Strategic Human Resource Management and Resource-based Approach: The Evidence from the British Manufacturing Industry

by Azhdar Karami, Farhad Analoui and John Cusworth

Abstract

The notion, that people management can be a key source of sustained competitive advantage, calls for the integration of Human Resource Management (HRM) and business strategy. Not surprisingly, the main debate in HRM is nowadays concerned with the relationship between strategic management and employee relations in the firm and therefore strategic HRM focuses on the overall direction of the organisation in pursuit of its stated goals and objectives. This paper explores the above relationship in the electronic manufacturing industry. It is based on empirical evidence and the findings of a survey of senior managers' perception and views on strategic HRM. It is concluded that increasing core competencies of the firm, in particular HR, is one of the key elements to the success of the firm performance and that HR involvement in the development and implementation of business strategy leads to organisational effectiveness in this industry.

Key Words: Strategic Human Resource Management; Resource-based View; Electronic Industry; CEOs Strategy

Introduction

The debate on strategic management and HRM reveals that the focus is centred on organisational success and effectiveness (Guest, 1990; Lahteenmaki, 1998; Analoui, 1999). As for strategic management, in recent years, we have witnessed a major debate over the implication of the resource-based view of the firm for the theory of strategy. This debate also has implications for creating a resource-based model of HRM (Boxall, 1996). A typical way to approach strategic HRM is to define it as ‘bridging’ the concept of business strategy and HRM (Boxall, 1991; Lorange and Murphy, 1984; Lundy, 1994; Story, 1998; Lahteenmaki et al, 1998). There is some agreement at least on one point: there ought to be a link between a firms’ strategy and the utilisation of its human resources (Lahteenmaki et al, 1998). The idea of human resource in the distinctive sense of the term is based around the notion that people management can be a key source of sustained com-
petitive advantage (Mabey et al, 1998). This connection is in turn, based on four main aspects;

1. Human’s capability and commitment,
2. Strategic importance of human resources
3. Managing human resources by specialists, and
4. Integration of human resource management into business strategy.

In this full-blown sense the term HRM can be regarded as synonymous with strategic human resource management (Mabey, et al, 1998).

Before beginning the review of strategic HRM literature, however, it is important to clarify terms because of the troublesome intellectual terrain that HRM occupies. Tyson (1995) defines HR strategy as the intentions of the corporation both explicit and covert, towards the management of its employees, expressed through philosophies, policies and practices. Accordingly Schuler and Jackson (1987) have defined HR strategy very broadly to embrace three levels of activities - philosophies, policies and practices. While Dyer (1984) defined HR strategy as the pattern that emerges from a stream of important decisions about the management of human resources, especially those decisions that indicate management’s major goals and the means that are (or will be) used to pursue them. According to Boxall (1993) there are two broad strands of meaning in the academic discourse on HRM.

The first strand is based on the view that HRM constitutes a commitment – oriented model of labour management. In this view HRM is seen as a distinctive approach to employment management (Guest, 1990; Pfeffer, 1994; Karami, 1999; Analoui, 1999). As Boxall (1996) concluded, writers in this tradition are concerned with such questions as: what practices constitute a high commitment model and is the model more likely to occur in unionised or non-union settings and are the outcomes of such a model actually superior?

The second strand of discourse in HRM is focused on the relationship between strategic management and employee relations in the firm (Hendry and Pettigrew, 1990; Boxall, 1996; Wright et al, 1998). The concerns of writers in this school (Hendry and Pettigrew, 1990; Peck, 1994; Tyson, 1995; Boxall and Steeneveld, 1999) span this intellectual boundary and thus the preferred definition of HRM is broad or generic, so as not to exclude any particular style of labour management (Boxall, 1996). Fombrun et al (1984) defined strategic HRM as a set of techniques, which enables interventions to be made within the business in order to improve performance. Strategic human resources management (SHRM) is an approach to making decisions on the intentions of the organisation concerning people, essential components
of the organisations business strategy (Armstrong, 1996). It is about the relationship between HRM and strategic management in the organisation and refers to the overall direction the organisation wishes to pursue in achieving its objectives through people.

This paper is concerned with the relationship between strategic management and HRM in the U.K. manufacturing organisations. It reports an empirical investigation into strategic human resource management in the electronic manufacturing industry in the UK. The objective was to examine the senior (Managing Directors) managers’ attitudes and their perceptions of strategic HRM. We begin with a review of the strategic HRM debate so far and the application of resource-based models to the analysis of HRM, the research method used to examine the collected data. Then our empirical findings will be used to discuss the relationship between SHRM and firm performance in the industry. Our conclusions reflect on the role of SHRM in competition among manufacturing firms.

Strategic HRM: A Resource-Based View

Much attention has been given to human resource management yet often its varied roles within the organisation have been the subject of neglect (Analoui, 1999). One of the major problems is identifying what differentiates HRM from strategic HRM, or makes strategic HRM more strategic than HRM (Hendry and Pettigrew, 1986; Lahteenmaki et al, 1998; Karami and Analoui, 1999). One of the key differences between traditional conceptions of human resource management (HRM) and strategic human resource management (SHRM) is the extent to which human resource management is integrated with the strategic decision making processes that tend to direct organisational efforts to cope with the environment (Guest, 1989). Competition, globalisation and continuous change in market and technology are principal reasons for the transformation of human resource management (Beer, 1997). Based on the condition of competitive and global market the new strategic roles for human resource management have been defined.

Traditional human resource ideas emphasise solely on physical skills; training covering only specific tasks; functional and sub-functional specialisation; and concern for individual efficiency. The traditional perspective did not place the emphasis on ‘people’ and therefore paid more attention to ‘task’ at the expense of people and their development (Analoui, 1998). However, the emerging strategic human resource management ideas emphasise the total contribution on the firm; innovative and creative behaviour; overall effectiveness and cross-functional integration. Pfeffer (1994) describes how changing market conditions have rendered many of the traditional sources of competitive advantage, such as patents, economies of scales and access to capital and market regulations, less important than they
have been in the recent past. Unlike conventional assets, strategic human resources as an intellectual or organisational capital are largely invisible and, therefore, do not appear on the firm’s balance sheet (Tomer, 1987; Karami, 1999). They are found in a skilled, motivated and adaptable workforce, and in the HRM system that develops and sustains it. Indeed, as intellectual capital has come to represent an increasing fraction of many firms’ total assets, the strategic role of the HRM system has also become more critical. Ulrich and Lake (1990) point to such an HRM system as the source of organisational capabilities that allows firms to learn and capitalise on new opportunities.

The HRM system that develops and maintains a firm’s strategic infrastructure should be considered an investment. It is an essential element of the infrastructure that supports this value creation process and a potential strategic lever for the organisation. The system level is considerable in the new role of SHRM. This system level focus is consistent with the conceptual rationale for the process of a strategic impact and referred to as a high performance work system. SHRM system produces employee behaviours that are focused on key business priorities, which in turn drive profits, growth and ultimately market value (Becker, et al, 1997). Becker et al, have summarised the different roles of human resources. They emphasised that HR not only must focus on business level outcomes rather than HR level inputs but also it must become a strategic core competency rather than a market follower. Accordingly, they focused on strategic competencies instead of functional competencies. Also they have indicated that the most important missing element in the HR functional expertise is a system perspective (Becker, et al, 1997). Finally, as a result of reduced transportation and information costs and the removal of social and political barriers the globalisation of business is proceeding at unprecedented and unexpected rates. Both the criteria and intensive competition are changing as a result of globalisation (Brockbank, 1997). This approach emphasises the integration of human resources with the rest of business and its environment (Lahteenmaki et al, 1998). According to Miller ‘strategic human resource management (SHRM) encompasses those decisions and actions which concern the management of employees at all levels in the business and which are directed towards creating and sustaining competitive advantage’ (Miller,1989, P.114).

The mainstream concept of SHRM is characterised by the importance which is placed, first on the role played by the senior management and, secondly, the role of strategic HR policy and planning activities (Armstrong and Spellman, 1993; Mabey, et al, 1998). The SHRM perspective considers employees as strategic resources and implies that people are a critical investment in a firms’ performance (Purcell, 1993; Bennett et al, 1998). Armstrong (1996) indicated that the concept of strategic HRM was first formulated by Fombrun et al (1984), who wrote that three core elements are necessary for firms to function effectively. These include mission and strat-
Strategic Human Resource Management and Resource-based Approach

egy, organisation structure and human resource management. According to Henry and Pettigrew (1986), the meaning of strategic human resource management is matching HRM activities and policies to some explicit business strategy.

Theoretical Framework and Hypotheses

A new paradigm of corporate strategy that is referred to as the resource based approach, has emerged to help companies compete more effectively in the ever-changing and globalizing environment of the 1990s. This approach views competencies, capabilities, skills or strategic assets as a source of sustainable competitive advantage for the firm (Mabey et al, 1998). According to literature (Prahalad and Hamel, 1990; Boxall, 1992) a resource-based approach to strategic management focuses on the costly-to-copy attributes of the firm as a source of economic rents and therefore as the fundamental drivers of performance and competitive advantages.

Generally there are various strengths associated with a resource-based strategy. Boxall (1996) argued that, first, the models proposed are sensitive to history. Writers emphasise the way strategic resources are developed over time through opportunities that do not necessarily repeat themselves. Secondly, the resource based perspective implies the need to build a strategic management process. Thirdly, the model does not suffer from a view of strategy which places an unbalanced emphasis on marketing notions. Boxall concluded that 'it seems safe to suggest, however, that what the resource-based perspective has stimulated is a re-balancing of the literature on strategy in a way that stresses the strategic significance of internal resources and capabilities and their historical development' (1996: 66).

One of the considerable numbers of researches of the resource-based view is the work of Prahalad and Hamel (1990) who argue that HR is a source of competitive advantage of the firm. Based on the literature, most of the researchers have emphasised on HR as a factor in determining the performance of the firm. For instance, Bennett et al (1995) found that the integration of HR and strategy was greater when top managers viewed employees as strategic resources. One would expect to find a relationship between core competencies and the performance of the firm and especially the relationship between product quality, HR capability and the performance of the firm will be examined. This leads to the following research hypotheses:

Hypothesis No 1a. There is a positive correlation between product/services quality and performance of the firm.

Hypothesis No 1b. There is a positive correlation between HR capabilities and performance of the firm.
The desire to gain competitive advantage by integrating HRM with business strategy and thus managing people more effectively is the main rationale behind strategic HRM thinking (Lahteenmaki et al, 1998). Following the growth of interest in strategic analysis in the face of mounting competition in industry, HRM has been identified as a potential source of competitive advantage. Some proponents of strategic human resource management (SHRM) argue that, the management of human resources must fit within a suitable strategy (Mabey et al, 1998). The links between human resources as a strategic asset of a firm and its strategy can be assumed at different levels. It has been argued that there are four levels of links between HR and strategy. These consist of: administrative links, one way links, two way link and integrative links (Golden and Ramanujam, 1985). The ‘administrative link’ consists of performing the administrative duties such as maintaining payroll, record keeping and processing benefit claims. On the other hand, ‘one way link’ concentrates on HR playing a role in strategy implementation but having no impact on the formulation of the firm’s strategies. However, the ‘two way link’ entails the HR function contribution to both the strategy formulation and strategy implementation process. Finally, the ‘integrative link’ implies the link between HR and decision-making, formulation of business strategy and playing an internal role in the firm’s competitive advantage (Wright et al, 1998). As a result one would expect a relationship between top managers’ perceptions of HR as a strategic resource and top management’s approach to involving HR in the strategic management process. This led to the following research hypothesis:

Hypothesis No 2. There is a positive correlation between top managers’ attitudes to HR effectiveness as a factor determining the competitive advantage of the firm, and the level of linkage between HR and business strategy.

Human resource involvement in the strategic management process has been thought to be effective in all cases. Its effectiveness however, may vary with the firm strategies. Strategic management is greater when top managers view people as strategic resources (Wright et al, 1998). Brockbank (1997) concludes that ‘the challenge for the HR professional is three fold: first examine and understand the context which derives business realities; second, design critical, high value-added agendas; and third, ensure that broadly defined HR practices are exactly aligned and unified around these agendas. As these develop, HR will contribute a more strategic and high value-added presence as firms compete in increasingly complex and changing contextual conditions’ (Brockbank, 1997, P.69). By shaping HRM strategies and policies to enhance commitment, competence, congruence and cost effectiveness, an organisation increases its capacity to adapt to changes in its environment (Milliken et al, 1990). Increased commitment means better communication between employees and managers. High competence implies that, employees are versatile in their skills and can take new roles and jobs as needed. Cost effectiveness means that the human resource costs are kept equal to or less than those of competitors. Finally, higher congruence
means that all stockholders share a common purpose and collaborate in solving problems (Stoner et al, 1995). It may be necessary to examine the role of HR managers in developing and implementing business strategies. This leads to the following research hypothesis.

Hypothesis No 3. Is HR involvement in strategic management positively related to organisational effectiveness?

The hypothesised relationship between dependent and independent variables has been shown in Table I.

<table>
<thead>
<tr>
<th>Measured Variables</th>
<th>Hypothesis (Proposed Relationship)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company Performance</td>
<td>*Product/Services Quality 1a Positive, 1b Negative</td>
</tr>
<tr>
<td></td>
<td>*HR Capabilities</td>
</tr>
<tr>
<td>Link Between HR &amp; Business Strategy</td>
<td>*HR Effectiveness 2 Positive</td>
</tr>
<tr>
<td>Organisational Effectiveness</td>
<td>*HR Involvement 3 Positive</td>
</tr>
</tbody>
</table>

Source: Data analysis

Methodology

Sample

As previously discussed, most of the work on strategy and HRM has been focused on large firms (Golden and Ramanujam, 1985; Buller, 1988). There has been insufficient evidence on strategy and HRM in small and medium size corporations. In this paper, the sample has been drawn from the population of small and medium size manufacturing organisations in the UK. Data were collected via mail surveys from 114 senior managers of the electronic manufacturing companies in the UK. The companies were identified using the UK Standard Industrial Classification (SIC) based on two criteria; a) 500 or less employees, and b) £50 million or less company turnover in the last financial year (2003). The main research instrument was mail questionnaire. Managing directors were invited to personally participate in the survey. In order to minimize response bias, the participants were also provided with pre-addressed envelopes to enable them to return the completed questionnaires directly to the researcher without any risk of perusal within the firms.

Measurement

Core competencies: Core competencies deal with the internal resources or capabilities of a firm that are competitively unique and add value to the firm
We examined two potential core competencies as the factor determining competitive advantages. First, HR capabilities described the extent to which the firms viewed skilled human resources as their source of competitive advantage (Pearce and Robinson, 1991). Second, product quality described the extent to which the efficiency of the production process provided a competitive advantage.

**Company performance:** This variable was measured by the self reported ratings of the respondents concerning the indicators of achievement of the intended outcomes, financial performance, and implementation of plans within the expected time and predicted cost. A Likert type scale ranging from 1 (low extent of success) to 5 (high extent of success) was applied. This self-reporting rating of performance is widely used in HR strategy research (Golden, 1992; Lahteenmaki et al, 1998). Supporting this idea, different studies show a strong correlation between subjective responses and objective measures (Robinson and Pearce, 1988; Lahteenmaki et al, 1998).

**HRM involvement in strategy making:** The involvement of HR management in strategy making described the extent to which the HR managers engaged in the formulation and implementation of business strategies. This variable was measured by rating the respondents’ view and attitudes about the extent to which human resource managers are involved and contribute to the crafting and implementation of business strategies.

**HR development and effectiveness:** HR development was measured by rating the effect of developing new plans on organisational performance and employees’ satisfaction. Also respondents were asked to rate human resource utilisation in a Likert scale from low efficient to high efficient. Consequently respondents were asked to rate the importance of HR as one of the key resources in increasing organisational effectiveness.

**Data Analysis and Results**

Surveys were returned from 114 top executives including CEOs, Managing Directors (MD) and Strategic Business Unit (SBU) managers, with a response rate of 22.8 percent. The majority of respondents (N=110, 96%) were male, while only 4% of respondents were female. The number of years of work experience ranged from 3 and the maximum was 52 years. Also, 73% of respondents reported that they have had formal management training. The number of employees of the firms varied from a minimum (N=16) to maximum (N=492). Accordingly, the amount of turnover of the firms in the last financial year between £1.25 million to £50 million. The descriptive statistics and correlation matrix of the variables are reported in table II.

The first hypothesis was to examine the relationship between both HR capabilities and product/services quality and company performance. As illustrated in Table II, there is a strong relationship between company performance and HR capabilities ($\gamma = 0.81; p<0.01$). Also, the correlation...
between company performance and product/service quality is reported as positive and strong \( (\gamma = 0.74; p<0.01) \). The second hypothesis examined the relationship between top managers’ attitudes on HR effectiveness as a factor determining competitive advantage of the firm, and the level of linkage between HR and business strategy. Accordingly the correlation between HR effectiveness and the level of linkage between HR and business strategy confirms a positive relationship \( (\gamma = 0.74; p<0.01) \) between these variables. Finally, the third hypothesis examined whether or not the relationship between HR involvement in strategic management and organisational effectiveness is positive and significant. As can be seen in Table II, there is a positive and strong relationship between HR involvement in the formulation and implementation of business strategies and organisational effectiveness \( (\gamma = 0.83; p<0.01) \).

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>St.dv.</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.HR Capabilities</td>
<td>3.96</td>
<td>1.14</td>
<td>1</td>
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<td></td>
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<td></td>
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<td></td>
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<tr>
<td>2.Product Quality</td>
<td>4.11</td>
<td>1.04</td>
<td>.616**</td>
<td>1</td>
<td></td>
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<td></td>
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<tr>
<td>3.HR Effectiveness</td>
<td>3.53</td>
<td>1.16</td>
<td>-.005</td>
<td>.088</td>
<td>1</td>
<td></td>
<td></td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>4.HR as Key Resources</td>
<td>3.89</td>
<td>1.09</td>
<td>.453**</td>
<td>.421**</td>
<td>.060</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>5.Level of Links between HR &amp; Strategy</td>
<td>3.56</td>
<td>1.21</td>
<td>.033</td>
<td>.106</td>
<td>.740**</td>
<td>.107</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>6.Organisational Effectiveness</td>
<td>3.86</td>
<td>1.08</td>
<td>.557**</td>
<td>.420**</td>
<td>.099</td>
<td>.599**</td>
<td>.095</td>
<td>1</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>7.HR Development</td>
<td>3.48</td>
<td>1.23</td>
<td>.144</td>
<td>.163</td>
<td>.027</td>
<td>.021</td>
<td>.111</td>
<td>-.051</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.HR Involvement</td>
<td>4.10</td>
<td>1.07</td>
<td>.730</td>
<td>.537**</td>
<td>.181</td>
<td>.672**</td>
<td>.192*</td>
<td>.833**</td>
<td>.024</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>9.Firm Performance</td>
<td>3.90</td>
<td>1.04</td>
<td>.816**</td>
<td>.740**</td>
<td>.014</td>
<td>.485**</td>
<td>-.016</td>
<td>622**</td>
<td>.152</td>
<td>64**</td>
<td>1</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed)
* Correlation is significant at the 0.05 level (2-tailed)
Discussion

We tested the hypothesised relationships among variables using Chi-square analysis and spearman rank order correlation between variables. This analytical technique allowed us to identify the relative magnitudes of the relation between firm performance and their core competencies. This includes managerial attitudes on HR as a key source determining competitive advantage of the firm and the level of linkage between HR and business strategy; and finally the relation between HR involvement in strategic management and organisational effectiveness. According to Boxall (1996) prior to the advent of resource-based models, theoretical critique and empirical efforts in strategic HRM have centred on the ‘matching model’ (Boxall, 1992) or ‘behavioural perspective’ (Wright and McMahan, 1992; Lado and Wilson, 1994) or ‘contingency hypothesis’ (Dyer and Reeves, 1995). Boxall (1996) argued that the primary emphasis of this model is on the economic desirability of ‘fitting’ HR strategy to the firm’s choice of competitive strategy. Thus, it is suggested, HR practice should be designed to mutually reinforce the firms choice of generic strategies (Porter 1985) and its competitive posture in what is seen as a powerful combination of ‘internal’ and ‘external’ fit (Boxall 1996).

The first purpose of this article is to identify the nature of the relationship between the core competencies of the firm and the firm’s performance. In the light of a resource-based view, we assumed both product/service quality and HR capabilities as factors determining core competencies of the firm. The relationship between firm performance and the core competencies were hypothesised (see hypotheses 1a and 1b). Supporting the results of previous work by Lahteenmaki et al (1998), hypothesis 1a is concerned with a positive relationship between product/services quality and performance of the firm. As it has been shown in Table III, in a two-way 2 test there was a significant relationship between the quality of products or services of the firm and firm performance ($\chi^2=166.249$; d.f=16: $p<0.01$). Also the correlation between the variables ($r=0.74; p<0.01$) confirms the result of the Chi-square test. Accordingly, to compare this result and to see whether or not any relationship between HR capabilities and firm performance exists, we designed hypothesis 1b. In hypothesis 1b it has been assumed that there is a negative relationship between HR capabilities and the performance of the firm. However, in a two-way 2 test there was a significant relationship between HR capabilities and firm performance ($\chi^2=310.517$; df=16: $p<0.01$). Therefore, confirming this result by correlation coefficient of the variables ($r=0.81; p<0.01$) which can be seen in Table IV, the null hypothesis was accepted and accordingly the alternative hypothesis 1b rejected. Indeed there is a strong and positive relationship between firm performance and HR capabilities. Supporting this thesis, comparison of respondents’ perceptions and attitudes on firm performance and core competencies including HR capabilities and product/service quality, has been shown in Figure I.
Boxall (1996) argued that by defining firms as unique bundles of resources, the resource based perspective emphasised the inevitable imperfection of factor markets. So the HR capability of the firm is a considerable resource that determines the competitive advantages of the firm. Wright et al, (1998) defined the skilled work force as the HR capabilities. Accordingly, Analoui (1998) defined managerial skills that consist of task, people-related skills, and self-development and analytical skills as HR capabilities of the firm. It can be concluded that, in light of the resource-based view of the firm, increasing HR competencies and capabilities will lead to a firm’s success in achieving its goals and objectives in a competitive landscape. However, as Hunt (1995) argued, HR capabilities are not simply accounting...
assets, which are disclosed on its balance sheet, but anything that has an enabling capacity.

An increasing number of studies have attempted to assess the links between of HR and the strategy process (Golden and Ramanujam, 1985; Buller, 1988; Huselid, 1995; Martell and Carroll, 1995; Anderson, 1997 and Wright et al, 1998). According to Baird and Meshoulan (1998) and Lahteenmaki et al, (1998) two kinds of links between HR and strategy are required: external, which refers to the integration of HR systems to business strategy, and the internal, which refers to the fit between the components of the HR function to give cohesion. Although the external linkage models have been widely criticised, Lahteenmaki et al, (1998) argued that a considerable part of the criticism is related to the lack of empirical evidence supporting the assumption that the HR/business strategy fit would lead to positive outcomes. Also these models do not pay attention to measures of organisational effectiveness. As discussed earlier, the level of linkage between HR and strategy can be determined by the management view of the human resources of the firm. Miller (1991) presented a model for linking human resource management to strategy. He considered that the links between HRM and strategy consists of three levels, corporate strategy and strategic HRM; divisional level strategy and divisional level HRM; and finally, business level strategy and business level HRM. Miller (1991) argued that there is a two-way flow between HRM and strategy. Accordingly, Golden and Ramanujam (1985) argued that, there are four levels of links between HR and strategy. These are administrative links, one way links, two way links, and integrative links. To examine this thesis in manufacturing firms, we hypothesised that, there is a positive relationship between top managers’ attitudes on HR effective-

### Table IV. Symmetric Measures of Variables

<table>
<thead>
<tr>
<th>Measured Variables</th>
<th>Spearman Correlation Value</th>
<th>Asymp. Std. Error†</th>
<th>Approx T††</th>
<th>Approx Sig†††</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm Performance &amp; Product/Services Quality</td>
<td>0.740</td>
<td>0.056</td>
<td>11.646</td>
<td>P &lt; 0.01</td>
</tr>
<tr>
<td>Firm Performance &amp; HR Capability</td>
<td>0.816</td>
<td>0.063</td>
<td>14.756</td>
<td>P &lt; 0.01</td>
</tr>
<tr>
<td>HR/ Strategy Links &amp; HR Effectiveness</td>
<td>0.740</td>
<td>0.077</td>
<td>11.269</td>
<td>p &lt; .01</td>
</tr>
<tr>
<td>Organisational Effectiveness &amp; HR Involvement</td>
<td>0.833</td>
<td>0.048</td>
<td>15.730</td>
<td>P &lt; 0.01</td>
</tr>
</tbody>
</table>

†. Not assuming the null hypothesis
ness as a factor determining competitive advantage of the firm and the level of linkage between HR and business strategy. Data analysis showed that, in a two-way 2 test (see Table III) there was a significant relationship between top managers’ attitudes on HR effectiveness and the level of linkage between HR and business strategy ($\chi^2=377.406 : df=25 : p<0.01$). Since there was statistical significance at the 1% level, we rejected the null hypothesis and accepted alternative hypothesis 2. As a result confirming Golden and Ramanujam (1985) findings, we found that, the level of integration between HR and business strategy was significant and stronger when top management viewed employees as strategic resources. This result was supported by senior managers’ views of HR as a key resource of the firm (Mean=3.80, st.dv=1.09). The majority of respondents rated HR as very important and an essential key resource of the firm. Simultaneously, these senior managers believed that involving HR in strategic management in an integrated level would lead to highly successful firm performance.

Based on the literature, numerous authors have called for increasing the extent to which HR managers are involved in the strategic management of the firm, yet very little data exists confirming the effectiveness of it. Anderson has argued that, two fundamental and specific processes could be used by HR people to help management realise full value from the HR function in support of business objectives. The first is linking people strategies to the company’s strategic management process. The second is developing HR strategy to support the corporation strategies (Anderson, 1997). As Wright et al (1998) argued, although many researchers (Schuler, 1992; Truss and Gratton, 1994) have called for the increased involvement of HR executives in strategic management, very little research has examined the consequences of such HR involvement in the developing and implementation of business strategies. For instance, Bennet et al (1995) in their study argued that there is a negative relationship between HR involvement and HR effectiveness. In contrast Wright et al (1998) in their recent research found a strong correlation between HR involvement and HR effectiveness. In other words, they pointed to the fact that ‘operation managers highly evaluate the HR function when the HR executives are heavily involved in strategic decision making’ (Wright et al 1998:24). In order to investigate the relationship between HR involvement and organisational effectiveness in UK manufacturing firms, we hypothesised this relationship positively. Hypothesis 3 asks, is HR involvement in strategic management positively related to organisational effectiveness? As can be seen in Table III, in a two-way 2 test there was a significant relationship between HR involvement in strategic management and organisational effectiveness ($\chi^2=224.364 : df=16 : p<0.01$). Therefore, the null hypothesis was rejected and consequently alternative hypothesis 3 accepted. Supporting Wright et al (1998) we found a strong and positive relationship ($\gamma=0.83 : p<0.01$) between HR involvement in the development and implementation of business strategy and organisational effectiveness in the manufacturing industry (See Table IV).
Conclusion

Overall, the main contribution of this study is its specification of links between HRM and strategic management. More generally, the study established an empirical basis for examining the resource-based approach to development and implementation of business strategy focusing on HR core competencies in manufacturing firms. As we have seen so far, increasing the core competencies of the firm, especially HR capabilities, leads to a high rate of successful firm performance in the electronic manufacturing industry. Regarding the links between HR and strategy, we found that the level of integration between HR and business strategy was significant and stronger when top management viewed employees as a strategic resource. Finally, there was a strong and positive relationship between HR involvement in the development and implementation of business strategy and organisational effectiveness in the manufacturing industry.
References


