



Strategic Alignment of HR Practices, Marketing Capabilities, and Financial Outcomes in Organizations

Ali Akbar Wassan¹, Shakeel Ahmed Junejo², Ayaz Ali Jiskani*³

¹Assistant Professor, Govt Sachal Sarmast Degree College Ranipur, Sindh, Pakistan.

²Assistant Professor, Government Girls Degree College Gambat, Sindh, Pakistan. Email:

^{3*}Assistant Professor, Government Girls Degree College Gambat, Sindh, Pakistan.

Corresponding author: jiskani.ayazali@gmail.com

Keywords: Strategic Alignment, Human Resource Practices, Marketing Capabilities, Financial Performance, Organization Performance

DOI No:

<https://doi.org/10.56976/jsom.v4i1.420>

Strategic Alignment of organizational functions has emerged to be an essential factor of sustainable competitive advantage in the ever competitive and dynamic markets. This paper looks into the strategic alignment of the Human Resource (HR) practices, marketing capability, and financial performance in organizations. Based on the Resource-Based View (RBV), the Dynamic Capabilities Theory, and the Strategic Fit Theory, the study examines the relationship between coherent implementation of HR systems and marketing competencies and the firm-level financial performance. The research design is quantitative research design with the use of structured survey data comprising 220 mid to large-sized organizations of both manufacturing and service-based industries. Major HR practices analyzed are the talent acquisition, training and development, performance management, and reward systems whereas marketing capabilities are market sensing, brand management, customer relationship management, as well as innovation capability. Measures that are used to gauge financial outcomes are based on return on assets (ROA), increase in revenue, and profit margin. The results of the multi regression and structural equation modeling (SEM) reveal that the HR practices produced a significant marketing capability that mediates the correlation between the HR systems and financial performance. Companies with great internal coordination between HR and marketing have much better financial results than those with disjointed functional strategies. The paper emphasizes the need to integrate cross functions and create strategic coherence to generate long-term value. Proposed policies refer to combined strategic thinking, HR investment based on capabilities, and talent development models driven by marketing. The results are valuable to the existing literature in empirically affirming the mediating effect of marketing capabilities between HR strategy and financial performance, providing theory and management implications of the findings.



1. Introduction

The modern business environment with high rates of technological transformation, globalization, increased competition, and shifting customer demands is also facing the realization that organizations need strategic alignment within the internal functions. Strategic alignment is the extent of fit between the structures, systems, processes and resources of an organization and its strategic goals. Whereas in traditional management methods, functions which included Human Resources (HR), marketing, and finance were viewed as separate units, the contemporary theory of strategic management highlights the idea of integration and unity between these areas to generate sustainable competitive advantage (Albulescu, 2024).

Human Resource Management (HRM) has developed to be more of an administrative role to a strategic partner that directly affects the performance of the firm. Selective staffing, performance-based compensation, employee development, and knowledge management are some of the practices that are highlighted in Strategic HRM as sources of human capital advantage. Nevertheless, the financial performance of the organization is not spontaneously achieved by means of HR practices. Their effectiveness depends on their ability to supplement and strengthen other organizational capabilities- especially marketing capabilities, which have a direct correlation on customer acquisition, retention and revenue generation (Al-Qureshi, 2021).

Marketing capabilities indicate the capability of an organization to monitor the change in the market, insights on customer needs, value propositions development, brand management, and long-term customer relationship. These are essential in competitive markets where differentiation and customer-centricity are the deciding factors of success. Marketing capabilities do not exist outside the context of internal organization systems, but they are dependent on talented employees, good leadership, and organizational culture that encourages innovation and responsiveness, which are formed by HR practices (Armstrong, 2020).

Financial results or financial performance in the form of profitability, profit on assets, and revenue growth are end results, which signify organizational success. Although finance may be considered as the final result of strategic effort, it is actually guided by high-level strategic decisions in the HR and marketing. The association between the HR practices, marketing capabilities and financial performance is not linear but this is systemic and interdependent (Arva et al., 2021).

Although there has been increasing awareness on cross-functional integration, a significant number of organizations are unable to get the integration to work efficiently. HR departments can be compliant and cost-controlling as opposed to capability building. The teams of marketing can work without considering talent development. Finance departments can be focused on short-run profitability at the cost of long-run investments in capability. This misalignment may lead to the inefficiency of the allocation of resources, diminished level of competitiveness, and poor financial performance (Kashoob, 2025).

Although it has been established that considerable studies have investigated the independent role of HR practices and marketing capabilities in financial performance, little empirical studies have investigated their combined effect. In particular, the moderating effect



of marketing capabilities in the interaction between HR practices and financial performance is not yet properly studied. Also, not many studies present quantitative results on the impact of alignment between these domains on the performance of firms.

1.1 Significance of the Study

The knowledge of the relationship between HR, marketing, and financial performance has practical implications on managers and policymakers. Companies that make heavy investment in their HR development should make sure that these investments are reflected in the improved performance in the market. In the same manner, the HR systems need to be supported with the marketing strategies in place. The study is aimed at filling this gap to analyze the relationships between these variables empirically.

1.2 Research Objectives

To investigate the connection between HR strategic practices and the marketing capabilities.

To determine the effect of marketing capabilities on financial results.

To measure the direct impact of HR practices in financial performance.

The research aims to examine the mediating issue of marketing capabilities between HR and financial performance relationship.

To put forward policy suggestions on strategic alignment.

2. Literature Review

2.1 Theoretical Perspectives:

Resource-Based View (RBV) argues that good firm competitive advantage is maintained by the valuable, rare, inimitable, and non-substitutable (VRIN) resources. Both human capital and marketing capabilities fall under strategic resources under this framework. Nevertheless, RBV also focuses on the significance of bundling resources, the process of combining and deploying them. HR practices help in building of human capital, whereas marketing capabilities convert the capital into customer value and stream of revenues (Khan & Ali, 2022).

Dynamic Capabilities Theory is an expansion of the RBV that emphasizes the capability of a firm to combine, develop and redesign internal and external competencies in a dynamic environment. The HR systems that promote knowledge sharing, collaboration, and flexibility drive marketing capabilities and capabilities that involve market sensing and innovation, which rely on the dynamic learning processes. Strategic Fit Theory claims that the performance of the organization is optimized to the point of the internal factors being aligned with both the internal and external conditions. This means that the HR practices should be in tandem with the marketing strategies in order to have synergistic effects. An example of such distinction strategy based on excellent customer experience would entail HR practices that are service-focused, empowering, and on-going training (Farooq & Rehman, 2021).

2.2 The links between Strategic HR Practices and Performance of the Organization

The literature on strategic HRM focuses on high-performance work systems (HPWS), such as selective hiring, training, performance appraisal and incentive compensation. Research indicates that these systems boost productivity of the employees, innovation and organizational commitment. The performance effect though is usually indirect and mediated by the organizational capabilities (Wright et al., 2003). Evidence shows that HR practices foster knowledge sharing and collaboration which are the key to customer-oriented functions. As an example, the training programs enhance competencies of employees on customer service and product development which help in market responsiveness (Wright & Nishii, 2013).

2.3 Marketing Capabilities

Marketing capabilities refer to processes and skills that help firms to recognize and fulfill customer needs. These are the market research, segmentation, branding, relationship management, and development of new products. Studies indicate that companies that have good marketing powers have a higher market share and profitability. Marketing skills are highly intellectual and their performance is dependent on human capital. Therefore, promotion of cross-functional collaboration, AP, and creativity is an essential facilitator of HR systems (Ulrich & Dulebohn, 2015).

2.4 HR Practices and Marketing Capabilities:

Recent studies indicate that HR practices contribute to the development of marketing capabilities through the development of skills, motivation and organizational culture. The performance-based rewards that are correlated with customer satisfaction indicators motivate workers to work on value creation. Cross-training improves the coordination of the marketing department with the rest of the departments (Schuler et al., 2011).

2.4 Advertising Strengths and Economic Conclusions

Marketing capabilities lead to increase in revenue and profit margins because they enhance customer acquisition and customer retention. Loyalty of customers and the brand equity lead to the stable cash flows. The positive correlations exist between the marketing capability indices and ROA, as shown by studies (Khan & Ali, 2022).

2.5 Mediating Effect of Marketing Capabilities

The mediating model proposes that the HR practices have an indirect effect on the financial results via marketing capabilities. Training increases innovation, which results in better differentiation of products and growth of revenue. Therefore, marketing capabilities are a channel of converting human capital to monetary gains (Kearns & Sabherwal, 2007).

2.6 Theory of Strategic Alignment and Integration of functions

Strategic Alignment Theory has highlighted the significance of alignment between strategy, structure, processes and culture in an organization in order to deliver high levels of performance. There is also alignment not only structural but also behavioral and cultural. The cross-functional integration of the HR and marketing is especially pertinent due to the fact that

the marketing implementation relies greatly on the individual competency, motivation, and involvement of staff- even the areas that are controlled by HR systems (Kashoob, 2025).

Through empirical studies, it has been argued that, high integration of cross-functions firms are characterized by quicker innovation cycle, better customer responsiveness, and increased operational efficiency. Market-oriented cultures are constructed with the assistance of HR departments that are proactive in coordinating their activities with the marketing teams in planning their workforce, mapping their competencies, and developing their leaders. Marketing initiatives are more effective and sustainable when the HR policies strengthen the values of customer-centricity. On the other hand, strategic objectives can be compromised because of misalignment like performance measures that are based on cost cutting and marketing based on differentiation (Kamal & Irshad, 2021).

The literature also indicates that alignment can be done at various levels, including strategic (common goals), operational (integrated processes), and cultural (similar values). Integration needs to be supported by the top management, have common performance metrics, and platforms of communication that will allow coordination (Jackson & Seo, 2010).

2.7 Organizational Culture as an Interconnecting Mechanism

Organization culture is very crucial in connecting HR practices and marketing capabilities. Culture influences the behavior of employees, their customer relationship, innovative inclination and sensitivity to market changes. HR practices have a role to play in developing a culture that promotes marketing excellence. Market-driven cultures are supported by recruitment strategies, which focus on customer orientation, training programs, which focus on the quality of service, and reward systems based on customer satisfaction (Huselid et al., 2007).

Studies have shown that market-oriented cultures lead to competitive advantage through proactive customer-focus improvement. Good service culture enhances brand recognition and consumer loyalty resulting in the best financial performance. Organization culture, therefore, is a latent force that enhances the correlation between HR systems and marketing performance. Research also shows that the transformational leadership style which is enabled by HR development programs creates innovative climates which are essential in creating marketing capabilities which include new product development and digital marketing flexibility (Hatch & Schultz, 2003).

2.8 Innovation Knowledge Management and Capability

Innovation capability has also been identified to be a major marketing capability that links HR practices and financial success. HR systems that encourage lifelong learning, team work, and sharing of knowledge help to improve the performance of innovation. Practices in knowledge management, including internal education tools, cross-functional workshops and digital collaboration tools, allow employees to create and share market insights in an effective manner.

The Dynamic Capabilities Theory emphasizes the role of sensing, seizing and reconfiguring opportunities. The HR practices play a role on these processes by establishing

adaptive competencies. Human capital quality and organizational learning are critical to marketing innovation either in product design, branding or the digital engagement strategy. There is empirical evidence that companies that invest in development of employees and innovation-driven cultures record increased revenue growth and market share. Thus, innovation capability is an element of marketing capability as well as a channel through which the HR practices influence the financial performance (Hamadamin & Atan, 2019).

2.9 Long-Term Value Creation and Financial Performance Measurement

The classical financial performance indicators include Return on Assets (ROA), Return on Equity (ROE), and profit margins, which are short-term indicators that give the performance of a company. Nevertheless, researchers believe that HR and marketing strategic alignment have long-term financial returns that do not always reflect in quarterly outcomes. Talent building and brand building take time to deliver returns in terms of financial results (Golgeci & Ponomarov, 2013).

Balanced Scorecard systems combine the use of both financial and non-financial metrics, which focus on customer satisfaction, in house operations, and customer learning and development. This is a multidimensional approach that is in line with the integrated model in this study. Studies indicate that companies with long-term financial orientations will be open to investing in capability-building HR and marketing programs. These types of investments have the effect of increasing brand equity, customer loyalty, and efficiency of operations resulting in sustainable profitability (Farooq & Rehman, 2021).

The literature, therefore, indicates that financial results must be measured not only in the short-term profitability, but also indicators of value creation that are sustainable.

3. Methodology

3.1 Research Design

A quantitative, cross-sectional research design was adopted.

3.2 Sample and Data Collection

- Sample Size: 220 organizations
- Sectors: Manufacturing (55%), Services (45%)
- Data Collection Tool: Structured questionnaire
- Sampling Technique: Stratified random sampling

3.3 Measurement Instruments

Table No 1: Measurement Instruments

Variable	Measurement Scale	Source
HR Practices	20-item Likert Scale	Adapted HPWS scale
Marketing Capabilities	18-item Likert Scale	Marketing capability index
Financial Outcomes	ROA, Revenue Growth, Profit Margin	Self-reported financial data



3.4 Data Analysis Tools

- Reliability Test (Cronbach’s Alpha)
- Correlation Analysis
- Multiple Regression
- Structural Equation Modeling (SEM)

Software Used: SPSS and AMOS

4. Results and Interpretation

4.1 Reliability Analysis

Table No 2: Reliability Analysis

Construct	Cronbach’s Alpha
HR Practices	0.89
Marketing Capabilities	0.91
Financial Outcomes	0.86

All values exceed 0.70, indicating strong reliability.

4.2 Correlation Analysis

Table No 3: Correlation Analysis

Variables	HR Practices	Marketing Capabilities	Financial Outcomes
HR Practices	1	0.68**	0.52**
Marketing Capabilities	0.68**	1	0.74**
Financial Outcomes	0.52**	0.74**	1

(**p < 0.01)

Interpretation: Strong positive correlations exist among variables.

4.3 Regression Analysis

4.3.1 Model 1: HR → Financial Outcomes

Table No 3: HR → Financial Outcomes

Predictor	Beta	t-value	p-value
HR Practices	0.52	8.12	0.000

R² = 0.27

4.3.2 Model 2: HR → Marketing Capabilities

Table No 4: HR → Marketing Capabilities

Predictor	Beta	t-value	p-value
HR Practices	0.68	11.45	0.000

$R^2 = 0.46$

4.3.3 Model 3: HR + Marketing → Financial Outcomes

Table No 5: HR + Marketing → Financial Outcomes

Predictor	Beta	t-value	p-value
HR Practices	0.21	3.12	0.002
Marketing Capabilities	0.63	9.87	0.000

$R^2 = 0.61$

Interpretation: Marketing capabilities partially mediate the relationship.

4.3.4 Structural Equation Modeling

4.3.5 Model Fit Indices Indicate Good Fit

- $\chi^2/df = 2.34$
- CFI = 0.94
- RMSEA = 0.05

4.3.6 Indirect Effect

Indirect effect (HR → Marketing → Financial) significant at $p < 0.01$.

4.4 Discussion

The results confirm that strategic Hr practices have a significant positive impact on marketing capabilities that consequently leads to the financial performance. The mediation effect implies that HR investments should be in conjunction with market-oriented capabilities in order to get maximum returns. Companies that have combined HR and marketing strategies have better performance compared to those that have a single functional strategy. The findings are in line with RBV and Dynamic Capabilities Theory.

5. Conclusion

This paper has established that a strategic alignment between HR practices, marketing capabilities and financial performance have a significant contribution to the performance of a business. HR practices do not ensure high-level financial outcomes only, and their efficacy is required to be related to the ability to support marketing capabilities. The marketing skills act as an important mediating process that transforms human capital into monetary value.



Organizations should embrace a comprehensive approach of strategic focus, based on cross-functional coordination, capacity building, and long-term investment in humans and market.

5.1 Policy Recommendations

- **Combined Strategic Planning:** Establish cross functional planning committees between HR and marketing strategies.
- **Capability-Based HR Investment:** Resolve training programs to marketing goals like customer experience and innovation.
- **Performance Metrics Correlation:** Integrate customer satisfaction and market expansion measures into HR appraisal systems.
- **Developing Leadership:** Educate managers on cross-functional teamwork and strategy.
- **Long-Term Financial Orientation:** Promote financial policies that facilitate investments in capabilities building and not short term profit maximization.
- **Knowledge Management Systems:** Instal systems that promote the communication between the HR and the marketing departments.
- **Ongoing Review:** Implement balanced scorecards that combine HR, marketing, and financial data.

6. References

Albulescu, C. T. (2024). The financial impact of strategic HRM practices: Linking employee investments to organizational performance. *European Journal of Management, Economics and Business*.

Al-Qershi, O. (2021). Strategic alignment and organizational adaptation in dynamic markets. *Journal of Business Research*.

Al-Qudah, F., et al. (2020). Innovation performance as mediated by strategic alignment of HR practices. *International Journal of Innovation Management*.

Armstrong, M. (2020). *Armstrong's handbook of human resource management practice* (15th ed.). Kogan Page.

Arya, T., Page, L., & Boysen, S. (2021). Effective work cultures: The alignment between marketing/communications and HR efforts. *Journal of Marketing and HR*, 11, 1–16.

Ateş, A., et al. (2020). Effect of strategic alignment on human capital and competitive advantage. *Future Business Journal*.

Barney, J. B., & Wright, P. M. (2001). On becoming a strategic partner: The role of human resources in gaining competitive advantage. *Human Resource Management*, 37(1), 31–46.

Becker, B., Beatty, R., & Huselid, M. (2015). *The workforce scorecard: Managing human capital to execute strategy*. Harvard Business Review Press.

Becker, B. E., & Huselid, M. A. (2006). Strategic human resources management: Where do we go from here? *Journal of Management*, 32(6), 898–925.

Becker, B. E., Huselid, M. A., & Ulrich, D. (2001). *The HR scorecard: Linking people, strategy, and performance*. Harvard Business School Press.



- Bowen, D. E., & Ostroff, C. (2004). Understanding HRM–firm performance linkages: The role of the strength of the HRM system. *Academy of Management Review*, 29(2), 203–221.
- Boxall, P., & Purcell, J. (2008). *Strategy and human resource management* (2nd ed.). Palgrave Macmillan.
- Delaney, J. T., & Huselid, M. A. (2006). The impact of human resource management practices on perceptions of organizational performance. *Journal of Management*, 32(5), 704–721.
- Farooq, O., & Rehman, Z. (2021). Strategic HR decision-making and organizational financial performance in emerging markets. *CapitalMark Journal of Marketing & Finance*.
- Gölgeci, I., & Ponomarov, S. (2013). Strategic alignment and innovation capabilities in organizations. *Journal of Business Research*.
- Hamadamin, H., & Atan, T. (2019). The impact of strategic human resource management practices on competitive advantage sustainability. *Sustainability*.
- Harter, J. K., Schmidt, F. L., & Hayes, T. L. (2002). Business-unit-level relationship between employee satisfaction, employee engagement, and financial performance. *Journal of Applied Psychology*, 87(2), 268–279.
- Hatch, M. J., & Schultz, M. (2003). Bringing the corporation into corporate branding. *European Journal of Marketing*, 37(7–8), 1041–1064.
- Huselid, M. A. (2005). The impact of human resource management practices on turnover, productivity, and corporate financial performance. *Academy of Management Journal*, 48(3), 610–628.
- Huselid, M. A., Jackson, S. E., & Schuler, R. S. (2007). Technical and strategic human resources management effectiveness as determinants of firm performance. *Academy of Management Journal*, 50(1), 115–130.
- Jackson, S. E., & Seo, J. (2010). The greening of strategic HRM scholarship. *Organization Management Journal*, 7(4), 278–290.
- Kamal, M., & Irshad, Q. (2021). Integrated HR–marketing synergy and brand equity: A conceptual analysis. *Journal of Marketing & Social Research*.
- Kashoob, S. S. M., et al. (2025). Strategic human resources management and organizational impact. *Journal of Posthumanism*.
- Kearns, G. S., & Sabherwal, R. (2007). Strategic alignment between business and information technology: A critical assessment. *Journal of Management Information Systems*, 23(3), 123–168.
- Khan, M. T., & Ali, A. (2022). Strategic marketing alignment and firm performance: A meta-analysis. *Journal of Strategic Marketing*.
- Schuler, R. S., Jackson, S. E., & Tarique, I. (2011). Global talent management and global talent challenges. *Human Resource Management*, 50(4), 509–529.
- Ulrich, D., & Dulebohn, J. H. (2015). Are HR professionals ready for the digital age? HR competencies and firm performance. *Human Resource Management Review*, 25(2), 147–156.
- Wright, P. M., & McMahan, G. C. (2011). Exploring human capital: Putting ‘human’ back into strategic human resource management. *Human Resource Management Journal*, 21(2), 93–104.



Wright, P. M., & Nishii, L. H. (2013). Strategic HRM and organizational behavior: Integrating multiple levels of analysis. *CAHRS Working Paper Series*.

Wright, P. M., Gardner, T. M., & Moynihan, L. M. (2003). The role of HR practices in developing organizational performance. *Human Resource Management Review*, 13(3), 263–282.