

Aligning human resource development with business strategy

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Abstract

There is a growing interest among senior managers, human resource professionals and business school academics about evaluating the strategic benefits of workplace learning; particularly how organised training and development activities contribute to an organisation's success. The opinion is polarised: one school of thought takes a pro-human resource standpoint and advocates a strong and irrefutable connection, while the other view offers a more critical and independent perspective, arguing the evidence is not convincing.

Despite this division, all sides give the impression that the best chance for evaluating the success of training may rest in aligning learning and development activities with the business strategy (Phillips 2007; Sloman 2007). The term alignment has grown to become a popular expression for directing effort towards organisational success. However, this is not as straightforward as it may first appear, as business strategy can change perpetually - especially in a competitive and globalised marketplace (Thompson 1995). Hamel (1996), a global expert on strategy, has even suggested the increasing complexity of what organisations have to deal with, makes strategic planning a tenuous activity, if not almost impossible. These assertions present a significant challenge for those wishing to align training activities with strategy and this paper contends the term alignment needs to be understood more fully if it is to serve a useful purpose.

Drawing on case study evidence, collected in the New Zealand manufacturing sector, this paper examines how three organisations responded to global market challenges, and explores how workplace training and human resource development projects concealed a multi-dimensional face of alignment, offering both strengths and limitations to the success of the enterprise. Employees from five different roles within three organisations took part in in-depth interviews. Information from a literature review and documents from the organisations complement the evidence. The findings offer new possibilities for aligning human resource development initiatives successfully with business strategy.

Introduction

The acceptance of human resource management as a strategic activity continues to attract global studies (Turner 2004; PricewaterhouseCoopers 2005; Deloitte 2007) and there is no shortage of text on how investment decisions on training and development have grown to become an integral part of this debate (DeSimone, Werner & Harris 2002; Delahaye 2005). Despite constant increases in training budgets, there remains ongoing deliberation about the positive connection between human resource development and business strategy. Robust evidence from

evaluation activities is reported to be superficial (Horwitz 1999), leaving management bereft of valid information about the benefits of training. This scenario has contributed to an escalation of scepticism among senior managers, making training the first casualty of budget cuts (CIPD 2005).

To compensate for this uncertainty, those responsible for taking strategic decisions on human resource management are increasingly adopting the term 'alignment' as a descriptive idiom to symbolise an internally driven process of directing training initiatives [and expenditure] towards the strategic intent of the enterprise. To promote this trend, there is a abundance of clichéd guidance in the pro-human resource literature on how to align learning and development with business strategy (Powell 1992; Chorn & Hunter 2004; Phillips 2007); but some of these suggestions appear simplistic, overplayed and fail to fully recognise the complex circumstances in which organisations deploy their strategies. New evidence suggests that modern organisations, in a globalised market, gain competitive advantage by pursuing several strategies at the same time (Purcell 1989; Mintzberg 1994; Thompson 1995) – so alignment may be too complex to define as a universal entity; making the notion difficult to quantify, a challenge to implement and appear more of a management dream.

Understanding alignment

Typically, managers use the term 'strategic alignment' to imply an overall condition where the stakeholders involved in an enterprise contribute in a unified way towards its success. For many years, contingency and configuration theorists have attempted to make a connection between the alignment of organisational strategic factors and performance (Burns & Stalker 1961; Woodward 1965; Lawrence & Lorsch 1967; Miles & Snow 1978; Mintzberg 1979; Miller & Friesen 1984). Some have suggested alignment occurs when the elements of environment, strategy, culture and leadership coalesce to produce enhanced performance (Chorn & Hunter 2004). In general, contingency theorists assert that successful performance is the result of a proper alignment of endogenous design variables (such as organisational structure or degree of formal planning) with exogenous context variables (such as environmental uncertainty, technology or organisational size). Conversely, Typologists believe successful organisations are aligned in a small number of typical patterns (or configurations) and suggest theories on why this state should exist (Powell 1992).

Although formal texts rarely focus on alignment as a specific topic (until recently) they appear to acknowledge that its presence may contribute substantially to business success - especially in relation to the strategic choices made on people issues, resources, culture and organisational values (Seaman 1998). Thompson (2005) suggests these choices are diverse and can include: reducing costs, product differentiation, innovating, diversification and merger or acquisition. An aligned organisation is thought to direct its individual and team development towards these strategies. The concept of the learning organisation has much to say about alignment (Senge 1990) and Figure 1 illustrates what is meant. Each small arrow represents the direction of an individual's performance or motivational behaviour. Some arrows align with the larger (organisational) arrow and this represents people who readily identify with the organisations goals and objectives. Yet, other arrows

are misaligned in different directions - representing those people who choose to work out of line with the organisation. Thompson (1995) suggests the impact of these separate actions can easily go undetected on a daily basis but if left unchecked, the resultant energy accumulates to produce an overall shift in organisational performance away from the intended strategic direction. This comparison draws on the laws of physics and creates a condition where the resultant energy from each arrow forces the organisation to drift away from its intended path – a term referred to as strategic drift.

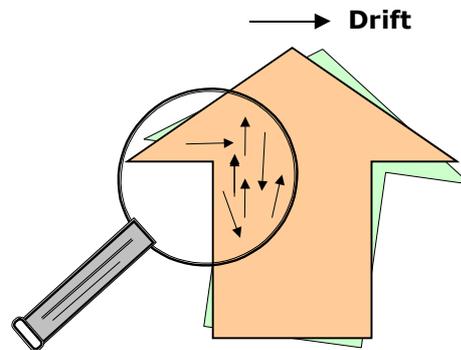


Figure 1. Misalignment and strategic drift

(Adapted from Senge, 1990)

Alignment of human resource development

During the last three decades, workplaces in Western-based economies have witnessed an unprecedented growth in vocational education and training, normally undertaken as part of the wider strategy on human resource development (HRD). In larger organisations, HRD has evolved as a sub-activity of the larger human resource management function, providing an internal 'centre of expertise', but this is not the case in every organisation and is influenced by a number of factors such as the size and culture of the organisation. Where centres of expertise do not exist, HRD work is distributed across business units, corporate centres or outsourced to an external agency (Reilly 2007, p.43) - making alignment much harder to coordinate.

Equally, the perceived value of training and development has grown in parallel with the aforementioned changes and the catchphrase *people are our most important resource* has become a widely used phrase amongst pro-human resource professionals. This belief has originated largely from a fundamental commitment to the resource-based perspective of dealing with employees and the strategic problems faced by organisations (Boxall & Purcell 2003). Resource-based theory emanates from contemporary strategic thinking and suggests organisations can achieve sustainable competitive advantage by developing distinct core competencies (Hamel & Prahalad 1994; Smith 2003). Central to this notion is the important alignment between individual skills, team competencies, and business performance. Yet, Paauwe and Boselie (2005) suggest progress in understanding the relationship between HRM and strategy can be made only by looking at the broader influences on strategic management and by regarding the impact of HRM on performance as multi-dimensional. They hint towards finding a more balanced perspective, in order to derive new meaning to a more holistic notion of alignment for all stakeholders and see this as a unique blend for each organisation.

Research aims

The research in this paper aimed to gain an in-depth understanding of alignment as it applied to the strategic investment decisions on HRD. Specifically, the study sought to provide qualitative information from 'live' organisational settings and go some way towards filling the current void in reliable evaluation. For these reasons, the research interview questions were focused on: exploring what factors drive strategic success, how human resource development activities contribute, and how these events define and shape the characteristics of alignment.

Research design and methods

The investigation, from which the information discussed below is drawn, was part of a doctoral research study conducted over a four-year period between 2005 and 2008. The study focused on exploring how learning and development, as a component of human resource management, contributed to business strategy and success. During this time, information was gathered from three New Zealand manufacturing organisations, supplemented with documentary evidence from the participating organisations. A case study approach was chosen, using an in-depth qualitative methodology, in order to gain grounded data and a deeper level of understanding - putting meaning and significance to the information. The explorative nature of this study and lack of commitment to any one theory offered potential to extend the investigation toward hermeneutic considerations by discover similarities that emerged from the different perspectives, thereby providing the potential to change any initial preconceptions.

A review of the current literature on human resource management and business strategy was undertaken in advance to identify a range of contemporary themes affecting learning and development in the workplace. From this review, and subsequent content analysis, a view emerged about the status of human resource development in organisations and this shaped the development of a series of 25 questions that were used in the interviews, thereby providing focus to the investigation. These questions were arranged in categories to reflect the scope of this investigation, such as strategy, human resource management and learning. In each of the focus group interviews, an experienced and independent facilitator conducted the discussions, enabling the researcher to focus on each respondent and make observation notes to supplement the oral evidence.

Over a period of six months, fifteen semi-structured interviews were conducted in each of the three organisations. The chief executives, human resource development managers and trade union representatives were interviewed separately. Focus groups were the preferred choice for line managers and worker-learners, and their participation was entirely random and voluntary. Finally, a focus group with an independent panel of human resource practitioners provided an external perspective to the research questions. All of those interviewed approved the written transcripts and Non-numerical Unstructured Data Indexing Search and Theorising (NUD*IST) N6 qualitative software aided the data analysis process. The following sections present findings, discussion and conclusions from this methodology.

Findings and discussion

This section reports on why managers believed they needed to pursue alignment and considers the initiatives taken in the case study organisations. In interpreting this information, it is helpful to recall the range of strategic choices facing managers as they pursued success (p.2), as these shaped the characteristics of alignment. First, the key question as to why organisations sought alignment indicated a number of external and internal driving forces.

External drivers

The feedback identified four external drivers of alignment: fiscal pressures, market pressures, mergers, acquisitions, and the impact of globalisation. All of the case studies shared a common desire for profitability and strong financial performance, as a measure of their success. Therefore, fiscal pressures including the influences of fluctuating currency, rising interest rates and inflationary pressures had primacy. In addition, there were ongoing pressures to win and retain market share, vital in a small and isolated economy such as New Zealand. Every case study was a subsidiary of a larger, multi-national organisation and, consequently, affected by the disruption of acquisition and merger programmes. This situation entailed the frequent implementation of alignment initiatives, enforced from offshore by the parent groups. Finally, all three organisations were trying to stay ahead of global market changes by remaining competitive, keeping up with technology and meeting the broader expectations of society, such as maintaining environmental responsibility.

Internal drivers

The case study feedback indicated three internal drivers of alignment: the changing workforce, organisational values and culture, and management ideologies. Each case study recognised the need to engage with its workforce in a meaningful way and used several alignment strategies. These included: learning to work with, and adapt to, a changing demographic profile; developing the competence of employees to retain levels of commitment and reduce labour turnover; and introducing local initiatives to motivate staff by retaining a sense of national identity whilst operating as part of a multi-national group. Furthermore, each case study afforded considerable resource, and management energy, to the process of communications – in particular, structured internal processes that articulating the organisation's values, vision and mission. Simply put, the organisations used a wide range of communications tools to psychologically align employees and create a sense of purpose towards the longer-term strategic goals. Interestingly, managers, more than any other group of employees, used the word 'alignment' as the descriptive term to unify their aspirations for the organisations success.

Themes of alignment

Close analysis of the case study transcripts and site observations indicated managers used the word alignment as a construct to define different types of organisational activities or processes. After examination, six themes of alignment emerged as a *utility of alignment* and Table 2 details these. It is important to note these themes

were deliberately segmented to aid analysis and interpretation, but as Paauwe and Boselie (2005) suggest, it is essential to consider them as a collective and holistic organisational strategy, as thematic boundaries can become blurred when observed in a real work setting.

Table 2. Themes of alignment

	Theme	Activities or processes used by organisations
Functional	COGNITIVE (Knowing)	<ul style="list-style-type: none"> • Securing knowledge acquisition and retention • Defining skill levels and capability • Overcoming language and literacy issues • Promoting educational attainment and talent growth
	AFFECTIVE (Feeling)	<ul style="list-style-type: none"> • Creation of individual and team identity • Promoting values and beliefs • Seeking motivation and willingness • Developing culture and climate
Tactical	BEHAVIOURAL (Doing)	<ul style="list-style-type: none"> • Promoting ownership and engagement • Encouraging leadership at all levels • Coaching for performance improvement • Competence, adult learning and development
	COMMERCIAL	<ul style="list-style-type: none"> • Responding to market influences and demands • Meeting financial expectations of stakeholders • Considering the influence of corporate support • Macro strategic influences (global trends and events)
Corporate (strategic)	STRUCTURAL (OR PROCESS-BASED)	<ul style="list-style-type: none"> • Strategic planning and models of organisational excellence • Management information reporting systems and audits • Communication and briefing systems • Performance management systems • Learning needs and evaluation analysis tools
	SOCIETAL	<ul style="list-style-type: none"> • Environmental awareness • Demonstrating political sensitivity • Responding to sociological trends and responsibilities • Providing social security and employee wellness

Importantly, these six themes appeared to support the three levels of functional, tactical and corporate strategy indicated by Purcell (1996); and this deduction pointed towards a *sequence of utility* for managers wishing to implement alignment strategies. For example, at a functional (or operational) level, managers indicated a fundamental need for their subordinate staff to have the ability to think, show self-awareness and possess appropriate levels of literacy and numeracy. This level of cognitive alignment pre-empted the other themes. Secondly, the tactical themes of affective and behavioural alignment combined with cognitive alignment to produce a result similar to popular models of competence (Lucia & Lepsinger 1999), but the learning also drew on elements of cognitive behaviourism. This indicates why the three case study organisations put so much effort into improving operational effectiveness and/or human resource development initiatives. As one senior manager said, “We have got *breaking out*, which is essentially HR development; agility in operational effectiveness and this includes human resource issues.” Finally, the three themes contained in corporate alignment required the capacity for meta-learning at an organisational level (Senge 1990). Figure 3 illustrates this concept and the following descriptors draw on the interview transcripts to explain in further detail the six themes of alignment illustrated in Tables 2 and Figure 3.

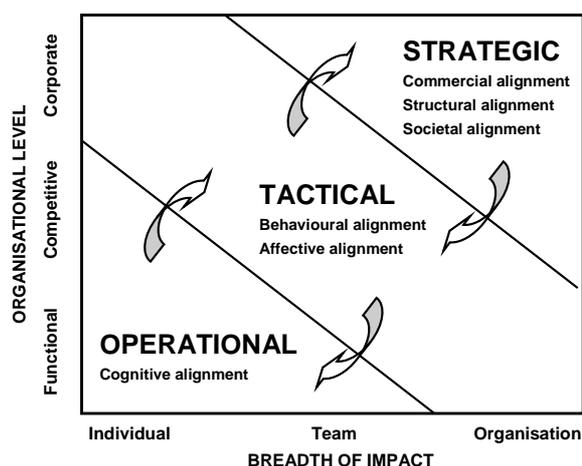


Figure 3. Themes, sequence and utility of alignment

Cognitive alignment

This theme reflected a desire by the case study managers for employees to have a basic level of ability in numeracy and literacy, a capacity to intellectualise their work environment and conduct their jobs in way that maximised the organisations collective knowledge. Other indicators included having core skills such as interpersonal communications, being clear in the use of language and being able to assimilate an appropriate level of technical knowledge required for effective job performance. The diverse and multi-cultural nature of New Zealand’s workforce made this requirement paramount. Accordingly, training was gear to meet this need.

Affective alignment

This theme built on cognitive alignment and refers to a range of management-led activities, or processes, that were intended to win the hearts and minds of employees, such that individuals identified with the organisation on a personal level. These actions sought to align the personal beliefs and values of the employees with those of the organisation, thereby engendering a strong positive work culture and sense of enduring commitment to the organisation’s goals. Examples included: promoting values beliefs and mission statements, culture development programmes, team empowerment projects and employee satisfaction surveys.

Behavioural alignment

Running in parallel with affective alignment, and drawing on the learning theories of constructivism, this theme focussed on what employees actually did, or were encouraged to do, at work. The desire by managers for sustained changes in individual and/or team behaviour underpinned the core objectives of several training programmes, and on-job coaching provided post training support. Furthermore, performance management systems and leadership training were used as developmental tools to advance behavioural alignment. At the operational levels, the desired behaviours were aligned with vocational qualification pathways and standards-based competencies, attracting pay incentives for achievement.

Commercial alignment

There was a compelling need in the case studies to survive by meeting the financial expectations of their parent organisations and stakeholders. To get this important message across, the three organisations used a complex array of communications mechanisms to raise internal awareness of financial goals, key performance

indicators and background information on market conditions. Special payments for company financial performance and share option schemes reinforced this.

Structural alignment

The findings revealed a management commitment to highly structured and formal processes that focused on the imposition of systematic frameworks or methodologies. Examples include strategic planning, international standards such as ISO9001, Investors in People, SAP and Total Productive Maintenance). Many of these systems focussed on ensuring individual, team and/or organisational compliance with a range of recognised internal or external standards. Aimed at leading people towards performance improvement, these initiatives required a highly disciplined approach to implementation and audit mechanisms assured overall quality.

Societal alignment

Every case study was actively engaged in creating and presenting a positive face of their organisation to the wider external community. This commitment concerned the upholding of environmental awareness, maintaining corporate/social responsibility, sponsoring events and promoting employee wellness. Employee communication mechanisms, such as team briefing systems and systematic processes of structural alignment helped to maintain an internal awareness of the key issues. In one case study, a general manager led the combined human resources and corporate affairs department.

In considering the benefits and limitations to alignment, the case study results indicated that senior managers/human resource practitioners used the utility and sequence of alignment in two ways: proactively as an aspiration, and reactively as a corrective tactic - but their prime motivation was a strong desire to seek sustained improvements in organisational performance. This involved aligning individual and team effort with the strategic goals using a blend of the six themes. However, by articulating a desire to reach a state of alignment, senior managers had to take care not to create an undertone of dissatisfaction, potentially causing tension among the worker-learners (who were often the recipients of alignment initiatives) when deciding where to undertake priority action. At the operational level, employees and line-managers were primarily concerned about fixing the functional problems contained in cognitive alignment before expending effort on the other areas.

Interestingly, the senior managers were less sure about how they would identify and evaluate the achievement of alignment, but were able to recall anecdotal examples of alignment from the past - not fully appreciated at the time. This suggests alignment, as a concept, may have retrospective value and meaning. The implication of this deduction for human resources professionals was to make better use of experiential and humanistic learning processes such as: capturing tacit knowledge; promoting reflective feedback techniques such as Appreciative Enquiry (Barret & Fry 2002); deploying mentoring activities from experienced personnel, and improving all forms of training evaluation. The findings further indicated that management's belief in alignment appeared to be symbolic, providing a useful and enabling construct to aid leadership, decision-making and setting an ideological pathway for others to follow. Managers were deeply aware of the complexities of

business and recognised that alignment may be a temporary state of confluence, because people and strategy constantly evolve. This finding offers some support to the idea of configuration (Miller & Mintzberg 1983; Sheppeck & Militello 2000) and how organisational success comes from being able to craft a unique range of activities and resources that are configured to align with the external challenges.

Furthermore, the responses suggested alignment meant different things to different people. When asked to define alignment, answers at the operational levels were different to those of the chief executives. Therefore, alignment appeared to be heavily contextualised and dependant upon: the respondents level in the organisation, degree of personal buy-in to the firm's values/goals, and their personal aspirations. Consequently, the interpretation of alignment may be polarised. At a theoretical level, the notion reinforces collective objectivism and measurement, yet some of the themes, such as affective and societal alignment, may sit more comfortably with expressions of individualism and phenomenology. Equally, a postmodern perspective may argue the notion of alignment is constraining and not always appropriate to the heuristic world in which contemporary, socially based, organisations operate. In New Zealand, alignment may not sit comfortably with a strong culture of libertarianism. In at least one of the case studies, worker-learners saw alignment as a potential loss of freedom or search for management conformity and control. In a multi-cultural society, such as New Zealand, some employees may even display greater levels of amenability to alignment than others do because of their cultural backgrounds. Therefore, employee attitudes and their pre-disposition to accept organisational conformity may affect the achievement of an alignment-centred culture. Finally, the evidence suggested managers put pressure on people to align, and the ethics of this are questionable. At the psychological level, managers encouraged employees aligned their attitudes and behaviours frequently, such as asking them to comply with corporate values and mission statements. Yet, senior executives often set these values and, in the worst-case scenario, this action placed limitations on the individual's freedom to act, potentially challenging their sense of identity. In reality, experience indicated that when an enterprise decided to drive its values through alignment-centred initiatives, an employee had few options - they learnt to align with their organisation in order to survive in the job.

Conclusions

To conclude, findings from this investigation support earlier studies by re-emphasising the diverse range of learning activities undertaken under the premise of human resource development. The evidence verifies these activities are carried out to improve individual and/or team performance, and thereby contribute to the achievement of business strategy. Through in-depth analysis of three organisations, the study explored a common linkage for these activities, under the collective notion of alignment. Despite evidence that business strategy was becoming increasingly complex, and constantly changing, the study revealed six themes of human resource activity that indicated a possible utility and sequence of alignment. Application of these themes appeared to be heavily contextualised and interrelated; that is, deployment was simultaneous and layered to create a holistic framework of organisational development. Therefore, alignment may simply represent the driving force, and framework, for an alternative strategy on human resource management. However, the discussion indicated the potential complexity of gaining a state of

alignment and reviewed the dangers of driving the concept as a management ideology. The close association between alignment, compliance and control might undermine other human resource initiatives and cause cognitive dissonance - particularly with training aimed at promoting flexibility, innovation and employee ownership. In this regard, the discussion raised further questions on the equity of gaining alignment, as it applies to multi-cultural workplaces such as those in New Zealand. A utilitarian perspective would argue that the moral permissibility of any management action is judged ultimately by the relative pain or pleasure it brings to employees. Therefore, these concerns make it important for continuing research to understand further the full impact of management initiatives aimed at alignment.

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