

HR strategy and its aligning with organizational strategy and human capabilities

Seyed Reza Seyedjavadin*¹, Mashallah Hossein Zadeh²

1. Associate professor of management faculty of the University of Tehran

2. PhD student of management faculty of University of Tehran

Abstract

With rapid changes in the business environment, organizations are increasingly looking at human resources as a unique asset that can provide sustained competitive advantage. As much as, people are viewed among the most important resources to firms, HR strategy would be central to achieve competitive advantages. Firms should view HR strategy as an important tool for integrating competencies inside organization and for matching employment capabilities with organizational strategy, and investigate how various combinations of capabilities can lead to competitive advantage. So, it is believed to be important that the management of the human resources should be in perfect fit with the management of the organization as a whole and its strategic plans.

The purpose of this paper is to examine the matching of HR strategy with organizational strategy and HR capabilities in a sample of Iranian firms. In this paper at first by reviewing of related approaches in selecting HR strategy, the characteristics of human capital that affect organizational strategy and the relationship between HR strategy and organizational strategy recognized. Then with adopting the Lepak and Snell (1999; 2002) in their model of HR architecture, and using the typology model of four organizational strategies developed Miles and Snow's (1978). The accordance of HR strategy with HR capabilities and organizational strategy in a sample of Iranian firms has examined.

Key words:

Strategic capabilities, Organizational strategy, HR strategy, Commitment HR strategy, Productivity HR strategy, Compliance HR strategy, Collaborative HR strategy

* Corresponding Author:

Tel: 021-61117630

Email: rjavadin@ut.ac.ir

Introduction

We begin the discussion with a focus on the link between organizational strategy and HR strategy formulation. A range of business–HR strategy links has been classified in terms of a proactive–reactive continuum and in terms human resource strategy and business strategy linkages (Bamberger & Phillips, 1991). In the ‘proactive’ orientation, the HR professional has a seat at the strategic table and is actively engaged in strategy formulation. At the other end of the continuum is the ‘reactive’ orientation, which sees the HR function as being fully subservient to corporate and business-level strategy, and organizational-level strategies as ultimately determining HR policies and practices.

An important part of the HR strategy debate has focused on the integration or ‘fit’ of business strategy with HR strategy. This shift in managerial thought, calling for the HR function to be ‘strategically integrated’, is depicted in Beer et al.’s (1984) model of HRM. The authors espoused the need to establish a close two-way relationship or ‘fit’ between the external business strategy and the elements of the internal HR strategy.

Once the business strategy has been determined, an HR strategy is implemented to support the chosen competitive strategy. In this sense, a HR strategy is concerned with the challenge of matching the philosophy, policies, programmes, practices and processes – the ‘five Ps’ – in a way that will stimulate and reinforce the different employee role behaviours appropriate for each competitive strategy (Schuler, 1989, 1992). In a major study of HRM in multidivisional companies, Purcell and Ahlstrand (1994) argue that what actually determines HR strategy will be determined by decisions at all three levels of organization strategy (corporate, business and functional) and leadership style of local managers to follow through goals in the context of specific environmental conditions.

In addition, another part of the HR strategy formulation depends on the fit human resource capabilities with HR strategy. It should not be forgotten that the design and implementation of the strategic option chosen by the company depends fundamentally on the human factor (Jackson and Schuler, 1995).

For performing efficiently a company requires that the organisational strategy should be supported by distinctive capabilities. Organisational capabilities are built upon efficient combinations of knowledge, abilities and behaviours, which can only originate from the employees, with other factors

possessed or controlled by the company (Prahalad and Hamel, 1990). In this way, through the personal competencies that the employees possess and apply in the execution of their jobs, the company's human resources become key strategic factors for gaining and maintaining its competitive advantage (Pfeffer, 1994). As Colbert (2004) states, the knowledge, abilities and behaviours of the employees, and the interactions between them, are the potential that provides the basis for the formulation and implementation of strategy. It should not be forgotten that companies create strategic, technological, financial and organisational value through the competencies of employees.

The basic premise behind the management of human resources is that an organisation that adopts a particular strategy requires techniques and practices for managing its workforce that are different for those needed by other companies that apply different strategies with different workforces. The importance of the HR capabilities as a determinant of HR strategy has been incorporated into some models. Extending strategic management concepts, Bamberger and Phillips' (1991) model depicts links between three poles: the HR capabilities, human resource strategy and the business strategy (see figure1).

Conceptual model

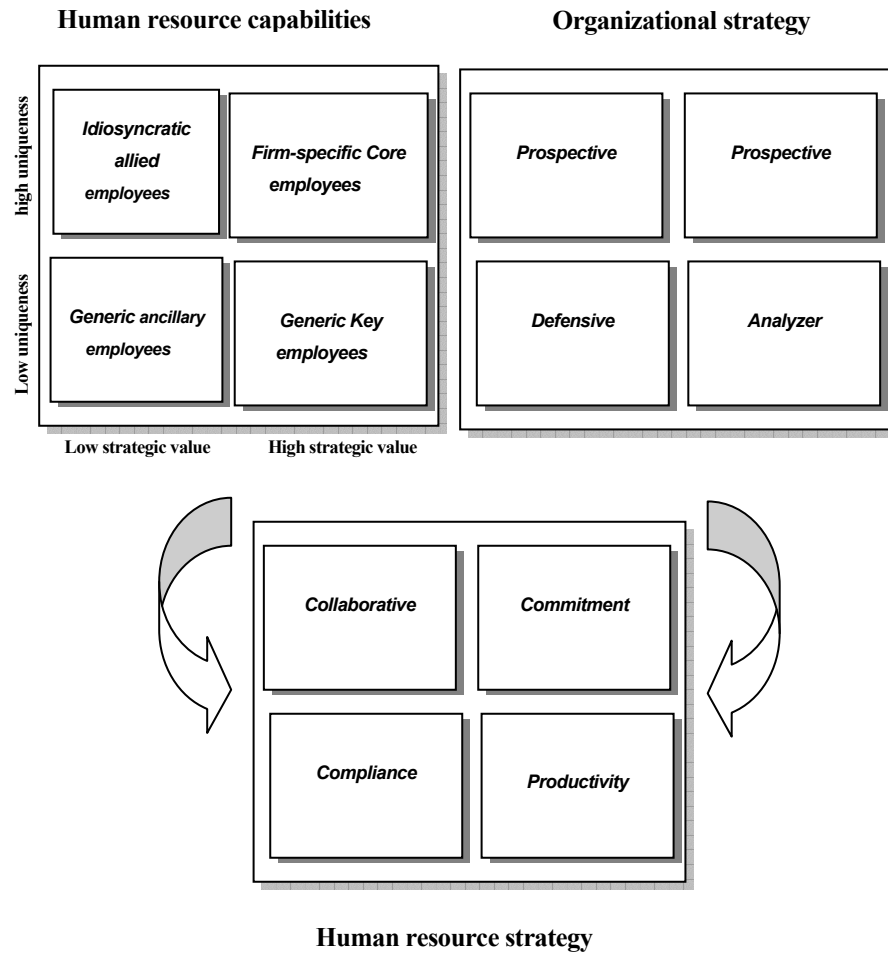


Figure 1: Aligning HR strategy with organizational strategy and human capabilities

The purpose of this study is to discuss some of the main trends in human resources (HR) strategy. In our study, after the review of the literature, a set of hypothesis are formulated that describe the orientation of the relationships between four HR strategy and HR capabilities based on strategic value and uniqueness as strategic capability of employees. We extracted four HR strategies from the human resource architecture model proposed by Lepak and Snell (1999, 2002) for two reasons: First, their model provides a basis for matching HR strategy with different employee groups. It also involved main concepts of many approaches, Such as resource based view, Rousseau (1995), Tsui and colleagues (Tsui et al., 1997) frameworks and Bamberger and Meshoulam's model (2000). Second their categorization, using the value and uniqueness of human resource as criteria, has received empirical support (Lepak and Snell, 2002) .we also use the typology model of organizational strategy developed by Miles and Snow's (1978) because this model is a famous and comprehensive model that used in many theoretical and practical research and some research examined the relationship between this strategies and HR strategies.

Theory and hypotheses

Approaches to HR strategy

From a strategic point of view, human resource strategy is seen as a statement of 'intent' in an organization with regards to how the organization is going to manage its resources. "These intentions provide the basis for plans, developments and programs for change". From this viewpoint, aim of human resource strategy is the "development of capability within the company, in order to give the business a competitive advantage" (Tyson, 2000 p.333). Therefore human resource strategy is seen as an input into the organization. Others, such as Purcell and Ahlstrand (1994), conceptualize HR strategy as an 'outcome', a process or action, a "mechanism for achieving a desired objective" (Tyson, 1997 p.278)

We can categorize much of the debate about HR strategy has been centred on the several main approaches:

The matching approach: Based on the matching or contingency approach, there must be a 'fit between competitive strategy and internal HR strategy and a fit among the elements of the HR strategy'. The relationship between business strategy and HR strategy is said to be 'reactive' in the sense that HR strategy is subservient to 'product market logic' and the corporate strategy.

The latter is assumed to be the independent variable (Purcell & Ahlstrand, 1994).

The fit perspective or the matching model suggests that optimal HRM combines both vertical integration between HR and business strategy, and horizontal integration between individual HR policy areas. Some of the limitations of this approach include its adherence to a rationalist, planning model of both strategy and HRM, and the implicit separation of formulation and implementation.

Contingency theorists emphasize the economic desirability of fitting HR strategy to the firm's choice of competitive strategy, although there are variations which add or (sometimes) substitute other contingencies such as life cycle stages and structure (Boxall, 1992 p.62).

Organizational theorists such as Baird and Mesaulham (1988) and Atkinson (1984) propose that people should be managed in different ways depending on the phase of growth of the organization, the structure of the firm and the concept of flexibility and flexible firms. Business theorists argue that HR strategy depends on business strategy while change management theorists argue that it is not the business strategy but rather the degree of change, which should determine the HR strategy.

The control-based approach: According to this perspective, management structures and HR strategy are instruments and techniques to control all aspects of work to secure a high level of labour productivity and a corresponding level of profitability and focus on monitoring and controlling employee behaviour is a basis for distinguishing different HR strategies.

This approach is based on the nature of workplace control and more specifically on managerial behaviour to direct and monitor employee role performance. The choice of HR strategy is governed by variations in organizational form (for example size, structure and age), competitive pressures on management and the stability of labour markets, mediated by the interplay of manager-subordinate relations and worker resistance (Thompson & McHugh, 2002). Moreover, the variations in HR strategy are not random but reflect two management logics (Bamberger & Meshoulam, 2000). The first is the logic of direct, process-based control, in which the focus is on efficiency and cost containment (managers needing within this domain to monitor and control workers' performance carefully), whereas the second is the logic of indirect outcomes-based control, in which the focus is on actual results (within this domain, managers needing to engage workers' intellectual capital, commitment and cooperation).

The resource-based approach: This approach states that resources inherent in the company's human capital represent one of the principal strategic factors that a firm currently possesses (Barney, 1991), particularly the so-called individual competencies of employees (Pfeffer, 1994).

Barney (1991) has argued that 'sustained competitive advantage' is achieved not through an analysis of a firm's external market position but through a careful analysis of its skills and capabilities, characteristics that competitors find themselves unable to imitate. So the origin of the competitive advantage of a company lies within the company itself, in the resources and capabilities possessed and controlled by the organisation.

The resource-based approach exploits the distinctive competencies of a work organization: its resources and capabilities. An organization's resources can be divided into tangible (human, technological, physical and financial) and intangible (brand-name, reputation and know-how) resources. To give rise to a distinctive competency, an organization's resources must be both unique and valuable. By capabilities, we mean the collective skills possessed by the organization to coordinate effectively the resources.

Since organisational capabilities are constructed by efficiently combining the organisation's assets with the competencies of its employees, the workforce effectively becomes the foundation and location of competitive advantage through employees' contributions to the development and maintenance of the core capabilities (Barney, 1991; Pfeffer, 1994).

In this view, HR strategy need to be designed in the way that encourage employees to acquire and develop those competencies that needed to built core competency; and retain those employees that having valuable competencies, especially those that is not easy for the company's competitors to acquire other than by "poaching" (Colbert, 2004).

Typological approach: The forth perspective identified is the typological perspective, whereby typologies of approaches to HR strategy are proposed. One example is the work of Dyer and Holder (1988) who present three ideal types of HR strategy, inducement, investment and involvement as a menu from which senior managers can choose when determining how best to manage human resources.

Studying HR strategies in terms of typologies is appealing to academics because conceptual frameworks or models give HR researchers the ability to compare and contrast the different configurations or clusters of HR strategy and practices and further develop and test theory (Bamberger & Meshoulam, 2000). Academics have proposed many models to differentiate between

‘ideal types’ of HR strategies. Within this line of research, different conceptualizations of employment systems have been proposed previously. For example, Bamberger and Meshoulam (2000) integrate the two main models of HR strategy, one focusing on the strategy’s underlying logic of managerial control, and the other focusing on the reward–effort exchange, they build a model that characterizes the two main dimensions of HR strategy as involving ‘acquisition and development’ and the ‘locus of control’. These two main dimensions of HR strategy yield four different ‘ideal types’ of dominant HR strategy: commitment, collaborative, paternalistic and traditional.

Integrative approach: Lepak & Snell developed a model about the human capital architecture in organizations (1999) that may be the solution of this problem. These authors established a four group classification of employees according to their value and uniqueness and specified a bundle of HR strategy in each case. The characteristics of employees (value and uniqueness) are consistent with resource based view, so we may expect that organizations developing very valuable and firm specific human capital will enjoy competitive advantage and organizational capabilities. Lepak & Snell found empirical support to their architecture in a large sample of U.S. organizations (2002).

Given our intended focus on the employment group-level of analysis, we build upon the human architecture proposed by Lepak and Snell (1999) for two reasons. First, their model provides a comprehensive perspective of different aspect of employment groups that include different employment modes that provide a basis for matching HR strategy with specific employee groups. It also integrates Rousseau (1995) and Tsui and colleagues (Tsui et al., 1997) frameworks. Second their categorization, using the value and uniqueness of human resource as criteria, has received empirical support. (Lepak and Snell, 2002)

Human resource capabilities

Following Lepak and Snell (1999, 2002), we use the underlying dimensions of value and uniqueness of human capital to judge their strategic potential and divide them into four types.

Strategic value: The value of human capitals is dependent upon their potential to contribute to the competitive advantage or core competence of the firm. Therefore, strategic value of human resource is a relative value. On the one hand, it is determined by the extent how employees’ skills enable a firm to enact strategies that improve efficiency and effectiveness, exploit

market opportunities, and neutralize potential threats (Barney, 1991; Porter, 1985).

Uniqueness: Uniqueness of human capitals is the degree that their skills cannot be duplicated and imitated by current or potential competitors or its uniqueness other than their rivals. The uniqueness of an employee's skills result from a variety of factors such as team-based production and unique operational procedures that lead to enhanced social complexity, causal ambiguity, and development of tacit knowledge. (Lepak & Snell, 1999)

As shown in Figure 1, If we juxtapose these two dimensions of value and uniqueness, we would begin to see a binary matrix of classification of employees: firm-specific core employees, generic key employees, generic ancillary employees, and idiosyncratic allied employees.

Firm-specific core employees: Lepak and Snell (1999) argued that human capital in this group is most likely to be viewed as core to the firm. Because of their value, these employees are able to contribute to a firm's strategic objectives. When human capital is both valuable and unique, it represents the knowledge base around which firms are most likely to build their strategies. These workers are those most likely to represent a firm's knowledge workers—those “people who use their heads more than their hands to produce value”.

Generic key employees: Human capital that has strategic value but limited uniqueness categorized in the generic key employees HR architecture. The value of these employees provides an incentive to employ these workers internally. At the same time, these workers' skills are not particularly unique to the firm and thus, cannot serve as a differentiating source of competitiveness. In other words, workers within this group are able to make significant contributions to a firm while possessing skills that are widely transferable.

3-Idiosyncratic allied employees: Firms would rely on alliances/ partnerships for human capital that is unique but insufficient strategic value to employ internally. These employees provide “non-resident knowledge intensive services to firms”. Frequently this occurs through a co-production process in which both parties contribute to some specific outcome. For example, research and development labs, legal consultants, accounting and information systems firms, investment bankers, and other external agencies are often used by firms to provide long-term customized services (Sharma, 1997, p. 759).

Generic ancillary employees: These employees have neither unique nor sufficient strategic value. Workers in this category are prime candidates for outsourcing. In scenarios where “one job-holder is pretty much as good as another”, firms would be more likely to seek short-term contractual arrangements for the performance of tasks with limited scope, purpose, or duration. At the extreme, if value-added is low and skills are generic, employment decisions may reduce to calculations of costs. In such cases, firms may reduce their employment costs while increasing their flexibility by contracting for ancillary human capital (Lepak & Snell, 1999).

Human resource strategies

From above, we conclude that strategic value and uniqueness of human capital are two of the most important determinants of alternative HR strategy. Because the above four types of employees have different strategic roles, we argue that different HR strategy are required for different types of employees. In other words, organization should establish different employment relationships with different types of employees, and take different HR strategy to manage employees differentially. In respect of the HR strategies, this study adopts the configurations of human resources identified by Lepak and Snell (1999; 2002) in their model of HR architecture. Under the RBV, it can be argued that the HR strategies will act as a key capacity or competence of the company provided they are integrated in its systems of management, since considered individually they can easily be imitated by competitor companies (Barney and Wright, 1998). Hence, in this study, we will make reference to the particular configurations of human resources strategies proposed by Lepak and Snell (1999; 2002):

Commitment HR strategy: Commitment based strategy, For employees who have both high strategic value and uniqueness, focus on long-term relations and internal development of skills that enable employees to build idiosyncratic knowledge that is more valuable to the organization than its competitors, and empower these workers to encourage participation in decision making for maximizing these workers’ contribution (Rousseau, 1995). Under commitment HR strategy, organization:

1. Establish a family-style employment relation between organization and workers
2. Implement job enrichment and socialization programs, mentoring relationships and cross-functional career
3. Invest heavily in training and development, particularly in areas related to firm-specific skills,

4. Deploy core employees on their potentials rather than their current skills and achievement

5. Adopt skill-based pay systems and developmental performance appraisals, transfer pay factor from job to people personalities including knowledge, ability, intention of team collaboration, and so on.

Productivity HR strategy: This HR strategy that focuses on human capital acquisition and deploying skills for immediate contribution is deployed for Generic key employees, who have high strategic value, yet low firm-specificity. With using this strategy organization:

1. Establish a symbiotic employment relationship based on the utilitarian premise of mutual benefits

2. Standardize jobs to facilitate more rapid replacement of individuals who may leave the firm

3. Acquire individuals who have already possessed the needed skills other than develop generic skills

4. Compensation systems are also likely to be job-based and performance-based and the incentives are primarily focused on near-term productivity target

Compliance HR strategy: Generic ancillary employees, with low value and uniqueness, are frequently viewed as an overhead expense, organization logically desire to contract externally for decreasing their administrative expenses and retaining a significant degree of employment flexibility by outsourcing peripheral functions, using temporary employees, developing employee leasing arrangements, and the like (Tusi et al., 1995). Such outsourcing HR strategy may actually improve the competitiveness of firms by enabling them to strategically focus their development programs on those skills that may contribute to the firm's competitive advantage.

1. Establish a transactional employment relationship between organization and employees that simply focus on the economic nature of the contract (Rousseau, 1995)

2. Strive to ensure worker compliance with preset rules, regulations, and procedures

3. If training is done at all, it would be about company policies, systems, procedures or job requirement

4. Build a performance appraisal system with main concern for short-term contribution and conformance to rules of firms, and compensation would likely be based on an hourly wage and the accomplishment of specific tasks.

Collaborative HR strategy: Idiosyncratic alliance employees, who have high firm-specificity, yet low strategic value, are served as a possible source of differentiation. As for these employees, the primary issue that organization concerned is how to develop these employees' potential value while preserving their uniqueness, perhaps the best way is to collaborate with other organization in a talent alliance. When parties collaborate in the utilization of unique skills for a jointly shared and co-specialized outcome, both parties can capitalize on the other's specialized knowledge without incurring the entire costs of internal employment, a synergistic value may be realized by both firms that exceeds the value either could generate independently.

1. Establish a partner-style relationship that focus on mutual investment in the relationship and promote trust

2. Emphasize on organic organizational structure, team-building, communication mechanisms, lateral relations, job rotation to facilitate coordination and cooperation among parties

3. Select alliance partners who can integrate their knowledge and experience into the firm and work in teams

4. Invest heavily on process facilitation, team building, exchange program, mentoring relationships, and the like that may be benefit to information sharing and the transfer of knowledge

5. Use group-based rewards and appraisal system to encourage partners to collaborate and develop co-specialized assets.

6. Build an open and trusting culture and create an egalitarian work environment that limit power differentials so that all the partners can share information freely and cooperate and coordinate in achieving synergistic value.

A review of the literature on strategy and human resources management leads us to put forward the following hypotheses:

Different types of human resource strategy are associated with different human resources capabilities.

- 1-Commitment HR strategy will be greater within the firm-specific core employees than the other three employee categories.

- 2-Collaborative HR strategy will be greater within the idiosyncratic allied employees than the other three employee categories.

- 3-Productivity HR strategy will be greater within the generic key employees than the other three employee categories.

4-Compliance HR strategy will be greater within the generic ancillary employees than the other three employee categories.

Organisational strategy

In the specialist literature numerous classifications of strategy are identified; the two most frequently utilised are those of Miles and Snow (1978) and Porter (1985), and a close equivalence has been shown to exist between them (Miles and Snow, 1984). In this study the typology proposed by Miles and Snow (1978) has been utilised, since it classifies companies according to their "adaptive patterns of decision ", ranging from the most aggressive organisations, the prospective companies, to the least pro-active, those that opt for a reactive stance, with the analyser companies occupying an intermediate position (James and Hatten , 1995).

Prospector: This is the most competitive of the four strategies. It typically involves active programs to expand into new markets and stimulate new opportunities. New product development is vigorously pursued and attacks on competitors are a common way of obtaining additional market share. A large proportion of their revenue comes from new products or new markets. The risk of product failure or market rejection is high. They can be opportunistic in headhunting key employees, both technical and managerial. So their workers must be possess valuable and unique skills, and firms would logically invest heavily in training and development, particularly in areas related to firm-specific skills, we expected that the best strategy for managing these employees, would be commitment and collaborative HR strategy.

Analyzer: The analyzer is in between the defender and prospector. They take less risk and make less mistakes than a prospector, but are less committed to stability than defenders. Most firms are analyzers. They are seldom a first mover in an industry but are often second or third place entrants. They tend to expand into areas close to their existing core competency. Rather than develop wholly new products, they make incremental improvements in existing products or attempts to gain a competitive advantage primarily by reducing its economic costs and be more productive. So, firms are more likely to acquire individuals who already possess the needed skills, Rather than developing generic skills. The human capital of job-based employees can be important for creating customer value. The idiosyncratic characteristics of employees are likely to be de-emphasized, and their participation is likely to be limited to the boundaries of their jobs. In these cases, managers are likely to rely on a productivity-

based HR strategy; that is, hiring employees, paying them a market-based wage, focusing on their job performance.

Defender: A defender strategy entails finding, and maintaining a secure and relatively stable market. Rather than being on the cutting edge of technological innovation, product development, and market dynamics, a defender tries to insulate themselves from changes wherever possible. In their attempt to secure this stable market they either keep prices low, keep advertising and other promotional costs low, engage in vertical integration, offer a limited range of products or offer better quality or service. Their goals tend to be efficiency oriented rather than effectiveness oriented. So employees are needed that not necessary to be particularly high strategic value or unique. These firms would probably limit the discretion of their employees and ensuring conformance to preset standards. Any training and performance appraisal activities would likely be limited to ensuring compliance with company policies, systems, procedures, and outcome. So we expect employees are managed under compliance HR strategy.

Reactor: A reactor has no proactive strategy. They react to events as they occur. They respond only when they are forced to by macro environmental pressures. This is the least effective of the four strategies. It is without direction or focus. Reactors don't use a formal HR strategy.

A review of the literature on strategy and human resources management leads us to put forward the following hypotheses:

- Different types of organisational strategy are associated with different human resources strategies.

5- Commitment HR strategy will be greater for the prospector than the other three organizations.

6-Collaborative HR strategy will be greater for prospector than the other three organizations.

7-Productivity HR strategy will be greater for analyzer than the other three organizations.

8-Compliance HR strategy will be greater for defender than the other three organizations.

Methodology

The sample: We identified about 700 firms from the directory of industrial and commercial ministries to represent a broad sample of organizations. We only selected firms for which public information was available to enable the collection of archival variables. Firms with less than 200 employees were excluded from the population to eliminate the

possibility of including very small firms that might not have formal HR strategy.

The data used to test these hypotheses were obtained from a survey of organizations. A detailed questionnaire covering three groups of questions was sent to senior management/human resource offices in 300 companies in five main activities of Iran. First section of questionnaire contains questions about human resource strategies, second section about the value and uniqueness of employees for determining human resource types based on organizational capabilities and last section contains questions about organizational strategy. A total of 246 valid questionnaires from companies with more than 300 employees were returned. We choose the criteria of organizations with such number of employees in order to possess a well-defined human resource department and architecture and firms with less than 300 employees were excluded from the population to eliminate the possibility of including very small firms that might not have formal HR strategy.

Instrumentation and Variables: For determining human resource capabilities we adopt the same variables from Lepak & Snell research edited on 2002. The constructs “value” and “uniqueness” were drawn from that paper. The same process was followed. The strategic value of human capital was measured with a 12-item index and the uniqueness of human capital was assessed with a 10-item index, but the only difference was our seven point Likert scale (1= almost never, 7= almost always) and we ask managers to assess those characteristics and practices in their employee. After obtaining scores in two indexes of value and uniqueness, we can determine the type of employee with juxtaposing these indexes. That means high value and high unique, high value and low unique, low value and high unique, low value and low unique employees are categorized respectively in the Firm-specific core employees, generic key employees, generic ancillary employees and generic ancillary employees.

All respondents were asked to assess the degree of reliance on HR strategies related to job design, recruitment and selection, training and development, performance appraisal, and compensation for the employment mode indicated on their survey. The HR practices were combined to form a commitment-based, a productivity-based, a compliance-based, and a collaborative HR strategy. For each case, all four HR indices were calculated by taking the mean value of the items in each configuration. The greater the mean on each index, the more similar it is to the HR strategy, and ultimately

organizational strategy was measured based on Miles and Snow's (1978) typology.

Methodological techniques: when new measures are introduced the convergent, discriminant and content validity must be substantiated. To do this, we carried out a number of empirical tests to examine the suitability of the scale used, by analysing the dimensionality, reliability and validity of the performance scale.

We used the ANOVA technique to show the relationship HR strategies with HR capabilities and organizational strategy. It is a statistical technique designed to analyse the significance of the mean differences of the different populations, and is used in cases when we need to study the relationship between nominal or ordinal variables, and interval variables. The ANOVA technique indicates whether or not we reject the null hypothesis that reflects the equal means value for each α level of significance. In this way, we confirm whether the mean of the variable HR strategy is significantly different for the organizations following the four different employees (firm-specific core employees, generic key employees, generic ancillary employees, and idiosyncratic allied employees) and four different strategies (prospectors, defenders, analysers and reactors) .

Results

Response and descriptive statistics: The final sample consists on 246 firms (35 % percent of the population) of which 157 focus on manufacture construction activity sector, 24 on finance, 16 on construction, 6 on IT, 26 on research, technical and engineering activity sectors. All the firms employ more than 300 workers.

Activity	Total of Organizations	Number of responses	of% responses (from total of organizations)
Manufacture activity	428	157	37 %
Construction activity	42	16	38 %
Finance , banking and insurance	74	24	32 %
IT	15	6	40 %
Technical and engineering service	86	26	30 %

Other activity	59	17	29 %
Total	704	246	35 %

Table 1: Sample and population profile

As it was shown on table 2, the proportions are similar on total population and answers and the level of response is quite satisfactory.

Hypotheses testing about aligning HR strategy with HR capabilities:

We firstly identify how many organizations drop into each category of HR configuration capability. So, we obtain 47 firms with firm-specific core employees, 98 firms with generic key employees, 82 firms with generic ancillary employees, and 19 firms with idiosyncratic allied employees.

Type of employees	Frequency	Percent
firm-specific core	47	19
generic key	98	40
generic ancillary	82	33
idiosyncratic allied	19	8
Total	246	100

Table 2- Sample characteristics based on type of employees

We study the HR strategies after that. The survey shows that 37 firms manage their employees with commitment, 128 firms with productivity, 67 firms with compliance, and 14 firms with Collaborative HR strategy.

To test Hypotheses 1–4 we used ANOVA test. The results of these analyses indicate that the explanatory effect of HR strategy remained significant only for the commitment based ($F = 70.56$, $p < .001$), collaborative-based ($F = 13.93$, $p < .001$), and compliance based ($F = 3.621$, $p < .001$), but is not significant for the productivity-based and HR strategy.

While these results provide general insights into the pattern of HR strategy use, the most careful test of our hypotheses involve comparing the four HR strategies within each employment mode sub-sample. To examine these within employment mode differences in the use of the HR strategies we performed LSD (least significant difference) test within each employment mode sub-sample. These results are presented in Table 3.

Multiple Comparisons						
LSD						
Dependent Variable	(I)	(J)	Mean	Std.	P	95% Confidence Interval

(HR STRATEGIES)	EMPLOYEES	EMPLOYEES	Difference (I-J)	Error	VALUE	Lower Bound	Upper Bound
COMMITMENT	firm specific	Idiosyncratic allied	1.533	0.277	0.000	0.988	2.078
		Generic ancillary	2.150	0.186	0.000	1.784	2.517
		generic key	2.557	0.181	0.000	2.201	2.912
COLLABORATIVE	Idiosyncratic allied	firm specific	-0.347	0.209	0.097	-0.758	0.064
		Generic ancillary	-0.210	0.195	0.284	-0.595	0.175
		generic key	0.397	0.192	0.040	0.018	0.776
PRODUCTIVITY	generic key	firm specific	-0.137	0.215	0.524	-0.562	0.287
		Idiosyncratic allied	0.269	0.304	0.377	-0.330	0.868
		Generic ancillary	-0.114	0.182	0.530	-0.472	0.243
COMPLIANCE	Generic ancillary	firm specific	-0.114	0.168	0.497	-0.445	0.216
		Idiosyncratic allied	0.067	0.286	0.815	-0.496	0.629
		generic key	0.530	0.205	0.010	0.126	0.935

Table 3: Results for the LSD test
Comparisons HR strategies within four groups of employees

The results indicate that the commitment HR strategy is significantly greater for firm specific core employees than for the other three employment modes, so hypothesis 1 was supported.

In addition, although the collaborative HR configuration is significantly greater for Idiosyncratic allied employees than for generic key employee, it is not used significantly more than for firm specific and generic ancillary employees, and we did not find strong support for hypothesis 2.

For productivity HR strategy, the significant ($p < .001$) shows that there is not significant difference for using this HR strategy among four employee types. Therefore Hypothesis 3 was not supported.

While the compliance HR strategy is only greatest for the ancillary employee rather than firm specific core employee but there is no significant difference between ancillary with allied and generic key employees for this HR strategy. The findings don't support hypothesis 4 in that compliance HR strategy will be significantly greater within the generic ancillary employees than the other three employee categories.

Hypotheses testing about aligning HR strategy with organizational strategy:

Our second set of hypotheses is concerning the relationships among HR strategies and the different organizational strategies. For this purpose, we

examine how many organizations drop into each category of organizational strategy. Our study shows that prospective strategy in 32 firms, analyzer strategy in 139 firms, defender strategy in 51 firms and reactive strategy in 24 firms are dominant strategy.

Organizational strategy	Frequency	Percent
prospective	32	13
analyzer	139	56
defender	51	21
reactive	24	10
Total	246	100

Table 4- Sample characteristics based on organizational strategy

Then we study whether in sample firms the type of HR strategy have any relationship with the HR capability and organizational strategy. As in the previous analysis, one way ANOVA was developed between both groups of firms in our sample. In that case variables fulfil the requirements for such an analysis. The results of these analyses indicate that the explanatory effect of HR strategy remained significant for the commitment based ($F = 46.63$, $p < .001$), collaborative-based ($F = 37.91$, $p < .001$), productivity-based ($F = 62.16$, $p < .001$) and compliance based ($F = 78.18$, $p < .001$) HR strategy. So our hypothesis that "Different types of organisational strategy are associated with different human resources strategies" was supported.

The test of hypotheses 5-8 involves comparing the four HR strategies within each organizational strategy mode sub-sample. To examine these we performed LSD test within each employment mode sub-sample. These results are presented in Table 5.

Multiple Comparisons							
LSD							
Dependent Variable (HR STRATEGIES)	(I) organizational strategy	(J) organizational strategy	Mean Difference (I-J)	Std. Error	P VALUE	95% Confidence Interval	
						Lower Bound	Upper Bound
COMMITMENT	prospective	analyzer	0.936	0.199	0.000	0.545	1.327
		defensive	1.292	0.214	0.000	0.872	1.712
		reactor	3.229	0.239	0.000	2.759	3.698

COLLABORATIVE	prospective	analyzer	1.679	0.220	0.000	1.246	2.111
		defensive	0.936	0.236	0.000	0.472	1.401
		reactor	2.290	0.264	0.000	1.771	2.809
PRODUCTIVITY	analyzer	prospective	1.898	0.252	0.000	1.402	2.393
		defensive	0.479	0.159	0.003	0.166	0.791
		reactor	2.433	0.209	0.000	2.023	2.843
COMPLIANCE	defensive	prospective	3.171	0.209	0.000	2.760	3.582
		analyzer	0.682	0.123	0.000	0.441	0.923
		reactor	2.405	0.178	0.000	2.055	2.755

Table 5: Results for the LSD test

Comparisons HR strategies within four types of organizational strategy

The results indicate that the commitment HR strategy is significantly greater for organizations that are managed under prospective strategy than the other three organizations. In addition, the collaborative HR configuration is significantly greater for prospector organizations than for the analyzer, defensive and reactor organizations.

The productivity HR strategy is significantly greater for analyzer organizations than for the other three organizations. Also the compliance HR strategy is greatest for defensive organizations rather than for the analyzer, defensive and reactor organizations. These results provide support for hypotheses 5, 6, 7, and 8.

Discussion and conclusions

In this paper the aligning HR strategy with organizational strategy and HR capabilities in a sample of Iranian firms was examined. In general, this study does not provide strong support for the notion that "HR strategies proposed by Lepak & Snell (1999, 2002) are associated with the scores in human capital value and uniqueness" in Iranian firms. But the notion that "different types of organisational strategy developed by Miles and Snow's (1978) are associated with different human resources strategies" is strongly accepted.

As hypothesized, the commitment HR strategy is significantly greater for Firm-specific core employees than for employees within the other three employment modes. But the pattern across employee types for the productivity HR strategies is complicated and this strategy is used equally within four categories of employee.

Though the collaborative HR strategy is used for idiosyncratic allied employees, this HR strategy is used for generic key employees as well. A similar pattern exists for the compliance HR strategy; that is, the compliance HR is used equally for generic ancillary and generic key employees.

With consideration within types of employee analyses, what is particularly interesting is that most of the variance associated with the HR strategies relates to the management of firm-specific core employees. While the commitment HR strategy tends to be limited to firm-specific core, for this group of employees, the results indicate that there is no significant difference regarding the use of the commitment, productivity, and collaborative HR strategies and, firms vary most in how they manage their firm-specific core employees.

These results may indicate that some managers do not provide the discretion and latitude that typically accompanies firm-specific core but focus instead on maximizing their productivity via a productivity HR strategy. One explanation may be that managers do not have the necessary resources to invest in developing firm-specific core employees. In dynamic environments, firms may not believe they will be able to fully recoup human capital investments even in their core workers. In these cases, it seems logical that managers would strive to ensure immediate contribution through a HR strategy that emphasizes productivity for all valued workers and not just those in generic key employees.

Contrary to the productivity HR strategy, few firms used a collaborative HR strategy (only 6 %). This particular finding might highlight the little importance of collaboration and teamwork within Iranian organizations. Whereas organization must more focus on collaborative activities to reflect the knowledge sharing and information exchange necessary for alliances articulated by Lepak and Snell (1999). Firms can garner substantial benefits by implementing a team-based approach for their internal workers as well as those within alliances, a possibility that would enhance the relationship between Firm-specific core, generic key and the generic ancillary employees. Indeed, during the past decade there have been a number of academics and practitioners (e.g., Pfeffer, 1994) that have suggested that team-based production and organization may be an appropriate method to increase a firm's effectiveness. So, future research would explore the factors that serve as barriers to the adoption of a collaborative HR strategy.

The qualitative responses about organizational strategy provide several noteworthy points. First; results show that organizations apply the full range

of organizational strategies asked in the questionnaire. The dominant organizational strategies are analyzer (56%) and defender (21%) respectively. But there is variation regarding the activities identified for each strategy. For example, within the prospector organizations the activity range from financial activity to manufacturing and IT sectors. Second; in some sectors the same activity was listed in different organizational strategy. For example, construction firms were identified as being in prospectors, analyzer and defender. Taken together, we believe that these differences highlight an important issue central to an organizational strategy that the decisions about strategy are not fixed for a particular sector.

The results indicate that the dominant HR strategies for prospector organization are respectively commitment and collaborative strategy. For analyzer organizations the most popular HR strategy is productivity and for defensive organizations is compliance HR strategy. As a conclusion, Iranian firms apply the HR strategies according to characteristics of employees, as it is said in the theoretical model.

A challenge appears within the study of the matching between HR strategy with human capital and organizational strategy is that which factors more affect HR strategy in organizations. It seems that “value” and “uniqueness” of employees as indicators of human capabilities is not the key in the Iranian case, but organizational strategy has more effect in determining of HR strategy. Therefore more research is necessary to examine the reason of weak relationship between human capabilities and HR strategy. Other interesting research question to be answered will be the affect of matching HR and organizational strategy on the organizational performance.

In this paper we have demonstrated that different HR strategies tend to be used under different organizational strategy. A direct implication of this study for HR researchers is that it may be too simplistic to presume that a single optimal set of HR strategies is ideal, or utilized, in all situations.

The findings of this study highlight how firms strategically manage their employee with different HR strategy. We insist that this research can help organizations realize the importance of managing their employees according to their characteristics and aligning with their organizational strategy.

Reference:

1. Atkinson J. (1984), *"Manpower strategies for flexible organisations, personnel management"*.
2. Baird L. and Mesaulham I. (1988), *"Managing two fits of strategic human resource management"*, Academy of Management Review, vol.13, No.1.
3. Bamberger, P. A., & Phillips, B. (1991), *"Organizational environment versus business strategy: Parallel versus conflicting influences on HR strategy"*. Human Resources Management, 30, 153-182.
4. Bamberger, P., Meshoulam, H. (2000), *"Human resource strategy: formulation, implementation, and impact"*, Sage, Beverly Hills, CA.
5. Barney, J. (1991), *"Firm resources and sustained competitive advantage"*. Journal of Management, 17: 99-129
6. Barney, J. B. & Wright, P. M. (1998), *"On becoming a strategic partner: the role of human resources in gaining competitive advantage"*. Human Resource Management, 37: 31-46
7. Boxall P. (1992), *"The Strategic HRM debate and the resource based view of the firm"*, Human Resource Management Journal, Vol.6 No.3.
8. Colbert, B. A. (2004), *"The complex resource-based view: implications for theory and practice in strategic human resource management"*, Academy of Management Review, 29: 341-358
9. James, W. L. & Hatten, K. J. (1995), *"Further evidence on the validity of the self typing paragraph approach: Miles & Snow strategic archetypes in banking"*. Strategic Management Journal, 16: 161-169
10. Lepak, D. P. & Snell, S. A. (1999), *"The human resource architecture toward a theory of human capital allocation and development"*. Academy of Management Review, 24: 31-48
11. Lepak, D. P. & Snell, S. A. (2002), *"Examining the human resource architecture: the relationships among human capital, employment, and human resource configurations"*, Journal of Management, 28: 517-543
12. Miles, R. and Snow, C. C. (1978), *"Organizational strategy, structure and process"*, New York, McGraw-Hill.
13. Miles, R. and Snow, C. C. (1984), *"Designing strategic human resource systems"*, Organizational Dynamics, 13: 36-52
14. Pfeffer, J. (1994), *"Competitive advantage through people: unleashing the power of the work force"*, Boston: Harvard Business School Press.

15. Porter, M. (1985), *"Competitive advantage: Creating and sustaining superior performance"*, New York: Free Press.
16. Prahalad, C. K., & Hamel, G. (1990), *"The Core competence of the corporation"*, Harvard Business Review, Vol 68: 79-91
17. Purcell and Ahlstrand (1994), *"HRM in the multidivisional company"*, Oxford. p.28.
18. Rousseau, D. M. (1995), *"Psychological contracts in organizations: Understanding written and unwritten agreements"*, Thousand Oaks, CA: SAGE Publications
19. Schuler R. and Jackson S. (1987), *"Linking competitive strategies with human resource practices"*, the Academy of Management Executive, Vol. 1, N.3. P. 207-219.
20. Thompson, Paul and McHugh, David (2002), *"Work organisations: A critical introduction"*, Third Edition, Palgrave, New York
21. Tsui, A. S., Pearce, J. L., Porter, L.W., & Tripoli, A. M. (1997), *"Alternative approaches to the employee–organization relationship: Does investment in employees pay off?"* Academy of Management Journal, 40: 1089–1121.
22. Tyson S and York A (2000), *"Essentials of human resource management"*, Oxford Read Elsevier Group.