over statistical analysis. To investigate how SHRM supports decision-making and competitive advantage in diverse organisational contexts, qualitative insights are gleaned from published expert opinions, white papers, and international HRM frameworks.

### **Strategic Human Resource Management: Concepts & Frameworks**

Strategic Human Resource Management (SHRM) is a futuristic process where human resource activities are combined with the strategic objectives of a given organisation. In contrast to the traditional HR practices that are concentrated on administrative work and employees' welfare, SHRM coordinates the HR policies and procedures, including recruitment, training and development, performance management, compensation, and inclusion efforts, with the long-term organisational goals. This orientation guarantees the involvement of human resources

towards the realisation of sustainable competitive advantage. Strategic workforce planning, usage of talent analytics, leadership, and diversity, equity, and inclusion in the organisation can be considered a few key elements in SHRM (The Enterprise World, 2024). The Resource-Based View (RBV) of the firm is one of the theories which supports the basis of SHRM. RBV assumes that organisations enjoy sustainable competitive advantage by gaining and controlling valuable, scarce, imitable and non-substitutable resources (Wikipedia, 2025). Under conditions when it is carefully chosen, formed, and maintained, human capital fits all four requirements and is, therefore, a strategic imperative. SHRM in this regard, aids in the identification, improvement, and safeguarding of such human resources; hence becoming efficient in utilisation towards the attainment of organisational performance. There are such structures as the HR Model by Ulrich or the Harvard Framework of HRM that organise the approach to SHRM implementation. These models promote three frameworks in which the HR professionals should act as strategic business partners, change agents, and talent developers. Also, as the role of digital transformation in business grows, SHRM now includes predictive analytics, AI-driven recruiting systems, and data-led strategic dashboards that aid in making data-informed decisions. These tools allow HR managers to determine the talent requirement, resource optimisation, and monitoring of performance indicators in accordance with strategic priorities. In general, the SHRM can be viewed as the link between organisational vision and human potential, thus becoming one of the sources of innovation, flexibility, and sustainable growth.

### **SHRM and Strategic Decision-Making**

SHRM is important in ensuring that high-quality organisational decision-making occurs because human resource considerations are incorporated into the organisation's strategic planning and execution practices. Recruitment, the development of employees, compensation, and retention decisions have a lot of implications on the potential of an organisation to compete and survive in volatile environments. The HR leaders also provide valuable information about workforce trends, capabilities and the prospective talent demand when they are involved in the strategic decision-making forums. This partnership will make decisions regarding the organisation design and the distribution of resources informed, in-time, and consistent with the course of long-term goals in the business.

SHRM operating today is shifting to the use of sophisticated decision-making models to deal with people management issues that are complex and subjective in nature. There are various techniques popular in HR

applications of performance evaluation, succession planning, talent acquisition, and compensation design; these are the Analytic Hierarchy Process (AHP), Fuzzy AHP (FAHP), and Analytic Network Process (ANP). Such multi-criteria decision-making tools enable the managers to consider both qualitative and quantitative parameters, assess the alternatives systematically and prioritise strategic HR initiatives, according to organisational objectives (Salehzadeh & Ziaean, 2024). Further, digital transformation has enhanced the role that SHRM plays in decision-making. HR analytics tools are currently used to give company decision-makers real-time information about employee output, turnover rates, and the success of any training initiatives. These evidence-based opinions contribute to organisations shifting intuitively oriented decisions to evidence-based ones that not only contribute to efficiency in HR planning strategy, but also accountability. Such movement towards using analytically supported decision-making not only facilitates internally near-optimal operational processes but also enhances organisational flexibility and responsiveness to exogenous market turns. SHRM improves human capital contribution to the general performance of the business by bringing strategic thinking and structured decision-making methodology in HR practices. Achieving a high-performing workforce with a solid resilience is necessary to be in line with the vision and values of the company, through efficient decision-making harnessed by SHRM due to the growing competition.

### **Key Role Areas & Mechanisms**

SHRM enables long-term organisation success because it involves the concept of aligning people practices and business strategy. Workforce planning and talent analytics is one of the most important tools with the contribution of SHRM.

- i. Using predictive modelling or HR dashboards, companies can be forewarned in workforce requirements and to be able to fill in any skill gaps and to have an allocation of human resources. With e-HRM systems based on artificial intelligence (AI) becoming an analytics reality, companies are now able to analyse patterns that tell them about employee turnover, performance gaps and employee engagement levels. Such analytics-based systems assist in making relevant choices related to hiring and retention, and learning interventions at the right moment (Jeske, D., & Santuzzi, A. M. 2022).
- ii. The second area of concern is Diversity, Equity, Inclusion and

Belonging (DEIB) that has come to represent a performance-enhancing force instead of a compliance issue. The most recent study performed by SHRM and ASCM (2024) indicated that 73 per cent of organisations that had high levels of DEIB integration had higher innovation results and lower turnover rates among employees. By building a culture of inclusion that appreciates a variety of opinions and views, firms will enhance job satisfaction and develop an enhanced ability to solve problems. DEIB is also an essential part of creating an ethical and socially responsible image, which is important to stakeholder trust.

- iii. The third place where SHRM provides value is related to employee commitment and human capital development. Companies which make efforts of employees in continuous learning, leadership knowledge, employee wellness and open appraisal structure are associated with greater job satisfaction and employee loyalty. The practices facilitate the retention of employed skilled employees and maintaining organisational knowledge, particularly the tacit knowledge, which is exhaustive to copy. To the researcher, human capital is a positive proportional impact on organizational performance and competitive advantage.
- iv. Finally, the factors strategic agility and innovation are dependent on HR policies which allow flexibility, creativity, and cross-functional cooperation. In a dynamic business setting, companies that promote the process of innovation by upholding open communication, risk-taking corporate cultures and quick decision-making systems stand in a better position to exploit potential business opportunities in the market. Specifically, SHRM contributes to it by defining and cultivating change agents and building leaders who can respond to uncertainty (MDPI Sustainability, 2021). The fact is that when the HR facilitates strategic responsiveness by being agile, not only do they insulate against external shocks, but they are also catalysing the growth.
- v. SHRM establishes a solid framework of permanent organisational performance through channels such as workforce analytics, practices of inclusivity, alteration approaches, and the philosophy of driving innovation through agility. These are aspects that can make HR a strategic associate because it will help it play a significant role in long-term value creation.

### **Emerging Trends & Technologies**

The digital transformation of the Strategic Human Resource Management (SHRM) has become a significant priority, which is largely affected by the emergent technologies of Artificial Intelligence (AI), Virtual Reality (VR), Augmented Reality (AR), and Metaverse platforms. These innovations are changing the practice of HR professionals in terms of the creation of strategies, the relationship with employees and the creation of important services. Among these revolutionary trends is the adoption of Artificial Intelligence (AI) as part of a decision support system. It has recently been shown that AI can now design and assess strategic situations in a competence rivalling that of experienced human strategists. Artificial intelligence has applications in HRM in many ways. Predictive analytics may indicate employee turnover, virtual strategy simulation may allow the HR leaders to test the effects of certain policies, and machine learning may be applied in matching the individual performance data with the organisational and strategic goals. Even modern E-HRM platforms embrace the capabilities of AI, such as sentiment recognition, automatic screening of talents and predictive hiring, allowing them to make decisions in real-time and minimise selection bias (Csaszar et al., 2024).

Besides AI, digital and immersive technologies (Virtual Reality VR, Augmented Reality (AR), and Metaverse environments) are also becoming central to HR practice. Aydin, Karaarslan, and Narin (2024) state organisations are using the tools in experiential onboarding, leadership development programmes, virtual cultural immersions and simulation-based training. As an example of how such can be utilised, an organisation can use a virtual walkthrough to introduce a new employee to the organisational policies and environments and, in terms of assessing behavioural competency, real-time simulation can be provided using VR. These simulation types provide the employees with actual learning and eliminate the gap between theory and practice. In addition, HR settings with the help of the Metaverse can achieve virtual collaboration, particularly when there is a geographical separation among the teams. It can improve inclusion and accessibility as well as engagement thanks to gamified training modules and digital representations of workplaces in their digital twins. These are digital HR innovations that offer evidence-based insights and save time and money when it comes to traditional HR practice. In combination, all these trends point to a major transformation of HRM, where the focus is on technology and data-led HR with an employee-friendly approach.

The union of AI and immersive technologies aids in the optimisation of strategy design, rapid HR processes, and individualised work experiences. Consequently, SHRM professionals now must build new analytical, digital communications, and technological interventions to be relevant and competitive.

### **Challenges & Limitations**

Although indisputably promising with its transformational power, Strategic Human Resource Management (SHRM) and the technologies related to it still face a few important obstacles to its complete implementation and success. Such issues include strategic misalignment, capability gap, change resistance and ethical issues.

- i. **Strategic Misalignment:** One of the most basic problems is the inconsistency between SHRM plans and business strategy. HR decisions isolated or unfused without strategy can go against organisational goals and do not make effective use of resources, and work becomes less effective. Misalignment can also be obstructed by unusual communication between the HR and leadership, or the lack of unified metrics, or the role of HR in decision-making.
- ii. **Analytics and Modelling:** Although it is a skill that continues to be developed, there is a talent gap in the HR profession, especially as it relates to data-driven decision making. Artificial intelligence dashboards, Analytic Hierarchy Process (AHP), and predictive analytics are technical tools that most HR teams have not yet developed. As noted in a recent review, when making strategic decisions, fewer than 30 per cent of the HR practitioners feel comfortable using data analytics tools, which influences the quality of the outcomes and the insights developed.
- iii. **Cultural obstacles and organisational resistance:** The change from traditional HR functions to strategic and digital HRM presupposes profound cultural change in organisations. The resistance is caused by entrenched working practices, fear of automation and lack of digital fluency. As an example, line managers can be against automated performance systems, and top management may be reluctant to make decisions based on algorithmic recommendations (Imarticus, 2024). Thus, effective SHRM change requires powerful change management structures and involves stakeholders.
- iv. **Ethical, Legal and Privacy:** There are acute concerns related to

ethical aspects of the increased use of AI and predictive solutions in the HR sphere. The hiring, performance-based or career advancement algorithms may perpetuate pre-existing biases when not openly designed and checked. Besides, discussing employee data privacy and the issue of their informed consent has not been resolved in most settings. Regulations and clear HR analytics ethical practices are increasingly demanded to reduce the hazard of risk (The Human Capital Hub, 2025).

As much as SHRM, under the influence of digital tools, provides a strategic leverage, this execution is not automatic or risk-free. To be able to transform it on a sustainable level, these limitations should be addressed through focused skills development, ethical governance, and strategic alignment.

### **Synthesis: SHRM as a Driver of Competitive Edge**

The administration role of the Strategic Human Resource Management (SHRM) has shifted to assume a vital role in the development of competitive advantage. By aligning HR Practice with strategic objectives, including proper workforce planning, decision making based on analytics and performance management in an inclusive system, organisations can achieve the full value of human capital (RBV, 2025).

Resource-based view (RBV) theory stresses that rare, valuable, and non-imitable human resources can establish a sustainable competitive advantage. SHRM operationalises the same, employing rigorous decision-making models like Analytic Hierarchy Process (AHP) and Fuzzy AHP (FAHP) as well as Artificial Intelligence (AI)-driven dashboards and inclusive frameworks. All these tools are fast, more accurate, and very transparent, which diminishes the subjectivity and adds legitimacy to HR-related strategic decisions (Kapoor & Yadav, 2024).

The characteristics of innovative and inclusive organisations that can be implemented through engraining the principles of Diversity, Equity, Inclusion, and Belonging (DEIB) into talent acquisition, leadership development, and performance indicators are innovation and inclusivity, which are closely related to employee satisfaction and brand image. SHRM practices based on DEIB will also resolve the issues of systemic inequalities and maximise the engagement and retention of employees. By way of example, the welcome inclusion of hiring and company leadership pipelines has been adopted by companies such as Google and Microsoft to remain competitive and diverse in their global workforce. As far as the other is concerned, the factor of successful agile

mobilisation of the workforce can be carried out more effectively as well, given the volatility of the market or the reformation that is digital. Both strategic and tactical investments in upskilling, learning and development (L&D) and leadership training will allow the workers to adjust and the organisations to react better. Predictive HR analytics may help identify the dangers of flight, formulate improved utilisation of workers, and equip the organisation more precisely. Moreover, AI tools applied to the recruitment stage, monitoring of the performance of employees, and even the learning path plan do not imply the presence of unfair decision-making because of prompt and adequate interventions. SHRM is supported by technology, inclusive values, and strategic alignment, all of which are transformative when it comes to building and reaffirming a competitive advantage in the long term. The strategic value of human capital will continue to be one of the striking elements of global success stories, even though businesses continue operating in unpredictable environments.

### **Conclusion**

Strategic Human Resource Management (SHRM) is an important linkage among people, strategy and competitive advantage. In the current evolutionary age in the global marketplace, HR has ceased to be a back-room administrative process, but it has become an active force in enhancing organisational performance. Committed to informed and evidence-based decision-making, SHRM can help firms optimally align human capital investments with long-term strategic goals, which would turn HR into a critical source of value creation.

The use of advanced tools in modern SHRM requires the incorporation of new technology, including HR analytics, Artificial Intelligence (AI) and even strategic decision-making models (such as the Analytic Hierarchy Process (AHP) and Fuzzy AHP (FAHP)). The tools offer systematic ways to evaluate the trade-offs in the process of talent acquisition, performance appraisal, leadership development, and compensation, which makes HR decisions quicker, more accurate, and objective. They also assist companies in the future planning of workforce needs by making a clearer forecast about strategic planning (Zhang, J., & Nunamaker, J. F., 2003).

The issue of Diversity, Equity, Inclusion, and Belonging (DEIB) frameworks also became one of the most powerful changes of SHRM. DEIB steps up the organisational development to feel inclusive and be responsible in a social context. DEIB initiatives boost the engagement, morale, and creative contributions of the employees through work into leadership pipelines, hiring practices, and learning programs. Accenture

and Google were examples of those companies whose performance outcomes and image changed after DEIB started to be a part of strategic HR plans. Moreover, agile learning and continuous upskilling will help organisations transform the future-ready workforce. Strategic and other L&D initiatives help to get rid of the existing skilling gaps, facilitate digital transformation and promote the alignment of skills of all the employees with the goals of the respective companies. The result thereof is the increased organisational responsiveness, agility, and competitiveness in the dynamic market scenario (Best Buy HR Report, 2024). With the change in the role of HR being a strategic human resource insofar as it is concerned, it is getting more and more clear that building high-level SHRM capabilities is not a choice but a necessity. Companies that include HR in their strategic decision-making forums have their competitive advantage, which is sustainable. These organisations stand in a good state to attract, retain and engage quality talents, respond to external dynamics and achieve long-term growth objectives. Commentaries on SHRM thus form the epicentre to strategic success—people, processes and performance. Inclusive and data-driven HR practices and the use of HR decision-making models are those that must be of topmost priority to firms that strive to achieve a sustainable competitive advantage.

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