# Journal of Management Development

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ALIGNING ORGANIZATIONAL CULTURE AND STRATEGIC HUMAN RESOURCE MANAGEMENT

ABSTRACT

Purpose: As strategic human resource management (SHRM) continues to grow as an important issue for organizations, it is imperative to examine all factors that contribute to the success and failure of the organization's human resources (HR) and strategy implementation. The purpose of this article is to demonstrate that organizational culture should be an integral factor when considering SHRM. We also present a model for the strategy-culture-SHRM linkage and propositions to guide future research.

Design/methodology/approach – We present a conceptual model proposing organizational culture as a moderator of the relationship between an organization's strategy and SHRM.

Findings – In addition to the conceptual model, we present a number of testable propositions for determining how firm performance and effectiveness may depend on the linkage between strategy and the utilization of human resources as a competitive advantage.

Originality/value – Currently, there is a lack of research regarding the conceptualization of organizational culture as a moderator between an organization's strategy and SHRM. We discuss the importance of the alignment of human resources both as a source of competitive advantage and an influence on an organization's strategy. We integrate the current research to create arguments for testable propositions and future research directions. We also argue that misalignments may occur which may prove detrimental to the organization.

Key words: Organizational culture, Strategic Human Resource Management, Strategy, Alignment

Paper type: Conceptual paper

Strategic human resources management (SHRM) has been defined as "the pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals" (Wright and McMahan, 1992, p. 298). Within SHRM, the goals being achieved should typically be dictated by the organization's strategy as there is an inherent connection between strategy and SHRM. However, previous research has found that there is often a discrepancy between intended and realized implementation of strategy (Mintzberg and Waters, 1985), and by extension SHRM (Jackson et al., 2014), thereby making this connection at times tenuous at best. Moreover, research into strategy and SHRM has been hampered by level of analysis issues (Buller and McEvoy, 2012) as well as a lack of research examining factors that are unique to an organization which may result in competitive advantage (Jackson et al., 2014). The purpose of this article is to address these issues by examining the impact of organizational culture on the linkage between strategy and SHRM. Specifically, we propose that discrepancies between intended and realized strategies may be due, at least in part, to the culture of the organization which is an important factor to overall organizational outcomes. Therefore, this article contributes to the strategic human resource management literature by explaining how organizational culture moderates the relationship between organizational strategy and implementation of SHRM and how misalignment may lead to detrimental outcomes.

Organizational culture has been described as the shared values and beliefs resulting in a behavioral component (Smircich, 1983). Although organizational culture is influenced by national culture, the general consensus is that organizational culture is a separate concept from national culture (Khilji and Wang, 2006; Sheehan et al., 2007). Within the diverse workforce that comprises organizations within the United States, for example, there are factors that bring

people together toward a common goal beyond shared national values. Despite these common goals, what brings people together may, at times, detract from the overall strategy.

As we demonstrate, alignment of organizational culture may influence the successful implementation of a strategy.  However, an organizational culture that is misaligned with strategy may also lead to unintended SHRM outcomes and result in negative firm performance (Jackson et al., 2014).  This strategy-organizational culture-SHRM linkage is a neglected area of research (Buller and McEvoy, 2012; Gratton and Truss, 2003; Jackson et al., 2014, Molineux, 2013). For this reason researchers have suggested that future research examine the relationship between strategy, culture, and SHRM (Boswell, 2006; Jackson et al., 2014, Panayotopoulouet al., 2003; Wei et al., 2008).

First, we present the theoretical background to explain how organizational strategy and SHRM relate to organizational culture and how examining culture would allow for a multi-level analysis of the relevant factors. Specifically, we propose that an organization's culture will moderate the implementation of SHRM practices based on how the culture aligns with strategy, establishing congruence with SHRM. This is followed by a discussion of the factors that may contribute to the cultural alignment or misalignment. We integrate this research by presenting a model of the strategy-organizational culture-SHRM framework and testable propositions. Finally, implications for research and practice and suggestions for future research are discussed.

## THEORETICAL BACKGROUND

SHRM includes various HR practices, which from the universalistic view, are considered best practices (Delery and Doty, 1996). However, it is understood that the practices that are best for one organization may differ from those that are best for another. The contingency view maintains that the best practices are dependent on the "best fit" of the organization. The

configurational view introduced "bundles of practices" depending on the needs of the

organization.  Regarding these views, these practices will vary based on the needs of the

organization (Delery and Doty, 1996). The following discussion will outline various approaches

to defining fit and explain why organizations would be well-served to consider organizational

culture when determining the fit in order to align their strategic and SHRM practices.

*Strategic Human Resources Management and the Concept of Fit*

There are several approaches to defining fit. *Integration* is concerned primarily with the

potential problems between corporate offices and their foreign subsidiaries (Milliman, Von

Glinow, and Nathan, 1991). Many factors contribute to this type of fit including corporate

philosophy and structure.

Fit is also discussed as the *alignment* of the HR functions to reinforce each other (e.g.,

management awareness, management of the function, and portfolio of programs to include

personnel skills, information technology, and environment awareness; Baird and Meshoulan,

1988).  However, in this type of fit the alignment is only concerned with the HR functions and

not the alignment of the strategy, organizational culture, and SHRM linkage.

*Congruence* is considered the fit between strategy, structure, and resources with human

capabilities and preferred strategy (Wright, Smart, and McMahan, 1995). The authors (1995)

discuss the value of fit particularly as the organization moves through various stages of

development, but do not include the cultural component.

Schuler and Jackson (1987) suggested that there is a *linkage* between strategy-role

behavior and HR practices. Although this is similar to the relations we propose between strategy,

organizational culture, and SHRM, role behavior is more specific to each individual as opposed

to culture which permeates the organizational as a whole. Wright and Snell (1998) move the fit

concept forward by discussing the employee skills, behaviors, and HR practices and subsequent fit with strategy.

Lengnick-Hall and Lengnick-Hall (1988) also discuss fit in terms of business strategy and organization strategy and suggest that especially during an organizational change, fit may not always be desirable. We expand on this notion, suggesting that organizational alignment may not be desirable if the strategy intended does not agree with the culture and that culture should be strategy supportive in order for the intended strategy to be implemented. Lengnick-Hall and Lengnick-Hall (1988) did not address the concept of organizational culture as a strategy supportive variable within the fit and flexibility continuum.

*Organizational Culture Alignment*

In terms of fit, it is surprising that the organizational culture component is lacking in when examining intended versus implemented strategies. However, some research has evaluated the alignment of organizational culture with strategy (Chan et al., 2004; Jackson et al., 2014; Wei et al., 2008); although the results are mixed.

Semler (1997) discusses systematic agreement theory and organizational alignment in particular and defines organizational alignment as "the extent to which the strategy, structure, and culture of the organization combine to create a synergistic whole that makes it possible to achieve the goals laid out in the organization's strategy" (p. 23). We expand this concept of alignment to show how SHRM is linked to strategy and culture resulting in increased firm performance. Way and Johnson (2005) extend systematic agreement theory, including organizational culture alignment, to develop a framework of the impact of SHRM. They also support the notion of consistency between organizational goals, objectives and culture (2005).

Cabrera and Bonache (1999) examine culture as an outcome of HR practices. They argue that organizational culture is aligned through the implementation of strategy supportive HR practices. However, this is only part of the equation. We contend that organizational culture should be strategy supportive before the implementation of SHRM, just as particular values must be in place before acceptance of the strategy will be carried out.

*Organizational Culture Misalignment*

Another area of research relevant to the strategy-organizational culture-SHRM linkage involves the examination of human resources management as it relates to national culture and the discovery of an intended versus implemented discrepancy (Boswell, 2006; Khilji and Wang, 2006; Sheehan et al., 2007; also see literature review by Lengnick-Hall et al., 2009). These researchers identified the importance of national cultural differences as it impacts the interpretation (or misinterpretation) of organizational goals and the subsequent implementation of strategies across countries. As such, absent a congruent organizational and national culture, the link between organizational strategy and SHRM will be compromised. Similarly, we propose that the appropriate interpretation, understanding, and implementation of goals and strategies within a single organization are contingent upon the cultural fit between the strategies and the SHRM activities.

Researchers have generally been concerned with the internal fit of SHRM to the current organizational culture (Delery and Doty, 1996; Jackson et al., 2014; Schuler and Jackson, 1996). However, empirical research has not examined the possibility that the organizational culture is dynamic and may be misaligned with the intended strategy, which we propose often leads to the gap between intended and realized strategy implementation. For instance, Schein's (1990) model of culture is based on a dynamic process with multiple levels (observable artifacts, values, and

underlying assumptions), each impacting each other. By discussing misalignment, we also highlight the complex and dynamic nature of organizational culture and change as a result of multiple factors, some of which include market conditions, leadership, and technology.

We argue that alignment is relevant across organizations and should not be excluded simply because the organization operates in only one national setting. Wei et al. (2008) examined the role of corporate culture in the SHRM process in a Chinese context and found that national culture is an antecedent of SHRM.  They suggested that HR practices are implemented based on a variety of cultures and subcultures, which are used to continually shape organizational culture. Indeed, human resource practices are commonly organized in ways that are consistent with a firm's business strategy (Block et al., 1987; MacDuffie, 1995; Osterman, 1987) although congruence with organizational culture may not be considered in advance and instead may be an afterthought.

However, organizational culture should facilitate the success of strategy and human resource management systems (Panayotopoulou et al., 2003). Khilji and Wang (2006) found that when organizations had similar strategy and HRM practices but differed in performance outcomes, one of the main factors that minimized gaps between realized and intended HRM was organizational culture. Boswell (2006) brings out the idea of "line of sight" and the relation of the individual employee alignment with organization strategy and outcomes. Although Boswell's (2006) research and the research by Chatman (1991) and O'Reilly et al. (1991) discuss fit, they do not consider the link from strategy to SHRM as impacted by organizational culture.

*Strategy-Organizational Culture-SHRM Linkage*

*Strategy and culture.* Strategies can be thought of as "the diverse approaches that organizations choose to follow in order to achieve success or a competitive advantage" (Cabrera

and Bonache, 1999, p. 52). The Resource Based View (RBV) is often the theory mentioned as explaining the key component for competitive advantage (Wright and McMahan, 1992).  RBV theory states that in order for a firm to have a sustained competitive advantage, the resources providing the advantages must be rare, imperfectly imitable, and have no substitutable resources within the firm (Barney, 1991). Cabrera and Bonache (1999) proposed that linking organizational strategy with organizational culture could serve as a competitive advantage, but their suggestions focused on the role of HR technology in facilitating these connections.

When examining a firm's organizational culture, the values and beliefs that make up the organizational culture also lead to the organization's specific level of idiosyncrasy.  This means an organization's identity is developed so that all individuals in the organization are socialized into the organization's culture and their specific role. Some organizations have a strong corporate culture, while others have a weak culture (Cabrera and Bonache, 1999). The strength of the organization's culture is necessary, but not a sufficient condition of the linkage.

*Proposition 1:* The strategy-SHRM relationship is contingent upon the alignment of the organization's culture with the strategy.

*The Impact of Alignment vs. Misalignment*

As noted, organizational culture can be seen as the shared values and beliefs, which lead to behaviors (Smircich, 1983). This suggests that supportive internal cultures may increase the possibilities of success with the implemented strategy.

Schneider and Bowen (1993) suggest that organizational culture is a key factor as a source of sustainable competitive advantage, and suggest that the values held by the individuals in the organization are much more difficult for other organizations to imitate. They suggest that culture is even more important than "superiority in product or process technology, marketing or

advertising, or capitalization" (Schneider and Bowen, 1993, p. 48). We agree and argue that cultural alignment or misalignment is a key factor in determining the relations between an organization's strategy and its SHRM.

Figure 1 illustrates the conceptual model of this strategy-organizational culture-SHRM relation and the impact of the alignment and misalignment of organizational culture on SHRM, and subsequently, organizational outcomes. This depiction shows that the strategy is developed which leads to the SHRM functions and human resource practice implementation. Organizational culture is a moderator in this relationship and is ultimately aligned or misaligned with strategy. As the SHRM functions are carried out, a feedback loop reinforces and develops the organizational culture based on hiring, training, and other processes. This linkage leads to strategy implementation and organizational outcomes.

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**Insert Figure 1 About Here**

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When the culture is misaligned, SHRM becomes inconsistent with strategy. The lack of strategy supportive culture is, in turn, reinforced by the subsequent inconsistent SHRM practices. This may be one reason the intended versus implemented strategy and SHRM issues occur. When strategy and culture are misaligned, it creates a perpetual spiral that is detrimental to executing SHRM and ultimately organizational performance.

*Proposition 2:* Organizational culture positively influences the strategy-SHRM relationship when culture is aligned with strategy resulting in consistent SHRM implementation.

*Proposition 3:* Organizational culture negatively influences the strategy-SHRM relationship when culture is misaligned with strategy, resulting in poorly executed SHRM implementation.

Table 1 provides examples of the organizational culture values adapted from generic strategies that we propose could be considered strategy supportive and moderate the relation between strategy and SHRM. Previous research has mentioned the idea of strategy supportive organizational values; however, specific values have not been integrated for particular strategies (Wei et al., 2008).

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**Insert Table 1 About Here**

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*Organizational Outcomes*

Southwest Airlines provides a classic real-world example of the potential impact of an alignment between strategy, organizational culture, and SHRM. Southwest Airlines often credits their organizational culture and their human resources with maintaining their strategy of a fun, low cost airline (O'Reilly and Pfeffer, 1995). Through socialization of the organizational members and a strong corporate culture aligned with the strategy, they have established a high performance outcome. It merits noting that this is also consistent with RBV theory.

On the other hand, Arthur Andersen is another example. This company had a long history of strong corporate culture and profitability before it was discovered that their methods of business were less-than-desirable (i.e., fraud; Ferrell, Jackson, Sawayda, and Stein, n.d.).  This is an instance where the organizational culture became misaligned with the corporate strategy.

Organizational culture somehow became misaligned when the strategy shifted away from its once strong ethical convictions resulting in detrimental organizational outcomes.

Therefore, we propose that the outcomes of organizations are, in part, dependent upon the congruence between their strategies, cultures, and SHRM (see Figure 1).

*Proposition 4:* Organizations with aligned strategy and culture will experience increased organizational outcomes than those with a misaligned strategy-culture relation.

Alternatively, if a strategy is developed that is lacking the supportive organizational culture (see Table 1), then misalignment may occur where the human resources continue to operate in a fashion that they have grown accustomed. In addition, if the unsupportive organizational culture determines the functions of the human resources, misalignment will continue to occur and negative outcomes may result (see Figure 1).

## MULTI-LEVEL THEORY

In addition to considering the alignment between strategy, culture, and SHRM, researchers must also consider additional levels of analysis. Individuals throughout hierarchical levels of the organization, not only the top management team, must be considered to develop the organizational culture and whether it is congruent with the strategy and SHRM.

Ostroff and Bowen (2000) suggest that little research has been conducted to determine the factors that contribute most to HR system alignment and instead of focusing on particular HR practices used to achieve goals researchers should also examine organizational climate. In agreement and by extension, we suggest that one must consider organizational culture. Ostroff and Bowen (2000) discuss an alignment between strategy and climate (e.g., focusing on innovation skills if the climate is one of implementation of innovation).

Schneider et al. (2003) suggest that the reason alignment in organizations has not been thoroughly studied, especially regarding human resource functions, is because the responses are usually from one source, an HR executive, rather than the employees within the firm. In addition, they suggest that the surveyed practices are often too general and could be applicable to many firms regardless of strategy. Finally, Rousseau (1990) suggests using both qualitative and quantitative methods to determine the level of approval and agreement of values within the organization.

## DISCUSSION, IMPLICATIONS, AND FUTURE RESEARCH

Because SHRM is typically studied as its fit with strategy, an important moderating variable, organizational culture, may be overlooked. Importantly, culture may impact the discrepancy between intended and realized strategy. When mismatch occurs, organizational culture should be examined to determine corresponding organizational outcomes.

One critical future research issue to the proposed linkage is the assumption that the organizational leaders have selected an appropriate strategy. For instance, the top management team wishes to implement a strategy that is not congruent with the organization's culture. The strategy may be inappropriate for the organization, and organizational performance would be expected to be low. However, once a proper strategy is selected which is aligned with the culture, the organization could turn itself around with minimal impact, depending on the timing of the reaction.

Another area for future research is the organizational values in Table 1. These are far from exhaustive and cannot encompass every conceivable situation. Additional strategies and values that are strategy supportive should be developed to include the resulting SHRM practices that would promote alignment.

Future research should be conducted to determine the extent to which organizations that have had intended versus implemented strategy and SHRM incongruence and also lacked alignment with organizational culture. This could be a key indicator to the top management team to take a leadership role in establishing and developing the supportive culture and values needed first in order to implement a current strategy to continue success through the SHRM functions. This may also uncover a timeframe to be utilized for a more successful execution of the HR practice implementation and positive organizational outcomes.

## CONCLUSION

We examined a gap in the literature regarding the impact of the organization's strategy on SHRM when taking into account organizational culture in order to develop propositions for future research. In addition, a model was developed to show the resulting outcomes when alignment or misalignment of culture is present in the strategy-SHRM linkage. We further extend the literature by presenting a table of suggested organizational culture values necessary to encourage a strategy-supportive culture.

Organizational culture should be studied as an important moderating variable in the strategy-SHRM-performance linkage (Jackson et al., 2014). The alignment of organizational culture is imperative in order to determine successful HR practices that will shape the organization. Finally, although there is "no one best culture;" the value is determined by aligning the culture to achieve the best possible strategy-SHRM-outcome linkages.

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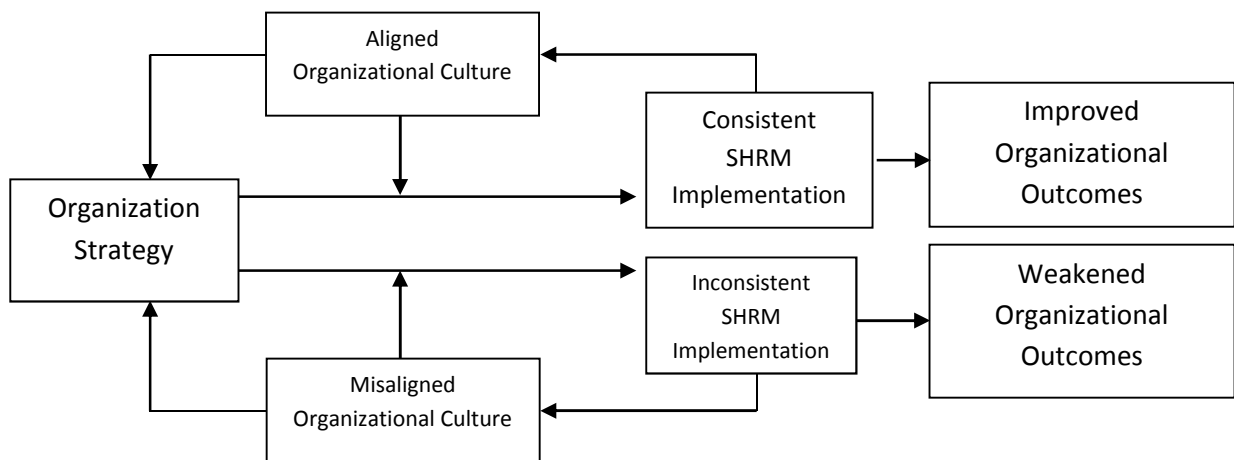
FIGURE 1. Conceptualization of Aligned or Misaligned Organizational Culture Within the
Organization Strategy-SHRM Linkage

TABLE 1. Organizational Culture Values Moderating the Strategy-SHRM linkage
Adapted from Jackson et al. (2014); Mathis and Jackson (2000); also see Porter (1980);
Thompson and Strickland (1998)

| Strategy | Organizational Culture Values (Strategy Supportive) | SHRM Focus |
|---|---|---|
| Low Cost Leadership | • Following Rules<br>• Employment Security<br>• Efficiency/Productivity | Administrative/Cost Orientation<br>• Hire from within<br>• Internal training |
| Differentiation | • Being flexible<br>• Taking Risks<br>• Innovation | Creative Orientation<br>• Hire from outside<br>• Less Training |
| Superior Customer Service | • Customer experiences<br>• Quality<br>• Company Reputation | Service Quality Orientation<br>• Extensive training<br>• Rewards for service |
| Innovation | • Entrepreneurial behaviors<br>• Knowledge workers | Learning Orientation<br>• Creativity coaching<br>• Risk taking Rewards |