



# The International Journal of Human Resource Management

ISSN: 0958-5192 (Print) 1466-4399 (Online) Journal homepage: <http://www.tandfonline.com/loi/rijh20>

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To cite this article: Ben S. Kuipers & Laura M. Giurge (2016): Does alignment matter? The performance implications of HR roles connected to organizational strategy, The International Journal of Human Resource Management, DOI: [10.1080/09585192.2016.1155162](https://doi.org/10.1080/09585192.2016.1155162)

To link to this article: <http://dx.doi.org/10.1080/09585192.2016.1155162>



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Published online: 04 Mar 2016.



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## Does alignment matter? The performance implications of HR roles connected to organizational strategy

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### ABSTRACT

For the HR function to have a positive impact on performance and thus strategically add value to the organization, it has been suggested to redefine its traditional operational role. However, to gain a deeper understanding of the relationship between these HR roles and performance, their alignment with the organizational strategy should not be ignored. In this paper, we therefore focus not only on whether the operational and strategic HR roles are linked to performance, but also on the extent to which their alignment with the applied organizational strategy actually matters for performance. We carried out a survey study among 336 respondents either holding an HR function or being responsible for HR-related tasks in various organizations. We found a positive effect of the strategic role on performance, and also how it might substitute a lack of innovation strategy. Further, we found an alignment effect between a cost strategy and the operational HR role in relation to organizational performance. We discuss these findings based on the literature and provide some practical recommendations for further developing the role of HR.

### KEYWORDS

HR roles; organizational performance; organizational strategy; strategic HRM; survey

### Introduction

A usual comment in the literature is that the human resource (HR) function has to move from its traditional operational role towards a more strategic role. Unless such a transformation occurs, the HR function will not be able to demonstrate its strategic value within the organization and contribute to the overall organizational performance (Becker, Huselid, Pickus, & Spratt, 1997; Ramlall, 2006; Reilly, Tamkin, & Broughton, 2007; Truss, 2008). Nevertheless, some empirical studies show that, in general, HR professionals remain focused on the more traditional administrative function (Boxall & Purcell, 2008; Caldwell, 2003; Truss,

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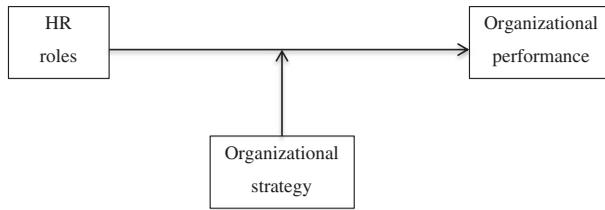
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Gratton, Hope-Hailey, Stiles, & Zaleska, 2002), while other studies show that the strategic HR role can be carried out simultaneously with the operational HR role (Lemmergaard, 2009; Truss, 2008). In spite of the increasing debate regarding the description, occurrence, and significance of the roles of the HR professionals, little is known about their impact on performance outcomes (Caldwell, 2010).

Parallel to the HR roles debate, the broader strategic HRM literature suggests that HR can become a source of competitive advantage especially when the organizational strategy is aligned with the HRM practices and policies (Beer, Spector, Lawrence, Mills, & Walton, 1984; Combs, Liu, Hall, & Ketchen, 2006; Guest, 1987; Jackson & Schuler, 1995; Michie & Sheehan, 2005; Porter, 1985; Truss & Gratton, 1994). Several authors emphasized that HR leads to higher performance when there is an alignment between the organizational strategy and HRM (Bird & Beechler, 1995; Christiansen & Higgs, 2008; Wang & Shyu, 2008; Wright, Snell, & Jacobsen, 2004).

Hence, there are some important gaps in the literature, which are relevant to address. First, further empirical research is required to understand how both operational and strategic HR roles are related to performance outcomes. Second, drawing on insights from the strategic HRM literature, it has been suggested that alignment with the organizational strategy is not only necessary, but also required. Therefore, in order to understand the relationship between the HR roles and performance it seems imperative to take into account a contextual perspective to test whether the impact of the HR roles is dependent on the organizational strategy. By doing so, further advances can be made towards a deeper understanding of this alignment issue.

The aims of the present research are twofold. First, we build upon the knowledge of how both the operational and the strategic role used by the HR function contribute to the performance of organizations. We do this by building on the most cited and probably most frequently used framework for HR roles namely, the framework developed by Ulrich (1997). From our experience with HR practitioners, most of them (at least in the Netherlands) seem to be familiar with this model and very often use it within their HR departments to develop their position as HR business partners. Although Ulrich's model has a rather prescriptive nature (e.g. Harris, 2007; Lemmergaard, 2009; Voermans & van Veldhoven, 2007), there are a few empirical studies that used it to understand how the roles played by HR professionals are linked to performance (Hailey, Farndale, & Truss, 2005; Lemmergaard, 2009). Second, we aim to place the use of these roles within the context of strategic HRM. We will do so by studying how the HR roles in combination with the use of different organization strategies impact performance in organizations. After reviewing the literature on the relationship between the HR roles and performance, and the one between HRM and the organizational strategy, we will test our model (see Figure 1). We predict positive relationships between the HR roles and performance, especially when they are aligned with the organizational strategy (interaction effects). We use survey data from 336 respondents



**Figure 1.** The conceptual model.

who either hold an HR function or have HR responsibilities (e.g. holding a line position) in both private and public organizations.

## Theory and hypotheses

### *HR roles and performance*

In defining the roles of the HRM function, several authors have contributed (Rowden, 1999; Schuler, 1990; Storey, 1992; Walker, 1994; Wiley, 1992), however, the most cited and probably most frequently used framework is the one developed by Ulrich (1997). He advocates that HR professionals need to move towards becoming business partners within the company and use their knowledge and skills to achieve an alignment between the HR capabilities and both the internal and external business requirements (Ulrich, 1993). His model discerns between a more strategic focus and a more operational focus of the HR function. Subsequently, it stresses the need for a focus on people vs. a focus on processes within the organization. Among the operational roles of the HR function, the roles of ‘administrative expert’ and ‘employee champion’ are defined (Conner & Ulrich, 1996; Ulrich, 1997). The *administrative expert* can be regarded as the traditional role of HRM and focuses on delivering and designing efficient HR processes (Conner & Ulrich, 1996). In contrast, the *employee champion* ‘deals with the day-to-day problems, concerns and needs of individual employees’ (Conner & Ulrich, 1996, p. 42). On the strategic level (Ulrich, 1997), identifies the more process oriented ‘strategic partner’ and the more people oriented ‘change agent’ role. The *strategic partner* role aligns the organizational strategy with the HR strategies and current practices (Conner & Ulrich, 1996). The *change agent* role is aiming to develop an organization’s capacity to manage change effectively, with a focus on employee’s adaptive behaviors to sustain the organization’s competitiveness (Conner & Ulrich, 1996; Ulrich, 1997). The study by Conner and Ulrich (1996) shows how the strategic partner and the change agent basically belong to the same role since ‘the ability to change is critical to all strategic work in human resources’ (Conner & Ulrich, 1996, p. 44).

Importantly, Ulrich (1997) proposes that performance can be improved when all HR roles are carried out simultaneously. In a later model, Ulrich, Younger, Brockbank, and Ulrich (2012) connected HR competencies, which are linked to

the well-known HR-roles model, to organizational performance. Their Human Resource Competency Study reveals that the presence of all HR competencies, both linked to the strategic roles (such as the 'strategic positioner') and to the operational roles (such as the 'human resource innovator and integrator') are positively associated with organizational performance outcomes. A few other scholars in the field focused on the relationships between the HR roles and performance. Lawler and Mohrman (2000, 2003) advocate that the HR function will be able to prove its worth and add value to the organization only when it will embrace its new strategic role. In line with that, Bhatnagar and Sharma (2005) demonstrated that the strategic HR roles have a positive impact on the organizations' financial performance. Although a bit more mixed and highlighting the importance of combining both process- and people-oriented roles, the study by Hailey et al. (2005) shows how the use of Ulrich's HR roles (1997) may contribute to achieve better organizational performance.

In sum, we are expecting positive relationships between the operational and the strategic roles of HR and the organizational performance. Focusing on day-to-day problems and efficient HR processes (Conner & Ulrich, 1996), it can be expected that when HRM applies the operational roles they will contribute to the development of systems and routines that support the organization to become more productive and cost-effective. In contrast, by applying the strategic roles, HRM focuses on aligning the HR strategies with the organizational strategy and develops the HR practices and employee behaviors that enable organizations to achieve their goals (Conner & Ulrich, 1996; Ulrich, 1997). This argument culminates in the following hypothesis:

H1: Both strategic and operational roles of the HR function are positively related to the organizational performance of an organization.

### **Organizational strategy and HR roles**

Commonly, two generic organization strategies are distinguished in the literature: the cost-based strategy and the innovation-based strategy (Acar & Zehir, 2010; Arthur, 1992; Dess & Davis, 1984; Gates & Langevin, 2010; Miller, 1986). This typology can be found among the most popular strategy models such as Porter's (1980) generic organization strategies of cost-leadership and differentiation or Miles and Snow's (1978, 2003) prospector strategy (innovation focused) and defender strategy (cost focused). Organizations that pursue a *cost-based strategy* are developing their competitive advantage through searching for economies of scale in available, stable and predictable areas (Miles & Snow, 1978, 2003) and through low prices and a focus on cost reduction by means of standardization (Bendoly, Rosenzweig, & Stratman, 2007). On the contrary, companies that pursue an *innovation-based strategy* continuously search for new products, services, technologies and markets (Miles & Snow, 1978, 2003) and focus on quality and ways to create unique products or services (Bendoly et al., 2007).

There are several authors that linked these two generic organizational strategies to performance (Acar & Zehir, 2010; Dess & Davis, 1984; Dröge, Vickery, & Markland, 1994; Miller, 1986; Yamin, Gunasekaran, & Mavondo, 1999). By linking the human aspects of the organization to the organizational strategy, the HR function will further enable the structure and development of necessary skills and abilities of employees to constitute a viable source of competitive advantage and thereby having a positive impact on performance outcomes (Becker & Huselid, 2006; Christiansen & Higgs, 2008; Combs et al., 2006; Huselid, 1995; Lawler & Boudreau, 2009; Ulrich, Brockbank, & Johnson, 2009). The HR function, therefore, is increasingly seen as playing an essential part not only in the process of formulating an organizational strategy, but also in proving its content and helping with its effective implementation (Ulrich et al., 2009). Following the theory about creating internally consistent HR systems (e.g. Becker et al., 1997; MacDuffie, 1995), we may expect that particular bundles of organization strategies and HR roles may be beneficial for organizational performance. Below we, therefore, elaborate on the combination of an innovation-based strategy with a strategic HR role and the combination of a cost-based strategy with an operational HR role.

Given the increasingly dynamic business environment of today, organizations with an innovation-based strategy need to learn and develop the ability to adapt and respond effectively and immediately in order to keep up with the pace of change. A crucial factor in triggering innovation is the organization's ability to develop and manage its human capital accordingly (De Winne & Sels, 2010). HR professionals, therefore, play an increasingly important role in helping the organization build its capacity to deal with change, which in turn is critical for improving its performance (Lawler & Mohrman, 2003; Ulrich, 1997). Moreover, having the ability to sense and seize the opportunities that come with change and innovation is crucial for developing a sustained competitive advantage (Rowden, 1999; Ulrich et al., 2009). Such competences can be expected to be most present in the strategic HR roles. Strategic roles are associated with a future-oriented focus, involvement in strategic decision-making, development of integrated HR strategies and transformation and, last but not least, the overall change of the organization (Hailey et al., 2005; Truss, 2008; Ulrich, 1997). For that reason, the strategic HR role is expected to have a higher impact on the organizational performance when the level of innovation strategy is also high and to have a lower impact on the organizational performance when the level of innovation strategy is low. This line of reasoning led us to formulate the following hypothesis:

H2: The relationship between the strategic role of the HR function and performance will be moderated by innovation strategy such that the strategic role will be most strongly related to performance when an innovation strategy is used.

On the other hand, organizations that seek to compete by developing a cost-based strategy have a rather different approach to the development and management of human capital. Here, the main focus is on decreasing costs whenever possible and as such, organizations using this type of strategy are aiming to achieve more

efficiency at the employee level through HRM (cf. Acar & Zehir, 2010; Yamin et al., 1999). In line with this is also Huselid, Becker, and Beatty's (2005) argument regarding the appropriate behaviors within such organizations. Since the activities of cost-driven organizations are usually more repetitive, we may expect that employees need to avoid taking risks and instead be more operational and process-driven than they would be in an innovation-driven organization (cf. Huselid et al., 2005). The operational roles of HRM contribute to this kind of behaviors with their day-to-day HR activities targeting the concerns and needs of individual employees, with a clear focus on standardization and routines (Truss, 2008; Ulrich, 1997). Efficiency can further be obtained through tight monitoring and control systems of the employees and their work (Katou & Budhwar, 2009). This shows that the operational role of HR would have an important part to play in improving the overall performance of those organizations that seek to compete by being a cost leader. We therefore expect that in organizations where a cost-based strategy is present, the operational role of HRM will be particularly beneficial for the organizational performance. Whereas, in line with Huselid et al.'s (2005) argument, the operational and process-driven role of HRM is not expected to have this effect in organizations where the cost-based strategy is less applied. This line of argumentation culminates in the following hypothesis:

H3: The relationship between the operational role of the HR function and performance will be moderated by cost strategy such that the operational role will be most strongly related to performance when a cost strategy is used.

## Methodology

### *Sample and data collection*

Data were collected by means of a questionnaire that was provided to master students who received the assignment to apply it in an organization as part of an HRM course. About 80% of the data were collected by part-time students who had a job in an organization and, at the same time, followed a master program in Public Administration. The rest of the data were collected by full-time students of a course in Strategic HRM following a master program either in Business Administration or in Public Administration. They were asked, by use of a questionnaire, to interview a person with HR responsibilities (i.e. a person with a position in HRM, or one with clear HR responsibilities, such as a line-manager) and in the position to judge the role of the formal HR function in the organization. We used this sampling strategy to get access to a wide range of respondents with HR responsibilities in various organizations, following the method as applied by Morgeson and Humphrey (2006).

All data were collected between 2008 and 2011 (see Table 1 for an overview across years), as that was the period when this assignment was used in the various master-level programs. Of the 336 respondents (42.6% male), 57.4% had an

**Table 1.** Descriptive statistics about the sample.

	HR function		Other		Total	Public funding		Private funding/other		Total
	%	N	%	N		%	N	%	N	N
2008	59.8 (76.5)	52 (19)	18.4 (23.5)	16 (19)	68 (19)	43.7 (55.1)	38 (18)	35.6 (44.9)	31 (18)	69 (18)
2009	50.9 (53.7)	29 (3)	43.9 (46.3)	25 (3)	54 (3)	49.1 (52.8)	28 (4)	43.9 (47.2)	25 (4)	53 (4)
2010	52.5 (54.4)	74 (5)	44 (45.6)	62 (5)	136 (5)	44.7 (46.3)	63 (5)	51.8 (53.7)	73 (5)	136 (5)
2011	74.4 (82.6%)	38 (5)	15.7 (17.4)	8 (5)	46 (5)	49 (56.8)	25 (7)	37.3 (43.2)	19 (7)	44 (7)
Total	-	193 (32)	-	111 (32)	304 (32)	-	154 (34)	-	148 (34)	302 (34)
Grand total										336

Notes. The values in brackets for the % represent the valid percent and for the N they represent the number of missing values.

HR position (27.4% of these had a formal managerial position in HR), 19.9% had a line management position, 13.1% were not holding a position in HR (i.e. policy-making or other staff functions) and for 9.5% of the respondents data regarding the function were missing. Most of the respondents (45.8%) worked in a publically funded organization, whereas 44% worked in a privately funded or otherwise funded organization. For 10.1% of the respondents, data about the type of organization were missing. Respondents' average organization tenure was 116.20 months (SD = 109.27 months) and their average experience in their current function was 65.29 months (SD = 64.53 months). For 18.5% of the respondents data on tenure were missing. Relatedly, for 25.6% of respondents data on experience in the current function were missing. Respondents' age ranged from 22 to 64 with an average of 43.15 years (SD = 9.58). Regarding education level, 47.3% of respondents obtained a bachelor's degree, 37.8% obtained a master's degree, 2.4% obtained a vocational degree and 0.3% completed only primary education. For 12.2% of the respondents, data regarding age as well as education level were missing.

## Measures

### Organizational performance

The measurement of the organizational performance was based on Bernardin (2002) and Vermeeren (2014). These authors include measures for different areas of performance, such as quality and efficiency. Following this method, we constructed an index composed of five items (i.e. 'The quality of products/services in the organization is high') for which respondents were asked to compare them to the average in the sector or to those of similar organizations. A 5-point response scale was used ranging from 1 (*strongly disagree*) to 5 (*strongly agree*), with the additional option of 0 (*not applicable*). Compared to the performance measurement by Vermeeren (2014), the Cronbach's alpha of this scale was high

( $\alpha = .81$ ). Principal components analysis with Varimax rotation revealed that all items loaded on one factor (see Table 2).

### **Organizational strategy**

In line with the literature, we focused on two specific organization strategies namely, cost-based strategy and innovation-based strategy. The cost-based strategy is characterized by a focus on low costs, efficiency, standardization, economy of scale and imitation. The innovation-based strategy is characterized by product and market development, acting as a first mover and flexibly responding to new developments and demands. Based on the literature, we developed six items for the cost strategy and six items for the innovation strategy, as presented in Table 3. The items were pre-tested among line-managers, HR-managers and HR-staff in three different organizations (a regional hospital in the North of the Netherlands, a specialized hospital in the West of the Netherlands and the headquarters of a large bank in the Netherlands). They were interviewed about the strategy of their organization, personnel policies and organizational characteristics. Separately, they were asked to fill out a survey that included the items about the organizational strategy and to provide comments about these items (e.g. whether they were unclear). Furthermore, during the interviews, their responses about the organizational strategy were verified with their responses provided in the survey about the organizational strategy items. The data from the interviews and the survey showed very comparable results. Based on the remarks from the survey, only the wording of some of the items was changed, whereas the content of these items was not changed. Exploratory factor analysis revealed two perfectly identifiable dimensions, each having strong factor loadings on their corresponding items and low factor loadings on the other items (see Table 3). This was found with principal components extraction and Varimax rotation. The internal consistency of the cost-based strategy ( $\alpha = .70$ ) and, respectively, the innovation-based strategy ( $\alpha = .71$ ) was acceptable.

### **HR roles**

The HR roles were measured using the original scale developed by Ulrich (1997). This model has been widely applied by other researchers (Bhatnagar & Sharma, 2005; Caldwell, 2001; Truss et al., 2002). Respondents specified on a 5-point

**Table 2.** Exploratory factor analysis for organizational performance.

Item	Loadings
(1) The organization delivers products/services fast (4) <sup>a</sup>	.85
(2) The efficiency of the organization is high (3)	.81
(3) The productivity of the organization is high (2)	.75
(4) The waiting lists in the organization are short (5)	.71
(5) The quality of products/services in the organization is high (1)	.62

Note.  $N = 336$ .

<sup>a</sup>Original item number in the survey.

**Table 3.** Exploratory factor analysis for the organizational strategy.

Item		Innovation strategy	Cost strategy
Your organization wants to be first mover in market changes (9) <sup>a</sup>	Bendoly et al. (2007), Miles and Snow (2003)	<b>.68</b>	.08
Your organization responds to threats and/or opportunities in the environment (12)	Dess and Davis (1984), Miles and Snow (2003)	<b>.67</b>	-.01
Your organization is constantly seeking new market opportunities (1)	Bendoly et al. (2007), Dess and Davis (1984), Miles and Snow (2003), Porter (1980)	<b>.67</b>	.10
In your organization there is a focus on innovation (7)	Bendoly et al. (2007), Dess and Davis (1984), Miles and Snow (2003), Porter (1980)	<b>.67</b>	.20
Your organization is committed to flexibility (2)	Bendoly et al. (2007), Miles and Snow (2003)	<b>.61</b>	.01
Your organization considers it to be important to keep a close watch on competing organizations to copy new ideas and promising ideas quickly (6)	Bendoly et al. (2007), Dess and Davis (1984), Miles and Snow (2003)	<b>.46</b>	.31
Your organization uses a strict cost focus (10)	Dess and Davis (1984), Miles and Snow (2003), Porter (1980)	.15	<b>.73</b>
Your organization focuses on a low price (11)	Bendoly et al. (2007), Dess and Davis (1984)	-.04	<b>.69</b>
Routine and efficient operation is of great importance in your organization (4)	Bendoly et al. (2007), Dess and Davis (1984)	.18	<b>.63</b>
In your organization cost reduction in the primary process is very important (3)	Bendoly et al. (2007), Dess and Davis (1984)	.19	<b>.62</b>
Your organization focuses on the delivery of large quantities of standardized products or services (5)	Miles and Snow (2003), Porter (1980)	-.08	<b>.54</b>
In your organization successful imitation of others through market research and/or benchmarking is important (8)	Miles and Snow (2003), Porter (1980)	.29	<b>.49</b>

Note. Bold type indicates that the associated items loads unambiguously at .40 or greater on a single factor.

<sup>a</sup>Original item number in the survey.

scale ranging from 1 (*strongly disagree*) to 5 (*strongly agree*), the extent to which they agree or disagree with several statements concerning Ulrich's four HR roles. Example items are as follows: the strategic partner role: 'HR spends time on strategic issues'; the change agent role: 'HR helps the organization to adopt to change'; the employee champion role: 'HR develops processes and programs to take care

of employee personal needs'; and the administrative expert role: 'HR helps organization improve operating efficiency'.

Based on previous research (Conner & Ulrich, 1996; Truss, 2009) we integrated Ulrich's original four roles into two specific ones namely a strategic role, combining the strategic partner and the change agent ( $\alpha = .95$ ) and an operational role, combining the administrative expert and the employee champion ( $\alpha = .79$ ).

### **Control variables**

In order to identify the interaction effects between the HR roles and the organizational strategy on organizational performance, we controlled for the year in which the data were collected, respondents' tenure, level of education, type of function (i.e. an HR function vs. a non-HR function) and type of organization (i.e. publicly vs. privately funded). We controlled for the year in which the data were collected because we wanted to exclude the possibility that the changing economic climate over these years would affect the results. The function of the respondent was included because people who have an HR-related function may have been biased in their responses about the presence of HR in the organization in terms of HR roles. Similarly, the type of funding was included as a control variable to exclude differences between public and private organizations. Lastly, we controlled for tenure in the organization and respondents' level of education in order to eliminate possible influences of individual differences on our results.

Given that our data were collected from single respondents for both the dependent and the independent variables, we performed Harman's single factor test. This is one of the most widely used techniques for addressing common method bias issues (cf. Andersson & Bateman, 1997; Aulakh & Gencturk, 2000). Specifically, we ran a principal component analysis on all items of our constructs (i.e. the organizational strategy, the HR roles and the performance index), extracting only one factor and using no rotation method. Results revealed that no dominant factor emerged, that is the overall variance explained by the extracted factor (29.01%) was not above 50%. While the variance explained by a single factor appears to be somewhat large, it is nonetheless not the majority. Hence, common method bias seems not to be an issue for our tested model.

### **Results**

Table 4 illustrates the means, standard deviations and the correlations between the variables used in this study. An examination of the means reveals that the sample contains slightly more organizations that had a stronger focus on using an innovation-based strategy ( $M = 3.50$ ,  $SD = .67$ ) rather than on using a cost-based strategy ( $M = 2.98$ ,  $SD = .70$ ). On average, both HR roles (strategic and operational) appear to be present to a similar level (averages of 3.56 and 3.64). Correlations among the control variables as well as the independent variables do not pose a problem given that most of them are under the cut point of .5.

**Table 4.** Means, standard deviation and correlations of all variables.

Variables	M	SD	1	2	3	4	5	6	7	8	9	10
(1) Organizational performance	3.59	.62	—									
(2) Year	2.46	1.03	.00	—								
(3) Tenure	116.2	109.27	.03	.06	—							
(4) Education	4.39	.59	-.05	-.00	-.18**	—						
(5) Function	.33	.47	-.03	.06	.09	.21**	—					
(6) Funding	.49	.50	.17**	.02	-.1	.08	-.00	—				
(7) Innovation strategy	3.50	.67	.30**	.11*	.02	-.02	-.08	.27**	—			
(8) Cost strategy	2.98	.70	.19**	.17**	.02	-.04	-.03	.10	.36**	—		
(9) Strategic roles	3.56	.76	.28**	.02	.07	-.08	-.30**	.15**	.29**	.21**	—	
(10) Operational roles	3.64	.62	.21**	.01	.01	-.09	-.26**	.12*	.25**	.21**	.62**	—

Notes: N = 336. Year ranged from 1 = 2008 to 4 = 2011; Function was coded as 0 = HR function, 1 = Other; Funding was coded as 0 = Public, 1 = Other.

\*p < .05;

\*\*p < .01.

Interesting to note here is the negative correlation between function (dummy variable) and both the strategic ( $r = -.30, p < .01$ ) and the operational role of HR ( $r = -.26, p < .01$ ), indicating that respondents who do not hold an HR function tend to provide lower scores for both HR roles than respondents with an HR function do. The correlation coefficient between the strategic and the operational role is a bit higher ( $r = .62, p < .01$ ), suggesting that either both are used more or both are used less, but still not alarming.

In order to test our hypotheses, we conducted stepwise regression with organizational performance as the dependent variable. Importantly, we standardized all our independent variables except the dummy variables (function and funding type) and the interaction terms that were computed based on the standardized variables. In Step 1, we entered our control variables in the model (see Table 5, Model 1). In Step 2, we added both the cost and the innovation strategy to examine their main effects (see Table 5, Model 2). Step 3 included the main effects of the strategic and the operational HR roles (see Table 5, Model 3). Lastly, in Step 4 we entered the interaction term between the cost strategy and the operational role and the one between the innovation strategy and the strategic role (see Table 5, Model 4).

Out of the five variables that we included as control variables, only funding seems to have a direct, positive and significant effect on organizational performance ( $\beta = .22, p < .01$ ). This outcome suggests that respondents in private organizations generally reported a higher organizational performance than those in publically funded organizations did. Furthermore, only the innovation strategy had a direct, positive and significant effect on our outcome variable ( $\beta = .26, p < .01$ ).

Hypothesis 1 suggested that both the operational and the strategic role of the HR function would be positively related to the performance of an organization.

**Table 5.** Results of regression analysis for organizational performance.

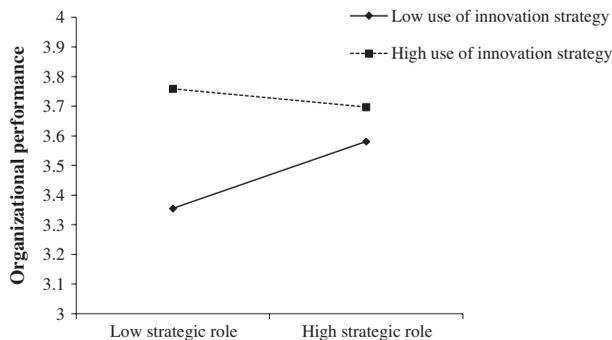
Variables	Model 1		Model 2		Model 3		Model 4	
	$\beta$	SE	$\beta$	SE	$\beta$	SE	$\beta$	SE
Year	-.00	.03	-.04	.03	-.04	.03	-.03	.03
Tenure	.05	.03	.04	.03	.02	.03	.03	.03
Education	-.05	.03	-.04	.03	-.04	.03	-.04	.03
Function	-.02	.08	-.00	.07	.06	.08	.05	.07
Funding	.22**	.07	.13*	.07	.11	.07	.13*	.07
Innovation strategy			.26**	.03	.22**	.03	.22**	.03
Cost strategy			.08	.03	.05	.03	.04	.03
Strategic role					.15*	.04	.13	.04
Operational role					.06	.04	.06	.04
Innovation strategy $\times$ Strategic role							-.14*	.03
Cost strategy $\times$ Operational role							.11	.03
$R^2$	.05*	.13**	.16**	.19**				
$\Delta R^2$		.08**	.03**	.02**				

Note.  $N = 336$ . Function was coded as 0 = HR function, 1 = Other; Funding was coded as 0 = Public, 1 = Other.  
\* $p < .05$ ; \*\* $p < .01$ .

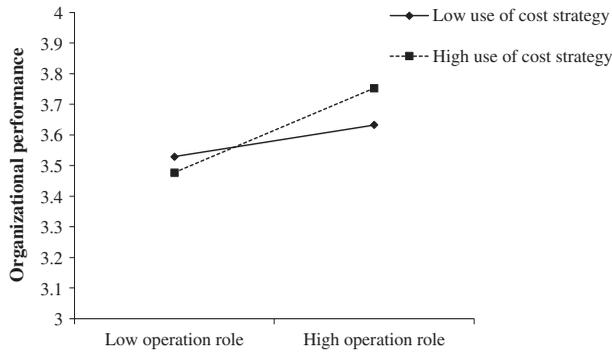
Results in Table 5 indicate that only the strategic role of the HR function had a positive effect on the organizational performance ( $\beta = .15, p < .05$ ). Thus, we only found partial support for our first hypothesis.

Hypothesis 2 suggested that a stronger focus on using the innovation strategy would be a moderator for the relationship between the strategic HR role and the organizational performance. The interaction term emerged as negative and significant ( $\beta = -.14, p < .05$ ). Figure 2 presents this interaction graphically. We proceeded by conducting simple slopes analyses following recommendations from Aiken, West, and Reno (1991). Specifically, we chose one standard deviation above and below the mean of the moderator (innovation strategy) to represent high and low levels of the moderator. Results indicated that when there was a weaker focus on using an innovation-based strategy, the organizational performance was higher when the strategic role was high rather than low ( $p < .01$ ). When there was a stronger focus on using an innovation-based strategy, there was no significant difference between a high and a low strategic role ( $p = .95$ ). In a similar manner, we conducted simple slopes analyses for the effect of the innovation strategy on the organizational performance contingent upon high and low levels of the strategic HR role. Results showed that when the strategic HR role was low, the organizational performance was higher when there was a strong, as opposed to a weak, focus on using an innovation-based strategy ( $p < .01$ ). When the strategic role was high, there was no significant effect of the innovation strategy on organizational performance ( $p = .31$ ). Hence, our second hypothesis was not supported. Instead, the results seem to indicate that a substitution effect emerges for the strategic HR role when the organization invests little attention to developing an innovation-based strategy.

Hypothesis 3 suggested that the cost strategy would moderate the relationship between the operational HR role and the organizational performance, such that this particular HR role would be most strongly related to organizational performance when there was a strong focus on using a cost-based strategy in the organization. The interaction appeared to be marginally significant ( $\beta = .11$ ,



**Figure 2.** The interaction between the strategic HR role and innovation strategy.



**Figure 3.** The interaction between the operational HR role and cost strategy.

$p = .06$ ). We plotted this interaction (see Figure 3) and ran simple slopes analyses. Results of these analyses showed that when there was a strong focus on using a cost-based strategy, organizational performance was significantly higher when the operational HR role was high rather than low ( $p < .05$ ). However, when there was a weak focus on using a cost-based strategy, there was no significant difference in organizational performance between a high- and a low-operational HR role ( $p = .64$ ). Similarly, we conducted simple slopes analyses for the effect of the cost-based strategy on organizational performance, contingent upon high and low levels of the operational role. Specifically, when the operational HR role was high organizational performance was significantly higher when there was a strong, rather than a weak, focus on using a cost-based strategy ( $p < .05$ ). When the operational HR role was low, there was no significant effect of the cost-based strategy on organizational performance ( $p = .41$ ). These results provide support for our third hypothesis, that is organizational performance was higher when the use of a cost-based strategy was combined with the presence of a stronger operational role.

## Discussion

With this study we aimed to explore the contribution of the strategic and the operational HR role to organizational performance while taking into account the organizational strategy. In line with the literature (e.g. Bendoly et al., 2007), we found that the use of an innovation-based strategy has a direct, positive and significant effect on organizational performance. Also, the use of a strategic HR role has a significant and positive relationship with organizational performance, which is again consistent with the literature (e.g. Bhatnagar & Sharma, 2005; Lemmergaard, 2009). However, we did not find a significant relationship between the operational HR role and performance, and thus our findings provided only partial support for our first hypothesis. Nevertheless, these findings can be explained by some of the literature that suggests that in particular the strategic roles of HR add value

and contribute to performance (Bhatnagar & Sharma, 2005; Lawler & Mohrman, 2000, 2003). Nevertheless, studies like the one by Lemmergaard (2009) also report positive relationships between the operational HR roles and performance. Our data did not provide support for such a relationship. This would suggest that the operational roles per se do not contribute any additional value to organizational performance. Nevertheless, they might contribute more indirectly to solving day-to-day issues and achieving efficient processes via the policies and practices that they deliver (Conner & Ulrich, 1996). It also might be that we need to further understand their contribution much more within the context of the organization's strategy.

The contextual role that the HR function can play in an organization is of particular interest to this study. That is, how does the HR role contribute to the organizational performance given a specific type of organizational strategy? To address this question, we looked at the interaction between two different and widely used strategy types and the HR roles in relation to organizational performance. Our results are twofold. First, based on our findings we needed to reject our second hypothesis. We hypothesized an interaction effect between the strategic HR role and an innovation strategy in relation to organizational performance, and although we did find an interaction effect, this turned out differently from what we expected. Specifically, we found a significant difference in performance between the combination of a lower scoring strategic HR role and a lower use of innovation strategy, vs. the combination of a lower scoring strategic HR role and a higher use of innovation strategy. In the latter case, the organizational performance was much higher. At the same time, there appeared to be no significant difference in performance between the combination of a higher scoring strategic HR role with either a lower or a higher use of innovation strategy. Our results seem to indicate a substitution effect rather than an alignment effect. This is because the organizational performance increases when the strategic HR role becomes stronger in combination with a lower use of innovation strategy – while there is no change in performance in combination with a higher use of innovation strategy. In other words, the application of a strategic HR role does not seem to strengthen the use of an innovation strategy, but rather compensates for the lack of such a strategy.

Second, whereas we did not find a direct effect for the operational role on performance, we did find support for our third hypothesis about its combination with a cost strategy. The results indicated that a more operational HR role in combination with a higher use of cost strategy has a significant positive relationship with performance. However, there was no difference in effect on performance when either a lower or a higher scoring operational HR role was combined with a lower use of cost strategy. Thus, these results indicate that the proposed alignment effect only occurs when a cost strategy is combined with an operational HR role.

When we confront these results with the literature, it seems that the HR function can fulfill particularly a role to support a cost-based strategy rather than an innovation-based strategy. Organizations with a cost-based strategy commonly

focus more on standardized processes and repetitive tasks to achieve efficiencies. The operational roles of HR are well suited to contribute to developing standards (Huselid et al., 2005), organizing processes (Acar & Zehir, 2010; Yamin et al., 1999) and monitoring employees (Katou & Budhwar, 2009) to achieve the main goals of a cost-based strategy. Furthermore, applying an operational HR role is well suited to target the needs and concerns of employees by a clear focus on routines and standardized behavior (Truss, 2008; Ulrich, 1997) that completes the alignment with a cost-based strategy. In contrast, such a clear alignment between the strategic HR role and an innovation-based strategy could not be found based on our data. In fact, the strategic HR role partly seems to substitute for the lack of an innovation strategy. This may be explained by earlier suggestions made by scholars that the strategic role of HR is much tougher to develop, particularly since it requires a position at the board level and among senior management, one which is often conflicting with the operational HR functions (Caldwell, 2003; Hailey et al., 2005). In the context of our findings – including a positive significant direct effect of an innovation-based strategy on performance – this may indicate that when an innovation strategy is well applied within an organization, aligning HR towards a strategic role does not add anything extra to achieve better performance. Still, this does not explain why the strategic HR role seems to substitute for a lack of innovation strategy. Instead we may need to interpret this effect in a more dynamic way, rather than in a static way. This has to do with the way a clear innovation-based strategy by itself involves the organization at different levels in a more long-term and externally oriented focus (Bendoly et al., 2007; Miles & Snow, 2003). Hence, when such a strategy is lacking or at least is not well-developed yet, a strategic HR role may support the organization at different levels to develop a future-oriented focus and to sense and seize the opportunities that come with change (Rowden, 1999; Ulrich et al., 2009).

### ***Limitations and future research***

Our study also encompasses a number of limitations. First, data on all our variables were collected from the same respondents through the same method and thus common source bias and common method bias represent potential issues for our results. To address this issue, we conducted Harman's single factor test – a usual procedure to address the issue (cf. Hsiao, Lee, & Chen, *in press*) – and found that common method bias does not pose a threat for our results. Alternatively, confirmatory factor analysis is suggested as a better tool to check for common method variance, as there are some limitations to Harman's test (Chang, Van Witteloostuijn, & Eden, 2010). Since our study involved the exploration of possible underlying dimensions because of newly developed variables, exploratory factor analysis was more appropriate (Child, 1990). It is a limitation of our study that both types of factor analyses could not be applied within the same dataset. Future research could aim for confirming the model we studied, based on the newly developed

variables around organizational strategy and performance. Nevertheless, in terms of measuring the organizational performance, our dependent variable, we did not ask respondents in general terms about the level of performance of their organization, but about a number of performance indicators in comparison to what is common in organizations in the sector. By doing so, we hope to have avoided or at least reduced to some extent issues with social desirability as well. In light of the sample characteristics and the high variety of respondents and organizations they represent, objective data for organizational performance were also not available – nor would they be comparable. Measuring organizational performance by means of perceptions of the respondents therefore appeared to be the best alternative. Although we admit that such data has its limitations, there is evidence of a strong correlation between objective and subjective performance measures (cf. Vermeeren, 2014). More specifically, it has also recently been shown that self-reported performance data is less biased than was previously assumed to be (Wall, Mitchie, Patterson, Wood, Sheehan, Clegg, & West, 2004). Future research about the alignment between HR roles and organizational strategy in relation to performance could further address this issue by focusing on organizations in a specific sector, where objective performance measures are widely present and would be comparable, such as in the automotive industry (cf. MacDuffie, 1995; Kuipers & Stoker, 2009). Alternatively, a variety of stakeholders could be interviewed to provide their opinion about the performance of the organization.

Second, given the way the data were collected and because we were not able to select our respondents randomly in this study, there might have been a small chance for a selection effect. Following the method developed by Morgeson and Humphrey (2006), we asked students to use their contacts to ask organization representatives (either a person with an HR function or a person with HR responsibilities) to fill out our survey. Even though we did not get any signals about it, it may have resulted in selecting more positive respondents who are more willing to help a student with their study. In other words, the findings are not the result of a deliberate representative selection of organizations in the Netherlands since we had no control over selecting the organizations ourselves. Our results should be interpreted accordingly.

Third, although we did not find significant differences in predicting our research model between respondents with an HR function and those holding other types of functions, we did find differences between them in rating the operational and the strategic role of HR in our correlational analyses. These results showed slightly smaller ratings for both types of HR roles by non-HR respondents compared to HR respondents. In future studies, more attention could be given to differing perspectives on the HR roles within organizations, e.g. by looking at the differences between those who formulate the policies versus those who implement them (see Wright & Nishii, 2007).

Fourth, even though we collected our data across four years, the nature of our study is still cross-sectional. That is we cannot claim any causality for the

main relationships between both the strategic and the operational HR roles and organizational performance. Our findings indicated that the strategic role is linked to higher organizational performance. Yet, it might be that in organizations in which performance is high there is a greater attention given to developing the strategic role as well, because of more means to develop such a role. However, the findings about our interaction effects do indicate that this is not always the case since the strategic role was beneficial for performance only when there was a lack of innovation strategy. Nonetheless, in future studies data could be collected longitudinally across specific points in time to gain a deeper understanding of the processual roles of HR in combination with organizational strategy over time that drive performance and, respectively, a deeper understanding of whether it is performance that drives the focus of the HR roles.

Lastly, our study focused on taking a contextual perspective in determining the importance of the HR roles in relation to organizational performance. In doing this, we primarily relied on a resource-based perspective by searching for alignment (or bundles) between the organizational strategy and HRM (Wright et al., 2001). Although we included a number of other contextual factors as control variables (such as year of measurement and type of funding), more of a contingency approach would have directed us to consider other contextual factors as well. In light of our findings, a particularly interesting direction for future research would be to focus on whether other types of alignment with such contingency factors, would support organizational performance when HR aims to develop a strategic rather than an operational HR role.

## Conclusion

The debate about strategic HRM, and thereby about the way HR may contribute to achieving a strategic advantage to the organization, is often focused on the issue of strategic alignment (Conner & Ulrich, 1996; Guest, 1987; Jackson & Schuler, 1995; Michie & Sheehan, 2005; Ulrich, 1997). The literature about the roles that the HR function plays in this alignment issue seems inconclusive. The question therefore is: Does alignment between the roles undertaken by HR and the organizational strategy matter for organizational performance? Based on our findings we conclude that the answer to this question is twofold. First, our results indicate that in organizations with a cost-based strategy aligning HR towards an operational role is beneficial for organizational performance. Second, organizations applying an innovation-based strategy seem to have better performance already. Also, when a strategic role for HR is applied, organizational performance benefits. However, when an innovation-based strategy is lacking, HR, in particular, can fill-in the gap by fulfilling a strategic role and thereby contribute to the organizational performance. Rather than an alignment effect, here we found indications for a substitution effect. The strategic role of HR could support the organization in developing practices and behaviors to sense and seize opportunities for change and

innovation and thereby lining up the organization for a desired innovation-based strategy. Once such a strategy is in place, the focus may shift to further develop and maintain the HR practices and policies that support the innovation strategy. In such instances, these practices and policies, rather than the strategic role itself, may be much more supportive for creating internally consistent systems and HR bundles that advance organizational performance (e.g. Becker et al., 1997; MacDuffie, 1995).

Overall, our study shows the important notion that the effects of HR roles are to be understood contextually. There is a need for HR to understand the business and strategy they are working with since it can have serious implications for the overall organizational performance. As our results indicate, an operational HR role for HR only is an advantage for organizational performance when it is aligned with the use of a cost strategy. Whereas, the strategic role is more beneficial for the organizational performance, especially when there is a lack of innovation strategy.

### **Practical implications**

Our findings have a number of practical implications for HR practitioners. First of all, our results indicated that focusing on the operational roles of HR is no longer the main driver of organizational performance. While having the basic structures and systems in place, solving day-to-day problems effectively, and targeting the needs and concerns of employees might play an important basis for the overall organizational performance, our results indicate that these tasks contribute to performance only in combination with a higher use of a cost strategy. We therefore recommend HR managers to be careful with applying and expressing a too operational role, unless the organizational strategy demands so.

Second, we advise HR managers and professionals to place a greater value on enhancing the strategic role as our findings indicate that the strategic roles tend to increase performance first and foremost. That is, focusing on developing the organization's capacity to change as well as employees' adaptive behaviors is essential for organizational performance. This is not surprising given nowadays' competitive environment with change being the rule rather than the exception. We especially recommend that HR managers take the strategic role seriously, particularly when there is a lack of innovation strategy, to support the organization in developing strategic thinking and change behaviors.

### **Disclosure statement**

No potential conflict of interest was reported by the authors.

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