

Integration of Cultural Fit, Strategy Fit and Strategic Fit to Harness the Competitive Advantage: A Dynamic Capabilities Paradigm

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The interaction of the organization in an industry with culture and other forces demands organizations to comply and align for survival and success through building and sustaining competitive advantage. This becomes even more critical when there are intense competition and a dynamic environment. Under these circumstances, there has to be a fit at various levels such as strategy fit, strategic fit and cultural fit. This fit ensures the harmony of what is required and what is to be done to bring prosperity. But in isolation, these fits may not result in maximum output so there has to be an alignment between these fits. This is the conceptual study that strives to answer these riddles along with the role of culture both internal and external in creating strategy, strategic and cultural fit. This study examines the mediating role of dynamic capabilities between business strategies and functional strategies, carrying the domain of HR as HR practices. This study proposed a model which will help managers and researchers to harness competitive advantage under a dynamic environment.

Keywords: *Strategy fit, strategic fit, Culture fit, HR practices, Dynamic Capabilities, Competitive Advantage*

Introduction

Globalization is making an organization a complex system that has to operate dynamically by interacting with different environmental forces (Scholz, 2012). It is becoming a challenge to cope up with such complex systems as it requires a thorough understanding of the influence of both internal and external environments of organizations (Beer, Voelpel et al. 2005). This

means various forces in the environment such as culture and actions taken by organizations in the form of strategy which determines the fate of an organization. To compete in this era business strategy plays a very crucial role in harnessing competitive advantage and this is a result of the fit between the business strategy and functional strategies. But its significance is not fully explainable unless it is studied parallel to organizational culture. This is not as simple because other factors are continuously affecting the strategy and the resulting strategy fit. The business strategy must align with culture to create a cultural fit. While at the same time the organization must possess dynamic capabilities which will result in effective implementation of the strategy (Wright and Snell 1998). One of the goals of any business organization is to achieve on one hand the 'strategy fit' which is the fit between business strategy and functional strategy and cultural fit which is the fit between organizational culture and business strategy, within the organization and on the other hand a 'strategic fit' which is fit between the business strategy of the organization and the targeted requirements of the competitive business environment (Papalexandris and Panayotopoulou 2014). The impact can only accomplish its extreme potential when there is harmony among the fits or in other words the alignment between the strategy fit, cultural fit and strategic fit to built and sustain competitive advantage. To accomplish this alignment, researchers have discussed the significant role of leaders as they have to be open and need to be aware of how their decisions and behaviours fit the culture, strategy and organization (Chadwick and Cappelli 1999).

The organization carries numerous functions such as marketing, supply chain and human resource etc which give ways to various functional strategies. The given study carries out in the domain of HR while opting for some of the HR practices such as training, development and retention to represent the functional strategies while discussing the strategy fit in throughout the paper. As this study is conducted in the domain of HR, the concepts of "strategic" and "strategy" are losing their scientific application under such dynamism and are under a lot of discussions. The focus has been now on strategic in terms of vision and strategy. Sourcing from Porter's postulation (Porter 1991), Strategy is the representation of the fundamental choices about the intentions of the organization as well as the selection of the dynamic capabilities and resources, including employees and human resource practices, needed to realize those intentions. Hence, Strategy fit is meant to be the fit between the functional activities taken here as HR practices and the business strategy. Thus, to create a strategy fit within the organization human resource practices must adopt such dynamic capabilities to create a fit which in return becomes the source of competitive advantage (Schein 1967). The term "strategic" in SHRM applies to examine how organizations' strategy choices affect the evolution of their human resource practices (Lengnick-Hall and Lengnick-Hall 1988). Here, the strategic fit is taken as the fit between business strategy and the environment. In the past, "strategic" was taken as a traditional concept that represents thinking about choices in human resource practices and is used to depict little more than long-range planning, such as succession planning in a human resource development program (Schein 1967). In contrast to the traditional HRM approach, the strategic human resource researchers underpin the relation of these human resource practices



how these human resource practices are influenced by business strategies and cultural contingencies (Colbert 2004) which requires the inclination of business strategy to the culture of the organization for creating cultural fit.

The goal of every organization in this global era is to gain and sustain a competitive advantage. The significance of culture and strategy has been purposed by many authors in isolated, interlinked and with many constructs and variables. However, in any case, the importance of the organizational culture and strategy cannot be overlooked and need further understanding. Many authors have significantly related business strategy with culture. The concept of "Strategic fit" appears to be a central theme in the literature of strategy, but this theme is not enough for answering the intervention of culture in creating the fit. This theme is subjected to be related more towards the overall culture of the environment but as the organizational culture is different from the overall culture that resides in the environment; the notion of cultural intervention has to be examined in terms of internal culture and external culture.

Many definitions simplify this complex concept of culture in a manner that provides a common framework for the reference of Practitioners and researchers. Human beings have different needs to maintain order and consistency, patterns of assumptions that may be termed as the cultural paradigms which are tied together with the basic assumptions about the kinds of human being, their nature and activities (Cartwright and Cooper 1993). A cultural paradigm can be termed as the set of assumptions that are interrelated that lead to the formation of a coherent pattern (Kerr and Slocum 1987).

In organizations, culture is needed to be critically analyzed at different levels and it includes the visible artefacts, the constructed environment, architecture, technology, structure, dress code, visible or invisible behaviour patterns and it could also include documents (Vandenberghe 1999). Organizational culture is the pattern of basic assumptions that have been invented or developed by a given group to cope with the organization problems of external adaptation and internal interaction (Aycan, Kanungo et al. 1999). Barrett and Bass (1976) have observed that most of the research done within industrial and organizational psychology in the context of culture. By reflecting on the variety of schools in strategy this paper will focus on the cultural school of thought. Doubtlessly the overall culture resides in the environment impacts the firm's performance but its impact has been discussed indirectly on the strategic fit and directly on the strategic fit. In the area of strategy fit this work will only inquire the role of internal culture in creating the fit between business strategy, functional strategy and the role of external culture in creating a strategic fit between the environment and business strategy while adopting a cultural school of thought. In the cultural school of thought, the central issue of any complex organization is to develop a common perspective (Bush 1995). The contribution of this school lies particularly in the insights offered that reflects the importance of a common culture which is necessary for the formulation, and particularly the implementation, of a strategy (Hatch 1993).

As explained earlier strategy fit is the fit between the functional strategies here taken specifically as HR practices and business strategy. The resource-based view of the firm significantly points out that the source of competitive advantage lies in the resources of the firm and these resources are valuable, rare, inimitable and non-substitutable (Barney, Wright et al. 2001). These resources can help implement the strategies that create value that is not copied by the other organizations and helps in achieving a competitive advantage. More research in this area indicated that these resources are human resources and the point of focus is that it's not HR; rather what HR knows capabilities, competencies and eventually their practice (HR Practices) which creates competitive advantage. Now the point is that under the dynamic environment HR practices have to be dynamic too and should be packed by dynamic capabilities. Recent attention has focused on the need to constantly develop new capabilities and competencies in a dynamic environment which result in better HR practices and ultimately into superior HR performance (Teece and Pisano 1994; Teece, Pisano et al. 1997).

The paper will present literature on the Integration of Cultural fit, strategy fit and strategic fit to harness the Competitive advantage under the dynamic capabilities Paradigm and then propose the conceptual framework to suggest the interlinkages between these three. The objective of the paper is to develop an understanding of how to harness the competitive advantage and to know if strategy fit can be created using HR Practices where the HR practices will aim to develop dynamic capabilities and culture that will facilitate the convergence of various aspects of functional strategies to enhance organizational performance. This leads to the following questions:

How organizational culture impacts strategy fit?

How environmental culture impacts strategic fit?

How the alignment in strategy fit and strategic fit helps in creating and sustaining a competitive advantage?

How the alignment in culture fit within the organization and culture fit in the environment helps in creating and sustaining competitive advantage?

How dynamic capabilities mediate the fit between the business strategy and HR practices?

Literature Review

The goal of strategy fit attained when human resource practices, organization dynamic capabilities and business strategy aligned with firm culture. This study examines the strategic fit through organization culture and business strategy fit. The focus is to establish an organizational culture that creates strategy fit within a firm comprises of some HR practices (Training, Development & Retention), dynamic capabilities of the organization and business strategies. The role of dynamic capabilities helps to build dynamic HR practices which trigger firm performance toward strategy fit. In this study, culture plays a central role to integrate these

strategies with practices and dynamic capabilities act as ‘glue’ to bind all these resources in attaining strategy fit.

Strategic fit

The evolution of strategy and strategic management as a field of study, over the past few decades, can be viewed as a confluence of paradigms, perspectives, theories, concepts, methods, models and frameworks. Although some research body of literature addresses this field with many sides through theoretical & methodological ways it still needs more elaboration. The concept of fit is considered fundamental in the field of strategic management. Strategy and strategic fit has been used interchangeably by practitioners and researchers but, this study addresses this issue in the firm in a very parsimonious way. The strategic fit defines as in which an organization align the internal resources and capabilities with the external environment to create fit (Andrews, 1971; Chandler, 1962). This fit is created at the organizational level within the organization but on the contrary Strategic fit is used to evaluate the current strategic position and opportunities for the company. When business strategy and culture support integrate through HR practices and firm dynamic capabilities then strategic fit occurred. In recent years, HRM has been integrated as the process of strategic management then the new domain emerged in the form of strategic HRM (Wright and McMahan, 1992).

External environment and strategic fit

For establishing strategic fit some external environmental forces directly influenced firm performance the strongest of which is considered here as the external culture which is the overall culture in the environment. The external environment comprises many factors which influence firm performance in various dimensions. When the opportunities and threats are aligned with the competencies and resources within a firm then strategic fit occurred, (Peters & Waterman, 1982). The domain of strategic fit underlies various theories, and analysis (Venkatraman, 1989). Tushman defines congruence of strategic fit as the degree to which the needs, goals, demands of the environment must match or align with the internal work environment of the firm. But this is highly subjected to the external culture. When the firm anticipates environmental opportunities and threats and took some steps to convert future challenges into benefits then survival and performance enhanced. Teece, Pisano and Shuen (1997) describe that firm needs some flexible and dynamic environments to reconfigure the firm’s structure and to attain the necessary external and internal transformations. To address this external & internal transformation firm requires a strategy fit. There must be an alignment between strategy fit and strategic fit to create a competitive advantage, which is the first proposition;

Strategy fit within a strategic fit

The concept of fit is somewhat rooted in traditional contingency theories, and the population ecology model (Drazin and Van de Ven 1985). The perspective of fit gains much attention in strategic management and organization theory and design fields through contingencies

concepts,(Venkatraman and Camillus 1984). When the organization's environmental alignment integrates with business strategy then the outcome comes in the form of strategy fit (Bergeron, Raymond et al. 2001; Thompson, Strickland et al. 2008). Fit is considered in the strategic management field as an initial strategy paradigm that is rooted in the concept of aligning or matching firm resources with environmental threats and opportunities (Chandler 1990; Andrews 1997). Specifically, strategy refers to as 'plan of actions' that supports developing grounds for attaining firm stated goals by aligning organizational resources with capabilities. Although the term strategy conceptualizes in various ways, one basic theme underlies, is the focus on the content of strategy (what should be done) or on the process of strategy making (how it is to be developed)? (Andrews 1997) Many researchers define the strategy to fit in various ways. According to this view, it's a pattern of aligning various elements within an organizational boundary (capabilities and resources) and when this alignment took place then strategy fit occurred,(Katz and Kahn 1966; Goodhue and Thompson 1995). It's an ongoing process that helps to determine some effective strategic decisions (Dyer 1984; Chakravarthy 1986) within an organization, strategy fit comes in the form of the outcome when there is an alignment between the business strategy and functional strategy here taken as HR practices.

Business strategy

The concept of strategy has attracted a lot of interest primarily in the field of strategic management. Many organizations adopt some action plans for attaining their objectives. These action plans consist in the form of parts known as strategies. Business used these strategies to gain long-term objectives (Maruccheck, Pannesi et al. 1990). Every business needs performance by executing these strategies. Many research practitioners say 'a weak strategy gives good outcome if it implements in the best way'. Normally when we talk about strategy it refers to underpinning policies and processes that an organization develops and implements for managing its people and gaining optimal performance of the firm. The strategy establishes a bridge between business goals and firm performance through policies and actual practices (Boudreau and Ramstad 1998). When strategies are developed then there is a need to implement in the organization successfully. For successful implementation, it's essential to manage properly.

HR practices

HR practices are taken as operational strategies within the domain of HR which are supposed to be aligned with business strategy to create a strategy fit. In MNCs, the application of HR practices is difficult and different because these policies are developed in headquarter and implemented in all branches of the firm in national and international wide. Planning and staffing is the first and foremost activity of HR practices it can be considered various dimensions like formal/informal, short-term and long-term. Organization and employee career development programs based on these planning activities by them. Usually, it based on anticipation, environmental influencing forces, manager perception in the light of bounded

rationality. Training and development HR practices gain much importance in some multinational firms because it includes concern for the level of skills at the operating level of the firm. HR practices are the major tools for developing and promoting corporate (Schein 1993) while doing selection practices, the candidate is carefully screened to fit in the existing corporate culture, their capabilities, behavioural styles, beliefs and values are carefully assessed to fit in the firm culture. Socialization provides another powerful framework to promote and develop firm culture. Mostly these practices are embedded in firm training programs they may be included on the job or the job training. Companies socialization events (i.e. informal network, sports event, tours and other get-togethers) helps to strengthen the employee retention programs and also build a cooperative climate in corporate culture (Trice and Beyer 1984). A periodic reward ceremony also supports stronger socialization. Recognition acts as the major construct to increase employee commitment toward the organization (Trice & Beyer, 1984). HR practices performed a supportive role in the implementation of business strategy through training and development programs. It creates the behaviour of individuals for the successful acceptance of business strategy. HR practices bridging the gap between firms culture development and strategy implementation through employee behaviour. From the above discussion, it can be observed that the intervention of culture cannot be ignored in the study about the strategy fit which is the part of the latter discussion.

HR practices have the creation of consistently facing a battle to justifying their positions in the company (Drucker; Hill and Stewart 2000). In earlier times, firms easily justify the expenditure of training, reward, staffing etc but by facing financial difficulties that HR systems fall prey to the earliest cutbacks. SHRM field tries to address this phenomenon through a firm strategic role by integrating HR practices with business strategies (Fombrun, Tichy et al. 1984). SHRM field encompasses various developmental stages included HR systems (Miles and Snow 1984), (Porter 1996) generic model of business strategies, then it relates to the RBV of the firm. The focus of RBV in SHRM is on internal resources more rather than external resources. This suggests the growing importance of firm internal resources as the source of competitive advantage (Hoskisson, Hitt et al. 1999). Mostly SHRM model demands strategic fit which assumes a strategy fit that contains a business strategy aligned with a unique set of behaviours and attitudes in the form of HR practices (Cappelli and Singh 1992).

Dynamic capabilities

Dynamic capabilities are considered as the antecedents of the organization and strategic routines in which managers alter acquire and shed their resources, integrate them like glue and generate new value-creating strategies (Grant 1996; Hayes, Pisano et al. 1996). In short, these capabilities acts as the driver behind the creation, collection, evolution and integrating of other resources into valuable resources of gaining competitive advantage (Teece and Pisano 1994; Cockburn, Henderson et al. 2000). Various thinkers define dynamic capabilities in different ways but the context. Henderson and Cockburn termed as architectural competencies and (Kogut and Zander 1992) named as combinative capabilities. Dynamic capabilities also term

such as routines to learn routines that criticized as tautological but in actual it identifies and integrates skills to effectively utilizing resources for generating competitive advantage. For example, in product development routines in which manager integrate skills and functional backgrounds to create value-adding products and services for customers (Clark and Fujimoto 1991; Dougherty 1992). Similarly, strategic decision making is a major dynamic capabilities in which manager integrate their functional, operational and personal skills to shape their strategic decisions and develop moves for the firm (Fredrickson and Iaquinto 1989; Eisenhardt and Martin 2000). Dynamic capabilities evolution based on path-dependent processes ((Dosi, Nelson et al. 2000). Path dependence processes guide the learning mechanisms of these capabilities (Argote and Ingram 2000). For example, repeated price is a learning mechanism for the development of dynamic capabilities (Reuer, Zollo et al. 2002). However, dynamic capabilities and learning mechanisms promote the dynamism of markets.

In other words, merely hiring the best people does not guarantee organizational capability. Hiring competent employees and developing some dynamic capabilities through effective HR Practices, underpins organizational capability. The concept of dynamic capabilities was introduced mainly by Teece in 1989. Dynamic capabilities are those that operate to extend modify or create ordinary capabilities. Many scholars and researchers remain sceptical about the concept of dynamic capabilities while some declare dynamic capabilities as a source of competitive advantage for any firm (Teece, Pisano et al. 1997). Some researchers are in doubt about these capabilities 'born, not made' managers need some deliberately efforts to convert simple capabilities of human into dynamic capabilities. The organizational capability concept is broader which covers the whole routines of the firm. Many researchers show a consensus that dynamic capabilities contrast with ordinary capabilities by being concerned with change. It governs the rate of change in ordinary/operational capabilities. These dynamic capabilities drive higher-level change programs in the firm. Change is not easily possible without having dynamic capabilities in a firm. Because change carries some environmental forces which need to manage through dynamic capabilities. These capabilities involve a long-term commitment to specialized resources. Then it supports the long-term goals of the firm becomes strategic. The concept of dynamic capabilities is a helpful addition to the strategic analysis of any business. In this research, it is said that the role of dynamic capabilities is mediating in the creation of the strategy fit. As the firm's business strategy and the aligned operational strategies are continuously under the pressure of dynamism in the environment, the firm needs continuous improvement and adjustment concerning the dynamism. This adjustment and improvement to create a sustainable strategy fit are pivotal to achieve competitive advantage and this is not possible without the intervention of the firm ability to deal with the dynamism. Hence this subjected to the dynamic capabilities of the firm which is taken as the mediator in creating the strategy fit between the business strategy and HR practices. This supports the first proposition (dynamic capabilities mediate the fit between the business strategy and the HR practices) detail discussed below.

Organizational Culture (internal and external culture)

The above discussion summarizes that strategy fit is pivotal for gaining and sustaining competitive advantage. In a dynamic environment, it is mediated by the dynamic capabilities for its alignment with a strategic fit. But an unescapable fact is that the alignment cannot be achieved unless the intervention of internal and external culture is not rationalized to create with internal and external cultural fit. Internal and external cultural fits are then aligned with strategy and strategic fit to form a pool of competitive advantage. The socio-cultural environment creates effects on internal work culture which influences human resource management practices. Organizations based on a complex system that operates under dynamic environmental forces. There is a need to manage such a complex system. It requires building an understanding of both the internal and external environments of the organization. The internal environment of the firm refers to its internal work environment e in which HR practices prevail whereas the external environment comprises an enterprise environment like ownership status, nature of industry and market characteristic and within these, the stronger force of culture operated pervading everything else. These are all the internal and external environmental forces that influenced physical and sociopolitical context (Aycan, Kanungo et al. 1999). The sociopolitical environment and external culture affect internal culture and human resource practices (Aycan, Kanungo et al. 2000) Socio-cultural environment refers to shared value orientation among people in a society(Hofstede 1983; Hofstede and Bond 1984). Internal culture comprises two fundamental elements: the task and the employees (Schein, 1992). Managerial assumption states that the task element deal with the nature of the task and how it can be best accomplished, on the other hand, employees deal with the nature and behaviour of the employee. Managers implement HR practices based on the assumptions of task and employees. Therefore, these two assumptions formed by different environmental forces. On the one hand, task-driven assumption relates to external environmental forces like ownership status, industry and market competitiveness. These forces influenced task accomplishment outcome through different conditions and beliefs. (Hofstede 1994). On the second side, employee-related assumptions based on socio-cultural characteristics that what employee like and how they behave. HR practices conceived in terms of employees perceived management practices related to task design, supervision and reward system. Socio-cultural dimensions include six factors that are paternalism, power distance, masculinity/femininity, uncertainty avoidance, loyalty toward community and self-reliance the balance of these factors helps to established collaborative internal work culture, (Donthu and Yoo 1998; Tsui and Windsor 2001). These arguments signifies the impact of external culture on the internal culture and HR practices are are shown in the proposed model in the figure number in the form of dotted lines explaining the indirect relation.

The dimensions of internal work culture consist of locus of control, malleability, futuristic orientation, pro-activity/reactivity, responsibility seeking, participation and obligation toward others(Boakye; Schein 1988). The perception of HR practices addressed in job design, control, supervision and reward management (Jaeger and Kanungo 1990). The right implementation of

these activities strengthens the firm's internal culture (Kanungo & Nartwick, 1987). Once there is an alignment of the HR practices with business and eventually with the internal culture then a fit is created termed as internal culture fit. The basic model of culture fit comprises that social values influence HRM practices through the mediation of internal work culture. Previous assumptions describe that employee behaviour and nature constitutes the internal work culture (Schein 1993). These assumptions are deeply rooted in the socio-cultural environment not only inside the organization but outside the organization in which firms draw their human resource practices. For example, if in society, uncertainty avoidance and power distance factor prevail then-manager assumes that employee behaviors are reactive and risk averse. On the base of these assumptions, supervisor form a close monitoring culture in which employee guides fully according to the required task, the autonomy of employees are reduced in their jobs. One of the main distinction of the cultural fit model maintains a length between cultural dimensions at the societal and firm levels. But internal culture influenced both the socio-cultural and firm outside environments. However, the nature of industries also varied upon the behaviour of employees like people who like to work in the private sector are more willing to change, better educated and risk-taker whereas those who worked in the public sector typically are submissive, reactive and non-participative. These different behaviours of individual formed HRM practices which strongly influenced culture fit (Mendonca and Kanungo 1994). The internal work culture plays a pivotal role between the socio-cultural environment, HR practices and business strategy according to the cultural fit model. Although the mediating role of internal work culture postulates on some theoretical reasons first, the transfer of cultural values in an organization context should be accomplished through agents (the role of the internal work environment as a catalyst). Secondly, it plays a role in interactions among the forces of the external environment. Another alternative model suggests that the socio-cultural environment influences HRM practices which creates an internal work environment (Hofstede and Bond 1984). However, the debate of the culture fit model depicts that the culture does have an impact on managerial belief and assumptions which influenced HRM practices, (Mendonca and Kanungo 1994) which eventually impact the strategy fit. The above literature supports the second proposition stated as (culture acts as a breeding ground in creating strategy fit, and strategic fit).

Alignment of internal culture fit with external culture fit

Some dynamic evolutionary forces derive organizational culture in terms of how to adjust with business strategy, (Schein, 1984). Organizational culture can be analyzed at several different levels, starting with the visible artefacts, the constructed environment of the firm, its architecture, technology, office layout, manner of dress, visible or audible behaviour patterns and public documents. This level of firm organization analysis is tricky because obtaining data is easy but difficult to interpret. There are some values in the culture that governs behaviour. Values are gradually transformed into underlying assumptions about how things are. The cultural paradigm comprises humankind, nature and activities within an organization. In any formal and informal organization, culture postulates two types in which the strength of culture defined as - homogeneity and stability of group membership. The length and intensity of shared

group experiences, when an organization comprises formal culture then the strategy also formed as organization structure based like if a firm has the formal culture and they adopt cost leadership strategy because it supports bureaucratic and hierarchal culture. On the other side, informal culture supports decentralized, dynamic activities and differentiation business strategy adopted by them.

Alignment issues debates on how the organization addresses the environmental forces and absorbs some dynamic capabilities for continuous survival. Sometimes in organizations, multiple sub-cultures exist. These sub-cultures are formed due to the occupational, psychographic and demographic background of the employees. Culture serves the function of stabilizing the external and internal environment for an organization, it must be taught to new members. The phenomena of culture need deeper understanding because it serves a different function at different times. External culture affects strategy so it works as a glue and a source of identity and strength. Some form of outside intervention and culture consciousness rises to facilitate better strategic decisions. If the external culture is strongly analyzed then it supports implementing strategies in a better way, then the outcomes derive in terms of strategic fit. In response to the changing pace, organizations are becoming flattered and more agile that manifests more diverse forms of cultures. Externalization of the workplace also creates many sub-groups within the same firm (Delery 1998). This employment relationship mode established sub-cultures to manage these modes some HR strategies are adopted. Changing employment modes create different employee behaviours, attitudes and beliefs through HR practices. SHRM research focused on the relationship between HR strategy, firm culture and HR architecture, (Lepak and Snell 2002).

Internal cultures can change while the organization sub-cultures influences HR practices (Schein, 1996). Many firms pay less attention to their lower-level employees, acting as if their management subcultures represent a unitary organization-wide culture (Lepak and Snell 2002). This unitary approach ignores high commitment in the labour workplace. Some scholars declared that most brilliant HR strategies are useless if not socially accepted (Green 1996). Culture fosters a level of homogeneity and sharing among firm members. The organization needs to establish those HR strategies which recognize and accommodate different subcultures or counter-cultures within the firm (Jehn and Mannix 2001). The strength of a firm culture enhanced through some HR practices like managing those employees who belong to different mindset through training and reward giving activities (Martin and Frost). The role of HR strategies becomes more dynamic to manage the growing division of subcultures through different employment modes, (Lepak & Snell, 1999). Corporate culture described as 'glue' that integrate whole firm parts. Many MNCs are paid attention to the promotion of culture to increase cooperation, collaboration, improve the quality and integration of all parts. But some differences hinder the application of human resources practices, like planning, training, retention and development. In the dynamic world, the role of culture attains fundamental grounds with organizational performance. Different environments required different strategies

and to implement successfully of these strategies need a supportive culture that helps to establish a culture fit with that strategy (Schwartz and Davis 1981). In MNCs, cultural fit is created only when different countries culture aligned with the main unitary corporate culture of the organization that essential to assure strategy successful implementation. According to (Weick 1985) business strategy and culture are overlapping constructs culture form behaviours that help to implement the strategy.

The successful implementation of strategy leads toward enhancing organization performance in various terms. SHRM and culture have several theoretical studies. One theoretical study suggests that certain “Best practices of HR” if adopted, will optimize firm performance(Pfeffer 1994). A unified strong culture becomes a key to competitive success (Deal and Kennedy 1982). In an organization, different employment modes create various sub-cultures and to manage and control these sub-cultures some HR practices and HR strategies are adopted, (Denison 1996). Some contingency theories believe that the firm’s culture needs to align with the business strategy for maintaining a sustainable competitive advantage. These theories considered non-alignment is dangerous which the main assumption of this research work is also. Contingency theorists argue that HR strategies should develop a shared mindset for core workers and also overlooked other employees’ role in strategies implementation (Barney 1986). The alignment of internal culture fit with external culture fit is of immense importance which supports the third proposition (the alignment in strategy fit and strategic fit helps in creating and sustaining competitive advantage) detail discussed as under.

Conceptual Framework

Based on the earlier presented literature, this paper presents the conceptual framework which is implicated in figure 1:-

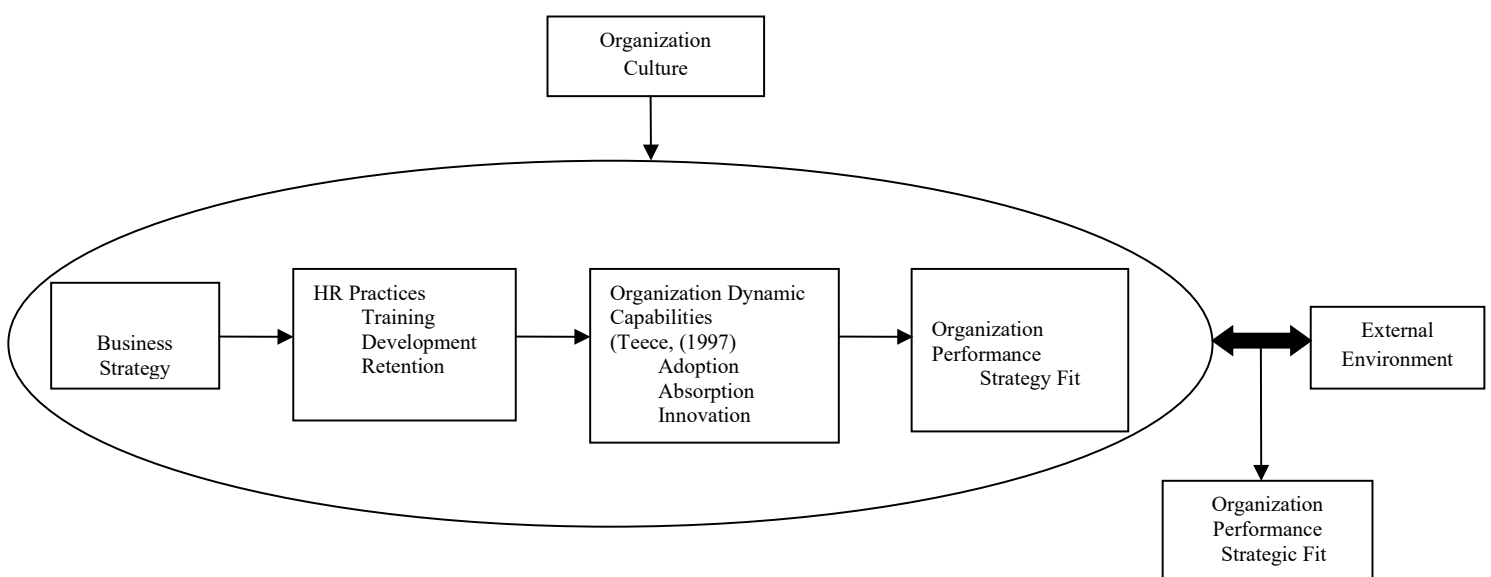


Figure No 1: Conceptual Model

Source: - Author’s figure based on extensive literature review



As shown in the conceptual model, the goal of the organization is to create a fit to perform effectively; its business strategy must be aligned with organizational capabilities its resources, organizational design, culture, and human resource practices that shape these dynamic capabilities to use the resources efficiently and effectively.

The purpose of this paper is to underpin the relation of organizational fit with strategy. The literature has shown some vast perspectives to achieve a competitive advantage and strategic fit. Organizational culture plays a substantial role and cultivated through the underlying practices of human resources and dynamic capabilities. This study is used as an eclectic frame by taking the roots of the emerging concept of dynamic capabilities. In this era of a globalizing economy, the survival of any firm is dependent on finding a trade-off between exploiting the existing resource and their capability-base and, often concurrently, exploring new opportunities for long-term growth. To cope up with it differently dynamic environments shaped the use of dynamic capabilities' – routines for reconfiguration (Teece, Pisano, and Shuen, 1997: 94). The strategic human resource management (SHRM) of a firm plays a significant role in supporting the creation and maintenance of dynamic capabilities to keep pace with the firm's environment Grounded Theories of organizational learning provide a fourth lens and framework that helps to understand the organizations continuously face difficulties in changing or adapting any strategy. Organizations in many industries face uncertain cultures and have to make decisions about strategy and organizational alignment and design to which there is no clear answer. The main focus of this study is to propose a conceptual model that creates an internal fit among human resource practices which tends to be directed towards the identification of strategic human resource management configurations. The role of strategic human resource management is not concise to make and design the human resource practices to fit with a particular competitive capacity, but ones that facilitate human infrastructure to develop dynamic capabilities. Human resource systems can favour the development and/or use of organizational dynamic capabilities, and simultaneously these systems may destroy organizational competencies and/or constrain their development and display. However, with the use of human resource practices the firm must reach the competitiveness that might not be enough to reach long-term sustained competitive advantage. Some other factors like the organizational culture play a significant role to create a fit with the strategy to reach a competitive advantage.

Another model of this paper is demonstrated in figure no 2 which describes two levels within the organization HR practices & Business strategy creates a strategy to fit. At an industry level, the external environment relates to firm-level established strategic fit. Both fits lead toward competitive advantage.

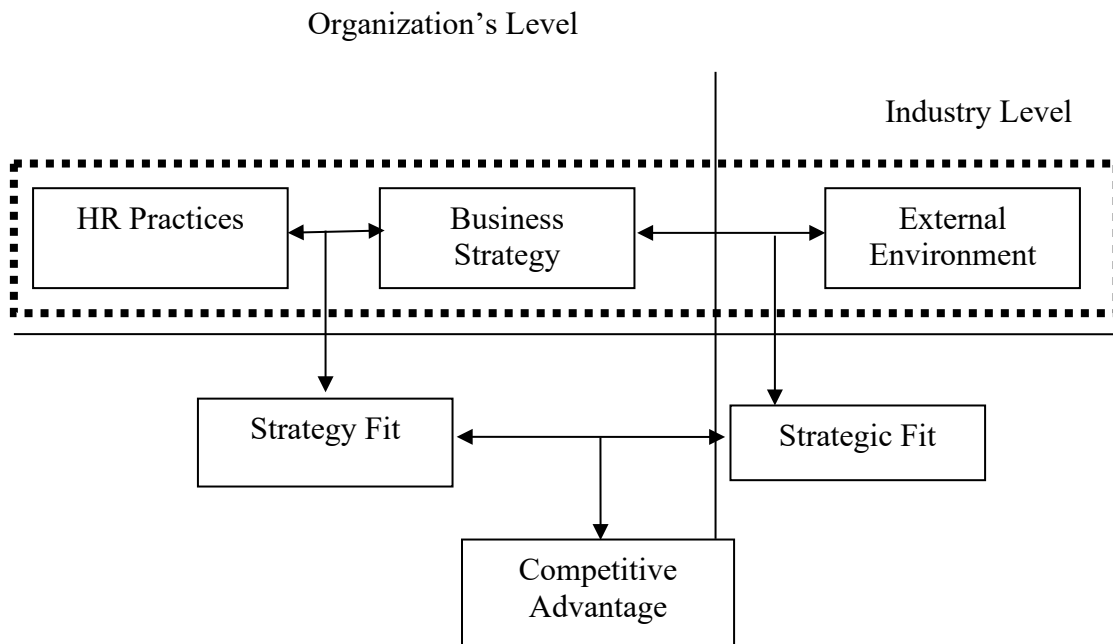


Figure No.2

Source: - Author's figure based on extensive literature review

Many organizations are still using the traditional approaches such as contingency theory which match the organizational profile with the conditions of the environments, the Ideal types approach that is matching the organizational profile with the ideal type and many other approaches to increase the organizational effectiveness and strategic fit and ignoring the fact that this fit cannot be achieved by using the traditional approaches and ideas. However, there is a need to put a decisive step to bring the new concepts and ideas for creating a strategic fit in the organization which can be achieved by creating a fit of organization culture with strategy (Schneider 1988). Based on the earlier presented literature, this paper presents a proposed model shown in **figure 3** below and epistemological stances are explained below to support the given propositions.

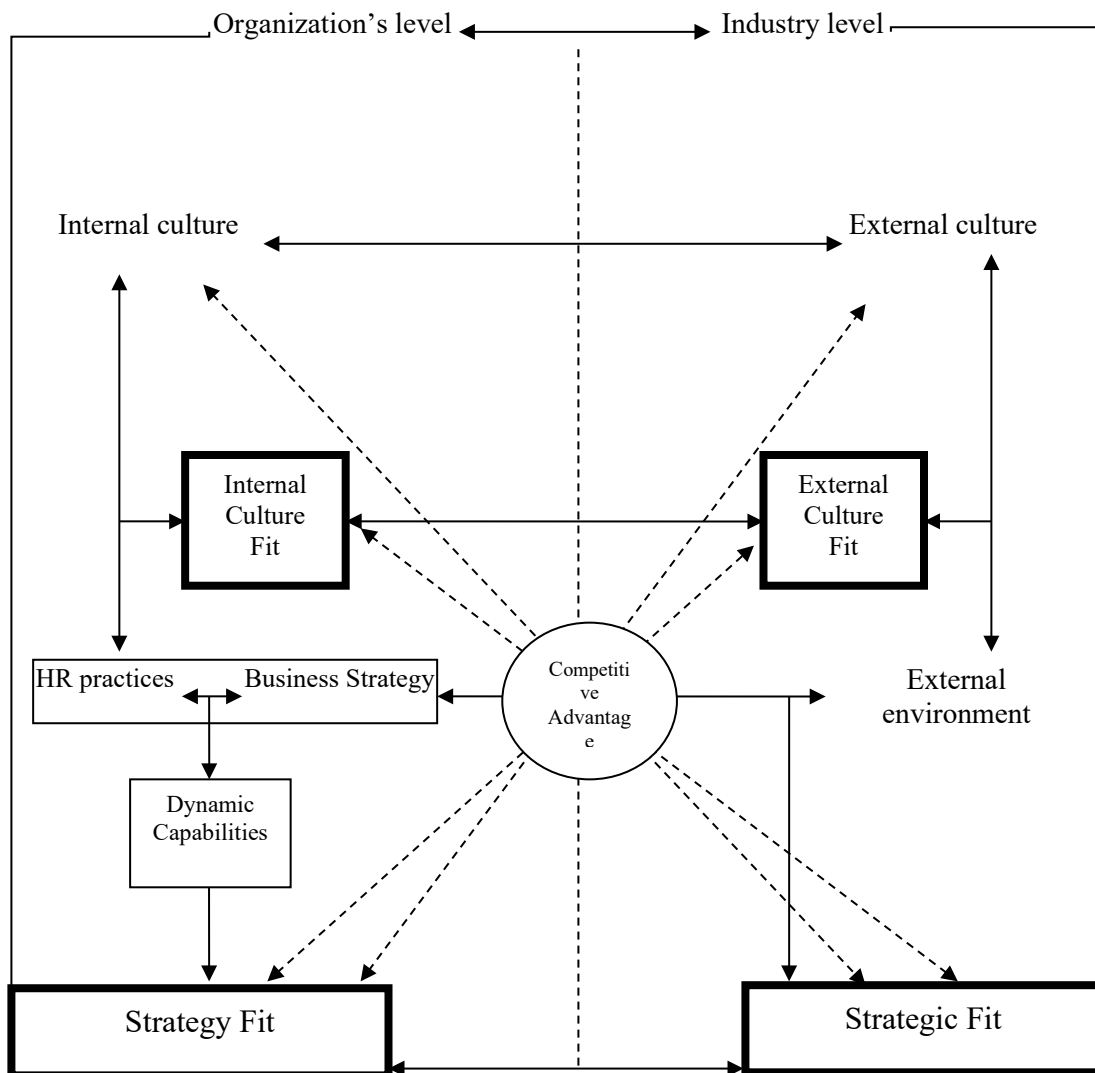


Figure No. 3: Proposed Model

Source: - Author's figure based on extensive literature review

Harnessing Competitive Advantage & Model Explanation

The whole study revolves around the concept of competitive advantage and how can it be harnessed through various means. The debate on the competitive advantage in various studies can be seen of discussing various factors, strategies and resources as sources of competitive advantage this study claims that the competitive advantage is not a result of some sole action or resource rather it is the outcome of the harmony between the different sources of competitive advantage. It can be discussed that the competitive advantage is a pool. All the superior sources create some advantage for the organization and these advantages pool up together to form the competitive advantage. To start the competitive advantage it is important to understand that, how firms achieve competitive advantage (Barney, 1991; Nelson, 1991; Pen rose, 1959). RBV identifies the internal resources of the organization, especially those resources that are valuable,

rare, inimitable and non-substitutable becomes a source of sustainable competitive advantage (Barney, 1991; Petered, 1993; Wernerfelt, 1984, 1995). The potential of these resources enhanced when it combines works with the dynamic capabilities of the firm, (Collis, Zian, Roberts 1991). The concept of RBV linked with the dynamic markets (Teece et al., 1997). The assumptions are that RBV was not able to determine competitive advantage in situations of rapid and unpredictable change. In these markets, where the competitive advantage is mandatory, managers relate dynamic capabilities with resources. The manipulation and dissemination of knowledge resources are more critical in these markets (Grant, 1996; Kogut, 1996). Several researchers' reveals that dynamic capabilities consist of some specific strategies and HR processes that ads values within dynamic markets. Dynamic capabilities are necessary, but not sufficient conditions for competitive advantage. It is used to enhance existing resources value in the pursuit of long-term competitive advantage.

The discussion of various fits at this moment will be suitable as the source of competitive advantage. It has been researched and discussed that the strategy is the source of the competitive advantage. There are many types of strategies like Porter's (1985) discussed two competitive strategies cost leadership and differentiation. Further, it classified in terms of generic strategies like cost leadership, differentiation and focus. Miles and Snow (1984) have comprised the business strategies in three types' defender, analyzer and prospector. Every organization adopts these strategies at a different level of the business to gain long-term competitive advantage but this is only possible when there is alignment between strategies at various levels such as the alignment between business strategy and operational strategies.

Another school of thought seeks to suggest that the secret to competitive advantage lies in the environment and industry and suggests the significance of strategic fit in creating and sustaining competitive advantage. This means that there must be an alignment between the business strategy and the environment in the form of a competitive advantage which is the comparatively more emergent school of thought. Now summing up all there must be alignment between the strategy and strategic fit to harness competitive advantage. It seems the whole discussion is incomplete without the intervention of the culture. By that, the culture means both internal culture and external culture. Broadly the internal culture is the culture within the organization and external culture is the culture outside the organization. There is a direct and indirect impact of culture on both the strategy and strategic fit as it acts as a strong force in craving the strategy fir at the organizational level and strategic fit at the industry level. This comes by creating a culture fit at both levels. Here, this is incorporated in the form of internal culture fit and external culture fit. Internal culture fit is the fit between the organizational culture and business strategy and the external culture fit is the fit with the external environment. This study suggests that the competitive advantage is harnessed when there is alignment between internal culture fit and external culture fit. Entailing following proposition;



P1: Dynamic capabilities mediates the fit between the business strategy and the HR practices

P2: Culture acts as a breeding ground in creating strategy fit, and strategic fit

P3: The alignment in strategy fit and strategic fit helps in creating and sustaining competitive advantage

P4: The alignment in culture fit within the organization and culture fit in the environment helps in creating and sustaining competitive advantage.

HRD practitioners would be wise to familiarize themselves with the research on organizational culture. As it is discussed in the introduction of this paper, many organizations can benefit from creating a culture that supports creativity and innovation which can be attained through the dynamic capabilities of the resources, and HRD practitioners have a significant role to play. As the focus of Human resource, practitioners is to facilitate organizational change and by moving systematically HRD personnel are well suited to facilitate this type of culture change.

P1: Culture acts as a breeding ground in creating strategy fit and strategic fit

Some of the elements of an organizational culture that support dynamic capabilities which enhanced through training and development (T&D) and (OD) initiatives by the human resource department. Training helps the resources to innovate and cope up with the change especially for the employees working in high tech organizations. Dynamic capabilities are used to enhance existing resources value in the pursuit of long-term competitive advantage. This conceptual model postulates the underlying concepts, comprise of different values of the society which influence HRM practices through the mediation of internal work culture.

P2: Dynamic capabilities mediates the fit between the business strategy and the HR practices

As mentioned earlier, the internal work culture is constituted by prevailing managerial assumptions about employee behaviours. Managers determine the alternate ways to tackle the human resources by conducting different analysis and surveys in which their needs, demands and capabilities are highlighted. Such assumptions are deeply rooted in the socio-cultural environment from which organizations draw their human resources. The relation between the internal work culture and HRM practices could be questioned. One might suggest that the socio-cultural environment influences HRM practices, which in turn create the internal work culture.

To serve the purpose of this study scope has been limited to the discussion of internal work culture and how Human resource practices along with the dynamic capabilities helps to nurture the culture of the organization to established fit. Human Resource practices play a significant role because these practices do not evolve in a vacuum, there needs to be a rationale behind them. As given this literature in the implementation process of any business strategy Human resource practices help to create such behaviour that supports an organization to implement the business strategies. Intense training and development programs and reward management

system helps to bridge the gap between cultural development and implementation of the strategy by building resources efficient and competitive. The resource-based view plays the integral role in the development of human resource literature as it provides a framework which leads HR practitioners and researchers to understand the challenges of Human Resource and highlights how it plays a positive role to the strategic management of the firm, hence becoming strategic partners.

P3: The alignment in culture fit within the organization and culture fit in the environment helps in creating and sustaining competitive advantage

It is demonstrated that the major outcomes of the work adjustment processes and Human resource practices are linked to the organizational culture. Organizations that are viewed as fragmented are characterized by the variety of allegiance that includes units of professional. These professionals are thus encouraged to incorporate values and develop a culture that is useful for the firm process. During the hiring process, it is the mandatory role of Human Resource practitioners to hire resources having the dynamic capabilities to create fit. In an era of increased pressure toward cost containment, promoting values and culture congruence might foster commitment and loyalty among professionals (Mercer, 1988). Professionals who are in line with the culture of their organization may develop such dynamic capabilities in them that will bring the strategic fit in the organization. On the other hand, promoting culture may be very beneficial for the professionals as well because employees adapt and adjust better to their work environment when the organization's characteristics match their orientations. It is the responsibility of the Human Resource managers to carefully screen the candidates at the time of the hiring process and hire such human capital having competencies as well as to screen whether these candidates fit the organization culture, norms and values. Firms can also enhance these skills of the employees by conducting certain off the job and on the job training but it becomes more successful if training audit programs are designed & implemented to determine the effectiveness of these training sessions. Internal strategy fit and external strategic fit creates a competitive advantage for the firm.

P4: The alignment in strategy fit and strategic fit helps in creating and sustaining competitive advantage

Even though different groups prevail in the organization we tend to believe that deep inside the roots people are different and it is difficult to convert them according to the norms and culture of the organization. Instead of this convergence phenomenon and availability of information technologies (the "global village culture"), cultural differences are still significant today and diversity tends to increase. Therefore, to develop some respectful cross-cultural relations, the underlying role of human resource has to gain importance to understand the resources of their needs and the effective measure to increase their dynamic capabilities. Hofstede shed light on these cultural differences. The human resource practices tool can be used to broaden the vision



of understanding the cultures the behavioural expectations and how to behave towards certain changes occurring in the external environment. It is necessary to develop the employees who bring the best fit with the external environment of the organization that in turn will create the fit in the internal culture of the organization. Postmodernism has also supported this notion in developing employees by keeping pace with the globalization helps in achieving the competitive advantage and this postmodern hyperspace" has so fundamentally challenged the convenient fiction that mapped cultures onto places and peoples.

Conclusion & Future Directions

An ever-challenging competitive environment demands, business organizations continually adapt their organizations to new strategic circumstances. While we have witnessed from many years that a fit must exist between the strategy and culture. The SHRM has significantly evolved and presented the notions of developing such practices that will create employee dynamically capable of responding to the changes occurring in this globalized economy. There is considerable evidence that leaders and organizational members are slow to make these adaptations. However, in the process of alignment, it involves considerable losses in power, relationships, identity, sense of competence, status and rewards, security and ultimately self-esteem. This is what causes many senior managers to avoid confronting difficult strategy to be implemented in the organizations. And when they try to engage these issues, change is likely to be piecemeal, halting and slow, failing 'fitness' in its environment. This study has served the purpose of highlighting the role of Human Resource personnel to gain a competitive advantage which leads toward the ultimate goal of strategic fit. Another to develop further this model presented in this paper is incorporating some other factors and dynamic elements that will enhance these strategic fits such as psychological factors, external environment changes and other human resource management related issues such as retention, development & training. A longitudinal research design must be adopted to conduct a proper test of possible effects that creates loops in creating this strategic fit. Countless studies have proved the number of possible source of competitive advantage. But this study addresses all fits with the dynamic perspectives. As flags move toward the direction of the wind, the competitive advantage follows the dynamism in the environment and like the survival of the fittest the organization needs to have its bread and butter to harness the competitive advantage.

Shortage of time and limited work available in the integration of various fits leaves more margins in terms of theoretical development and empirical evidence in this area. The above work incorporates the main aspects of strategy fit as the result of business strategy aligning with various functional level strategies that operate within the organization. There is a lot to be cover in terms of culture as there are a lot of cultures known to subculture breeding under the domain of organization as buds and blooms under the shades of a tree but looking deeper they have to be aligned with the internal culture and external respectively. More empirical research would be required on the cultural alignment with subcultures which may not be the bread and



butter of profits but surely are important for harnessing competitive advantage. The future direction needs to focus on identifying some other factors which help to create culture fit within an organization and also highlighted those determinants that create external culture fit. Practical tests are required to explore the fit of this dual –level conception and to specify in further detail the conditions of its successful functioning aspects in firm performance.

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