ALIGNING HUMAN RESOURCE STRATEGY WITH BUSINESS STRATEGY

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What is alignment?  
Several related terms have been used in strategic alignment research such as fit, match, and congruence to explain the concept of alignment. Fit implies a relationship between two discrete entities; match, the reconciliation of various components; and congruence, the configuration of a large set of elements; but alignment suggests a more fluid dynamic that allows for variation and flexibility [1]. Achieving strategic alignment requires attention to the internal fit within the HR system and external fit between this HR system and the operating and strategic objectives[2].

The recent ascent of HR executives to top management teams, the recognition of the potential importance of HR services due to skill shortage and talent wars, and the reality that much of the day-to-day implementation of HR practices resides with business or line managers, acknowledge the potential value-added by HR.

No business strategy without human resources  
Strategic management deals with three levels of strategy: corporate-level strategy (“what industry or industries we compete in”), business-level strategy, (“how will we compete in each of our chosen businesses?”), and functional-level strategy (“How will each of the organisation’s functional areas support our business and corporate level strategies?”) in the SHRM field, how HR strategy supports business strategy is the new path to competitive advantage. The resource-based view of the firm[3] is often associated with HRM. Human resources that are valuable, rare, and inimitable fulfill the criteria of a source of competitive advantage. Building on their theory of core competencies, however, Prahalad and Hamel[4] argue that sustainable competitive advantage does not come from human resources alone but from the strategy and management of acquiring, training, developing, and maintaining human resources, or systems that encourage the development of competitive advantage. The need to demonstrate the importance of human resources for organisational performance provides a clear explanation for why HRM should be aligned with strategy.

The terms “HR system,” “policy,” “practice” and “process” are often used interchangeably. The word “philosophy”[5] can be used to embrace all these terms. HR philosophy involves the way that people in the organisation are managed, and HR strategy translates this philosophy into a coherent system of personnel policies that is integrated with the business strategy. There can be no business strategy without the inclusion of human resources.

HR strategy – business strategy alignment: does it work?  
A review of the major studies in SHRM[6] confirms assertions that HR creates value. These studies can be characterised as having followed two streams of development: the conceptual, theoretical work, and the empirical, qualitative and quantitative path. They cover a variety of related issues, from HR models, systems, strategies, practices, and how each of these constructs relate to organisational performance, to more recent accounts that demonstrate the effectiveness of the HR function in reflecting, reinforcing and supporting business needs and objectives. The latest research projects apply cross-level analyses among multiple informants. Joining the usual respondents of HR managers and specialists are top line executives, exhibiting not only their strategic importance as users, customers and implementers of strategy and HR services, but also their appraisal of the services, roles and contributions of HR. The line may well be the best evaluators of HR’s importance and strategic alignment.

A complex process  
Aligning human resource strategy with business strategy and measuring organisational performance is a multidimensional process where researchers have experienced a number of challenges. Despite the growing body of empirical research in SHRM, it has been difficult to cumulate findings. For example, several perspectives of theorising have been employed to determine SHRM’s theoretical foundation [7]. The feasibility of aligning HRM with business strategy will very much depend on which theory on strategy and strategy making one adopts. Authors have examined a number of HR frameworks, but they have yet to come to a common foundation from which various SHRM models could be characterised. Not one single concept or model has been commonly applied in several studies. Also, even when the same HR constructs are included in different studies, researchers may still use different methods and measures. The literature is dismaying by the fact that virtually no two studies measure HR strategy and business strategy in the same way.

Is there a map for alignment?  

The three-dimensional people strategy  
The UK project offers a straightforward contribution to research in HR strategy – business strategy alignment. The study proposes a three-dimensional alignment model consisting not only of the vertical alignment dimension (the alignment between the business goals/business unit goals and the people strategy or the external fit referred to earlier) and horizontal alignment dimension (the alignment between the set of HR policies making up the people strategy or internal fit) that must go hand in hand, but also of an action or implementation dimension to represent the degree to which the people strategy is put into effect. HR’s challenge of delivering the business strategy through people can only be met by consistently achieving excellence in all three alignment dimensions of the HR strategy, and the authors offer several examples of how the participating companies have done this. Apart from the alignment model, a short questionnaire is also offered to aid in the diagnosis. This comprehensive study on the alignment of HRM adopts. Authors have examined a number of HR frameworks, but they have yet to come to a common foundation from which various SHRM models could be characterised. Not one single concept or model has been commonly applied in several studies. Also, even when the same HR constructs are included in different studies, researchers may still use different methods and measures. The literature is dismaying by the fact that virtually no two studies measure HR strategy and business strategy in the same way.

So, what’s your strategy for alignment?  
Of course, there’s no one ideal configuration of business strategy and HR strategy as alignment will depend on a host of other variables such as industry, degree of dynamism in the environment, and the organisation’s stage of development, to name a few. However, Gratton and Truss’ three-dimensional people strategy and Miles and Snow’s insights can help guide research that might lead to valuable new practical guidance for line managers and SHRM practitioners alike.

Strategic alignment is a complex process, but it is an exercise that organisational leaders cannot ignore. As a conclusion, this researcher proposes the following six-step procedure[12] that has been designed to make alignment work in any organisation:

- Set the goals and establish a team
- Understand the business – HR linkage
- Analyse and prioritise gaps
- Specify the actions (project management)
- Choose and evaluate success criteria
- Sustain alignment

As one senior manager said: “The most important lesson to keep in mind is that strategic alignment is a journey and not an event.”