





HRM Practices and Organisational Performance

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Abstract

Purpose – The focus of this paper was on assessing the mediating influence of strategy alignment on the link between HRM practices and organisational performance.

Theoretical framework – Relevant literature provided a theoretical and empirical basis for understanding the concept through the resource based view.

Design/methodology/approach – Samples were drawn from 240 employees and HR managers from selected identity management firms in Nigeria. The data analysis was carried using partial least square structural equation modelling.

Findings – The study found that skill enhancing, motivational, and opportunity enhancing practices have a significant influence on organisational performance. Strategy alignment was found to mediate the relationship between HRM practices and organisational performance. Though the mediation was partial, it was significant.

Practical & social implications of the research – This study highlights the need for managers to focus more on improving the HRM practices in their organisations, while also ensuring that there is an organisational strategy fit that supports HRM practices in the organisation.

Originality/value – First, the paper contributes to advancing the research that captures HRM as a bundle using the varying practices in an organisation as well as to providing a vivid explanation of the role of each individual HRM practice in ensuring increased performance through strategy alignment. The study validates the resource based view as a contribution to the knowledge.

Keywords – HRM Practices; Strategy Alignment; Organisational Performance; Resource Based View.

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I Introduction

The relevance of human resources in an organisation explains the increasing literature that has sprung up in this area of management (Kundu & Gahlawat, 2016; Wright & Gardner, 2003). Human resources are fundamental resources that contribute significantly to the entire organisation's processes and operation. However, managing this resource is quite demanding owing to the complexity and unpredictability of human behaviour (Subramony, 2009). This explains the need to manage this resource effectively in order to attain organisational goals and objectives. To achieve this, an organisation must ensure the existence of a distinct strategy that helps define how to manage and effectively deploy this resource in the organisation's interest (Jiang & Messersmith, 2018).

Several academic studies have been conducted on HRM practices (Chadwick, 2010; Delery, 1998; Wright & Gardner, 2003). However, because of the existence of theoretical controversies, multiple conceptualisations of HRM and a lack of clarity in the HRM system construct (Boon, Hartog, & Lepak, 2019; Guthrie, 2001; Jiang, Lepak, Hu, & Bear, 2012), we adopted the AMO model to measure HRM practices. This is because the AMO (Ability, Motivation and Opportunity) model is a more robust model that provides an easier measure of HRM practices when assessed in terms of their influence on organisational performance (Bello-Pintado, 2015; Boselie, Dietz, & Boon, 2005) and it allows for the categorisation of HRM practices into bundles (Gardner, Moynihan, Park, & Wright, 2001; Subramony, 2009).

Scholars have opined that HRM practices as bundles have a more impactful effect on performance than HRM practices in isolation (Batt, 2002; Bello-Pintado, 2015; Chowhan, 2016; Huselid, 1995; Lepak, Liao, Chung, & Harden, 2006; Laursen & Foss 2003). Also, it has been argued that there is a need to measure HRM as a bundle that captures the varying practices in an organisation, especially when the focus is on the meso level of HRM practices (Gardner et al., 2001). This allows varying practices to be combined and the strength of the HR system to be assessed (Becker & Huselid, 1998). However, of more concern is the inability to explain the role of the individual interaction in ensuring increased performance (Jiang et al., 2012).

There seems to be a widely acknowledged view that HRM practices are vital to organisational success, as some studies have shown that HRM practices have

a direct relationship with organisational performance (Jiang et al., 2012; Subramony, 2009). However, there are several others that have shown that HRM practices have a weak influence on organisational outcomes (Guthrie, 2000; Wall & Wood, 2005; Wright & Gardner, 2003), and as such, there are other factors that account for the relationship. This justifies the need to assess the mediating effect of strategy alignment on HRM practices and organisational performance.

Furthermore, previous studies have referred to the inconsistencies in the results as a "black box" (Beltrán-Martín & Bou-Llusar, 2018), which is believed to be the variable that accounts for the unclear relationship between HRM practices and organisational performance (Fey, Morgulis-Yakushev, Park, & Björkman, 2009; Gerhart, 2005). However, while some studies have made use of variables such as job satisfaction and organisational commitment (Gardner et al., 2001) and strategic activities (Chowhan, 2016), among others, there are limited studies that have considered strategy alignment as the black box that explains the relationship between HRM and organisational performance.

Every organisation is defined by its strategy and Christiansen and Higgs (2008) stated that the suitability of an organisation's strategy is evident in terms of its fit or alignment with the organisation's internal and external contingencies. Strategy alignment is simply creating a fit between an organisation's strategy and its overall objective. Thus, given that HRM practices are also an organisational strategy that is dependent on other interrelated factors in the organisation, it is likely that aligning HRM practices to other strategies in the organisation could better explain the influence of HRM practices in driving increased organisational outcomes.

Also, there are a growing number of theories built around the black box and the increasing inability to explain in exact terms how these variables act as an intermediary mechanism between HRM and performance. Thus, in line with the configurational approach in HRM, we propose that achieving a fit between HRM practices and other clusters of interrelated structures, processes, and mutually dependent practices in the organisation would better improve the organisation's performance (Ružić, 2015; Stavrou & Brewster, 2005; Wright, Gardner, Moynihan, & Allen, 2005). We advance the theoretical position that a fit between HRM practices, organisations strategy and other institutional factors would lead to increased organisational performance.

Studies related to the HRM black box and organisational performance are mostly from developed economies and there are only a few from developing ones. There are limited studies from Africa, especially Nigeria, thus indicating a gap that this study aims to fill. The advanced nature of human value and organisational development in developed economies cannot be compared with developing economies, especially in Africa in countries such as Nigeria, where labour is cheap and little attention is paid to HRM activities.

HRM practices and performance have been studied in various sectors of the economy, such as manufacturing, service firms and construction, with varying outcomes (Bello-Pintado & Garcés-Galdeanom, 2017; Chowhan, 2016; Kuipers & Giurge, 2016). However, there have been limited or no studies to the best of the researchers' knowledge that have attempted to assess HRM practices and performance in the identity management sector. Young (2004) denoted the relevance of human resources in identity management and Hoogervorst, Koopman and Flier (2002) also highlighted the relevance of HRM in the ICT driven sector. However Blom, Kruijen, Heijden and Thiel (2018) made a call for studies on HRM in other sectors, given that the sectoral context is fundamental in providing new insights on the link between HRM practices and performance.

The identity management sector is technology driven and encompasses firms that handle a broad range of activities such as identification, authentication, access and system networks for both private and public institutions. One would expect that given the scarcity of talent in this sector in developing economies, managers of firms in the sector would engage in appropriate HRM practices that would ensure high work performance that will lead to improved performance in the organisation. In Nigeria, that has not been the case as the sector is bedevilled with high employee turnover, poor salaries and compensation plans, and poor employee engagement, among others, especially at the National Identity Management Commission. This could explain the poor performance of the Commission in delivering on its mandate, thus justifying the call for this research to better the performance of the identity management sector in Nigeria in general.

The central objective of this study is to assess the influence of HRM practices on organisational performance in the identity management sector. The data collected from employees and HR managers formed the basis for the study analysis. The next section introduces the

extant literature on the study construct, followed by the methodology, analysis and results, discussion, conclusions and recommendations, and finally the limitations and suggestions for future studies.

2 Literature Review: Theoretical Framework and Hypothesis Development

2.1 Resource based view

According to the resource based view, resources at the disposal of an organisation serve as a source of returns and determine the course of action it will undertake. The importance of resources is acknowledged on the premise that some organisations achieve more and get ahead of the competition as a result of the variety and distinctiveness of the resources at their disposal (Peteraf & Barney 2003). However, if there is the potential to limit the transfer of these resources from one organisation to another, this will automatically boost the competitive advantage of one organisation over the other (Ramon-Jeronimo, Florez-Lopez, & Araujo-Pinzon, 2019). Therefore, if one organisation has unique assets that are not readily available, expensive and cannot be easily imitated, the organisation in possession of these resources will have an edge over its competitors and it is likely to perform better compared to others (Barney & Hesterly 2012).

Barney and Arikan (2001) opined that the assets within an organisation can only be considered valuable when they can reduce expenses incurred during production and improve the organisation's returns compared to if these assets were not available. Consequently, the bulk of responsibility rests on management, as it is their responsibility to ensure that the assets at their disposal are well utilised to maximise outcomes. Invariably, inappropriate initiatives, actions and routines can hinder the prospects of an organisation's assets being a strategy for maintaining an edge over its closest rivals (Barney & Clark 2007).

Relating the theory to this study, employees are a critical resource of any organisation. The roles they play determine the level of organisational performance. Although diverse talents, skills and expertise are inherent to human resources, the ability of an organisation to attract and engage suitable talents that fit the nature of the organisation will affect its competitive advantage and performance.

2.2 Conceptual clarification: HRM practices

HRM practices are the wide range of activities of organisations that are tasked with effectively utilising human resources within the organisation to achieve the goals and objectives set by that organisation (Beltrán-Martín & Bou-Llusar, 2018). According to Boxall, Purcell and Wright (2007), HRM is a cautiously planned activity that is carried out to ensure the proficiency and advancement of an organisation. Invariably, HRM is a strategic and essential unit in an organisation that is given the function of managing the human resources in that organisation to achieve organisational success and progress (Bello-Pintado & Garcés-Galdeano, 2017).

The importance of HRM practices lies in the functions they carry out within an organisation (Kuipers & Giurge, 2016). HRM practices are activities utilised to manage employees in an organisation by ensuring the advancement of the skills and expertise of those workers and enhancing desirable attributes based on the nature of the firm (Minbaeva, 2005). Consequently, HRM practices include initiatives and values carefully put together to entice, improve, inspire and maintain workers who exert efforts to achieve the continued existence and effectiveness of the organisation.

Scholars have operationalised HRM practices in a variety of ways and this has been attributed to how HRM practices are viewed. However, most scholars seem to have aligned more with the high performance work system (HPWS) (Messersmith & Guthrie, 2010; Zacharatos, Barling, & Iverson, 2005; Zhu, Liu, & Chen, 2018). The HPWS indicates that HRM practices are linked and, as such, should be combined in order to achieve a greater outcome (Messersmith, Patel, Lepak, & Gould-Williams, 2011). However, one fundamental question that has been raised is what practices should be included as components of the HR system. To answer this question, scholars have suggested the categorisation of HRM practices (Bello-Pintado, 2015; Jiang et al., 2012) and outlined universal best practices for HRM (Delery & Doty, 1996).

One major framework commonly used to explain the categorisation of HRM practices under the HPWS theory is the AMO framework developed by Appelbaum, Bailey, Berg and Kalleberg (2000). This framework underscores the need to engage in practices that develop and improve the abilities of the employees, practices that

encourage them to do more and practices that allow them to express themselves to the fullest (Pauwe & Boselie, 2008). Jiang et al. (2012) also proposed this framework for measuring HRM systems given the controversies surrounding HRM measures. This study adopted the AMO model to operationalise HRM practices, which are identified as bundles of HRM practices, namely skill enhancing practices, motivation enhancing practices and opportunity enhancing practices (Chowhan, 2016; Subramony, 2009).

Subsequent to previous empirical studies on the practices covered in the AMO framework (Bayo-Moriones & Galdón-Sanchez, 2010; Boon et al., 2019; Huselid, 1995; Rauch & Hatak, 2016), for abilities, skill enhancing practices were captured, such as staffing, selection, recruitment, performance assessment and training (Lepak et al., 2006; Osterman, 1994). These practices are universal best practices that help improve the skills and abilities of employees in an organisation (Delery & Doty, 1996). Staffing involves recruitment and selection. Recruitment has to do with attracting talented candidates to vie for available positions within an organisation, while through selection the most suitable candidates are chosen to occupy those positions (Bratton & Gold, 2007). Training is another method usually used to increase the skills and abilities of workers in an organisation. By so doing, training results in the effectiveness and continuous availability of skilful workers in the organisation.

Motivation enhancing practices from the AMO framework include HRM activities that involve ensuring rewards and compensation, promotions and job security (Beltrán-Martín & Bou-Llusar, 2018; Chowhan, 2016). These practices are in line with previous literature and are targeted towards motivating employees so that they will readily exert efforts and contribute meaningfully towards the attainment of the organisation's goal (Bayo-Moriones & Galdón-Sanchez, 2010; Guest, 2001; Wright & Kehoe, 2008). Bob (2011) also opines that compensation can be monetary and non-monetary but it is useful in inspiring workers to do more, especially when the compensation is deemed attractive, which will result in increasing the achievements of the organisation (Hewitt, 2009).

The opportunity enhancing practices from the AMO framework include components such as work autonomy, job design, information sharing and work engagement (Chowhan, 2016; Jiang et al., 2012; Osterman, 1994). Job design entails organising work activities, tasks and accountabilities in such a way as to ensure clarity, to

reduce the duplication of functions and monotony and to ensure workers are gratified with their job. It involves organising different activities or components to create cognisance about job necessities, the wellbeing of the employees and the environment (Isichei & Ayandele, 2017; Opatha, 2002).

Consequently, through its activities HRM ensures workers are involved and participate actively in the decision-making process of the organisation. By doing this, employees are allowed to use their initiative, skills and expertise to find solutions to difficulties. It is beneficial to an organisation when employees are allowed to participate in the decision-making process, as this will enhance policymaking skills and lower expenses. HRM also enhances opportunities through information sharing and knowledge management (Beltrán-Martín & Bou-Llusar, 2018).

Opportunity enhancing practices of HRM can also occur through employee engagement. Employee engagement is the extent to which workers are gratified and emotionally connected with the organisation they work for. One of the focuses of every organisation is to be able to keep their best employees, reduce turnover and improve the performance of their workers to accomplish its goal. To achieve the above, managers must devise means to keep their human resources satisfied and enthusiastic about their job so that they contribute effortlessly towards attaining the organisation's goal.

2.3 HRM black box

HRM practices have been found to influence performance and enhance competitive advantage (Boselie et al., 2005; Messersmith & Guthrie, 2010). However, some scholars are of the view that all the claims of a positive relationship between HRM practices and organisational performance are not evidence based, as the studies have failed to explain the process that accounts for the link between HRM and performance (Harney & Jordan, 2008; Wright et al, 2005). These inconsistencies in the findings are what is known as the "black box".

According to Paauwe (2009), although there are studies that have proven there is a connection between HRM and organisational performance, it is imperative to have studies that show the nature of that performance and how and why it is connected to HRM practices. The void created by the inability to show this connection

is what is referred to as the black box (Boselie, et al., 2005; Messersmith & Guthrie, 2010).

Hope-Hailey, Farndale and Truss (2005) stated that the black box is the transitional connection between the contribution of HRM and resultant outcome, which is organisational performance. Also, Purcell, Kinnie, Hutchinson, Rayton and Swart (2003) described the black box as the constant vague procedures that occur when efforts are transformed into valuable results. Boselie et al. (2005) and Fleetwood and Hesketh (2008) explained that the black box provides the link that shows the systems and procedures that account for the influence of HRM practices on organisational performance.

There seems to be a limited explanation about the occurrences during the transition, which is referred to as the black box. Scholars have suggested the need for more studies that explain the relationship. Hence, there is the need to study the association and discover the systems that shape the connection between the two concepts (HRM and organisational performance) (Becker & Huselid, 2006; Edgar & Geare, 2009; Guthrie, Datta, & Wright, 2004; Messersmith & Guthrie, 2010).

In this study, strategy alignment was utilised to explain the linkage between HRM and performance. Strategy alignment refers to well-formulated plans or tactics that are implemented and cover every unit, department and employee of an organisation. It involves the standardisation of corporate ethics, workers, the organisation and management. Using this strategy, every fragment, person and activity within the organisation combines their efforts towards achieving a similar goal (Fonvielle & Carr, 2001).

Strategy alignment can either be horizontal or vertical. Horizontal alignment involves the synchronization of tactics and performance design utilised among various components within and outside the organisation to choose the most suitable ones and apply them. Meanwhile, in the case of vertical alignment, the organisational goals and tactics for achieving them are spread down the corporate structural ladder, that is, the corporate tactic will be converted into a performance design for every entity and division while the performance design is fragmented into performance pacts or agreements for every employee in the organisation (Hough & Liebig, 2013). Through vertical and horizontal alignment, performance is assured.

2.4 Organisational performance

According to Ion-Elena and Criveanu (2016), performance is a commonly used term in every aspect of man's endeavours and it is mostly biased when applied to actuality, hence the reason for diverse views about the notion and its quantifying tools. Didier (2002) opined that performance involves accomplishing objectives consistent with the expectations of an organisation. This implies that performance is not all about the result but its consistency with the goals set by the organisation. Organisational performance covers certain areas such as fiscal standing, the level of demand for an organisation's goods and services and profits made by investors (Richard, Devinney, Yip, & Johnson, 2009).

Daft (2000) explained that organisational performance is the real outcome compared with the proposed outcome, which is the desired result envisioned by the organisation. Moreover, Recardo (2001) opined that while productivity represents the effort exerted in a specific period or schedule, performance encompasses the former, including value, stability, proficiency, worth and many others. Lebens and Euske (2006) believe that performance is a monetary or non-monetary indicator that shows the extent to which an organisation has accomplished its goal.

The objective assessment of an organisation's performance is a function of the accounting ratios and balances that show the financial position of the firm in a specific period (Neely, Adams, & Kennerley, 2002), while subjective performance are perceptual measures of the organisation's outcome. These measures take into account the level of innovation, new products, sales and profit level according to the perceptions of the managers or employees (Neely et al., 2002).

Furthermore, the concept of organisational performance is not restrictive, as it is ever changing and depends on who is evaluating it. Therefore, to best describe the concept, it is useful to understand the features of every task assigned and these must be measurable (Lebens & Euske, 2006). All the definitions stated above point to the fact that an organisation cannot be said to have performed unless it has a set goal and was able to achieve that set goal. The study adopted the subjective approach, which measures performance based on the respondent's perception. This measure was adopted because information on the financial records of the firms is not readily available.

2.5 Relationship between skill enhancing practices, strategy alignment and organisational performance

The arguments on whether developing employees' skill and abilities is linked to greater performance outcomes have attracted several studies in the HRM literature (Guthrie, 2001; Mansour, Gara, & Gaha, 2014; Pardo & Moreno, 2009; Wright & Gardner, 2003). The study of Chowhan (2016) showed that enhancing employees' skills and abilities is critical to ensuring high work performance that will translate into increased organisational performance. The study of Alfes, Shantz, Truss and Soane (2013) also showed that skill enhancing practices have a direct link to organisational performance. Similarly, the study of Kundu and Gahlawat (2016) also found that a firm's organisational performance can be increased by ensuring that the employees' skills are enhanced. We therefore propose that:

H1a: Skill enhancing practices affect organisational performance.

The approach that the organisation adopts towards managing and enhancing employees' skills has been shown in the literature to predict organisational outcomes (Michie & Sheehan, 2005; Wang & Shyu, 2008). As such, there is a need for firms to ensure that their strategy is congruent, thereby allowing for support systems to be developed to be able to allow for the development of HRM practices in the organisation. The study of Kuipers and Giurge (2016) holds that strategy alignment is critical to skill enhancing practices and the HRM dimension, as it ensures that all organisational activities are coordinated in such a way that the HRM plan is directed towards the attainment of organisational goals and objectives. Hence, we propose that:

H1b: Strategy alignment mediates the relationship between skill enhancing practices and organisational performance.

2.6 Relationship between motivational enhancing practices, strategy alignment and organisational performance

Motivational practices are directed towards driving increased favourable behaviour in the organisation that will lead to increased organisational outcomes. This is because of the understanding that employees are a critical resource in gaining competitive advantage and increasing performance. The study of Chowhan (2016) found that

motivation enhancing practices have a direct effect on organisational outcomes. Similarly, Beltrán-Martín and Bou-Llusar (2018) found that supporting increased employee motivation that will drive their increased commitment towards the attainment of organisational goals and objectives can be best achieved through motivational bundles. This is because motivational bundles are directed towards satisfying the growing needs of the employees and give them a sense of responsibility and that they are valued in the organisation. Thus, we propose that:

H2a: Motivational enhancing practices affect organisational performance.

Studies have shown that motivational enhancing practices are critical for increased employee motivation that translates into increased organisational outcomes (Beltrán-Martín & Bou-Llusar, 2018). However, a core element of motivating employees is knowing how to motivate them right. The relevance of the strategy deployed to motivate employees in an organisation is critical to providing direction towards appropriately engaging in these practices (Michie & Sheehan, 2005). Thus, we propose that:

H2b: Strategy alignment mediates the relationship between motivational enhancing practices and organisational performance.

2.7 Relationship between opportunity enhancing practices, strategy alignment and organisational performance

Opportunity enhancing practices are expected to drive increased work performance from employees that will be reflected in the organisation's overall performance. This was confirmed by the study of Chowhan (2016), which used opportunity enhancing practices as a dimension of HRM practices. The study found that opportunity enhancing practices have a direct, positive and significant influence on performance. The study of Gardner et al. (2001) also found that opportunity enhancing practices affect performance outcomes. Similarly, the study of Bello-Pintado and Garcés-Galdeano (2017) also showed that opportunity enhancing practices directly influence organisational outcome. Thus, we propose that:

H3a: Opportunity enhancing practices affect organisational performance.

The reality that HRM practices cannot operate in isolation from the organisation's overall strategy makes it necessary to ensure that there is a fit with the

organisational strategy, hence allowing for a balance in the activities to achieve optimal performance (Michie & Sheehan, 2005; Wang & Shyu, 2008). Christiansen and Higgs (2008) found that strategy alignment affects the relationship between HRM practices and organisational performance. Similarly, the study of Kuipers and Giurge (2016) provided support for the idea that achieving a fit with the organisational strategy is vital for ensuring that HRM practices result in increased performance. We therefore propose that:

H3b: Strategy alignment mediates the relationship between opportunity enhancing practices and organisational performance.

3 Research Methodology

A survey design was used and sample questionnaires were distributed to the study sample of 280 employees and HR managers of five identity management firms and the National Identity Management Commission in Nigeria. The aim of avoiding a mono-method informed the decision to survey both HR managers and employees. The employees and HR managers that participated were full-time staff of the firms and had spent at least two years at the entities. These criteria were chosen due to the need to select employees that have a good understanding of the HRM practices in their firms. The criteria for choosing the identity management firms were based on their number of years in operation and location (as the authors intended to capture at least one firm in each of the six geopolitical zones in the country). The sample formula was taken from Yamane (1964). The convenience sampling technique was adopted and the decision was made to select respondents that were willing to take part in the survey. The questionnaires were mailed directly to the firms; however, the researchers physically visited to collect them when completed. Partial least squares structural equation modelling was used for the data analysis with the aid of SmartPLSv3. This technique was chosen because it is suitable for small sample sizes, non-normal data and data obtained through survey based questionnaires and it can assess a higher-order construct (Hair, Ringle, & Sarstedt, 2019). The significance of the mediation was determined using the consistency bootstrapping technique with 5000 subsamples using bias-corrected and accelerated (BCa) bootstrapping at a 0.05 significance level.

3.1 Measurement of variables: HRM practices

This study adapted the questionnaire of Chowhan (2016) and Gardner et al. (2001) and some items were also obtained from the study of Macky and Boxall (2007). The scale was designed using a three-point score of “Yes”, “No” and “I do not know” and this was based on the need to identify the existence or non-existence of the practices in the organisations and examine their influence on performance when mediated by strategy alignment, since the focus was on the meso level of HRM practices. We used a composite index measure to gauge the practices, which is in line with what other literature has done (Becker & Huselid, 1998; Delery, 1998; MacDuffie, 1995). We used the average response on each sub-theme to form the scale. This is justified by the fact that there is more than one concept packed into the bundle (skill enhancing practices, motivation enhancing practices and opportunity enhancing practices). In the case of skill enhancing practices, four sub-themes were captured on the scale: training, placement, selection and recruitment. Some samples of the instrument include “Our organisation supports on-the-job training for employees”, “Our organisation ensures that merit is foundational to recruitment” and “Our organisation uses skills and ability criteria for employee placement”. In the case of motivation enhancing practices, four sub-themes were included in the scale: salary and wages, benefits, recognition and appraisal. Some samples of the instrument include “Our organisation provides additional bonuses for work done”, “Our organisation ensures timely payment of salary and wages” and “Regular objective appraisals of employees are carried out in our organisation”. In the case of opportunity enhancing practices, four sub-themes were included in the scale: empowerment, job design, participation and knowledge sharing. Some samples of the instrument include “Employees are allowed to share and discuss issues related to their job freely”, “Our organisation supports innovative means of sharing ideas and perspectives that are work-related” and “There is a balance between the work structure and welfare”.

a) Strategy alignment

The instrument for measuring strategy alignment was self-designed given the nature of the study. However, the study adapted some items from the studies of Johansson, Sudzina and Pucihar (2014) and Abbah, Olukade and Hassan (2020). Samples of the items include “Our organisation

ensures that all its strategies are combined for direction”, “All the organisation’s activities are routed through the same fit of activities” and “The functional unit strategies are aligned with that of the organisation in general”.

b) Performance

Organisational performance was measured using a self-designed scale. Samples of the items include “In the last three years our profit has increased”, “We have reduced cases of employee turnover in the last three years in our organisation” and “Our sales volume has increased in the last three years”. The study relied on extant literature to develop the measures, though an effort was made to modify the items to ensure that they conform to the environment where the study was carried out.

A pilot sample of 30 employees in one organisation was selected to take part in a survey pre-test. The data gathered was used for assessing the reliability and validity of the study questionnaire. The data gathered were subjected to the Cronbach’s alpha reliability test, EFA and CFA. The result showed that the scale was reliable, given the high reliability coefficients for the variables, which ranged between 0.79 and 0.88.

Since we reformulated and revised the adapted scale used in measuring HRM practices and relied on a self-designed instrument to measure strategy alignment and performance, EFA was conducted. The EFA result supported the separation of strategy alignment and organisational performance as independent variables in our model with all factors showing strong factor loadings on their hypothesised latent dimensions.

The result for the HRM practices confirms the multidimensionality of HRM practices, which is consistent with the result of Aladwan, Bhanugopan and Fish (2014) and that of Rubel, Rimi, Yusoff and Kee (2018). Six items loaded under factor one (skill enhancing practices), five items under factor two (motivational enhancing practices) and five items under factor three (opportunity enhancing practices). The pilot result for strategy alignment indicates that the scale was unidimensional, with six items loading on one single factor. The performance result produced two factors with a total of five items. However, the items were combined given that the focus was on measuring performance as a single component of the overall outcome of the organisation’s activities within three years.

The result of the Bartlett’s test of sphericity (Bartlett, 1954) was statistically significant (824.12, $p < 0.001$) and the Kaiser-Meyer-Olkin measure of sampling adequacy was 0.812. These results are in line with the

threshold of 0.6 for the KMO and BTS, thus indicating the accuracy of the EFA (Kaiser, 1974; Ramaul & Ramaul, 2016). The diagonal elements of the anti-correlation matrix were above the recommended value of 0.5 (Yong & Pearce, 2013), which implies the factors produced were reliable and distinct.

Furthermore, we made an effort to confirm the initial result of the EFA by conducting CFA with maximum likelihood estimation. The result shows that all items loaded appropriately with coefficient values above 0.60 (Hair, Babin, & Anderson, 2010). We further confirmed the model fit, as we followed the criteria recommended by Hair, et al. (2010). The result shows CMIN/DF = 206, $p < 0.05$, CFI = 0.942, RMSEA = 0.061, GIF = 0.982 and SRMR = 0.019, indicating the model is a good fit, since the criteria were satisfied (see Figure 1 for theoretical model).

4 Analysis and Results

Two hundred and fifty (250) questionnaires were retrieved, which was 89% of the distributed instruments. The pre-analysis test showed that only 240 (85%) of the questionnaires were suitable for the study, and as such further analysis was carried out using the valid ones. The analysis of the instrument showed that of the retrieved instruments, females accounted for 97 and 143 males took part in the survey. Further analysis showed the age distribution of the respondents: 72 were 18-30 years old, 95 were 31-40 years old, 68 were 41-50 years old, while

five were 51 years and above. Seventy six (32%) and 164 (68%) of the instruments distributed to managers and employees, respectively, were found to be suitable for further analysis (see Table 1 below for a breakdown). We assessed common method variance using Harman's single-factor test (Podsakoff, MacKenzie, & Podsakoff, 2012). Factor analysis was conducted for all the variables and the result showed the first factor accounted for less than 50% of the variance in the data. This implies the variance in the data was not influenced by one factor (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). Hence, common method variance was not found to affect this study.

Table 1
Demographic characteristics of sample

Demographic Variables	Frequency	Percentage (%)
Gender		
Male	143	60
Female	97	40
Total	240	100
Age		
18-30 years old	72	30
31-40 years old	95	40
41-50 years old	68	28
50 years old and above	5	2
Total	240	100
Participants		
HR managers	76	32
Employees	164	68
Total	240	100

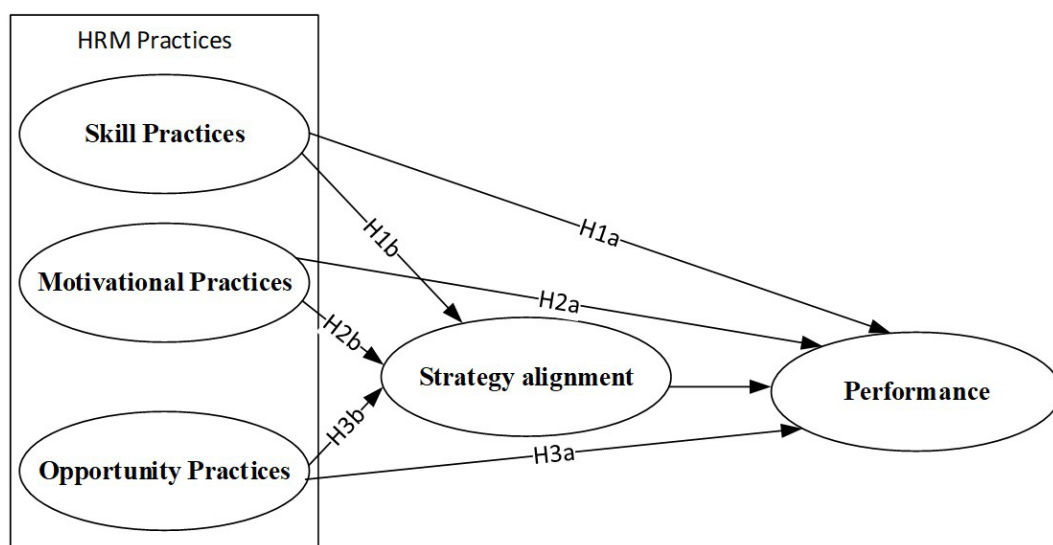


Figure 1. Theoretical link between HRM practices, strategy alignment and performance in the identity management sector.

4.1 Assessment of the study measurement instrument model

The results of the outer factor loadings are presented in Table 2. All items in the scale were within the threshold of 0.70, which is what is recommended in the literature for accepting an item on a scale (Hair et al., 2010; Kwahar & Iyortsuun, 2018; Stevens, 2002).

Assessing the reliability results, we used the literature's recommendation of rho_A and composite reliability as well as the Cronbach's alpha (Chin, 1998; Comrey & Lee, 1992; Kline, 2011). Table 3 below shows the Cronbach's alpha result, which shows the reliability of the instrument. The result shows that all the variables (skill enhancing practices = 0.890, motivational enhancing

Table 2
Measurement results on HRM practices, strategy alignment and performance of identity management firms

Proxies	Outer Factor Loadings
Skill enhancing practices	
SEP1	0.845
SEP2	0.747
SEP3	0.796
SEP4	0.766
SEP5	0.789
SEP6	0.874
Cronbach's alpha ∞	0.890
Motivational enhancing practices	
MEP1	0.827
MEP 2	0.771
MEP 3	0.846
MEP 4	0.897
MEP 5	0.742
Cronbach's alpha ∞	0.864
Opportunity enhancing practices	
OEP1	0.898
OEP2	0.888
OEP3	0.738
OEP4	0.871
OEP5	0.858
Cronbach's alpha ∞	0.905
Strategy alignment	
SAL1	0.785
SAL2	0.842
SAL3	0.768
SAL4	0.751
SAL5	0.897
SAL6	0.749
Cronbach's alpha ∞	0.855
Performance	
PEF1	0.933
PEF2	0.912
PEF3	0.702
PEF4	0.737
PEF5	0.839
Cronbach's alpha ∞	0.883

Table 3
Reliability Result

	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Motivational Practices	0.879	0.903	0.652
Opportunity Practices	0.911	0.930	0.727
Performance	0.895	0.916	0.688
Skill Practices	0.895	0.703	0.623
Strategy alignment	0.883	0.894	0.641

Table 4
Fornell-Larcker Criterion

	Motivational Practices	Opportunity Practices	Performance	Skill Practices	Strategy Alignment
Motivational Practices	0.807				
Opportunity Practices	0.719	0.853			
Performance	0.656	0.655	0.830		
Skill Practices	0.712	0.726	0.413	0.789	
Strategy Alignment	0.647	0.416	0.313	0.543	0.801

practices = 0.864, opportunities enhancing practices = 0.905, strategy alignment = 0.855, performance = 0.883) satisfied the Cronbach's alpha requirement, and as such they are reliable to measure in the study. The rho_A and composite reliability indicate that the threshold obtained satisfied the criteria (Hair et al., 2019).

The average variance extracted (AVE) provides the result of the convergent validity. The results presented in Table 3 indicate that the outcome is in line with the literature's recommendation, as the AVE was above 0.50 (Hair et al., 2019), indicating high convergent validity, and as such, this condition was fulfilled.

Discriminant validity was assessed using the Fornell-Larcker criterion as recommended in the literature (Hair, Ringle, & Sarstedt, 2011; Hamid, Sami, & Sidek, 2017), and the result shows that the validity requirement was fulfilled. Table 4 shows that the squared AVE results were greater than the correlations, which indicates that the model is valid (Fornell & Cha, 1994; Hair et al., 2011).

4.2 Assessment of structural model

We assessed the data for the presence of the multicollinearity problem and the result showed the absence of the multicollinearity problem. The variance

inflation factor (VIF) result is less than 5, which is within the threshold recommended in the literature (Demo, Neiva, Nunes, & Rozzett, 2012; Latan & Noonan, 2017). Given the presence of formative constructs, we assessed the extent to which the first-order construct explains the second-order construct. The weight of the first-order construct on the second-order constructs was found to be positive and significant; hence, the theoretical position of the paper was further confirmed.

Figure 2 shows the structural paths between HRM practices and performance. The results show that all of the paths are positive. The path from motivational practices to performance has the most influence, which is closely followed by the path from opportunity practices to performance. The results also show the coefficient of determination. This is the extent to which the independent variables explain the dependent variables. HRM practices account for a 0.955 change in performance. This implies that a 95.5% change in performance in the identity management sector is accounted for by changes in HRM practices. Furthermore, when HRM practices are mediated with strategy alignment, this helps to account for about a 0.935 change in performance. In line with the recommendation of Henseler and Chin (2010), we

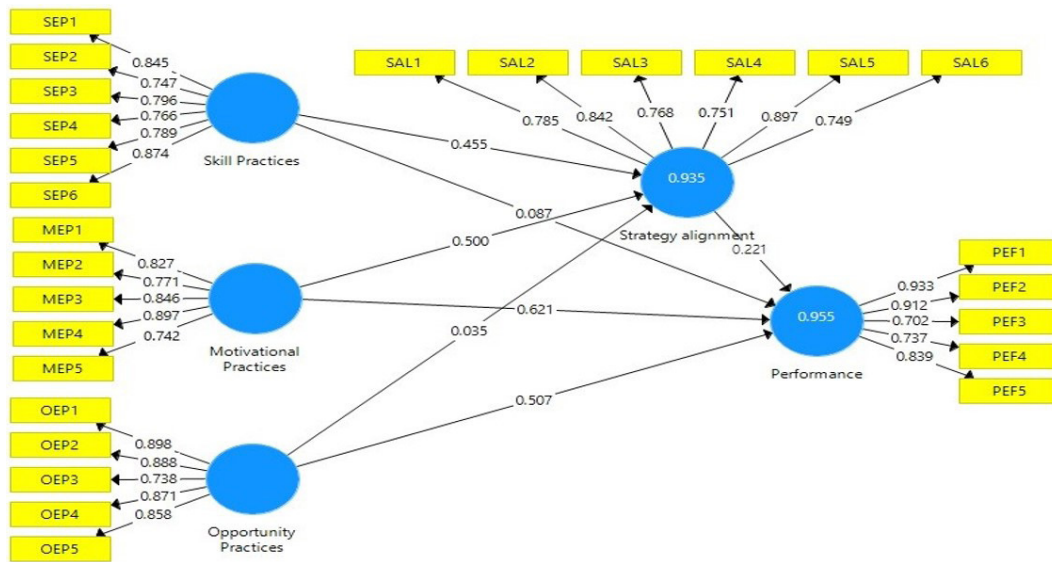


Figure 2. Structural path of HRM practices and performance.

thus concluded that the relationship is strong, as HRM practices and performance are strongly related.

Table 5 provides the significance of the paths between HRM practices and performance in the identity management sector. The literature has recommended the use of t-values and p-values to assess the significance of structural paths (Chin, 1998; Kock, 2014; Sheko & Spaho, 2018). Thus, this study adopts this recommendation. A relationship is said to be significant when the t-values are above 1.96 and the p-values are less than 0.05 (Nitzl, Roldan, & Cepeda, 2016; Sarstedt, Ringle, Henseler, & Hair, 2014). Based on this rule, all the hypotheses were significant, as shown in Table 5. Skill enhancing practices significantly affect performance, as the t-value (2.161) is greater than the recommended 1.96. The mediating role of strategy alignment between skill enhancing practices and performance is also confirmed as significant, as the t-value (2.112) is greater than 1.96. Motivational enhancing practices were found to be significant, as the t-value (7.809) was also greater than 1.96. The path showing the mediating role of strategic alignment between motivational enhancing practices and performance was also confirmed to be significant, as the t-value (2.059) is also greater than 1.96. The path from opportunity enhancing practices to performance was confirmed as being significant as the t-value (5.65) is also greater than 1.96. The path showing the mediating role of strategic alignment between opportunity enhancing practices and performance is confirmed as significant, as the t-value (2.229) is also greater than 1.96. Finally, the relationship

between HRM practices and performance is confirmed to be significant as the t-value (2.096) is also greater than the 1.96 recommended in the literature (Nitzl et al., 2016; Sheko & Spaho, 2018). As such, it can be stated that strategy alignment partially mediates the relationship between HRM practices and performance in the Nigerian identity management sector.

Furthermore, we assessed the fitness of the study model, using the standardised root mean squared residual (SRMR) to determine the goodness of fit of the model. The literature indicates that values less than 0.08 indicate a good model fit (Kline, 2005, 2011). We obtained an SRMR value of 0.007, which is less than the threshold of 0.08. Therefore, we can conclude that the study model has a good fit. Furthermore, we assessed the predictive relevance of the model using PLSpredict. The Q² values were above 0, thus indicating the model has good predictive relevance.

5 Discussion

The study made an attempt to account for the influence of HRM practices on organisational performance and explored the process through which this occurs. This paper advances a new perspective on HRM practices and organisational performance by exploring the role of strategic alignment using a sample of identity management firms in Nigeria. The paper responded to increasing calls for more empirical evidence on HRM practices and organisational performance from other sectors of the economy and also from a developing economy perspective.

Table 5
Results on HRM practices and performance

	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Hypothesis
Skill Practices -> Performance	0.105	2.161	0.011	H_{1a} Supported
Skill Practices -> Strategy alignment -> Performance	0.048	2.112	0.031	H_{1b} Supported
Motivational Practices -> Performance	0.079	7.809	0.000	H_{2a} Supported
Motivational Practices -> Strategy alignment -> Performance	0.054	2.059	0.040	H_{2b} Supported
Opportunity Practices -> Performance	0.090	5.652	0.000	H_{3a} Supported
Opportunity Practices -> Strategy alignment -> Performance	0.056	2.299	0.035	H_{3b} Supported

The results support the existing theoretical propositions on the multidimensional nature of HRM practices (Bello-Pintado, 2015; Chowhan, 2016; Subramony, 2009) and the need to measure them as a bundle, which allows organisations to identify specific activities that would improve employees' skills, motivate them and give them opportunities to participate and work together in decision making (Gardner et al., 2001; Jiang et al., 2012). Our research found that HRM practices affect the organisational performance of firms in the identity management sector in Nigeria. This result is consistent with existing literature that also found the relationship to be positive and significant (Chowhan, 2016; Kundu & Gahlawat, 2016; Liu, Chow, Gong, & Wang, 2016).

Theoretical arguments were established on whether there are hierarchies between the bundles, as the study confirms the existence of a hierarchy and that opportunity enhancing practices have the most effect on performance in the study context. This result differs from the findings of Bello-Pintado and Garcés-Galdeano (2017) and Bello-Pintado (2015). The differences in findings could be because of the scope of their studies in terms of location and the sector. While both studies used manufacturing firms, this study is focused on identity management firms and is carried out in a developing economy (Nigeria), while their study was carried out in Uruguay and Argentina.

The academic perspective on the existence of a black box that accounts for the relationship between HRM practices and organisational performance was confirmed (Hope-Hailey et al., 2005; Messersmith & Guthrie, 2010). We found that organisational strategy alignment was the content in the black box that intermediates between the HRM practices and performance of firms in the identity management sector in Nigeria. This result extends the body

of work that has sought to understand HRM practices and organisational performance. The current finding agrees with the studies of Cunha and Cunha (2004), Huselid (1995) and Kuipers and Giurge (2016). The results agree with the views of Huselid (1995) and Liao, Toya, Lepak and Hong (2009), who argue that aligning organisational strategy better strengthens the HRM activities in achieving the expected result of improving organisational performance.

Consequent to measuring HRM practices as a formative construct using the AMO framework, the results show that skill enhancing practices in the identity management firms affect organisational performance, as the relationship was found to be significant and positive. This result is consistent with the findings of Chowhan (2016) and Kinnie, Hutchinson, Purcell and Swart (2006), who also found that skill enhancing practices have a direct effect on organisational performance. Similarly, the result agrees with the study of Alfes et al. (2013), which also found that skill enhancing practices affect organisational performance. As such, identity management firms can adopt this practice to improve employees' skills in the organisation, which will invariably impact their performance. The result also shows that strategic alignment mediates the relationship between skill enhancing practices and organisational performance, which is in agreement with the study of Macduffie (1995) and Cunha and Cunha (2004), which found that strategic alignment is critical in the relationship between HRM and performance.

The study found that motivational enhancing practices affect organisational performance, which is consistent with the findings of Bello-Pintado (2015) and Jiang et al. (2012), who also found that motivational enhancing practices affect organisational performance. The study of Tadić and Pivac (2014) also found a direct relationship between motivational enhancing practices and

performance. Furthermore, the study found that strategy alignment mediates the relationship between motivational enhancing practices and organisational performance. This result is consistent with the views of Buller and McEvoy (2012) on the need for strategic alignment to increase organisational performance.

In addition, the results indicate that opportunity enhancing practices affect organisational performance, which is consistent with the findings of Bello-Pintado and Garcés-Galdeano (2017). The results from the study of Gardner et al. (2001) are further supported with this finding, which showed that opportunity enhancing practices have a direct relationship with performance. The study also found that strategy alignment mediates the relationship between opportunity enhancing practices and performance, which is consistent with the views and results of Christiansen and Higgs (2008) and Xiu, Liang, Chen and Xu (2017), who found that strategy alignment is a major element that explains the relationship between HRM practices and organisational performance.

Finally, the paper has implications for managerial practices by proposing an integrative sequential model for managers of firms in the identity management sector. Consequent to the study findings, managers should concentrate on the combination of their HRM practices first and ensure that the framing of HRM policies in the identity management sector focuses more on creating opportunity for employees, as it is the main bundle for improving performance.

Furthermore, since strategy alignment accounts for the process through which HRM practices affect organisational performance, it thus demands a holistic and deliberate organisational awareness of ensuring that internal functional units and external strategy fit HRM practices to improve organisational performance. Hence, managers of firms in the identity management sector must ensure that their HRM practices reflect the need to improve employees' skills, motivate them and give them opportunities to contribute actively towards ensuring increased organisational performance.

6 Conclusion and Recommendations

This paper focused on HRM practices and organisational performance using the identity management sector in Nigeria. The study used a sample of 240 employees from identity management firms in Nigeria. The paper concludes that HRM practices affect organisational

performance. Given the context of our study, the outcome theoretically contributes to advancing the AMO framework from an emerging economy perspective, as it highlights its suitability to measure HRM practices as a bundle. Our paper further closed the gap regarding there being no study that has used firms in the identity management sector, thus adding to the empirical body of literature in this field of research.

Furthermore, the study concludes that there are hierarchies between the HRM bundles. Thus, exploring the link between the HRM practices and organisational performance of Nigerian identity management firms adds new insights to this field of research, as it was found that there are hierarchies between the HRM bundles. Opportunity enhancing practices are proposed as having the most effect on performance. Hence, our paper offers managers new insights into the HRM practices bundle, as there are limited studies that have accounted for the need for increased opportunity practices in firms. The study validates the resource based view. Comparatively to other sectors, our results provide an overarching insight into the HRM practices bundle for the identity management sector, re-echoing the relevance of an internal management strategy geared towards employee retention and organisational performance.

Furthermore, the paper concludes that the black box in the Nigerian identity management sector is strategy alignment, as strategy alignment mediated HRM practices and performance in the study. The relevance of this finding to the literature is anchored on the new insights it provides given the limited empirical studies that have explored this variable as an intermediate variable that explains the unclear relationship between HRM and performance, despite academics' acknowledgement of the relevance of the strategy fit in organisations.

In addition, the study provides a better understanding of the black box, showing it is not an external factor or variable outside the scope of the managers of firms, but rather it is also an internal managerial action that accounts for the extent to which a firm's HRM practices can drive increased performance. The study recommends the following:

- a) Firms in the identity management sector should focus on developing skill enhancing strategies, as they will help reduce the high rate of turnover

in the sector and help employees to contribute towards improving performance.

b) There is a need for increased attention to be paid to motivational practices, as employees would be more encouraged to ensure that organisational performance is enhanced through increased commitment and dedication towards attaining organisational goals and objectives.

c) The firms in this sector should ensure they provide employees with increased opportunities, which will better enhance their commitment towards the attainment of the organisational goals and objectives.

7 Limitations and Suggestions for Future Studies

This paper was limited to data that were collected using a survey design. Hence, future studies should consider adopting a longitudinal study approach. The study was limited to a developing economy in Sub-Saharan Africa (Nigeria). Future studies should attempt to confirm the relationship among the study variables in a developed economy. Future studies could also consider at what stage aligning the organisational strategy is most appropriate and at what stage of organisational life the alignment should be carried out in small, medium and large firms. Performance was measured subjectively because the firms were unwilling to provide their performance data and, in some cases, they did not have the complete data. Future studies should consider adopting objective proxies for performance. The study was limited to the identity management sector in Nigeria. Future studies should evaluate other sectors to confirm the role of strategic alignment in the link between HRM practices and organisational performance.

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