

Strategic Human Capital Management Analysis in Increasing Competitive Advantage in the Fashion Industry

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ABSTRACT

This study aims to analyze the application of Strategic Human Capital Management (SHCM) in increasing competitive advantage in the fashion industry, especially in small and medium enterprises (SMEs). The research is motivated by the development of the fashion industry which is increasingly competitive due to globalization, digitalization, and changing market trends that require business actors to have competent, creative, and innovative human resources. In this context, human capital is seen as a strategic asset that plays an important role in creating product differentiation and increasing business competitiveness. This study uses a qualitative approach with a descriptive research type to gain an in-depth understanding of human resource management practices, human capital conditions, and their contribution to the competitive advantage of fashion businesses. The research subjects are small and medium-scale fashion entrepreneurs who are selected purposively. Data collection was carried out through in-depth interviews, observation, and documentation, then analyzed using an interactive analysis model that includes data reduction, data presentation, and drawing conclusions. Data validity was tested through source triangulation, technical triangulation, and member checking. The results show that fashion entrepreneurs have a high attention to human resource competency, especially in the recruitment and employee development process. SHCM practices have been implemented simply through competency-based recruitment and on-the-job training. Human capital, particularly in the areas of technical skills, creativity, and innovation capabilities, has been shown to play a crucial role in creating high-quality, innovative, and market-trend products. These competencies are key factors in creating product differentiation and enhancing the competitive advantage of fashion businesses. However, research also found limitations in HR management, particularly related to suboptimal and formally structured compensation and reward systems. This research confirms that the implementation of Strategic Human Capital Management (SHCM) supported by strategic human capital management can sustainably enhance the competitiveness of the fashion industry.

Keywords: Strategic Human Capital Management (SHCM), Human Capital, Competitive

Advantage, Fashion Industry, SMEs.**INTRODUCTION**

The fashion industry is a creative economy sector characterized by its dynamic, trend-driven nature and high level of competition. Globalization and digitalization have driven significant changes in consumer behavior and business patterns, requiring industry players to adapt quickly and sustainably. Modern consumers consider not only product functionality but also aesthetic value, brand identity, sustainability, and the digital experience during the purchasing process. This situation forces fashion businesses to continuously innovate to maintain competitiveness amidst rapid market changes (World Economic Forum, 2023). The development of digital technology has also accelerated the transformation of business models in the fashion industry through the use of social media, e-commerce, and digital marketing platforms. Business competition is no longer solely determined by product quality and financial capital, but also by a company's ability to develop creativity, visual communication, and technology-based marketing strategies. In this context, human resources are a strategic factor determining a company's success in responding to market changes innovatively and adaptively. Human resources are seen as *human capital*, namely important assets that include knowledge, skills, creativity, experience, and innovation capabilities that can create added value for the organization (Kotler, Kartajaya, & Setiawan, 2021).

In the *knowledge-based economy*, human capital is a key source of competitive advantage that is difficult for competitors to replicate. The fashion industry, which relies heavily on creativity and quick response to trends, requires a workforce with technical competence, innovative abilities, and high digital literacy. Therefore, companies need to focus not only on production and marketing aspects but also on the continuous development of human resource quality. Superior human capital enables companies to differentiate their products, improve service quality, and strengthen brand identity in a competitive market (Armstrong & Taylor, 2023). Along with these developments, the approach to human resource management has shifted from an administrative to a more strategic one, known as *Strategic Human Capital Management* (SHCM). This approach emphasizes the importance of integrating business strategy and human resource management, so that HR plays a role not only as an operational implementer but also as a key asset in achieving organizational goals. SHCM practices include competency-based recruitment, skills development, performance management, reward systems, and the creation of an innovative work culture that supports increased productivity and business competitiveness (Becker & Huselid, 2021). However, in practice, fashion industry players, particularly in the small and medium enterprise (SME) sector, still face various challenges in optimally managing human capital. Limited resources, a weak reward system, limited training, and a suboptimal ability to adapt to digital technology are obstacles to increasing business competitiveness. Furthermore, many fashion SMEs still focus more on production aspects than on strategic human resource development. Yet, the quality of human resources has a significant impact on business sustainability, especially in the face of global competition and rapid digital transformation.

Changing work patterns due to digitalization also present new challenges in managing the fashion industry workforce. Organizations are required to create a flexible, collaborative work environment that supports the development of new skills according to industry needs. Digital transformation impacts not only production and marketing processes but also the way organizations build communication, team collaboration, and employee performance development. Therefore, implementing SHCM is increasingly crucial for companies to maintain productivity while increasing

employee engagement and loyalty within the organization (Noe et al., 2022). Furthermore, previous research has generally examined the relationship between human resource management and organizational performance using a quantitative approach, thus failing to delve deeply into how *Strategic Human Capital Management practices* are applied in the real-world context of the fashion industry. A more comprehensive understanding is needed to capture the dynamics, experiences, and strategies used by industry players in building competitive advantage through human capital management.

This research aims to explore and understand in-depth the practice of *Strategic Human Capital Management*, the state of human capital, and how both contribute to creating competitive advantage in the fashion industry. This research is expected to provide theoretical contributions to the development of the SHCM concept in the creative industry, as well as a practical reference for business actors in managing human resources more strategically, adaptively, and sustainably in the digital era.

RESEARCH METHODS

This study uses a qualitative approach with a descriptive approach. The qualitative approach was chosen because it can provide an in-depth understanding of the phenomenon of *Strategic Human Capital Management (SHCM) implementation, human capital conditions*, and competitive advantage in the fashion industry, particularly in small and medium enterprises (SMEs). Descriptive research aims to systematically describe human resource management practices based on the experiences, perceptions, and real-world conditions experienced by fashion entrepreneurs. This approach is considered relevant for exploring the dynamics of *human capital management* in a more contextual and comprehensive manner.

The subjects of this study were fashion industry players, including small and medium-sized fashion business owners. Informants were selected purposively, *ensuring* they had at least one year of business experience and managed human resources within their businesses. *Purposive sampling* was used to ensure the data obtained was truly relevant to the research focus and provided in-depth information on *Strategic Human Capital Management practices* in the fashion industry.

Data collection was conducted through several techniques, namely *in-depth interviews*, observation, and documentation. In-depth interviews were conducted with informants to obtain information related to human resource management practices, *human capital development strategies*, and efforts to build a competitive advantage for the business. Observations were conducted to directly observe business activities, work processes, and human resource management practices in the fashion industry work environment. Meanwhile, documentation was used to collect supporting data in the form of business documents, activity records, activity photos, and other archives relevant to the research. The combination of these three techniques aims to obtain more complete, in-depth data that is in accordance with actual conditions in the field.

The data analysis technique in this study uses an interactive analysis model that includes data reduction, data presentation, and conclusion drawing. Data reduction is carried out by selecting, simplifying, and focusing data relevant to the research objectives. Data presentation is done in the form of descriptive narratives to facilitate understanding and analysis. Next, conclusions are drawn by identifying patterns of relationships, meanings, and important findings based on the data that has been analyzed in depth. The analysis process is carried out

continuously from data collection until the research is completed so that the results can describe the phenomenon in its entirety.

To ensure data validity, this study employed triangulation and *member checking techniques*. Triangulation was conducted through source triangulation by comparing information from various informants, as well as technical triangulation by comparing interview results, observations, and documentation. Furthermore, *member checking* was conducted by reconfirming interview results and data interpretation with informants to ensure the information corresponds to the actual conditions. Thus, the data obtained is expected to have a high level of validity, credibility, and trustworthiness so that the research results can be scientifically accounted for.

RESULTS AND DISCUSSION

Based on in-depth interviews, observations, and documentation of small and medium-scale fashion business owners, it was found that business owners place significant importance on the quality and competence of human resources (HR) in running and developing their businesses. Most informants stated that the employee recruitment process is not only carried out to meet workforce needs but also considers competency aspects such as technical sewing skills, design abilities, creativity, and work attitude. These findings indicate that business owners have recognized the importance of *human capital* as a strategic asset that contributes to business sustainability and development. From a *Strategic Human Capital Management* (SHCM) perspective, employee competence, knowledge, and creativity are key resources that can create added value and increase organizational competitiveness (Becker & Huselid, 2021).

In addition to competency-based recruitment processes, fashion businesses also strive to improve the quality of their human resources through *on-the-job training*. Training is conducted informally through mentoring by business owners and senior employees, particularly in improving technical skills, sewing quality, design understanding, and production accuracy. This practice demonstrates the application of SHCM in a simple yet tailored manner to business needs. Competency development through on-the-job training is crucial because the fashion industry is a sector that relies heavily on creativity, technical skills, and the ability to adapt to changing market trends. According to Armstrong and Taylor (2023), human resource development through training and continuous learning is a crucial strategy for improving employee productivity and work quality.

Observations show that fashion businesses with highly competent human resources tend to produce better quality products, offer more varied designs, and are more responsive to changing consumer trends. This directly impacts business competitiveness, both in terms of product quality and customer satisfaction. Several informants also revealed that creative employees are able to contribute to the development of new designs and product innovations that meet market needs. This finding reinforces the view that *human capital* is a key factor in creating product differentiation and competitive advantage in the fashion industry. According to *the resource-based view* (RBV) theory, human resources with unique and difficult-to-imitate competencies can be a source of sustainable competitive advantage for an organization (Barney, 2021). However, the research also shows that human resource management in small and medium-sized fashion businesses still faces various limitations. One major obstacle is the suboptimal compensation and reward system due to limited business resources. Most

businesses still implement simple HR management systems and lack a formal management structure. This situation results in career development, performance evaluation, and employee rewards not being systematically implemented. However, a good reward system can increase employee motivation, loyalty, and work productivity. According to Dessler (2022), effective human resource management requires a balance between competency development, reward systems, and a work environment that supports employee engagement in the organization.

Overall, the research results indicate that small and medium-scale fashion businesses have a good awareness of the importance of human resource competencies in increasing business competitiveness. Employees' technical skills, creativity, and innovation capabilities are key factors in creating product quality and design differentiation amidst the increasingly competitive fashion industry. Although the implementation of *Strategic Human Capital Management* is still carried out in a simple manner, this practice has made a positive contribution to improving business quality. Therefore, strategic and sustainable human capital development is a crucial step for fashion industry players in building competitive advantage in the digital era and the creative economy.

The research findings indicate that small and medium-sized fashion business owners place a high emphasis on human resource (HR) competency as a key factor in business development and competitiveness. Most entrepreneurs recognize that business success is determined not only by financial or technological capital, but also by the quality of their *human capital*. Competencies such as technical sewing skills, design skills, creativity, work discipline, and the ability to follow market trends are key considerations in the employee recruitment and management process. These findings demonstrate that entrepreneurs understand the importance of human resources as a strategic asset within an organization. From a *Resource-Based View* (RBV) perspective, an organization's competitive advantage can be created through resources that are valuable, rare, inimitable, and non-substitutable. In the fashion industry, HR creativity and competency fulfill these characteristics, thus becoming the primary source of business competitive advantage (Barney, 2021).

Furthermore, research findings indicate that fashion businesses have implemented *Strategic Human Capital Management* (SHCM) practices through competency-based recruitment processes and job skills development. Business owners tend to select employees with technical and creative abilities, as they are considered capable of supporting product quality and business innovation. This practice demonstrates a shift in HR management from merely administrative to a more strategic approach. In SHCM theory, human resource management must align with an organization's business strategy to create sustainable productivity and competitiveness. Becker and Huselid (2021) explain that SHCM positions HR as a strategic investment that can improve organizational performance through competency development and employee engagement.

Human capital development in the fashion industry is also carried out through *on-the-job training*. Training is conducted informally through mentoring by business owners and senior employees in the daily production process. Although not yet formally and structured, this training has been proven to help improve technical skills, production quality, and employee understanding of trends and consumer needs. This demonstrates that business actors have strived to develop human resource capacity as part of a business quality improvement strategy. According to Armstrong and Taylor (2023), competency development through

training and continuous learning is a crucial part of a *human capital management strategy* to improve employee productivity and work quality.

Observations also show that fashion businesses with highly competent human resources tend to produce higher-quality, more innovative products with more varied designs. Employee creativity contributes significantly to creating product differentiation, a hallmark of fashion businesses. In an industry heavily influenced by changing trends and consumer preferences, innovation is a crucial factor in maintaining business continuity. These findings reinforce the view that *human capital* functions not only as an operational support factor but also as a key driver in creating added value and competitive advantage for organizations. The *knowledge-based view theory* explains that individual knowledge, creativity, and innovation are strategic resources that can enhance an organization's ability to face business competition (Grant, 2021).

However, this study also found limitations in the implementation of SHCM in small and medium-sized fashion businesses. One major obstacle is the suboptimal compensation and reward system for employees. Most businesses still implement rudimentary HR management systems and lack a formal management structure. Limited capital and business resources are contributing factors to this situation. As a result, career development, performance evaluation, and rewards are not yet systematically implemented. A good compensation system can increase employee motivation, loyalty, and engagement within the organization. According to Dessler (2022), effective HR management requires a balance between competency development, reward systems, and a work environment that supports employee productivity.

Overall, the research findings confirm a close relationship between *Strategic Human Capital Management* (SHCM), *human capital*, and competitive advantage in the fashion industry. While simple, SHCM practices can improve *human capital*, which in turn improves product quality, design creativity, and business competitiveness. These findings demonstrate that strategic human resource management is a crucial factor in supporting the success and sustainability of fashion businesses, particularly in the small and medium enterprise sector. Therefore, strengthening SHCM practices through competency development, improved reward systems, and more structured human resource management is essential for the fashion industry to compete sustainably in the creative and digital economy era.

CONCLUSION AND SUGGESTIONS

Based on the research results and discussion, it can be concluded that small and medium-scale fashion businesses have a good awareness of the importance of human resource (HR) management as a strategic factor in increasing business competitiveness. *Strategic Human Capital Management* (SHCM) practices have been implemented, albeit in a simple manner, primarily through recruitment processes that consider competencies such as technical skills, creativity, and work attitude. This indicates that businesses are beginning to position *human capital* as a crucial asset in supporting business sustainability and development.

The research also shows that *human capital* plays a crucial role in creating competitive advantage in the fashion industry. Employee competency, particularly in creativity, design skills, and technical skills, enables the production of high-quality, innovative products that align with market trends. These capabilities are a key factor in creating product differentiation, which can enhance business competitiveness amidst increasingly fierce

competition in the fashion industry. Furthermore, competent employees contribute to the development of product design and innovation, which are the hallmarks of fashion businesses.

Human resource development through on *-the-job training* demonstrates business efforts to continuously improve employee quality and capabilities. Although informal, this training still has a positive impact on improving work skills and production quality. However, human resource management in small and medium-sized fashion businesses still faces various limitations, particularly in suboptimal compensation and reward systems that are not formally structured due to limited business resources.

Overall, this study confirms the close relationship between *Strategic Human Capital Management* (SHCM), *human capital*, and competitive advantage. Strategic human resource management can improve the quality of *human capital*, which ultimately impacts product quality, innovation, and the competitiveness of fashion businesses. Therefore, strengthening SHCM practices is a crucial step for fashion industry players in building sustainable competitive advantage in the creative and digital economy era.

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