

**Will the strategic fit between business and HRM strategy influence HRM effectiveness and organizational performance?**

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Abstract

**Purpose** - The purpose of this research is to examine how the fit between the strategy of business and HRM would affect HRM effectiveness and organizational performance. The paper aimed to find whether a better fit between firm's strategy and HRM strategy would strengthen HRM effectiveness and organizational performance.

**Design/methodology/approach** - The literature was reviewed from both the theoretical and empirical perspectives. Four hypotheses were formulated. Top 1,000 manufacturing companies in Taiwan were sampled, yielding valid questionnaire data and objective performance indexes from 181 firms. Multiple regressions and LISREL was employed to test the four hypotheses empirically.

**Findings** - The main findings were: the strategy fit between a firm's business and HRM strategy has a positive and direct impact on HRM effectiveness and labor productivity after analyzing by hierarchical multiple regression. HRM effectiveness could directly increase labor productivity while strategy fit strengthened the relationship between HRM effectiveness and labor productivity.

**Practical implications** - This study found that the alignment between the business and HRM strategy was the key factor of success for organizations. When the HRM strategy and business strategy were aligned, the effectiveness of HR practices and organizational performance were better than "that of not aligned" by contingency perspective. This study also estimated the practical significance through calculating the impact of HRM effectiveness and strategy fit on labor productivity by each standard deviation increase, respectively.

**Originality/value** - This study confirmed that a firm's competitive advantage can be enhanced by HRM practices and strategy fit. Strategy fit could also moderate the relationship between HRM effectiveness and labor productivity.

**Key words:** Human resource management; Human resource strategies; Management strategy; Organizational performance