



A EMPIRICAL INVESTIGATION INTO STRATEGIC HR FIT AS A SIGNIFICANT FACTOR FOR ACHIEVING COMPETITIVE ADVANTAGE

Dr. A. Shameem

Professor, AMET Business School, AMET University.

Abstract

Today world over it is accepted that ways in which HR is managed can an impact on the outcomes of a firm. This is because firms have realised the influence of HRM practices on turnover, productivity, financial performance, firm's survival and firm value. This has led to new areas of research called strategic human resource management which emphasizes the strategic role of human resources management in meeting overall firm's objectives. This study makes an attempt to investigate into strategic HR fit as a significant factor for achieving competitive advantage. In line with the strategic HRM scale developed by Feza (2010), and evaluates the impact of the four types of HRM fit namely HRM-strategy fit, HR roles-position fit, HRM-intra-functional fit, HRM-cross-functional fit by using structural equation modelling. Based on the viability and statistical significance of fits and the relative good fit of the model (CFI, GFI, AGFI, RMSEA), it is concluded that the model represents an adequate description of Strategic HR fits that support the firm in gaining competitive advantage and these are within the acceptability of structural model.

Keywords: *Strategic HRM, HRM-Strategy fit, HR Roles-Position fit, HRM-Intra-functional fit, HRM-Cross-functional fit.*

Introduction

Today world over it is accepted that ways in which HR is managed can an impact on the outcomes of a firm. This is because firms have realised the influence of HRM practices on turnover, productivity, financial performance, firm's survival and firm value. This has led to new areas of research called strategic human resource management which emphasizes the strategic role of human resources management in meeting overall firm's objectives. Ensuing that HRM practices are linked with firm effectiveness firms can ensure that HRM practices affect firm's outcomes, identify those practices which have stronger effects than others, analyse which are those HR practices which complement each other and what are the synergies that arise among such practices which can further enhance firm's performance. This study makes an attempt to investigate into strategic HR fit as a significant factor for achieving competitive advantage. In line with the strategic HRM scale developed by Feza (2010), this study evaluates the impact of the four types of HRM fit namely HRM-strategy fit, HR roles-position fit, HRM-intra-functional fit, HRM-cross-functional fit by using structural equation modelling.

Review of Literature

Several scholars have exhibited a strong conviction that if Strategic HRM should prove its credibility it would be very much necessary for it to establish a strong integration or fit with the top level strategies of the firm. A review of literature shows that research studies conducted by researchers such as Baron & Kreps (1999), Becker & Huselid (1998), Dyer (1985), Golden & Ramanujam (1985), Green, et al. (2006), Lengnick-Hall & Lengnick-Hall (1988), Miles & Snow, 1984; Schuler (1992), Truss & Gratton (1994) have focussed attention on HRM – strategic fit which helps in aligning HR strategies with business strategies.

On the other hand, research studies by Baron and Kreps (1999), Budhwar and Sparrow (1997), Chang and Huang (2005), Hope-Hailey, et al. (1997), Kelly and Gennard, (1996), Sheehan (2005), Truss (2003) have focussed attention on HR Roles-Position Fit which deals with issues like HR Managers being part of top management teams, managerial training to HR executives, etc.

With respect to HRM-Intra-functional Fit which deals with internal consistency of HR policies or practices research conducted by Guest, 1991; Milliman, et al., 1991; Schuler & Jackson, 1987; Wei, 2006; Wright & McMahan, 1992; Wright & Snell, 1998 have shown it to be an important construct of Strategic HRM. Apart from measuring the extent to which the various sub-functions of HRM are integrated, it highlights aspects of HR vision, presence of a coherent HR strategy, extent of information-sharing among HR managers, allocation of budget for HR sub-functions and so on.

HRM-Cross-functional Fit which is the fourth construct of Strategic HRM as discussed by Becker & Gerhart, 1996; Wei, 2006; Welbourne & Cyr, 1999 refers to ensuring a fit between HRM function and other functional areas. It shows the extent to which HR function is integrated with other functional areas and includes other aspects such as linkages between HR and other functions, information-sharing between HR managers and other functional areas and devolvement of HR responsibility to line managers and so forth.



Statement of the Problem

Due to ever escalating challenges faced by corporates, the value assigned to HR is gradually increasing. Such an elevation of the HR profession has led to it being aligned and integrated to strategic management process adopted by a firm. Such integration is today being termed as Strategic HRM which helps the firm in gaining competitive advantage. The researcher has attempted to check the level of fit between strategic HR and corporate Strategy. Researcher has conducted this study to evaluate the role of Strategic HR in gaining competitive advantage for the organisation.

Objectives of Research

- To identify the various types of Strategic HR fits that support the firm in gaining competitive advantage
- To examine the alignment of HRM strategy with corporate strategy
- To examine HR roles – position fit in the corporate strategic affairs
- To examine HRM intra-functional fit
- To examine HRM-cross functional fit
- To understand how strategic HR fit acts as a significant factor in achieving competitive advantage

Methodology

The research design is descriptive in nature. The tool used for collection of data is a standardised questionnaire developed by Feza Tabassum Azmi (2010) The sample size is 420 respondents drawn from IT firms operating in Chennai and the sampling technique has been proportionate random sampling.

Reliability and Validity

According to Hair et al. (2007) validity refers to the degree to which a measure accurately represents what it is supposed to". A In other words validity could be taken as how accurately a concept is defined by the measures. However it should be remembered that there are three types of validity as given by Fujun et al. (2007) which are content validity, predictive validity, and construct validity. In the word of Duggirala et al. (2008) content validity refers to the assessment of the correlation between the individual items and concept. Malhotra (2010) has defined as content validity as face validity.

Reliability is different from validity as it refers in the sense that it does not concentrate on what is to be measured should be measured, but on how it is to be measured. Several measures have been used by researchers to establish the reliability of the instrument. In this attempt has been made to check the internal reliability in line with rational given by Hair et al. (2007). Hence it is necessary to ensure that the internal consistency of the individual items included in the scale measure the same construct and thus are highly inter-correlated.

A Cronbach's alpha of 0.70 as pointed out by Fujun et al. (2007) would indicate that all attributes included for the study are internally consistent. Since Cronbach's alpha for this study is 0.7883 it can be taken that the attributes are reliable.

Confirmatory Factor Analysis

Confirmatory Factor Analysis (CFA) helps in analysing the nature of and relationship among the latent constructs used in any study. It explicitly tests a priori hypotheses about relations between observed variables and latent variables or factors.

The data collected was analysed using SPSS. The researcher next checked the data for incorrect entries and missing data which was then uploaded onto AMOS 18 to carry on with further with the analysis required.

Data Collection

Data was gathered from IT professionals in Chennai with the help of a non- standardised questionnaire. The questionnaire contained two parts. The first part included the demographics of the sample and the latter part dealt with the constructs identified for the study.

4.5 Structural Equation Modelling (SEM): Model Fit Assessment

The structural equation model (SEM) is a useful tool which help in assessing the casual relationship between variables as well as verifying the compatibility of the model used (Peter, 2011). It also helps in analysing whether the data fit a theoretical model. In order to evaluate the model, Chi-square, P Value, CFI, GFI, AGFI, and RMSEA were calculated to evaluate the model. Common model-fit measures like Chi-Square, the comparative fit index (CFI), root mean square error of approximation (RMSEA), the table given below depicts the estimates of the model fit indices from AMOS structural modelling The constructs used in the Structural Equation Model are



Observed, Endogenous Variables

1. Cross functional fit
2. Intra-functional fit
3. Position fit
4. Strategic fit
5. Competitive advantage

Unobserved, Exogenous Variables

1. Strategic Human Resource Management
2. HRM – Cross functional fit
3. HRM – Intra-functional fit
4. HR Roles – Position fit
5. HRM – Strategic fit
6. Competitive advantage

Number of variables in model: 11
 Number of observed variables: 5
 Number of unobserved variables: 6
 Number of exogenous variables: 6
 Number of endogenous variables: 5

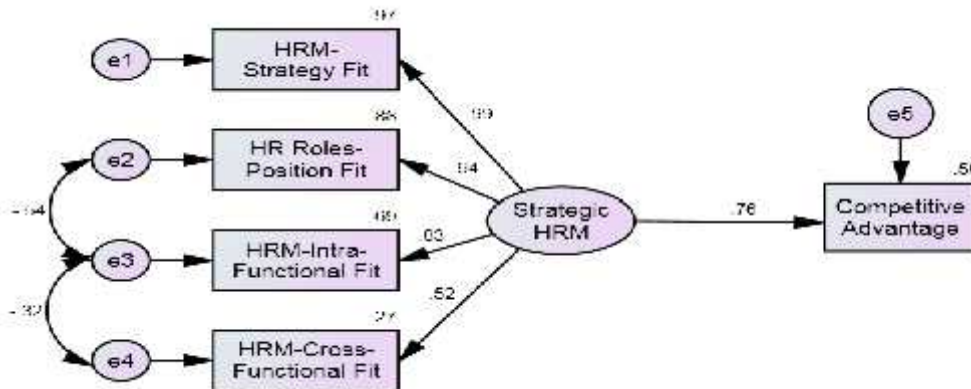


Table 1: Constructs used in the Structural Equation Model Analysis

Variables		Un Standardized Coefficient	S.E	Standardized Coefficient	t value	P Value
HRM -Strategic fit	<-- Strategic HRM	6.663	.231	.987	28.868	<0.001**
HR Roles -Position fit	<-- Strategic HRM	6.514	.247	.939	26.334	<0.001**
HRM- Intra-functional fit	<-- Strategic HRM	4.320	.201	.831	21.484	<0.001**
HRM-Cross-functional fit	<-- Strategic HRM	2.980	.254	.520	11.722	<0.001**
Competitive Advantage	<-- Strategic HRM	7.137	.376	.759	18.958	<0.001**

Note: ** denotes significant at 1% level

The coefficient of Strategic HRM which is 6.663 represents the partial effect of Strategic HRM on Strategic fit, holding the other variables as constant. The estimated positive sign implies that such effect is positive such that Strategic fit would increase by 6.663 for every unit increase in Strategic HRM and this coefficient value is significant at 1% level.



The coefficient of Strategic HRM which is 6.514 represents the partial effect of Strategic HRM on Position fit, holding the other variables as constant. The estimated positive sign implies that such effect is positive such that Position fit would increase by 6.514 for every unit increase in Strategic HRM and this coefficient value is significant at 1% level.

The coefficient of Strategic HRM which is 4.320 represents the partial effect of Strategic HRM on Intra-functional fit, holding the other variables as constant. The estimated positive sign implies that such effect is positive such that Intra-functional fit would increase by 4.320 for every unit increase in Strategic HRM and this coefficient value is significant at 1% level.

The coefficient of Strategic HRM which is 2.980 represents the partial effect of Strategic HRM on Cross-functional fit, holding the other variables as constant. The estimated positive sign implies that such effect is positive such that Cross-functional fit would increase by 2.980 for every unit increase in Strategic HRM and this coefficient value is significant at 1% level.

The coefficient of Strategic HRM which is 7.137 represents the partial effect of Strategic HRM on Competitive advantage, holding the other variables as constant. The estimated positive sign implies that such effect is positive such that Competitive advantage would increase by 7.137 for every unit increase in Strategic HRM and this coefficient value is significant at 1% level.

Table 2: Model fit summary of Structural Equation Model

Indices	Value	Suggested value
Chi-square value	5.660	-
P value	0.129	>0.05 (Hair et al., 1998)
GFI	0.995	>0.90 (Hu and Bentler, 1999)
AGFI	0.975	>0.90 (Hair et al. 2006)
CFI	0.999	> 0.90 (Daire et al., 2008)
RMR	0.087	< 0.08 (Hair et al. 2006)
RMSEA	0.044	< 0.08 (Hair et al. 2006)

From the above table it is found that the calculated P value is 0.129 which is greater than 0.05 which indicates perfectly fit. Here GFI (Goodness of Fit Index) value and AGFI (Adjusted Goodness of Fit Index) value is greater than 0.90 which represent it is a good fit. The calculated CFI (Comparative Fit Index) value is 0.999 which means that it is a perfect fit and also it is found that RMR (Root Mean Square Residuals) is 0.087 and RMSEA (Root Mean Square Error of Approximation) value is 0.044 which is less than 0.08 which indicates it is perfect fit.

Conclusion

This research has aimed at identify the various types of Strategic HR fits that support the firm in gaining competitive advantage. The research has confirmed the relationship between the various types of strategic HRM fits and Competitive advantage.

Based on the viability and statistical significance of fits and the relative good fit of the model (CFI, GFI, AGFI, RMSEA), it is concluded that the model shown in figure 1 represents an adequate description of Strategic HR fits that support the firm in gaining competitive advantage and these are within the acceptability of structural model.

It is hoped that this study would serve to be useful to IT firms to know about the need for giving importance to strategic HRM in order to gain competitive advantage in the market place.

References

1. Baron and Kreps (1999), Budhwar and Sparrow (1997), Chang and Huang (2005), Hope-Hailey, et al. (1997), Kelly and Gennard, (1996), Sheehan (2005), Truss 2003.
2. Baron, J. N. & Kreps, D. N. (1999). Strategic human resource management: Framework for general managers. New York: John Wiley & Sons.
3. Becker, B. E. & Gerhart, B. (1996). The impact of human resource management on organizational performance: progress and prospects. *Academy of Management Journal*, 39(4), 779-801.
4. Becker, B. E., & Huselid, M. A. (1998). High performance work systems and firm performance: A synthesis of research and managerial applications. In G. R. Ferris (Ed.), *Research in personnel and human resource management*, (pp. 53–101). Greenwich: CT JAI Press.



5. Budhwar, P. S. & Sparrow, P. R. (1997). Evaluating levels of strategic integration and devolvement of human resource management in India. *The International Journal of Human Resource Management*, 8(4), 476-494.
6. Chang, W. A. & Huang, T. C. (2005). Relationship between strategic human resource management and firm performance: A contingency perspective. *International Journal of Manpower*, 26(5), 434-449.
7. Dyer, L. (1985). Strategic human resource management and planning. In K. Rowland & G. Ferris (Eds.), *Research in Personnel and Human Resource Management*, 3, (pp. 1-30). Greenwich, CT: JAI Press.
8. Feza Tabassum Azmi (2010) strategic human resource management: Scale development and validation. *Philippine Management Review*, 17, 80-102.
9. Golden, K., & Ramanujam, V. (1985). Between a dream and a nightmare: On the integration of the human resource management and strategic business planning processes. *Human Resource Management*, 24, 429-452.
10. Green, K. W., Wu, C., Whitten, D. & Medlin, B. (2006). The impact of strategic human resource management on firm performance and HR professionals' work attitude and work performance. *International Journal of Human Resource Management*, 17(4), 559-579.
11. Guest, D. (1991). Personnel management: the end of orthodoxy? *British Journal of Industrial Relations*, 29(2), 149-75.
12. Hope-Hailey, V., Gratton, L., McGovern, P., Stiles, P. & Truss, C. (1997). A chameleon function? HRM in the 1990s. *Human Resource Management Journal*, 7(3), 5-18.
13. Kelly, J. & Gennard, J. (1996). The role of personnel directors on the board of directors. *Personnel Review*, 25(1), 7-24.
14. Lengnick-Hall, C. A. & Lengnick-Hall, M. L. (1988). Strategic human resource management: a review of the literature and a proposed typology. *Academy of Management Review*, 13(3), 454-70.
15. Miles, R. E. & Snow, C. C. (1984), Designing strategic human resource systems. *Organizational Dynamics*, 13(1), 36-52.
16. Milliman, J., von Glinow, M. A. & Nathan, M. (1991). Organizational life cycles and strategic international human resource management in multinational companies: implications for congruence theory. *The Academy of Management Review*, 16(2), 318-339.
17. Schuler, R. S. & Jackson, S. E. (1987). Linking competitive strategies with human resource management practices. *Academy of Management Executive*, 1(3), 207-219.
18. Schuler, R. S. (1992). Strategic human resources management: Linking the people with the strategic needs of the business. *Organizational Dynamics*, 21(1), 18-32.
19. Sheehan, C. (2005). A model for HRM strategic integration. *Personnel Review*, 34(2), 192-209.
20. Truss, C. & Gratton, L. (1994). Strategic human resource management: a conceptual approach. *The International Journal of Human Resource Management*, 5(3), 663-86.
21. Truss, C. (2003). Strategic HRM: Enablers and constraints in the NHS. *The International Journal of Public Sector Management*, 16(1), 48-60.
22. Wei, L. (2006). Strategic human resource management: Determinants of fit. *Research and Practice in Human Resource Management*, 14(2), 49-60.
23. Welbourne, T. A. & Cyr, L. A. (1999). The human resource executive effect in initial public offering firms. *Academy of Management Journal*, 42, 616-29.
24. Wright, P. M. & McMahan, G. C. (1992). Theoretical perspectives for strategic human resource management. *Journal of Management*, 18(2), 295-320.
25. Wright, P. M. & Snell, S. A. (1998). Toward a unifying framework for exploring fit and flexibility in strategic human resource management. *Academy of Management Review*, 23(4), 756-772.