Chapter 7

FINDINGS, RECOMMENDATIONS AND CONCLUSIONS

7.1 Introduction
This study examined the relationship between strategic HRM variables and firm performance. As revealed in the analysis, the strategic HRM variables are found to have a positive effect on organizational outcomes, especially with respect to a firm’s financial and non-financial performance as well as the operational efficiency. The evidence suggests that effective implementation of key strategic HRM practices should be able to bring in higher levels of organizational performance. Second, the regression results show a possibility that different aspects of performance could be affected by strategic HRM variables differently. For a company promoting financial performance, recruitment and selection and performance management appear to be the most important issues to tackle. On the other hand, companies interested in enhancing non-financial performance may emphasize the need for rewards and compensation, employee relations and training.

7.2 Findings and discussion
This chapter analysed and interpreted the empirical findings of the research related to the direct effect between strategic HRM practices and firm performance and found them to be consistent with the results from prior research (e.g. Ahmad and Schroeder, 2003; Chanda and Shen, 2009).

The study explored the association between strategy formulation and implementation. The findings reveal that there exists a strong positive relationship between formulation and implementation. The model exploring the effects of HR practices on HR strategy formulation and implementation imply that there exist significant links between all five HR practices and HRM firm strategy fit. The study also reveals that there is strong positive relationship between strategy formulation and firm performance, which is consistent with previous research findings (e.g. Chanda and Shen 2009).

The study indicates that strategic recruitment and selection significantly impacts the operational efficiency of the firm. Recruitment and selection which is the combination of both organisation and human resource fit plays a significant role in enhancing organizational performance.
Selection plays a critical role in implementing firm strategy and is designed to employ people with desired skills and behaviours needed to match a work with context and improve performance (Werbel and DeMarie, 2005).

Strategic training and effort has been found to be significantly impacting the firm’s performance in both financial as well as non-financial dimensions. Previous studies identified training efforts as one of the primary factors to improve organizational performance (Lau and Ngo, 2004; Wimbush, 2005). The aim of training and development is to provide information and support that enables employees to overcome job-related difficulties and achieve job performance (Weber and DeMarie, 2005) and organizational performance as a whole (Valle et al. 2000).

Results of the study indicate that there exist significant relationships between performance management and firm performance. Performance management is a continuous process of identifying, measuring and developing organisational, unit and individual performance and aligning performance with the strategic goals of the organisation (Aguinis 2005). The empirical findings of the research are consistent with the tendencies suggested in the literature and in earlier research (e.g. Ahmad and Schroeder, 2003, Chanda and Shen, 2009).

The finding that the rewards and compensation is significantly related to firm performance indicates consistent result with previous research. Empirical evidence from past studies show that effective rewards and compensation practices add value to business and are crucial for implementing business strategy (Aggarwal and Samwick 2003; Devers et al. 2007; Leone et al. 2006).

The finding that employee relation is significantly related to firm performance indicates consistent result with previous research. The significance of Industrial Relations is changing with an emerging trend of employee relations. These practices have been reported to have positive effects on performance (Pfeffer 1994; Levine 1995).

The finding regarding non-significant impact of strategic HRM practices on employee turnover is consistent with earlier research (e.g. Chanda and Shen, 2009).

The results of the study show that the research sample falls into four quadrants of performance and strategy formulation/implementation matrix, which are high – high, high- low, low-high and
low-low performance with respect to strategy formulation and implementation. The major findings of the study are listed below.

- 65% companies have high extent in both strategy formulation and strategy implementation, 20% companies have low extent. 10% companies have high extent of formulation and low extent of implementation and 5% companies have low extent of formulation and high extent of implementation. This association is significant at the level (Fischer’s p < 0.01, 1-tailed). The correlation coefficient between formulation and implementation is 0.84 at the level (p<0.01, 2-tailed). There is strong statistical evidence to claim that extent of strategy formulation and involvement strategic HRM practice is moderate to high in small IT companies in Mumbai Metropolitan region.

- 70% of the companies have a high extent of recruitment and selection in both strategy formulation and implementation. 25% companies have low extent of recruitment and selection, while 5% companies have high formulation and low implementation in recruitment and selection. There is strong statistical evidence to claim that the extent of strategic HRM practice recruitment and selection is moderate to high in both formulation and implementation in small scale IT companies under study in this research.

- 70% of the companies have a high extent of training and development in both strategy formulation and implementation. 15% companies have low extent of training and development, while 5% companies have high formulation and low implementation and 10% have high implementation and low formulation in training and development. There is strong statistical evidence to claim that the extent of strategic HRM practice training and development is moderate to high in both formulation and implementation in small scale IT companies under study in this research.

- 70% of the companies have a high extent of performance management in both strategy formulation and implementation. 5% companies have low extent of performance management, while 5% companies have high formulation and low implementation and 20% have high implementation and low formulation in performance management. The analysis shows strong statistical evidence to claim that the extent of strategic HRM practice
performance management is moderate to high in both formulation and implementation in small scale IT companies under study in this research.

- 70% of the companies have a high extent of rewards and compensation in both strategy formulation and implementation. 10% companies have low extent of rewards and compensation, while 5% companies have high formulation and low implementation and 15% have high implementation and low formulation. The analysis shows strong statistical evidence to claim that the extent of strategic HRM practice rewards and compensation is moderate to high in both formulation and implementation in small scale IT companies under study in this research.

- 67.5% of the companies have a high extent of employee relations in both strategy formulation and implementation. 5% companies have low extent of employee relations, while 7.5% companies have high formulation and low implementation and 20% have high implementation and low formulation. The analysis shows strong statistical evidence to claim that the extent of strategic HRM practice employee relations is moderate to high in both formulation and implementation in small scale IT companies under study in this research.

These findings confirm the assertion made in Hypothesis I, that the extent of strategic HRM is moderate to high in small IT companies.

- The mean difference of financial variables of growth in market share, growth in net profit and sales growth variable as well as financial performance for strategy formulation and strategy implementation is significant at the level p<0.01. This shows that the financial performance measures are significantly impacted by the formulation and implementation strategic HRM measures.

- The mean difference of non-financial variables of employee satisfaction, employee productivity and non-financial performance for strategy formulation and strategy implementation is significant at the level p<0.01. This shows that the non-financial performance measures are significantly impacted by the formulation and implementation strategic HRM measures.
• The mean difference for employee turnover rate is not significant at the level \( p < 0.05 \). This implies that employee turnover rate is not impacted by significantly by both strategy formulation as well as strategy implementation.

• The difference in mean response for financial performance, non-financial performance and operational efficiency for both strategy formulation and implementation is significant at the level \( p < 0.01 \). This implies that the overall performance of the firms’ is significantly impacted by both strategy formulation and strategy implementation.

• Financial performance was high at 80% and low at 12.5% for strategy implementation, while it was high at 70% and low at 10% for strategy formulation at the level \( p < 0.05 \) –tailed. Non-financial performance was high at 77.5% and low at 2.5% for strategy implementation, while it was high at 75% and low at 3.5% for strategy formulation at the level \( p = 0.01 \) –tailed. Operational efficiency was high at 77.5% and low at 12.5% for strategy implementation, while it was high at 70% and low at 12.5% for strategy formulation at the level \( p = 0.01 \) –tailed. These results indicate that financial and non-financial performance as well as operational efficiency is higher for higher extent of strategy formulation and strategy implementation.

• These findings confirm the assertion of Hypothesis 2, which states that more extensive is the use of strategic HRM practices, higher will be the operational efficiency of the company.

• The result of one-way ANOVA on financial and non-financial performance variables for low and high extent of strategy formulation and implementation indicate significant difference in financial performance \( [F(1,39) = 7.42, p \leq 0.01] \) and non-financial performance \( [F(1,39) = 12.75, p < 0.01] \).

• 72.5% companies with high extent of strategy formulation and involvement have experienced large to great extent of improvement in their market share over the last three financial years, whereas 27.5% companies with low extent of strategy formulation have experienced large to some extent of improvement in their market share over the last three financial years. This indicates that companies with higher extent of formulation have shown higher market share.
75% companies with high extent of strategy formulation and involvement have experienced great to some extent of growth in their net profit over the last three financial years, whereas 25% companies with low extent of strategy formulation have experienced large to some extent of improvement in their net profit over the last three financial years. This indicates that companies with higher extent of formulation have shown higher net profit.

75% companies with high extent of strategy formulation and involvement have experienced great to some extent of growth in their sales revenue over the last three financial years, whereas 25% companies with low extent of strategy formulation have experienced large to some extent of improvement in their sales revenue over the last three financial years. This indicates that companies with higher extent of formulation have shown higher sales growth.

65% companies with high extent of strategy formulation and involvement have experienced great to some extent of improvement in the employee satisfaction levels over the last three financial years, whereas 22.5% companies with low extent of strategy formulation have experienced large to some extent of improvement in their employee satisfaction levels over the last three financial years. This indicates that companies with higher extent of formulation have shown higher levels of employee satisfaction.

67.5% firms with high extent of strategy formulation and involvement have experienced great to some extent of improvement in the employee productivity levels over the last three financial years, whereas 25% with low extent of strategy formulation have experienced large to some extent of improvement in their employee productivity levels over the last three financial years. This indicates that companies with higher extent of formulation have shown higher levels of employee productivity.

20% firms with high extent of strategy formulation and involvement have experienced large to great decrease in employee turnover rates and 22.5% of these companies decreased the employee turnover rates to some extent, whereas 17.5% companies have shown no decrease in employee turnover rates. This goes to show that employee turnover rate is not significantly affected by the extent of strategy formulation.
• 70% firms with high extent of recruitment and selection have experienced great to some extent of improvement in the market share over the last three financial years, whereas 30% with low extent of recruitment and selection have experienced large to some extent of improvement in their market share over the last three financial years. This indicates that companies with higher extent of recruitment and selection have shown higher levels of improvement in market share.

• 67.5% firms with high extent of recruitment and selection have experienced great to some extent of improvement in the net profit over the last three financial years, whereas 32.5% with low extent of recruitment and selection have experienced large to some extent of improvement in their net profit over the last three financial years. This indicates that companies with higher extent of recruitment and selection have shown higher levels of improvement in net profit.

• 70% firms with high extent of recruitment and selection have experienced great to some extent of improvement in the sales revenue over the last three financial years, whereas 30% with low extent of recruitment and selection have experienced large to some extent of improvement in their sales revenue over the last three financial years. This indicates that companies with higher extent of recruitment and selection have shown higher levels of growth in sales.

• 60% firms with high extent of recruitment and selection have experienced great to some extent of improvement in the employee satisfaction levels over the last three financial years, whereas 27.5% companies with low extent of recruitment and selection have experienced large to some extent of improvement in their employee satisfaction levels over the last three financial years. This indicates that companies with higher extent of recruitment and selection have shown higher improvement in employee satisfaction levels.

• 70% firms with high extent of recruitment and selection have experienced great to some extent of improvement in the employee productivity levels over the last three financial years, whereas 27.5% companies with low extent of recruitment and selection have experienced large to some extent of improvement in their employee productivity levels over the last three
financial years. This indicates that companies with higher extent of recruitment and selection have shown higher improvement in employee productivity levels.

- 20% firms with high extent of recruitment and selection have experienced large to great decrease in employee turnover rates and 17.5% of these companies decreased the employee turnover rates to some extent, whereas 20% companies have shown no decrease in employee turnover rates. This goes to show that employee turnover rate is not significantly affected by the extent of recruitment and selection.

- The result of linear regression indicate that $R^2$ value of recruitment and selection in market share was 36 per cent, net profit 40 per cent, sales growth 23 per cent, financial performance 42 per cent, employee satisfaction level 22 per cent, employee productivity 22 per cent, non-financial performance 26 per cent and operational efficiency 46 per cent at the level $p<0.05$. However, the $R^2$ value in employee turnover rate was low at 7 per cent at significance level $p>0.05$ hence no significant impact.

- 80% firms with high extent of training and development, improved market share to great extent to some extent, whereas 20% companies with low extent of training and development have improved market share to large to some extent. This confirms the assertion that companies with higher extent of training and development have shown higher improvement in market share.

- 75% firms with high extent in training and development, improved net profit to great to some extent, whereas 25% companies with low extent in training and development improved net profit to large to some extent. This confirms the assertion that companies with higher extent of training and development have shown higher improvement in net profit.

- 80% firms with high extent in training and development, improved growth in sales to great to some extent, whereas 20% companies with low extent in training and development, improved growth in sales to large to some extent. This confirms the assertion that companies with higher extent of training and development have shown higher improvement in sales growth over a three year period.
• 77.55% firms with high extent in training and development, improved employee satisfaction levels to great to some extent, whereas 15% companies with low extent of training and development have improved employee satisfaction levels to great to some extent and 10% improved by moderate extent. This confirms the assertion that companies with higher extent of training and development have shown higher improvement in employee satisfaction levels over the last three financial years.

• 67.5% firms with high extent in training and development, improved employee productivity levels to large to great extent and 12.5% improved to some extent, whereas 7.5% companies with low extent of training and development improved employee productivity to large to great extent and 10% to some extent. This confirms the assertion that companies with higher extent of training and development have shown higher improvement in employee productivity levels over a three year period.

• 20% firms with high extent in training and development, decreased employee turnover rates to large to great extent and 20% decreased to some extent whereas 27.5% companies have not experienced decrease in employee turnover rates over the last three financial years. This shows that higher extent of training and development has no direct influence on employee turnover rates.

• The result of linear regression indicate that $R^2$ value of training and development in market share was 41 per cent, net profit 33 per cent, sales growth 18 per cent, financial performance 38 per cent, employee satisfaction level 27 per cent, employee productivity 34 per cent, non-financial performance 37 per cent and operational efficiency 51 per cent at the level $p<0.05$. However, the $R^2$ value in employee turnover rate was low at 9 per cent at significance level $p>0.05$ hence no significant impact.

• 62.5% firms with high extent in performance management, improved market share to large to great extent and 27.5% improved to some extent whereas 5% companies with low extent in performance management improved market share to some extent and 5% to moderate extent over the last three financial years. This confirms the assertion that companies with higher extent of performance management have shown higher improvement in market share.
• 65% firms with high extent in performance management, improved net profit to large to great extent and 22.5% improved to some extent, whereas 5% companies with low extent in performance management improved net profit to some extent and 5% to moderate extent. This confirms the assertion that companies with higher extent of performance management have shown higher improvement in net profit over the last three financial years.

• 75% firms with high extent in performance management, improved sales growth to large to great extent and 15% improved to some extent whereas 5% companies with low extent improved sales growth to some extent and 5% to moderate extent. This confirms the assertion that companies with higher extent of performance management have shown higher improvement in sales growth over the last three financial years.

• 52.5% firms with high extent in performance management, improved employee satisfaction levels to large to great extent and 25% improved to some extent whereas 5% companies with low extent improved employee satisfaction to some extent and 5% to moderate extent. This confirms the assertion that companies with higher extent of performance management have shown higher improvement in employee satisfaction.

• 70% firms with high extent in performance management, improved employee productivity levels to large to great extent and 17.5% improved to some extent, whereas 2.5% companies with low extent in performance management have improved employee productivity to some extent and 5% to moderate extent. This confirms the assertion that companies with higher extent of performance management have shown higher improvement in employee productivity.

• 27.5% companies with high extent in performance management have not experienced decrease in employee turnover rates, whereas 20% firms with high extent in performance management, decreased employee turnover rates to large to great extent and 22.5% decreased to some extent. This shows that higher extent of performance has no significant influence on employee turnover rates.

• The result of linear regression indicate that \( R^2 \) value of performance management in market share was 35 per cent, net profit 48 per cent, sales growth 19 per cent, financial performance
39 per cent, employee productivity 21 per cent, non-financial performance 14 per cent and operational efficiency 31 per cent at the level \( p<0.05 \). However, the \( R^2 \) value in employee satisfaction was low at 7 per cent and in employee turnover rate was low at 4 per cent at significance level \( p>0.05 \) hence no significant impact.

- 62.5% firms with high extent in rewards and compensation, improved market share levels to large to great extent and 22.5% improved to some extent, whereas 5% companies with low extent improved market share to large extent and 10% to some extent. This confirms the assertion that companies with higher extent of rewards and compensation have shown higher improvement in market share over the past three financial years.

- 57.5% firms with high extent in rewards and compensation, improved net profit to large to great extent and 25% improved to some extent, whereas 5% companies with low extent improved net profit to large extent and 7.5% to some extent. This confirms the assertion that companies with higher extent of rewards and compensation have shown higher improvement in net profit.

- 72.5% firms with high extent in rewards and compensation, improved sales growth to large to great extent and 12.5% improved to some extent. 7.5% companies with low extent improved sales growth to large extent and 5% to some extent. This confirms the assertion that companies with higher extent of rewards and compensation have shown higher improvement in sales growth.

- 47.5% firms with high extent in rewards and compensation, improved employee satisfaction levels to large to great extent and 32.5% improved to some extent, whereas 15% companies with low extent improved employee satisfaction levels to great large extent and 5% to some extent. This confirms the assertion that companies with higher extent of rewards and compensation have shown higher improvement in employee satisfaction levels.

- 65% firms with high extent in rewards and compensation, improved employee productivity levels to large to great extent and 17.5% improved to some extent, whereas 10% companies with low extent improved employee satisfaction levels to large to great large extent and 2.5%
to some extent. This confirms the assertion that companies with higher extent of rewards and compensation have shown higher improvement in employee productivity levels.

- 20% companies have not experienced decrease in employee turnover rates. 25% firms with high extent in rewards and compensation, decreased employee turnover rates to large to great extent and 25% decreased to some extent. This shows that higher extent of rewards and compensation has no significant influence on employee turnover rates.

- The result of linear regression indicate that $R^2$ value of rewards and compensation in market share was 25 per cent, net profit 12 per cent, sales growth 16 per cent, financial performance 22 per cent, non-financial performance 9 per cent and operational efficiency 21 per cent at the level $p<0.05$. However, the $R^2$ value in employee satisfaction was low at 6 per cent, in employee productivity 2 per cent and in employee turnover rate at 3 per cent at significance level $p>0.05$ hence no significant impact.

- 75% firms with high extent in employee relations, improved market share to large to great extent and 15% improved to some extent, whereas 5% companies with low extent improved market share to some extent and 7.5% to moderate extent. This confirms the assertion that companies with higher extent of employee relations have shown higher improvement in market share.

- 72.5% firms with high extent in employee relations, improved net profits to large to great extent and 12.5% improved to some extent, whereas 7.5% companies with low extent improved net profits to some extent and 5% to moderate extent. This confirms the assertion that companies with higher extent of employee relations have shown higher improvement in net profits.

- 82.5% firms with high extent in employee relations, improved sales growth to large to great extent and 5% improved to some extent, whereas 5% companies with low extent improved sales growth to large to great extent and 7.5% to some extent. This confirms the assertion that companies with higher extent of employee relations have shown higher improvement in sales growth.
• 62.5% firms with high extent in employee relations, improved employee satisfaction level to large to great extent and 22.5% improved to some extent, whereas 7.5% companies with low extent improved employee satisfaction levels to some extent and 5% to moderate extent. This confirms the assertion that companies with higher extent of employee relations have shown higher improvement in employee satisfaction levels.

• 70% firms with high extent in employee relations, improved employee productivity level to large to great extent and 14.5% improved to some extent, whereas 2.5% companies with low extent improved employee productivity levels to great extent, 5% to some extent and 5% to moderate extent. This confirms the assertion that companies with higher extent of employee relations have shown higher improvement in employee productivity levels.

• 30% companies have not experienced decrease in employee turnover rates. 15% firms with high extent in employee relations, decreased employee turnover rates to large to great extent and 17.5% decreased to some extent. This shows that higher extent of employee relations has no direct influence on employee turnover rates.

• The result of linear regression indicate that $R^2$ value of employee relations in market share was 38 per cent, net profit 28 per cent, sales growth 18 per cent, financial performance 35 per cent, employee productivity 17 per cent, employee turnover rate 16%, non-financial performance 24 per cent and operational efficiency 40 per cent at the level $p<0.05$. However, the $R^2$ value in employee satisfaction was low at 7 per cent at significance level $p>0.05$ hence no significant impact.

The above findings confirm the assertion of Hypothesis II that higher the extent of strategic HRM, higher will be operational efficiency of the small IT companies.

• The result of linear regression indicate that R2 value of strategy formulation in market share was 37 per cent, net profit 46 per cent, sales growth 25 per cent and employee satisfaction 22 per cent and employee productivity 22 per cent at significance level $p<0.01$. However, the value of R2 for employee turnover rate is low at 9 per cent at the level $p>0.05$ hence no significant impact.
• For strategy implementation, the result of linear regression indicate that $R^2$ value in market share was 55 per cent, net profit 48 per cent, sales growth 30 per cent and employee satisfaction 20 per cent and employee productivity 31 per cent at significance level $p<0.01$. However, the value of $R^2$ for employee turnover rate is low at 11 per cent at the level $p>0.05$ hence no significant impact.

• The results show that the $R^2$ value for strategy formulation in overall financial performance was 46 per cent, non-financial performance 29 per cent and for operational efficiency 51 per cent respectively at the level $p<0.01$.

• The results show that the $R^2$ value for strategy implementation in overall financial performance was 56 per cent, non-financial performance 35 per cent and for operational efficiency 62 per cent respectively at the level $p<0.01$.

• The organisation characteristics of age and employee strength have no significant impact on organisation performance.

• Results show that higher extent of linkage between formulation and implementation leads to higher performance.

• It was found that majority of the small IT companies in Mumbai Metropolitan region have high extent of strategy formulation and involvement as well as strategy implementation. It emerged that high extent of strategy formulation is accompanied by high levels of strategy implementation.

• The extent of HRM practices is positively associated with financial and non-financial performance as well as operational efficiency, except for employee turnover rates.

• The combined impact of HRM practices on financial and non-financial performance as well as on operational efficiency was higher than the impact of individual practice. This goes to show that the HRM practices work better as a bundle.
• One exceptional finding of this study is that employee turnover is not significantly associated with strategy formulation and implementation. This finding is in line with the earlier study conducted by Chanda and Shen (2009) in more than 700 Indian companies.

7.3 Managerial Implications and Recommendations for Managerial Staff

The findings of the study suggest a number of managerial implications. The researcher recommends the following for careful consideration of managerial staff of small IT companies. These are listed as under.

• The finding that recruitment and selection positively affects organizational performance is considered as a significant practical insight for managers. Staffing and selection continues to be an area of significant interest (Wimbush, 2005) and will continue to be so. Recruitment and selection methods for effective hiring decisions are considered to be important for managers.

• Through proactive involvement of managers, selective information seeking, and positive responses to organizational demands, organisations can better determine whether they are selecting the right human resources they want.

• High performing organizations tend to spend more time on training especially on communication and team skills (Lau, Ngo, 2004). The finding that there exists a positive link between training and firm performance is consistent with the human capital perspective. Therefore, it will be of considerable interest to managers to develop training-focused HR practices to achieve high performance.

• In addition to recruitment, selection and induction of new employees, organizations can help their employees adjust to their jobs by providing adequate training and resources to help them maximize their job performance. Therefore, organizations must prioritise and invest in skill and knowledge development. The organization effectiveness can be increased by improving the fit between what the organization requires of its employees and what they require of it.
• Performance management positively impacts organisational performance. Objective appraisals and communication of performance management outcomes positively is considered to be an important area for managers.

• The management should trust their employees and give them responsible and challenging assignments; employees in return are likely to respond with high commitment and high performance. Promoting performance feedback that gives employees a sense of how the organization perceives the person-organization fit and provide guidance to improve the fit, if warranted.

• Providing proper representation to the HRM function in strategy formulation is likely to have a positive impact on strategy implementation. This can be explained in a way that when HR matters have been considered in the business strategy, the HR strategy and policies are business driven, business strategy is likely to be driven effectively. Also when the organisation encourages HR involvement in business strategy formulation as a practice, the same culture would prevail in its implementation.

• The employer strategy should focus on creating performance and efficiency advantage through the employees. This includes creating a documented HRM strategy and periodically reviewing it to adapt to dynamically changing internal and external business environment. This will require greater attention to be paid in designing jobs and implementing adequately designed recruitment process and creating an attractive work environment through employee relations practices.

• Optimizing employee productivity levels through constant training and skill development and developing capabilities by designing training content aligned to business needs is likely to deliver positive results.

• A suitably designed reward and recognition programme aligned to achieving business goals, a competitive pay system which is reviewed periodically to make it industry competitive are important components of the strategic HRM for achieving performance.
Finally managing performance in a way that the outcome of the performance system is advantageous for the organisation as well as the employee and sharing feedback positively may go a long way in achieving desired performance and efficiency outcomes.

7.4 Avenues for future research

There are a number of issues uncovered in this study that present opportunities for future research. Some of these are discussed below.

- **Time and space.** One aspect of this study is that of time and space. The research was conducted at one locale i.e. Mumbai Metropolitan Region and over a period of fixed time. With more locations including the Tier II cities, there will be a more balanced breakdown of companies according to their location, therefore, would be more representative of the cultural diversity of the country.

- **Organisational behaviour.** The present study has not investigated the organisational behaviour aspects of how organizational culture and values affect HRM strategy and hence organizational performance. One of the ways in which organization’s HRM values can be assessed is by examining its management philosophies and core values. Correlations between human resource practices and organisational culture and strategy can then be examined for their impact on the performance.

- **Scope of study.** The present study has been conducted for small scale IT companies. Inclusion of medium sized companies would make the sample broader in terms of size and age of the firms. The present sample did not display an impact of size and age in their performance. By including medium sized companies, we could get a more balanced view of the impact of age and size of the organisation.

- **Work in progress.** HRM practice development and implementation is a work in progress continuously and is a process unfolding over time in which both formulation and emergence processes play a role (Ostroff et al., 2003). Therefore, an important relationship that needs exploration concerns the role of time in HRM and performance research. This study used research design to investigate relationships between HRM and performance across time by collecting the performance data for a three year period. However, the role of time in
theorizing and research in management need further investigation (e.g. Ancona, Goodman, Lawrence & Tushman, 2001; George & Jones, 2000; Mitchell & James, 2001; Roe, 2008). Focusing on the role of time in HRM and performance, further research is required to theorise on the appropriate time lag that may be needed to specify a timeframe within which a relationship between variables is likely to occur (Mitchell & James, 2001). For example if HRM practices change when is it likely that the performance will change? Existing literature is largely silent on this type of hypothesis building (Ostroff et al., 2003; Wright & Haggerty, 2005). Hence, future researchers may like to examine the role of time in theory and research on HRM and performance.

- Non-strategic HRM. This research has confirmed that the strategy-oriented climate and HRM dimensions are linked with organizational performance. However, non-strategic HRM aspects such as employee’s willingness to exert effort to enact behaviours and the valence associated with those behaviours (Neal & Griffin, 2006) could explain the non-strategic HRM and firm performance relationship. Non-strategic dimensions are more likely to be linked to individual outcomes at individual level of analysis (Carr et al., 2003; Parker et al., 2003) or at the job-level of analysis (e.g. Lepak & Snell, 2002). Not all HRM and strategic or non-strategic dimensions need to be high to achieve financial performance; moderate levels of some dimensions might be just as effective as high levels for financial performance (Schulte et al., 2009). Future research could focus on the possible distinct relationships with outcomes with respect to organizational performance from strategy-oriented and non-strategy-oriented dimensions.

7.5 Conclusion

Indian IT Industry had a small beginning amidst restrictive governmental policy regime and was almost non-existent prior to 1980. With economic liberalisation in the early 1990s and several policy measures initiated by Indian Government to promote software exports several new companies emerged. India had a vast pool of highly qualified English speaking talented manpower. Indian IT Industry, over the years has grown manifold and contributed in nation building through its contribution to the National economy and the society. Industry today contributes more than 6% to the National GDP and employs over 2.5 million people directly, whereas its indirect employment goes to over 8.3 million people. One of the most noticeable
features of the Industry’s success has been management of human resources investing equivalent to 3-4% of employees’ compensation in the training and development. Along with the highest wage structure, industry offered monetary as well as non-monetary incentives to its workforce and adopted strong human resource practices. Industry ecosystem comprises of small firms (70%), medium, large and institutional firms each constituting 10% of the total number of firms. Industry touches the culture of almost entire world with its presence in 52 countries and 200 cities excluding India. 3% of the industry workforce comprises of foreign nationals. With such a rich mix of eco system the Industry needs to continuously evaluate and fine tune their HR strategy such that it integrates well with the business strategy.

The impact of HRM on organizational performance has become the dominant topic in HR research. Although a large body of empirical research has shown that HRM has a substantial effect on company performance, little research has been done on this aspect in the context of Indian firms especially those in the small scale IT sector involving this relationship. This thesis on the HRM performance linkage has been done with small scale IT companies. There is limited or no body of literature available with regard to small scale IT services sector. A study of the extent to which strategic HRM practices are implemented in small IT companies will help and how these practices are correlated with the business outcomes of the firms made a very useful topic of study which had not been attempted before. There are several reasons why an analysis on HRM policies and practices and levels of linkage to operational efficiencies are needed. First, the recent HRD practice in India emphasises the need for increased levels of integration between strategy and people management. Second, most studies which have analysed the phenomenon of HRM and business strategy integrations have been undertaken in developed nations. Thirdly, in liberalised global economy, it is essential to remain viable and competitive to survive. Fourthly, HRM practices when implemented with strategic intent tend to keep the employees satisfied by way of involvement, appropriate rewards, performance management and appropriateness of recruitment and development all linked to the strategic vision of the company. Fifthly, the body of literature available in Indian context is almost non-existent. The scarcity of research on integration of HRM with business strategy and its contribution to organizational performance in the context of small scale IT companies in India makes for an important topic for study.
The quantitative approach was adopted for the research. The approach has been described with details of survey instrument design, pilot test, survey strategy, data collection and cleaning, reliability checks and data analysis techniques in Chapter 4. Various statistical techniques used to analyse the data have been described. Some of the statistical techniques include frequency counts, correlations, ANOVAs, cross-tabulation etc. The instrument was tested for reliability and internal consistency by employing reliability test, evaluating inter-item correlations and the Cronbach’s alpha coefficient values for internal consistency of the constructs.

As studied from the literature and most importantly as statistically confirmed in chapter five, one factor that can set an organization apart from its competitors whether in services or products, in small IT companies is the human resource the company has. The quality of the organization’s employees, their enthusiasm, newcomer’s smooth integration, their development and their satisfaction with their jobs, rewards system and the employer-employee relations, all have a significant impact on the organization’s financial and non-financial performance, operational efficiency and employee productivity, level of customer service, reputation, competitiveness and survival. In other words, in the dynamics of the business environment, people make the difference.

The data was analysed in several ways. Extent of implementation of strategic HRM practices was found to be significant in a majority of the sample companies. The original five item scale was converted into dichotomous scale with high and low-moderate values. Group statistics and independent t-tests were performed to find out the mean differences between extent of companies having high formulation and high implementation scores with performance variables. Four quadrants method was used to categories companies. A majority of companies were in the quadrant of high formulation and high implementation. The impact of strategic HRM items on performance measures was examined. The companies were grouped into high and low performance brackets and association of the high and low performing companies was examined with the high and low-moderate formulation and implementation strategic HRM items. The analysis showed that the companies with high extent of strategy formulation and implementation were high in performance. The organizational contextual factors such as size and age have no significant impact on strategic HRM practices and performance of the companies. It is also recorded that there is no significant relationship between employee turnover and strategic HRM practices. The results support the view that high performance human resource practices directly and significantly influence
financial and non-financial performance and thus the operational efficiency of the small IT companies under study in this research.

The empirical findings may be summarized as the following:
First, that there are significant relationships between recruitment and selection and firm performance, and training and development and firm performance. These two traditional HR practices are significantly related to firm performance. Second, that there are significant relationships between performance management and firm performance, and rewards and compensation and firm performance. These two HR practices are significantly related to firm performance. Third, that there are significant relationships between employee relations and firm performance. Lastly, there exists no relationship between HR practices and employee turnover rates.

The propositions and ideas presented in this report need further empirical testing. The limitations of this study such as limited locale of the research, non-investigation of OB aspects and restricting the scope of research to small IT companies are some of the areas that present opportunities for further research. Managerial implications of the research findings have been highlighted. Future research needs to address how human resource practices moderate the relationship between a yet another vital factor – knowledge - and firm performance. How HR practices emerge over time and what is the optimal timeframe in which a particular HRM practice or a bundle of practices would affect performance needs to be incorporated in future research. This research has examined the relationship between strategic HRM and firm performance. The performance-HRM relationship needs to be examined on both strategic as well as non-strategic dimensions.

On the whole, the findings of this and other studies on issues related to human resource management provide theoretical and empirical evidence that HR practices can help organizations enhance organizational performance.