

Do HR competencies enable organisations to perform more effectively? An empirical study of HR competencies and organisational performance in Danish companies

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ABSTRACT

This study examines the relationship of the alignment of HR strategy and business strategy and organisational performance in Danish companies and whether HR competencies as enablers of alignment are associated with higher organisational performance.

Using an exploratory approach and the resource-based view of the firm (Barney, 1991), the data show that there is a positive relationship between the alignment of HR strategy and business strategy and organisational performance. Furthermore, the data show that HR competencies shared by HR executives and line and senior managers, as enablers of alignment, contribute to organisational performance. Becker, Huselid, and Ulrich's (2001) theory of HR competencies corresponding to Ulrich's (1998, Ulrich and Brockbank, 2005) strategic partner role proposed that specifically business-related HR competencies, as enablers of alignment, had the greatest performance impact followed by professional HR competencies.

Data was collected from 63 HR and 93 non-HR Danish executives from the corporate, business, and functional strategy levels. Biases were examined, but were not found. The empirical investigation involved the use of Pearson product-moment correlation analysis, Exploratory Factor Analysis, and Multiple Regression. The paper considers the implication of the findings together with a discussion of limitations and areas for further research.

Keywords: HR Competencies; HR Business Strategy alignment; Strategic HRM; Strategic Fit; HR Practices; Enabling Competencies; Business Strategy; HR Role; Business Performance.

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INTRODUCTION

The field of Strategic Human Resource Management (SHRM), which Gratton et al. (1999) described as the creation of the linkage or integration between the overall strategic aims of the business and the human resource strategy and implementation, has long sought to justify its existence. One of the means for measuring the effectiveness of SHRM is by looking at the “fit” or “alignment” of HR strategy and business strategy.

The terms “*fit*” and “*alignment*” are used interchangeably in the strategy and SHRM literatures. In strategy, “fit” is defined as “*the degree to which the needs, demands, goals, objectives, and/or structure of one component are consistent with the needs, demands, goals, objectives, and/or structure of another component,*” (Nadler and Tushman (1980, p. 40) as cited by Taylor et al., 1996, p. 960). Gratton and Truss (2003) see “fit” somewhat differently: “*Fit implies a relationship between two discrete entities; alignment suggests a much more fluid dynamic that allows for variation and flexibility*” (p.75). Furthermore, they assert that the distinction is fine, but not significant. Gratton and Truss (2003) do not advocate a “matching” exercise between business and people strategies. They argue that such matching is often simply not feasible and, in any case, will act as a constraint to both business and HR practices.

Other researchers (for example, Luftman, 2003) describe alignment as a management process. They assert that it is concerned with what management does collectively to achieve its business objectives. Within this frame, HR strategy and business strategy alignment focuses on the activities that management performs to achieve cohesive goals across the HR and other functions of the business. Therefore, alignment addresses both how HR is in harmony with the business, and how the business should, or could be in harmony with HR.

Traditionally, in many organisations HR departments have experienced a relatively limited involvement in the total organisation’s affairs and goals, being concerned only with the short-term, operational and managerial, and day-to-day human resource needs. In recent years, there has been a desire widely expressed to become more involved in the organisation, establishing a *partnership* with line managers. To achieve this entails understanding the needs of the business, where it is going, where it should be going and helping it to get there, thus linking HRM to the business role (Schuler, 2001, Hope-Hailey et al., 1997, McGovern et al., 1997, Huselid et al., 1997, Schuler and Jackson, 2005, Ulrich and Brockbank, 2005). Thus, the central issue for organisations is not to identify the best HR strategy per se, but rather to find the best fit between the firm’s external environment, its overall strategy, and its HRM policy and implementation. As previous researchers have argued (Becker et al., 2001, Becker and Gerhart, 1996), there is no one best strategy or universal set of HR practices. What is best for one organisation may not apply for another organisation. It

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is the ability or skill to align the HR strategy to the chosen strategy and needs of the business that matters.

The alignment of HR strategy and business strategy

Prior to their exploratory longitudinal study on HR strategy and business strategy alignment, Gratton et al. (1999) observed that conceptual and qualitative studies abound, however, empirical models are scarce due to the lack of research in the HR field. They go on to assert that one reason for this is that the issues are relatively difficult and complicated to study. Certainly, conceptual studies have identified HR strategy and business strategy alignment as having two dimensions: (a) external fit (Baird and Meshoulam, 1988) or strategy formulation (Gorman et al., 1996), *the process of aligning the organisation with the external environment*, and (b) internal fit (Baird and Meshoulam, 1988) or strategy implementation (Gorman et al., 1996), *the process of creating a coherent set of HR practices*. To date, only Gratton and Truss (2003) have been able to operationalise the constructs of external and internal alignment, which they refer to as the vertical and horizontal dimensions of alignment, respectively. In addition, they have established a third dimension of alignment, the action dimension, to represent the degree to which the HR strategy is put into effect through the day-to-day experiences of employees and the behaviour of line managers. However, beyond theoretical assertions there are a few empirical studies that have investigated the alignment of HR strategy and business strategy by using the Miles and Snow (1978) strategic typologies in an attempt to match these with the same author's (Miles and Snow, 1984) strategic HR systems framework (see, for example, Bird and Beechler, 1995, Bennett et al., 1998, Rodríguez and Ventura, 2003, Youndt et al., 1996). From these studies, whichever measurement for alignment has been employed, there is an underlying premise that those organisations, which have achieved the alignment of HR strategy and business strategy, will have higher levels of performance. This gives rise to the first hypothesis of the current study:

Hypothesis 1: There will be a positive relationship between the alignment of HR strategy and business strategy and organisational performance.

HR competencies as enablers of alignment

The majority of conceptual studies in SHRM either have implicitly or explicitly adopted a resource-based view of strategy (RBV) (Barney, 1991) as an appropriate strategic theory on which to anchor SHRM and the related alignment issues. Barney's (1991) theoretical framework on the RBV emphasizes the importance of firm-specific resources and capabilities (including human resources) in the generation and maintenance of a sustainable competitive advantage that allows a firm to earn economic profits. The view proposes that the resources and capabilities of a firm are the central considerations in formulating its strategy: they are the primary elements upon which it can establish its identity and frame its strategy, and is the primary source of the firm's profitability (Barney, 1991). Barney asserts that these resources and capabilities should be valuable, rare, inimitable, and non-substitutable, and the firm should be organised to exploit these resources and capabilities. Unfortunately,

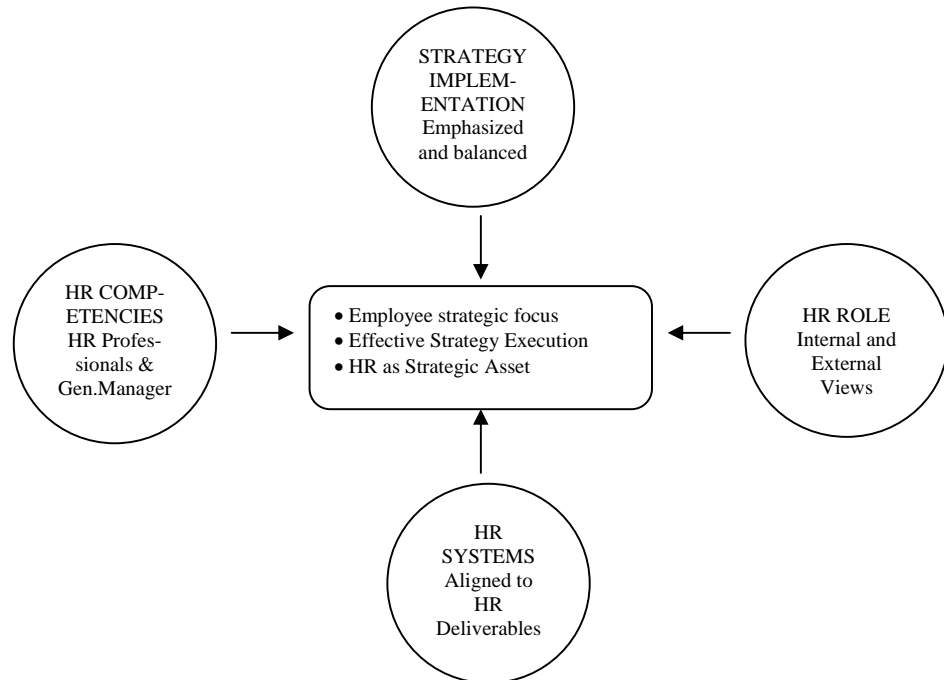
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although the resource-based strategic viewpoint has generated a great deal of theorising, it has not yet produced ample systematic empirical research (Bennett et al., 1998, Mueller, 1996). There remains relatively few studies that examine the relationship between a firm's HR strategy and its business outcomes from the perspective of the resource-based theory (Boxall and Steeneveld, 1999). Thus, the concept of resources remains an aggregate one that is rarely precisely operationalised, let alone tested for its implications (Rodríguez and Ventura, 2003).

It seems from the literature that one potential means of measuring business-HR strategy alignment is through the efficiency of HR's services, roles, and contributions, or HR competencies (possessed by both HR and line managers) as enablers or facilitators of such alignment (Huselid et al., 1997, Becker et al., 2001, Wright et al., 2001). Gratton et al. (1999) argued that the process of alignment must be executed through a dynamic co-operation between line executives and their HR colleagues. Drawing from the resource-based view of the firm, Mueller (1996) adds that support of senior management for the alignment process is also very crucial. Becker, Huselid, and Ulrich's (2001) HR alignment model shown in Figure 1 essentially represents a high-performance work system (HPWS). In an HPWS, each element of the HR system is designed to maximise the overall quality of human capital throughout the organisation. Referring to HR strategy as the implementation component of business strategy, they designed a model in which HR managers must focus on how human resources can play a central role in implementing the firm's strategy. The basic assumption in this model is that the benefits of HR as an asset will only be visible when the HR role is skilfully aligned with another intangible asset: the organisation's strategy implementation system. An HPWS is itself a strategy implementation system, embedded within the firm's larger strategy implementation system.

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Figure 1. HR alignment



Adapted from Becker, Huselid, and Ulrich (2001)

Two dimensions of alignment can be observed in the model shown in Figure 1: (1) alignment between strategy implementation and the HR system, and (2) alignment between the strategic role the HR function can play and the level of mix of human resource competencies available among HR professionals and line managers. The model indicates that the HR role designates the degree to which HR professionals in an organisation perceive themselves as strategic partners and the extent to which managers outside HR share this view. Within this frame alignment requires that human resource and line managers develop a shared view of HR's role. *The HR competencies refer to the competencies required to put the role expectations of the HR function into action.* From Becker, Huselid, and Ulrich's (2001) study, the primary competencies required for alignment are (1) knowledge of the business, (2) delivery of HR practices, and (3) ability to manage change. These functional competencies support the strategic partner role proposed by Ulrich (1998, Ulrich and Brockbank, 2005). Indeed, they are similar to the business-related capabilities (competencies) and professional HRM capabilities identified by Huselid, Jackson, and Schuler (1997) in their study of 293 US firms. *The professional HR capabilities described expertise and skill relevant to performing excellently within a traditional HR functional department.* These capabilities include those important to managers in any function and specifically those that ensure that technical HR knowledge is both present and used within the firm. Business-related capabilities described the amount

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of business experience HR staff members have had outside the functional specialty. These capabilities should facilitate the selection and implementation of HR policies and practices that fit the unique characteristics of the firm. Huselid, Jackson, and Schuler (1997) investigated how these capabilities related to HR effectiveness and firm performance. The results of their studies indicated that firm effectiveness was positively associated with capabilities and attributes of the HR staff. Seen in the light of the RBV, the implication is that what develops from the bottom up within the organisation is much less visible to the outside, and therefore, much more difficult to imitate compared to formal HRM policies or practices. Thus, the most promising avenue for future research seems to be one, which sees HRM policies and existing forms of co-operation between senior management, line management, and HR interacting dynamically with each other (Mueller, 1996).

Kamoche (1996) contends that the interaction of resources and capabilities brings about human resource competencies. He builds from Boyatzis' (1982) definition of competency as an individual's underlying characteristic, which is causally related to superior performance, proposing that human resource competencies (HRCs) should be conceived of as skill-based and behavioural capabilities, and the firm's ability to generate the stock of knowledge and collective learning that enable it to provide core products/services principally through people. *HRCs are, therefore, proposed as a source of value to the extent that they are integrated with the firm's core competencies.* By building HR strategies around the firm's competencies, HR competencies become a behavioural reflection of the firm's strategic capabilities (Kamoche, 1996). This leads to the second hypothesis for this study.

Hypothesis 2: There will be a positive relationship between HR competencies as enablers of alignment and organisational performance.

METHODOLOGY

A positivist approach was used in the study, as it sought to examine a number of relationships across a wide range of organisations (Easterby-Smith et al., 1999). This method is the most commonly used in SHRM research (Ulrich, 1998, Guest, 1997). The respondents of the study comprised 156 HR and non-HR managers from the sample of Danish MBA students and alumni of Henley Management College and the HR Managers of the top 150 Danish corporations representing the corporate, business, and functional levels of strategy, and belonging to a broad range of industries. This does represent a limitation of the study, which is discussed later in the paper. The overall response rate for the study was 36 per cent. The unit of analysis was defined as an organisational unit (business unit/division/department) that had its own leadership team. This approach, which was previously used by other researchers (for example, Lindgren, 2000, Truch, 2001) also increased the probability of getting an acceptable response, as it would be easier to reach organisational leaders than very senior executives. Rousseau (1985) and Klein, Dansereau, and Hall (1994) observed that organisations, by their very nature, are multilevel, that no construct is level free, and that organisational research is inherently cross-level. The alignment of a

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functional strategy, like HR strategy, and business level strategy (or corporate level strategy if the firm is small) is, therefore, inherently multilevel. Thus, the need to address the perceptions not only of HR managers but also of business and other functional managers.

The operationalisation of the constructs to be explored was developed from the extant literature relating to how alignment has been measured and how HR competencies, as enablers of alignment, have been operationalised. However, within the SHRM literature there is a distinct lack of established instrument for the measurement of HR competencies and alignment. In order to find a basis for operationalisation, alternative literatures were explored. A new parallel framework was found within the literature relating to strategic IT (information technology) management and business strategy (Luftman and Brier, 1999). This was adapted and employed as the alignment measure.

The alignment of HR strategy and business strategy

To determine the strength of alignment, a single item-measure was used. Respondents were asked to indicate the extent to which they agree to the following statement: *“In my organisation, HR strategy is properly aligned with business strategy”* (adapted from Luftman and Brier, 1999).

HR competencies

The enablers of alignment instrument developed by Luftman and Brier (1999), which has its roots in Henderson and Venkatraman’s (1992) strategic alignment model based on the work of Miles and Snow (1978), was chosen to operationalise the HR competencies as enablers of alignment. Luftman and Brier’s (1999) enablers of alignment scales (shown in Appendix 1) have close association with the business-related and professional HR capabilities proposed by SHRM researchers (Becker et al., 2001, Wright et al., 2001, Huselid et al., 1997). In this study, “HR” was substituted for “IT” in the instrument.

The complexity and challenge of establishing construct validity for new measures should be addressed here. While it is common for HR researchers to borrow scales from the field of strategy, it is rare to encounter the adaptation of an instrument from the IT field. Several authors warn of the danger of using borrowed scales (Churchill and Peter, 1984, Peter and Churchill, 1986). However, in the absence of an established scale an adaptation was necessary. To minimize the risks, adaptation and development of the scales followed the advice of Churchill (1979). The questionnaire went through several review cycles by reference groups consisting of HR practitioners, business managers, and research experts. The individual interviews and focus groups conducted during the review cycles of this study’s questionnaire confirmed the face or content validity of the adapted enablers of alignment scales and application in the HR field. The HR practitioner groups even added two further items to reinforce the assessment of alignment. This series of review cycles resulted in a

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questionnaire with a high face validity, which was important for the achievement of a satisfactory response rate.

Organisational performance

The criterion variable of organisational performance is the subject of much debate within the management literature (Bearden and Netemeyer, 1999). Within this literature one instrument (Excel), designed to operationalise the original Peters and Waterman (1982) excellence construct has been developed by Sharma, Netemeyer and Mahajan and has been used widely and shown to be both reliable and valid. On this basis this instrument was selected to operationalise organisational performance. The selection of the instrument was further supported because, within SHRM, Delaney and Huselid (1996) asserted that the period since the mid-80s has produced significant evidence that “progressive” HR practices and systems add value to businesses and that these have been notably influenced by Peters and Waterman’s (1982) description and assessment of “excellent” organisations. Furthermore the adaptation of the original instrument developed by Sharma et al (1999) has been widely used in such research.

Despite criticisms of Peters’ and Waterman’s original work (Newstrom, 2002), use of the Excel operationalisation of the constructs has been positive (Bearden and Netemeyer, 1999). For example, Caruana, Pitt, and Morris (1995, 1997) applied Excel in a sample of large UK service firms. They found that the instrument is not only reliable and valid, but they were also able to establish links between excellence and business performance in these firms. Indeed, a range of studies have reinforced the reliability and validity of the instrument (e.g., Irwin, Zwick, and Sutton (1999); Van der Merve, Pitt, and Berthon, (2003); Brett, (2000) and Sandbakken, (2004). The Excel scale employed in this study (from Sharma et al, 1999) is shown in Appendix 2.

Although perceptual data introduce limitations through increased measurement error and the potential for mono-method bias, it is not unprecedented to use such measures. Research has found measures of perceived organisational performance (with moderate to strong associations) with objective measures of firm performance (Powell, 1992, Snell, 1992). Dess and Robinson (1984) recommend researchers to consider using subjective perceptual measures of organisational performance. They contend that perceptions can be as accurate as archival data. Guest (1997) working in the HRM field supports these researchers’ view on the use of subjective measures of performance as did Youndt et al. (1996) and Rodriguez and Ventura (2003).

FINDINGS

Initial analysis of the data indicated that the data approached normality in all cases and the Cronbach’s alphas were above the .70 threshold (Hair Jr. et al., 1998). Exploratory factor analysis was conducted on the HR competencies scale to extract components. All the items loaded on only one component with an Eigen value of 10.3, which accounts for 64.3% of the variance. The scree plot showed, however, that

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the maximum number of factors to extract was three. This finding was in line with those of previous researchers in the strategy and HR field examining HR competencies, who also identified two to three factors (Wright and Snell, 1998, Gorman et al., 1996, Gratton et al., 1999, Gratton and Truss, 2003, Huselid et al., 1997, Baird and Meshoulam, 1988, Becker et al., 2001). Using an oblique rotation, three factor solutions were extracted. The oblique rotational method was used based on the assumption that the factors are highly correlated with each other and an oblique rotation would allow “*the variables to cluster more accurately*” (Hair et al., 1998, p. 109). The three-factor solution and its reliability and descriptive statistics are presented in Tables 1 and 2, respectively.

Table 1. Factor analysis of HR competencies scale extracting three components

Factor	Components and loading				
Professional HR competencies	3.3	HR understands the organisation’s business environment	.957		
	3.4	HR has close relationships with other departments/business units	.792		
	3.2	HR is involved in business strategy development	.726		
	3.5	HR demonstrates strong leadership	.610		
	3.10	HR helps achieve other business units’ strategic goals	.585		
	3.9	HR achieves HR’s strategic goals	.540		
	3.16	We have good HR/business communication	.529		
	3.7	HR meets commitments	.515		
Business-related HR competencies	3.6	HR efforts are well prioritised	.481		
	3.13	HR’s goals and visions are communicated to the whole organisation		.868	
	3.1	Senior executives support HR activities		.744	
	3.12	HR is applied for competitive advantage		.541	
Partnering HR competencies	3.8	HR plans are linked to business plans		.533	
	3.14	HR has developed internal partnerships and alliances			.744
	3.15	HR has developed external partnerships and alliances			.699

Note: In extracting three factors, Item 3.11 was removed from the scale by default.

The first two factors are named “business-related HR competencies” and “professional HR competencies” after the business-related capabilities and professional capabilities identified by Huselid, Jackson, and Schuler (1997) and which correspond to the strategic partner role proposed by Ulrich (1998, Ulrich and Brockbank, 2005). Hope-Hailey et al. (1997) identified partnering competencies as missing among the organisations that they studied and they identified these competencies as a new dimension for HRM. They argue that senior personnel and HR

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managers need sophisticated networking and personal influencing skills in order for the HR function itself and the general management of people to be considered at a strategic level. In reviewing the nature of the items in the third factor, the related literature indicated that this was done to such a partnering competency.

Following the extraction of three components, three additional hypotheses were identified. Investigating the individual contribution of each of the HR competencies may add more insight into the relationship between these enablers of alignment to organisational performance. The three additional hypotheses are:

Hypothesis 3: There will be a positive relationship between professional HR competencies and organisational performance.

Hypothesis 4: There will be a positive relationship between business-related HR competencies and organisational performance.

Hypothesis 5: There will be a positive relationship between partnering HR competencies and organisational performance.

Table 2. Three-factor HR competencies variate reliability and descriptive statistics

Factor	Alpha	Mean	SD	Skewness	Kurtosis
Professional HR competencies	.95	4.84	1.36	-.830	.117
Business-related HR competencies	.88	4.94	1.43	-.861	.002
Partnering HR competencies	.80	4.20	1.41	-.380	-.340

Organisational performance

Examining the organisational performance items showed that there were no inter-item correlations below 0.30. The Cronbach’s alpha coefficient for the scale is 0.92, which is notably above the 0.70 threshold and thus, the scale can be considered reliable for further analysis with the current sample. However, the item-to-total correlations ranged from 0.44 for Item 4.11 and 0.49 for Item 4.4 through 0.76 for Item 4.6. The first two items did not comply with the 0.50 criterion (Hair et al., 1998), so these items were deleted from the scale for subsequent analysis. Thus, the Excel scale used for the further analysis consisted of 14 of the original 16 items. It is referred to as Excel-14 in this research.

Table 3 shows the correlation matrix of the three clusters of HR competencies and Excel-14.

Table 3. Correlation matrix of the three-component HR competencies variate and Excel-14

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Factors	Excel-14	Professional HR competencies	Business-related HR competencies	Partnering HR competencies
Excel-14	1.000			
Professional HR competencies	.680	1.000		
Business-related HR competencies	.701	.840	1.000	
Partnering HR competencies	.533	.718	.644	1.000

Correlation is significant at the 0.01 level (2-tailed)

DISCUSSION

Below is a discussion of the extent to which the data from the study provide support for the hypotheses presented above.

Hypothesis 1: There will be a positive relationship between the alignment of HR strategy and business strategy and organisational performance.

This hypothesis implies a positive relationship between the alignment of HR strategy and business strategy and organisational performance. The Pearson product-moment correlation was used to test Hypothesis 1, using the single-item alignment measure and Excel-14. There is a large and significant correlation (Cohen, 1988), 0.61 suggesting quite a strong positive relationship between alignment and organisational performance. The coefficient of determination is 0.37, indicating that alignment explains around 37% of the variance in organisational performance, thus supporting the hypothesis.

Hypothesis 2: There will be a positive relationship between HR competencies as enablers of alignment and organisational performance.

This hypothesis also implies a positive relationship between HR competencies as enablers of the HR strategy and business strategy alignment and organisational performance, suggesting that higher levels of HR competencies will be associated with higher levels of performance. The correlation between the HR competencies scale and Excel-14 is at a high level and statistically significant ($r = 0.711$) indicating that around 51% of the performance variance is explained by the HR competencies. Again, this provides support for the hypothesis.

Test of the additional hypotheses

In order to test the additional hypotheses (see above), a standard entry method regression analysis, using summated scales, was found to be the most suitable statistical method. Summated scales have the ability to portray complex concepts in a single measure while reducing measurement error and they make a valuable addition in any multivariate analysis (Hair et al., 1998). With this approach the results of the analyses presented in Table 4 are used to test the hypotheses 3 to 5.

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Table 4. Summary of statistics for Hypotheses 3 to 5 (N=156)

Model summary b							
R	R Squared		Adjusted R Squared		Std. Error of the Estimate		
.722 a	.522		.512		9.80741		
a Predictors: (Constant), Professional HR competencies, business-related HR competencies, partnering HR competencies							
b Dependent Variable: Excel-14							
ANOVA b							
	Sum of squares	df	Mean Square	F	Sig.		
Regression	15941.062	3	5313.687	55.244	.000 a		
Residual	14620.168	152	96.185				
Total	30561.231	155					
a Predictors: (Constant), Professional HR competencies, business-related HR competencies, partnering HR competencies							
b Dependent Variable: Excel-14							
Coefficients a							
Factors	Unstandardised Coefficients		Standardised Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	38.186	3.015		12.002	.000		
Professional HR competencies	316	.131	.275	2.413	.017	.241	4.142
Business-related HR competencies	1.067	.255	.435	4.185	.000	.292	3.430
Partnering HR competencies	.274	.404	.055	.678	.499	.479	2.087

a Dependent Variable: Excel-14

The multiple regression analyses gave an R value of 0.72 between the HR competencies variates and organisational performance construct, indicating a very strong positive relationship between the two variables, with an adjusted R squared value of 0.51 showing that in the model, HR competencies as enablers of alignment, account for 51% of the variance in organisational performance. However, this does also indicate that 49% is explained by other elements. The marginal difference between R squared and adjusted R squared values suggest that this model and the

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relationships are stable and accurate. Given this, the additional hypotheses can be explored.

Hypothesis 3: There will be a positive relationship between professional HR competencies and organisational performance.

A significance level of 0.02 suggests a significant relationship between the variables. The standardised beta of 0.28 suggests a positive relationship between the independent and dependent variables with 28% of the variance in organisational performance being explained by professional HR competencies, thus providing support for hypothesis 3.

Hypothesis 4: There will be a positive relationship between business-related HR competencies and organisational performance.

The very high significance level (0.000) for the relationship between business-related HR competencies and organisational performance is notable. The standardised beta value of 0.44 suggests that 44% of the variance in organisational performance can be explained by business-related HR competencies, thus confirming hypothesis 4.

Hypothesis 5: There will be a positive relationship between partnering HR competencies and organisational performance.

From Table 4, the standardised beta value of 0.06 in relation to the link between HR partnering competencies and organisational performance indicates a relatively weak and statistically insignificant relationship. Thus, hypothesis 5 is not supported by the findings.

Overall analysis of the findings in this study indicates the relative impact of the three clusters of HR competencies on organisational performance. Business-related HR competencies accounted for the greatest amount of variance in organisational performance, followed by professional HR competencies. Partnering HR competencies were not statistically significant and can be viewed as not impacting on performance. This is somewhat surprising in the light of the literature relating to the changing role of HR (e.g., Ulrich, 1998, Ulrich and Brockbank, 2005). However, this does not necessarily mean that the partnering HR competencies are not generally relevant and important in explaining organisational performance as the results may be a consequence of the special cultural context of the study. There is strong recognition given to the HR roles that business managers or line managers in most Danish organisations perform. Denmark is the only country among the participants in the Cranet Survey (Larsen, 2003) where line management holds the strongest responsibility on all HR areas (e.g. compensation and benefits, recruitment and training). Line managers are held more accountable for their HR/people management practices. Furthermore, Denmark is the country in Europe, where it is easiest to hire and fire employees, i.e. Denmark is one of the countries in Europe that has the best

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established security net, in case one becomes unemployed (Brewster and Larsen, 2000). All of these results should be interpreted with care also because of the instability of the model due to the levels of multi-collinearity (Pallant, 2001).

An overall summary of the hypotheses testing is presented in Table 5.

Table 5. Summary of the hypothesis testing and results

H1	<p><i>Intention:</i></p> <p>Examine the relationship between the alignment of HR strategy and business strategy and organisational performance (Excel-14).</p> <p><i>Hypothesis 1:</i> There will be a positive relationship between the alignment of HR strategy and business strategy and organisational performance (Excel-14).</p>	Hypothesis supported
H2	<p><i>Intention:</i></p> <p>Examine the relationship between HR competencies as enablers of HR strategy and business strategy alignment and organisational performance (Excel-14).</p> <p><i>Hypothesis 2:</i> There will be a positive relationship between HR competencies as enablers of HR strategy and business strategy alignment and organisational performance (Excel-14).</p>	Hypothesis supported
H3-5	<p><i>Intention:</i></p> <p>Examine the relationship between the three categories of HR competencies as enablers of HR strategy and business strategy alignment and organisational performance (betas).</p> <p><i>Hypothesis 3:</i> There will be a positive relationship between business-related HR competencies and organisational performance.</p> <p><i>Hypothesis 4:</i> There will be a positive relationship between professional HR competencies and organisational performance.</p> <p><i>Hypothesis 5:</i> There will be a positive relationship between partnering HR competencies and organisational performance.</p>	<p>Hypothesis supported</p> <p>Hypothesis supported</p> <p>Hypotheses not supported</p>

The results of the current study are more encouraging compared to Bennett, Ketchen, and Blanton Schultz's study (1998), which investigated the integration of the human resource function with strategy formulation. In this study, they found that organisations whose human resource departments were more integrated (or aligned) with strategic decision-making processes did not achieve high levels of performance. One reason for this is that the sample in Bennett, Ketchen, and Blanton Schultz's study may well have had strong business-related competencies in the provision of

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input to the strategy formulation process, but weak professional HR competencies in supporting the execution of strategy.

The findings from this study in a Danish context find some support from Gratton et al.'s (1999) review of UK organisations, which indicated that professional HR competencies contribute to organisational performance more than business-related competencies. Halfway through their longitudinal study, they found that the link between business strategy and individual performance occurs in part through the organisational capability (for example, through HR competencies) to create and embed people processes along a number of dimensions: vertical linkage (to create alignment with short-term business needs); horizontal linkage (to create cohesion); and temporal linkage (to adapt and transform to meet future needs). The most striking feature of Gratton et al.'s (1999) research was the relatively stronger linkage for short-term people processes and the weaker linkage for longer-term oriented (business) processes. They asserted that this result was mainly due to the complexity of embedding the people processes over the long-term, and the general short-term business performance view adopted by the companies studied.

CONCLUSIONS

This study set out to examine a number of critical questions, which are the subject of much debate in the HR literature. Based on the findings of the study, the conclusions, which may be drawn from the results, may be summarised as follows.

Is there a positive relationship between the alignment of HR strategy and business strategy and organisational performance?

The results provide some confirmation that the alignment of HR strategy and business strategy influences organisational performance. The results of the study show that high alignment scores are associated with high performance scores. Although HR strategy and business strategy alignment may not be a sufficient condition for an organisation to have superior performance, lack of alignment may be a sufficient condition for a negative effect (Miles and Snow, 1994).

Is there a positive relationship between HR competencies as enablers of alignment and organisational performance?

Alignment appears to require complex, tacit abilities in all but the simplest contexts (Miles and Snow, 1978, 1984, Baird and Meshoulam, 1988, Gratton et al., 1999, Gratton and Truss, 2003, Becker and Huselid, 1999, Becker et al., 2001, Ulrich and Brockbank, 2005). HR strategy formulation and implementation appear to have arrived on the agenda of line managers. To match HR strategy to a chosen business strategy, HR executives and line managers must jointly develop the HR competencies (knowledge, talent, and behaviours) required to implement that strategy (Ulrich and Brockbank, 2005). Line managers need to have a clear knowledge of their organisational contexts and of the required HR competencies that will help achieve the firm's strategic goals. Powell (1992) theorised that although it may be clear that managers should match preferred human resource management practices to strategy,

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there is no compelling evidence that suggests that they will, or can, do so. These results support the 20-year-old argument that investments in HR, and the new argument that investments in alignment (through the development of HR competencies, for example), are a potential source of competitive advantage. Although there has been increasing empirical work on the former, there is still little understanding of the processes required to realise the latter, or the specific conditions under which this potential of alignment may be realised. These issues are important for future research to address.

Strong support for business-related and professional HR competencies

From the relative importance of business-related HR competencies and professional HR competencies, the results of the current study provide evidence that Danish managers consciously try to align their HR strategy and business strategy and plans. The business-related HR competencies' higher ranking than professional HR competencies is explained by line management's basic requirement of HR's understanding of business' strategic needs and reinforces the assertions of Ulrich (1998) and Ulrich and Brockbank (2005). The investigation in this study of the HR competencies construct provides support for the theoretical underpinnings regarding the interplay of business-related and professional HR competencies of senior management, line management, and the HR function. The multiple regression analysis indicated the variance in organisational performance explained by each category of HR competency. The business-related competencies, e.g., "HR plans are linked to business plans" and "Senior executives support HR activities", parallel and expand the items on the vertical dimension of alignment in Gratton and Truss's (2003) three-dimensional people strategy questionnaire, and the professional HR competencies, e.g., "HR achieves HR's strategic goals", "HR helps achieve other business units' strategic goals", and "HR meets commitments", can be associated with the items on the horizontal dimension of alignment (Gratton and Truss, 2003). The vertical dimension in the Gratton and Truss model, which links the overall vision of the organisation (corporate and business strategy) with the underlying philosophy of the organisation's approach to managing people (HR strategy) can be further associated with Baird and Meshoulam's (1988) concept of external fit and Gorman, Pruett, and Thomas' (1996) concept of strategy formulation, while the horizontal dimension, concerned with the achievement of a coherent and consistent approach to managing people in the HR function and other organisational functional areas, can be associated with Baird and Meshoulam's (1988) internal fit and Gorman, Pruett, and Thomas' (1996) strategy implementation. Thus, although the language may be new, "vertical dimension" (external fit) and "horizontal dimension" (internal fit), the overall characteristics are essentially the same.

Partnering HR competencies

While many assert that HR competencies can provide a firm with competitive advantage, it is often very difficult to specify which do so. Testing such assertions is a complicated variation in the culture of the companies. Ultimately, culture is a significant factor, which cannot be imitated. This in itself highlights the importance

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of the HR function and HR competencies in developing and nurturing the relationships among organisational members. Trust and good relationships among organisational members are firm-specific assets that provide value, are quite rare, and are extremely difficult for competitors to imitate. Following on this premise, the HR competencies that may provide the most valuable, rare, inimitable, and non-substitutable sources of competitive advantage are those representing relationships between people and the management of the workforce, the partnering dimension (Briggs and Keogh, 1999). According to Wright, McMahan, and McWilliams (1994), the focus on human resources should not only be on the knowledge, experience, skill and commitment of a firm's employees, but also on their relationships with each other and with those outside the firm. Thus, it seems that the real test of alignment skill and HR competencies as sources of sustained competitive advantage may come from the partnering HR competencies, which unfortunately only resulted in a small variance in organisational performance and not at a significant level.

Ulrich and Brockbank (2005, Brockbank, 1999) contend that HR is in a unique position to deliver value by facilitating, co-ordinating, and monitoring the organisation's management of relationships within its internal and external environment, by involving itself not only in the different business units but also in the different departments within the business units such as marketing, sales, supplies, distribution, or information technology. The knowledge economy requires a partnership orientation between HR and other members of the firm. Each employee is responsible for building relationships, but it is HR's role as designer or architect, facilitator, and coach in identifying, encouraging, and establishing relationships through formal and informal systems that can develop these relationships in the right direction.

IMPLICATIONS FOR PRACTITIONERS

For practicing managers, evidence supporting the assertion that HR strategy and business strategy alignment enhances organisational performance may help encourage arguments intended to acquire, train, and develop the resources needed to execute this alignment. The results of this study indicate which HR competencies are most useful: business-related HR competencies and professional HR competencies. Three important propositions follow. First, business-related skills and abilities of human resources staff members and line management appear to be important contributors to business strategy formulation. Second, the professional HR skills support the implementation of the business strategy and strategic HR activities. The third implication is that the development of these competencies among line management and HR professionals should be encouraged. The earlier HR professionals are involved in the process, the greater the impact on strategic decisions can be. Being involved early in strategy formulation enhances the chances to have HR concerns reflected in the strategy (Bennett et al., 1998).

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For corporate, business, and functional managers and HR managers, the message from this study is straightforward and challenging. If business managers and HR managers are to develop to use the full range of strategic opportunities, they must create an internal climate of co-operation where HR can exercise its role in creating and maintaining alignment towards a more effective organisational performance. However, the above conclusions need to be considered with care. It is important to be aware of the limitations of the current study in terms of the sampling approach adopted and the specific national context of the study. The results are both interesting and challenging and warrant further research in a broader national and organisational context.

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APPENDICES

Appendix 1 Luftman and Brier's enablers of alignment instrument

Item	Enablers
1	Senior executive support for IT
2	IT involved in business strategy development
3	IT demonstrates strong leadership
4	IT understands the firm's business environment
5	Close partnership between IT and business
6	IT efforts are well prioritised
7	Good IT/Business communication
8	Goals and visions are defined
9	IT and the business have close relationship
10	IT resources shared
11	IT meets commitments
12	IT achieves its strategic goals
13	IT applied for competitive advantage
14	IT plans linked to business plans

Adapted from Luftman and Brier (1999)

Appendix 2 The EXCEL scales by Sharma, Netemeyer and Mahajan

Item	Item wording
1	The firm encourages employees to develop new ideas.
2	The firm has a small staff that delegates authority efficiently.
3	The firm's top-level management believes that its people are of the utmost importance to the company.
4	The firm instils a value system in all its employees.
5	The firm provides personalised attention to all its customers.
6	The firm's top management creates an atmosphere that encourages creativity and innovativeness.
7	The company's values are the driving force behind its operation.
8	The firm is flexible and quick to respond to problems.
9	The company concentrates its product areas where it has a high level of skill and expertise.
10	The firm has a small, but efficient management team.
11	The company develops products that are natural extensions of its product line.
12	The firm truly believes in its people.
13	The firm believes in experimenting with new products and ideas.
14	The firm considers after-the-sales service just as important as making the sale itself.
15	The company believes that listening to what consumers have to say is a good skill to have.
16	The firm is flexible with employees but administers discipline when necessary.

Adapted from Bearden and Netemeyer (1999)