

## Impact of Strategic Human Resource Management on Organizational Performance of the Cable Industry in Sri Lanka

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**Abstract:** The financial year of 2017 and 2018 marked drastic changes to the cable industry in Sri Lanka due to unexpected and unfavorable economic and external trends. As a result, the cable industry underwent a huge transition in terms of diminishing profits, losing the existing competitive edge and facing difficulties in sustaining in the market. Therefore, as a long term solution, the cable industry shifted their management focus from managing imitable resources to managing people for better results for their long term sustainability. Hence this research is an attempt to explore the impact of Strategic Human Resource Management (SHRM) on Organizational Performance of the Cable Industry in Sri Lanka and the mediating role played by Organizational Climate. Accordingly, three variables were conceptualized; Strategic Human Resource Management as the independent variable; organizational performance as the dependent variable; and organizational climate as the mediating variable. For the purpose of the study 126 respondents of the managerial staff of the cable industry was selected using systematic random sampling to obtain their views. Questionnaires were distributed to the respondents personally via email and data were collected which were analyzed using inferential and descriptive statistics. The research findings revealed that there is a positive linear relationship between SHRM and organizational performance, SHRM and organizational climate and organizational climate and organizational performance and that there is a mediating effect of organizational climate on the relationship between SHRM and organizational performance.

**Keywords:** *Strategic Human Resource Management, Organizational Performance, Organizational Climate*

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### Introduction

Even though human resource is termed as the most valuable asset among other assets of an organization in the company mission statement and the annual report, whether human capital drive the business success is debatable since measurement of its outcome and output is often disregarded (Schuler, 1992). Specifically, in the Sri Lankan

business context, Human Resource Management is yet a back seat role and a supportive function owing to play an inactive partnership with the overall corporate strategy (Cooray and Dayarathna, 2017). However, with the turbulent market conditions and inability for technology and innovation to sustain increased organizational results, utilizing human resource as the key source of competitive advantage

through strategic alignment is of paramount importance (Storey, 2001). Thus, the significance in attaining a sustainable competitive advantage through people has given rise to strategic human resource management.

SHRM perspective makes evident the importance of human resource practices for organizational performance, such as reduced employee turnover, decreased cost of production, increased productivity and improved financial performance. However, important questions remain, including whether SHRM guarantees positive firm performance outcome, the effect of different levels of SHRM implementation/SHRM fits on organizational performance, and the influence of organizational climate in mediating the relationship between SHRM and organizational performance (Guest, 2001).

Despite the increasing importance of SHRM, there is still a paucity of empirical evidences from the emerging nations like Sri Lanka, which have not been empirically tested (Cooray and Dayarathna, 2017). Therefore, this research focuses on exploring and studying the relationship between strategic human resource management and organizational performance, which is fueled by the argument that access to capital and technology are becoming less effective as they can be imitated by competitors and have limited improvisations. Thus, human resource is argued to represent an asset, which provide a source of sustainable competitive advantage due to its unique, on-substitutable and inimitable nature (Dimba & Ononyo, 2009).

This study is based on the fact that cable manufacturing companies are characterized by application of strategic human resource management practices, aiming at improving the performance of these organizations in terms of equating organizational capabilities and utilization of resources with the opportunities available in the external environment. Thus, ensuring different strategic directions of human resources to support equally organizational overall business performance.

### **Statement of Problem**

From the first quarter of 2017, the cable industry as a whole underwent a huge transition in terms of decreased net profits due to higher cost of production and other operational expenses. The main raw material of cable production which is copper and aluminum rose up to 40% and 50% respectively in 2017 (London Metal Exchange statistics, 2017) and was followed by increase in other costs such as labour, transport, fuel, demurrage etc. (Department of Census and Statistics, 2017). The cost of production is largely influenced by raw material prices of the London Metal Exchange (LME) and depreciation of rupee value, which fluctuates constantly. In 2017 and 2018, raw material prices increased dramatically with the rupee value depreciation (Central Bank of Sri Lanka, 2017 and London Metal Exchange, 2017). As a result, there was an increase in operational expenses and drastic drop in net profit, gross profit and revenue of the cable industry. For instance net profits of ACL cables has dropped by 102%,

Kelani by 94% and Sierra by 3784% in 2018 which showcases the negative plight faced by the cable industry in terms of decreased profits.

Therefore, to overcome this situation, the cable industry deployed certain short-term sales and marketing strategies to sustain in the market amidst low profit margins. Such strategies included stoppage of producing low profit generating products (domestic wires), focusing on heavy cables, which gives higher profits, giving abnormal discounts which ranged from 30% to 50% to retain customers and highly rely on the project market, which had high cash flows. Due to the threat of survival, which occurred due to unfavorable external and internal conditions, companies were compelled to sell products at its cost with the intention of surviving. Although the cable industry is charged with sophisticated operations and technology, it has limited improvisations to enhance productivity through reducing the cost of production and expenses under the current unfavourable situation to increase the profit margin. Therefore as a long-term strategy, the cable industry altered their management initiatives at realigning human capital through strategically integrating human resources through SHRM to gain and sustain a competitive advantage. Thus the researcher's intention is to assess to what extent SHRM is practiced in the cable industry and to identify the impact of SHRM initiatives on their overall organizational performance.

## **Literature Review**

### ***Strategic Human Resource Management (SHRM)***

The field of SHRM differs from the existed traditional HRM due to two focal reasons. That is SHRM focused on organizational performance opposed to individual performance and the emphasis of HR management systems as solutions to business problems rather than existence of mere isolated HR management systems (Terpstra and Rozell, 1993). The shift of thought from HRM to SHRM emerged since 1990s due to the increased attention on the strategic role played by HRM. With the recognition of the potentiality present in humans in gaining a sustainable competitive advantage, companies depicted a transformational attitude over people as assets and investments. As a result, with today's knowledge economy and learning organizations, SHRM continue to be imperative in the 21st century (Vandenabeele, 2015).

For the past twenty-eight years, SHRM has been and remains the most influential, powerful and potential idea which has emerged in the field of business and management (Ulrich and Lake, 1991). A widely accepted preposition amongst studies of SHRM proves to be the ability of human capital to translate businesses to sustainable competitive edges (Chang and Huang, 2005). Within the confines of this approach, SHRM has been defined as: "A distinctive approach to employment management which seeks to achieve competitive advantage through the strategic deployment of a highly committed and capable

workforce using an array of cultural, structural and personnel techniques” (Storey, 2001).

In the West, the conceptual link between SHRM and firm performance has been well established in the literature, and there are adequately published studies on the issue (Huselid 1995; Wright and Gardner 2003). It is proved that SHRM is positively related to financial and operational performance of the organization (Delaney and Huselid 1996; Becker and Huselid 1998; Khatri 2000). However, although the studies emphasize synergetic effect of the HR practices on organizational performance (Huselid 1995; Mac Duffie 1995; Wright, Gardner, Moynihan and Allen 2005), the need to provide a source of sustained value creation for the organization (e.g. enhance firm performance) is continuing. The implementation of the SHRM by firms, how line managers utilize the strategic role of HR, and the discussion on the contribution of HR to organizational outcomes remain the ‘black box’ of the SHRM agenda (Becker and Huselid 1998). On the other hand, there are limited empirical published studies (Von Glinow, Drost and Teagarden 2002; Bae, Chen, Wan, Lawler and Walumbwa 2003; Akhtar, Ding and Ge 2008) on the applicability of SHRM and its impact on organizational performance in different economic and cultural contexts compared to the West.

SHRM is a long-term direction of the HR function in an organization. It describes the best options suitable to an organization for managing its

human resources in line with the available systems and processes, resources and environment. SHRM enables an organization to remain effective and efficient in managing people in line with the changing business environment (Bechet and Walker, 1993). It is a comprehensive approach covering the vital issues such as change management, competency building, cultural change etc. Many organizations worldwide are realizing this and are thus adopting strategic focus to HR issues (Vandenabeele, 2015).

### ***SHRM Fit***

The essence of SHRM is integrating HRM with the corporate strategy of a company complementarily known as the “fit” (Storey 1992; Bennett et al., 1998). With the evolution of SHRM, “integration” has been defined in diverging views. Theories pertaining to the fit between HRM and company strategy base it on the premise that organizations achieve efficiency if they achieve fit (Lengnick-Hall and Lengnick-Hall, 1988; Milliman, von Glinow and Nathan, 1991). Therefore, the reserve of literature provides five core aspects of SHRM fit namely SHRM functions, SHRM strategy fit, SHRM role position fit, SHRM intra functional fit and SHRM cross-functional fit, which is collectively incorporated as the independent variable of the study.

### ***SHRM Functions***

An industry view of SHRM views it as a process, which links strategic planning and HRM through determining vision related objectives and aligning HR policies and practices

with objectives (Baron and Kreps, 1999). SHRM function at a strategic level is implemented through strategic formulation, implementation and control whereas operational level through HR planning and functional level through technical HR.

SHRM functions thus maps strategies for implementing a proactive plan to help attain organizational goals, involving in employer branding, talent sourcing, attracting human talent, placing people in a competitive background, providing direction to HR activities etc. (Budhwar and Boyne, 2004).

### ***SHRM Strategy Fit***

SHRM scholars primarily researched on the fit between HRM and corporate strategy (Baird and Meshoulam, 1988; Lengnick-Hall and Lengnick-Hall, 1988; Truss and Gratton, 1994; Boxall and Purcell, 2000). Scholars have posited that an organization needs to adopt HR policies to suit its strategies (Dyer, 1983; Lengnick-Hall and Lengnick-Hall, 1988; Jackson, Schuler and Rivero, 1989; Schneider et al., 2003). Budhwar and Boyne (2004), Becker and Huselid (1998) and Green et al. (2006) stated that the importance of HR inputs forms an integral part of the corporate strategy. Authors such as Becker and Huselid (1998), Baron and Kreps (1999), Khatri (2000) highlighted the need for a fit between HR and business strategies. The necessity of taking up HR issues in corporate strategy formulation was emphasized by Budhwar and Boyne (2004) and Green et al. (2006).

According to Teo and Crawford (2005), HR plans and activities must be consistent with organizational

vision. There is also a need for sharing information between the HR and top management in order to create a platform for strategic orientation (Khatri, 2000; Sheehan, 2005). In contrast to the traditional attitude of HRM, SHRM stream of research focused on considering HR as an asset vital to HR-strategy link (Schuler and Jackson, 1987; Bae and Lawler, 2000; Teo, 2000; Finegold and Frenkel, 2006). Researchers (Green et al., 2006) have opined that some form of training and sensitization of top managers in HR is vital for establishing linkage between HRM and strategy.

### ***SHRM Role Position Fit***

SHRM fit was also shed light on identifying the necessity of the fit between role and position of HR managers. SHRM necessitates that HR managers provide appropriate input into strategic decisions and participate in strategic decision-making processes (Fombrun et al., 1984). Scholars such as Becker and Huselid 1998; Baron and Kreps 1999; Teo and Crawford 2005 stressed the paramount importance of HR managers in strategic formulation and implementation. Therefore, it is essential to align HR roles and position for a strategic stance.

The Cranet-G 1999–2000 Survey published in Cranfield Network on Strategic International Human Resource Management, which formed the basis for the study of Ozcelik and Aydy'nly' (2006) emphasized on two fits; HR and corporate strategy fit and fit between strategic roles of the HR department. The fit between HR roles and position has been studied by Kelly

and Gennard (1996), Hope-Hailey et al., (1997), Baron and Kreps (1999), Truss (2003), Chang and Huang (2005) and Sheehan (2005). This dimension accentuates on the status and position of the HR department on strategic affairs. Truss (2003) and Karami, Analoui and Cusworth (2004) pinpointed the significance of the involvement of HR staff in formulating the overall strategy. Amidst HR considered as a back seat function and a supportive function, it is impressive to witness in the works of Kelly and Gennard 1996; Hope-Hailey et al. 1997; Truss 2003 representation of HR at the board-level as a measure of role and position of HR department. Thus the importance of HR managers representing on the board of directors to provide apt strategic input to decision making is reiterated by Budhwar and Boyne (2004) and Ozcelik and Aydy'nly' (2006). Authors such as Ulrich (1991), Bowen, Galang and Pillai (2002) and Sheehan (2005) emphasized on the changing role of HR managers to business partners.

### ***SHRM Intra-Functional Fit***

Another implication of SHRM fit by Schuler and Jackson 1987; Milliman et al. 1991; Wright and Snell 1991; Wright and McMahan 1999; Delery and Doty 1996 is about ensuring internal fit and consistency in HR policies, procedures and practices. According to the research findings of Lengnick-Hall and Lengnick-Hall 1988; Huselid et al. 1997 SHRM is about aligning internally consistent and coherent HRM practices in an effort to achieve organizational performance. This intra functional fit was expensively afore thought by

scholars such as Schuler and Jackson 1987; Wright and McMahan 1992; Wright and Snell 1998; Khilji and Wang 2006; Wei 2006. Internal fit is driven concretely on a HR vision. Khatri (2000), Truss (2003), Chang and Huang (2005), and Green et al. (2006) talked about the presence of an explicit HR strategy, while others such as Budhwar and Sparrow (1997) and Budhwar and Boyne (2004), extended this idea to emphasize that HR strategy needs to be translated into clear work programs.

### ***SHRM Cross-Functional Fit***

The paradigm of fit extended further on developing studies on the fit between HRM and other functional areas or departments of the organization. Amongst it is highlighted the need of devolving and decentralizing responsibilities to line managers (Brewster and Larsen, 1992, Wood, 1995, Budhwar and Sparrow, 1997). Budhwar and Sparrow (1997) studied issues like primary responsibility with functional managers for HRM and the percentage of managers trained in HR issues. Khatri (2000) identified the importance of free information flow between HR managers and others. Green et al. (2006) studied issues like the extent of cooperative partnership between HR managers with the managers of other areas.

### ***SHRM and Organizational Performance***

Stream of management is bombarded with an increased interest in examining the impact of SHRM on enhancing organizational performance. Those scholars are Wright and

McMahan, 1992; Boxall, 1995 and Jackson and Schuler, 1997. SHRM has become more central to management literature owing to this link (Delaney and Huselid, 1996). Studies have established positive link between dimensions of fit in SHRM and corporate financial performance (Huselid, 1995). Firm profitability (Terpstra & Rozell, 1993; Shaw, Tang, Fisher & Kirkbridge, 1993; Pfeffer, 1993), return on investment (Delery and Doty, 1996), excellence in cost-oriented manufacturing strategies (Snell & Dean, 1992; MacDuffie, 1995) or innovation strategies (Bennett et al. 1998), employee productivity, profitability / cash flow and firm market value (Huselid et al., 1997), and achieving greater economic success (Pfeffer, 1993). The significance of strategic human resource management on organizational performance and thereby in paving a pathway to a competitive edge has been vastly reported in literature (Abdulkadir, 2009; Chang & Huang, 2005; Dimba, 2009; Vandenabeele, 2015; Richard & Johnson, 2001; Schuler, 1992).

Becker and Huselid (1998) have studied the relationships between HRM practices, organizational culture and company performance. Huselid et al. (1997) discovered that strategic HRM has a positive correlation with firm performance, while the technical HRM effectiveness was found to have no correlation. An increasing number of studies have addressed the implications of fit within HRM function for organizational performance (Ichniowski, Shaw and Prensushi 1997; Ichniowski & Shaw 1999). At the same time, there are

several studies that support the proposition that the fit between HRM and other functional areas help improve the performance of the organization (Gennard & Kelly, 1997; Thornhill and Saunders, 1998). Coordination with line managers in HR problems help improves organizational performance (Baird and Meshoulam, 1988; Arthur, 1992; Guest, 2001; Wood, 1995; Wall & Wood, 2005).

### ***Organizational Climate***

The study of Burton et al. (2004) accentuates that firms' performance is a combined effort of strategic initiatives of a company and organizational climate. This study highlighted those misfits between strategies and organizational climate lead to weaker organizational performance. Besides the integration of internal and external factors of a company, it is crucial to integrate those two factors with the overall strategy and other related strategies of a company (Scholz, 1987). Consistency of organizational elements influences firm performance positively (Gordon & DiTomaso, 1992; Milgrom & Roberts, 1995) showed that organizational elements that are matched complementary make other elements more valuable.

Organizational climate is a topic increasing interest in the management literature. The initial interest in organizational climate usually is attributed to Kurt Lewin (1987) and his field theory motivation. Managers became more aware of the importance of organizational climate through the work of George Litwin and his colleagues (Litwin & Stringer, 1968)

and of Jamees and Jones (1974). The topic remains one of considerable theoretical and practical interest. Organizational climate is a perception of how things are in the organizational environment, which is composed of a variety of elements or dimensions. Although organizational climate is shaped by a variety of organizational factors, climate itself impacts both individual and group performance. Litwin and Stringer (1968) empirically demonstrated how different organizational climates impacted both individual and organizational performance in a variety of research settings.

### ***SHRM and Organizational Climate***

One basis for developing perceptions on interaction between SHRM and organizational climate is through the theoretical analysis of the internal fit between SHRM and organizational climate (Baird & Meshoulam, 1988). Scholars have argued that SHRM is effective when individual practices are aligned and internally consistent. For instance, according to Huselid (1995), practices which enhance employee knowledge, skills and abilities (KSAs) becomes more effective when combined with practices that enhance employee motivation which becomes the backdrop of organizational climate. Alongside MacDuffie (1995) SHRM initiatives become little of use unless employees are not motivated enough to contribute discretionary effort as enforced in the positive organizational climate through aligning company interests and employee interests. Therefore, research proves the premise that

SHRM system becomes effective with the presence of a favourable organizational climate.

### ***Organizational Climate and Organizational Performance***

Earlier research by Lewin et al. (1987) proved that organizational climate has an impact on organizational learning, absenteeism, employee turnover and organizational performance. Similarly, McMurray, Scott and Pace (2004) revealed that organizational climate improves employee commitment towards an organization and thereby improves the overall organizational performance. According to Kozlowski & Klein (2000), “organizational climate is purported to be an emergent property because it originates in the cognition and perceptions of individuals, and is amplified through interactions and exchanges with other unit members to manifest as a higher-level collective phenomenon”. The relationship between organizational climate and organizational performance can be explained using the Social Exchange Theory, which is of the assumption that social exchanges involve certain actions that form obligations, which in turn evolve into trust, loyalty, and mutual commitment (Cropanzano & Mitchell, 2005).

The action of one party induces the reciprocate response of the other party. Accordingly, employees can be rewarded either through economic resources or socio emotional resources. Socio emotional resources are the resources which are intangible and address the socio needs of employees. Organizational climate is thus a socio emotional reward for

employees which can initiate their reaction through performance (Cropanzano and Mitchell, 2005). Thus when organizational climate is perceived as positive by employees it will result in better organizational performance and boost in commitment levels, motivation and job satisfaction.

### ***Mediating Role of Organizational Climate***

Many recent studies have re-enlightened the focus on the mediating role of organizational climate on SHRM and organizational performance (Dele, Nanle and Ozioma, 2015). According to research findings organizational climate vary due to environmental perspective, where as an organization contribute significantly in forming climate through policies and practices in diverse contexts. Due to diverse types of employees in terms of their backgrounds, working experience, education, ethnicity etc. it is important for organizations to develop a work climate, which encourages motivating them to channel their efforts to reach the desired output through strategic HR tactics.

With the implementation of SHRM, a social environment is created which makes employees feel attached to the organization due to inculcation of emotional attachments, trust and loyalty building, attractive open communication, free flow of information sharing etc. Therefore, the mediating role of organizational climate is considered to be through evidence having a high association that leads towards value-addition, which contributes directly in organization performance. Litwin and

Stringer (1968) established six separate a priori scales for organizational climate. The six dimensions used in this study according to Litwin and Stringer (1968) are structure, responsibility, identity, reward, warmth and conflict.

Therefore, through a thorough analysis of available literature on the relationship between SHRM and organizational performance, SHRM and organizational climate, organizational climate and organizational performance and mediating role of organizational climate, the researcher developed the following four hypotheses.

**H<sub>1a</sub>:** There is a relationship between Strategic Human Resource Management and Organizational Performance.

**H<sub>10</sub>:** There is no relationship between Strategic Human Resource Management and Organizational Performance.

**H<sub>2a</sub>:** There is a relationship between Strategic Human Resource Management and Organizational Climate.

**H<sub>20</sub>:** There is no relationship between Strategic Human Resource Management and Organizational Climate.

**H<sub>3a</sub>:** There is a relationship between Organizational Climate and Organizational Performance.

**H<sub>30</sub>:** There is no relationship between Organizational Climate and Organizational Performance.

**H4a:** The relationship between SHRM and organizational performance is mediated by organizational climate.

**H40:** The relationship between SHRM and organizational performance is not mediated by organizational climate.

## **Objectives**

### ***General Objective***

To study the impact of Strategic Human Resource Management on Organizational Performance of the Cable Industry in Sri Lanka.

### ***Specific Objectives***

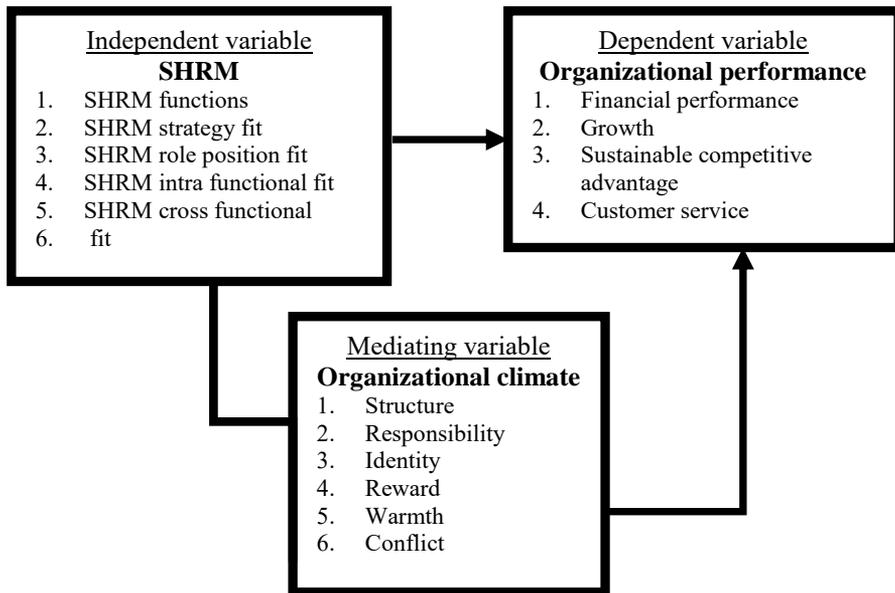
- To assess the relationship between SHRM and organizational performance
- To assess the relationship between SHRM on organizational climate
- To assess the relationship between organizational climate and organizational performance
- To determine whether effectiveness of SHRM practices on organizational performance is mediated by organizational climate

## **Research Methodology**

The study population of the research is the cable industry of Sri Lanka, which is constituent of seven local cable manufacturers namely ACL, Kelani, Sierra, Kamal, Ruhunu, Orange and Sun. The sampling frame for the research was intended in sampling the most appropriate personnel in the

company, which could provide most known and accurate data and information on strategic formulation and implementation. As a result, the top management of each cable company who are primarily involved in strategic planning and implementation were sampled. The sampling method of systematic random sampling was utilized to cater in getting the most appropriate data under convenience. Therefore, the sample included CEOs, COOs, CFOs, GMs, DGMs, Managers and Assistant Managers. Online questionnaires were sent via email to a sample of 126.

Primary data were collected directly from the respondents of the study via a standard questionnaire and annual reports and other related Management Information System (MIS) data were utilized as secondary data, which were further processed to create information relevant to cater the requirement of the research. Standard questionnaires adopted by the three research scholars namely Feza Tabassum Azmi (2011), Awolusi Olawumi Dele, Magaji Nanle, Akpa Victoria Ozioma (2015) and Litwin and Stringer (1968) facilitated to explore the relationship between the independent variables, the dependent variable and mediating variable in order to achieve the research objectives. After a thorough analysis of literature and research conducted pertaining to SHRM and organizational performance, the researcher designed a conceptual framework as shown below (see figure 1) with the intention of capturing the essence of SHRM and its relationship with organizational performance.



**Figure 01: Conceptual Framework**

*Source: Authors, 2018*

Thus, the independent variables consists of five prominent, separately researched areas by other authors, collectively integrated as SHRM. These factors include the core functions of SHRM (SHRM functions), integration of corporate strategy and HR strategy (SHRM strategy fit), integration of HR roles and positions (SHRM role position fit), integration of HR functions within the HR department (SHRM intra functional fit) and integration of HR functions with other departmental functions (SHRM cross functional fit). The dependent variable is organizational performance, which was assessed collectively with regard to four factors namely financial performance, growth, sustainable competitive advantage and customer service. The control variable tested is

organizational climate which is the perception of employees with regard to their favorable working environment is the mediating factor which through literature have been proved to be having controlling effects.

### Findings and Discussion

Scale reliability and validity analysis were tested to measure the internal consistency associated with composite scores of items of each variable to conclude whether items share covariance and measure the same underlying concept. To measure the internal consistency of variables of summated scales, Cronbach alpha scores were computed for each construct to indicate how various

items reliably measure the construct to validate the variables.

**Table 01: Reliability Statistics**

	<b>Cronbach's Alpha</b>	<b>No. of Items</b>
SHRM	.763	24
Organizational performance	.741	12
Organizational Climate	.754	8

*Source: Survey Data, 2018*

According to the analysis in table 1 above, SHRM has a reliability coefficient of 0.763, which signifies that the scales used in this research could be considered as reliable and therefore valid. The reliability coefficient of organizational performance and organizational climate amounts to 0.741 and 0.754 respectively, which is greater than 0.7 suggesting that items reliably measure the construct to validate the two variables.

The normality test was conducted to test whether the data set is normally distributed to decide on the types of tests to be utilized. Accordingly, the Shapiro test (see table 2) depicted a normal distribution as responses are dispersed across the scale in the variable of SHRM, organizational performance and organizational climate in a bell shape. The Shapiro test bears values greater than 0.05 thus confirming that the responses are normally distributed.

**Table 2: Test of Normality**

	<b>Shapiro-Wilk</b>		
	<b>Statistic</b>	<b>df</b>	<b>Sig.</b>
SHRM	.967	94	.056
Organizational Performance	.964	94	.071
Organizational Climate	.958	94	.052

*Source: Survey Data, 2018*

Among the seven cable manufactures of the cable industry and out of 96 of the responses received from the sample population of 126, majority of the respondents represent Kelani Cables, Sierra Cables and ACL Cables which amounts to 63 respondents as 15 (26.04%), 25 (23.96%) and 23

(15.63%) respectively. These three companies also represent the market leaders and a collective percentage of 65.63%. The rest of the population is spread in 11 (11.46%), 8 (8.33%), 8 (8.33%) and 6 (6.25%) among Kamal Cables, Ruhunu Cables, Orange Cables and Sun Cables respectively.

Seventy-eight respondents (50%) of the sample population represent the Assistant Managerial category while 31.25% attribute to the Managerial category. Therefore, the Managers and Assistant Managers dominate the sample. Another 8 (8.33%), 3 (5.21%), 5 (3.13%) and 2 (2.08%) are represented by DGMs, CFOs/COOs, GMs, and MDs respectively. Therefore, the sample bears validity in

representing a considerable population of strategy formulators and strategy implementers. Respondents representing departments, such as Sales, HR, Production, Quality Assurance, Supply chain and Finance, which collectively amount to 80%, populate majority of the sample. In addition, the rest 20% is inclusive of Administration, Maintenance and IT.

**Table 03: Correlation**

			SHRM	Organizational Performance
Spearman's rho	SHRM	Correlation Coefficient	1.000	<b>.808**</b>
		Sig. (2-tailed)		<b>.000</b>
		N	96	94
**. Correlation is significant at the 0.01 level (2-tailed).				
			SHRM	Organizational Climate
Spearman's rho	SHRM	Correlation Coefficient	1.000	<b>.853**</b>
		Sig. (2-tailed)		<b>.000</b>
		N	96	94
**. Correlation is significant at the 0.01 level (2-tailed).				
			Organizational Climate	Organizational Performance
Spearman's rho	Organizational Climate	Correlation Coefficient	1.000	<b>.849**</b>
		Sig. (2-tailed)		<b>.000</b>
		N	94	94
**. Correlation is significant at the 0.01 level (2-tailed).				

Source: Survey Data, 2018

With relation to the Spearman's correlation coefficient, the "r value" between the correlation of SHRM

(independent variable) and organizational performance (dependent variable) is 0.808. Thus, it

proves a strong positive relationship between SHRM and organizational performance and there is a dependency of organizational performance on SHRM. Therefore, it is evident that organizational performance can be increased through SHRM. The R-value between SHRM and organizational performance 0.000, which signifies a statistically significant level of 1%. Therefore, there is a strong positive relationship between SHRM and organizational performance and a significant level of 1%. (See table 3).

The calculated significance value of the distribution of SHRM and organizational performance is 0.000. Thus it is less than 0.05 (5%) and 0.01 (1%) significant levels. Therefore, out of the predicted hypotheses for the relationship between SHRM and organizational performance, the null hypothesis can be rejected while the alternative hypothesis is accepted at 5% and 1% significant levels. Consequently, it is proved out of research that;

*There is a relationship between SHRM and organizational performances of the Cable industry of Sri Lanka.*

According to Spearman's correlation coefficient, the relationship between SHRM and organizational climate bears R-value of 0.853. Therefore, it signifies a strong positive relationship between SHRM and organizational climate at a statistically significant level of 1%. Thus, it can be concluded that SHRM has a strong influence on organizational climate and has a positive linear relationship according

to the extracted statistics from respondents.

The calculated significance value of the distribution of SHRM and organizational climate is 0.000. Thus it is less than 0.05 (5%) and 0.01 (1%) significant levels. Therefore, out of the predicted hypotheses for the relationship between SHRM and organizational climate, the null hypothesis was rejected while the alternative hypothesis is accepted at 5% and 1% significant levels. Consequently, it is proved out of research that;

*There is a relationship between SHRM and organizational climate of the Cable industry of Sri Lanka.*

With relation to the Spearman's correlation coefficient, the "r value" between the correlation of organizational climate and organizational performance is 0.849. Therefore, there is a dependency of organizational climate on organizational performance. Thus, it proves a strong positive relationship with a statistically significant value at 1%. The calculated significance value of the distribution organizational climate and organizational performance is 0.000. Thus, it is less than 0.01 (1%) significant levels. Therefore, out of the predicted hypotheses for the relationship between organizational climate and organizational performance, the null hypothesis can be rejected while the alternative hypothesis is accepted at 1% significant levels. Consequently, it is proved out of research that;

*There is a relationship between organizational climate and organizational performance of the Cable industry of Sri Lanka.*

**Table 04: Relationship between Organizational Performance and Organizational Climate**

Control Variables		SHRM	Organizational Performance	Organizational Climate	
-none- <sup>a</sup>	SHRM	Correlation	1.000	.816	.823
		Significance (2-tailed)	.	.000	.000
		Df	0	92	92
Organizational Climate	SHRM	Correlation	1.000	.340	
		Significance (2-tailed)	.	.001	
		Df	0	91	

a. Cells contain zero-order (Pearson) correlations.

*Source: Survey Data, 2018*

Accordingly, the relationship between SHRM and organizational performance without the mediating effect on organizational performance amounts to R-value of 0.816 at a statistically significant level of 1%. After the mediating effect of organizational climate on the relationship between SHRM and organizational performance, it shows an r value of 0.340 at a statistically significant level of 1%. Therefore, it is evident that there is a high controlling effect of the mediating variable, which has a vast influence on determining the relationship between the independent variable and dependent variable. As a

result, it was able to reject the null hypothesis and accept that:

*There is a mediating effect of organizational climate on the relationship between SHRM and organizational performance.*

Multiple regression analysis is used to predict the value of the dependent variable based on the value of two or more other variables. In the below analysis the said tool is used to determine the overall fit and variance explained of organizational performance and the relative contribution of independent variables to the total variance explained.

**Table 05: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.883 <sup>a</sup>	.780	.768	.42393

a. Predictors: (Constant), SHRM cross functional fit, SHRM functions, SHRM strategy fit, SHRM intra functional fit, SHRM role position fit

*Source: Survey Data, 2018*

**Table 06: ANOVA**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	56.175	5	11.235	62.516	.000 <sup>b</sup>
	Residual	15.815	88	.180		
	Total	71.989	93			
a. Dependent Variable: Organizational Performance						
b. Predictors: (Constant), SHRM cross functional fit, SHRM functions, SHRM strategy fit, SHRM intra functional fit, SHRM role position fit						

Source: Survey Data, 2018

The R-value amounts to 0.883 for simple regression which is the correlation between the explanatory and response variable. Coefficient of determination R Square value of 0.780 signifies the goodness of fit of the regression line to the set of data. This explains 0.780 of the variation in the response variable can be explained by the different values of the explanatory variable(s). The adjusted R square of 0.768 depicts the explanatory power of SHRM towards Organizational performance. Therefore, the independent variable has 76.8% power to explain the dependent variable. As a result, 76.8% changes in organizational performance is explained by SHRM functions, SHRM strategy fit, SHRM role position fit,

SHRM intra functional fit and SHRM cross functional fit. It proves that the researcher has utilized the majority of independent variable factors for determination. Further adjusted R square has been represented in modification of R square that is adjusted for the number of explanatory term in the model. Accordingly, the model depicts an adjusted R square of 0.768. Standard error of the regression prediction which is the average distance from the regression line is 0.423. As per table 5 the overall significance of the table can be measured as 0.000 significant level which proves that the model is significant and relevant to measure the dependent variable.

**Table 07: Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.532	.177		3.000	.004
	SHRM functions	-.014	.043	-.017	-.316	.753
	<b>SHRM strategy fit</b>	<b>.580</b>	<b>.155</b>	<b>.592</b>	<b>3.744</b>	<b>.000</b>
	SHRM role position fit	.253	.151	.273	1.671	.098
	SHRM intra functional fit	-.228	.120	-.241	-1.900	.061

	SHRM cross functional fit	.283	.093	.296	3.024	.003
a. Dependent Variable: Organizational Performance						

Source: Survey Data, 2018

“B” of the estimated regression coefficients that can be used to interpret the effect the explanatory/independent variable has on the response/dependent variable stand positive in SHRM strategy fit, SHRM role position fit and SHRM cross-functional fit. SHRM functions and SHRM intra functional fit bear negative values.

The Beta value in the above table depicts standardized regression coefficients. They can be used to assess which of the explanatory variables that has the largest effect on the response variable, after taking into account that variables are measured on different scales. Accordingly, SHRM strategy fit has the largest response variable and ascending comes as SHRM role position fit, SHRM intra functional fit, SHRM cross-functional fit and SHRM functions. The t-statistics and their associated 2-tailed P-values are varying. SHRM strategy fit and SHRM cross-functional fit are statistically significant at 1%, while SHRM functions, SHRM intra functional fit and SHRM role position fit are statistically insignificant.

**Conclusion**

The findings of the study support the mounting body of evidence pointing to the idea that SHRM is an increasingly developing field in the cable industry of Sri Lanka. Therefore, the top management in the surveyed firms perceive SHRM practices to have implications for performance as the

cable industry has undergone a series of major changes concerning its economy since 2017 and 2018. Therefore, it has begun to pay more attention to SHRM due to people being the main factor among other resources, which can bring a competitive edge to the company amidst volatile market conditions. Therefore, survey results expounded that there is a positive linear relationship of SHRM on the cable industry’s performance, SHRM and organizational climate, organizational climate and organizational performance and the relationship between SHRM and organizational performance is mediated by organizational climate.

**Implications and Recommendations**

Based on the finding the researcher proposes to develop an entrepreneurial culture among the bottom level employees to gain corporation and assistance in the attempt of strategizing HRM. Entrepreneurial orientation is practiced among the board of directors and senior management in cable companies but it should also penetrate to the line management. Therefore, an entrepreneurial culture needs to be inculcated in the minds of employees in the bottom level since they are the main driving force behind organizational success. SHRM initiatives should directly address the bottom level employees, as they should feel that they are no longer

employees but partners in business. To make the exercise of aligning HR strategies to the organizational strategy more effective, the HR practitioner should periodically carry out HR audits to ensure whether line managers practice adopted HR strategies and generate expected results and the required corrective and preventive actions are taken to realign them with the predetermined purpose.

According to Dave Ulrich, the new phase of the HR practitioner is the HR Business Partner, which should be adopted along which SHRM initiatives by the cable industry in their near future. HR managers should lead change management projects for internal clients and human resources for setting challenging HR goals with a close cooperation with HR and internal clients. In addition, acting as the project manager for large cross-functional change management projects, developing succession plans and manage the performance management cycle for internal clients and designing cross-functional development programs in co-operation with a Training Specialist, which the researcher finds crucial to be applied at this phase of change.

Dave Ulrich's view on an outside in approach which means understanding the social, technological, economic, political, environmental, and demographic trends facing the industry and knowing specific expectations of customers, investors, regulators, and communities and then build internal HR responses that align with these external requirements will ensure better results for cable manufacturers. An outside in approach is proposed for

all the cable companies during the phase of reevaluating their SHRM initiative to henceforth take into account external environmental trends facing the industry and knowing expectations of every stakeholder.

The cable industry is at present in the phase of reaping initial benefits of SHRM. Hence, part of HR's role as a strategic partner is to measure the effectiveness of the successfulness of the entire exercise through HR metrics. Even though HR is considered only evaluated in qualitative terms, modern HR suggests new means and ways of evaluating HR efforts in quantitative and financial terms. Therefore, the HR scorecard is the best tool to measure the said requirement as the conservative metrics are mere qualitative measures, which only provide results, which are often disregarded. This tool is a modified version of the balanced scorecard, which is a measurement and control system that looks at a mix of quantitative and qualitative factors to evaluate organizational performance. Hence, the researcher recommends all companies to deploy ways and means that provide results of employment of SHRM in financial terms.

Employer branding is considered as a modern HR tool that results organization's corporate image/organizational culture and organizational climate in talent sourcing. Because organizations are constantly competing for talent, developing an attractive HR brand is important. A brand, which embodies the values and standards that guide employee behavior, is what employees look up. It indicates the purpose of the

organization, the types of people it hires, and the results it recognizes and rewards. If an organization can convey that it is a great place to work for, it can attract the right. Being acknowledged by an external source is a good way to create a recognized HR brand. Therefore, cable companies need to convert their brands into HR brands as well to attract and retain talent.

Local cable manufacturers are also threatened with the domination of foreign project contractors like China and India who have undertaken giant construction projects in Sri Lanka and they source all manufacturing materials including cables from their parent companies, which might open the pathway for overseas cable manufacturers to enter to the local market. Hence, cable manufacturers need to broaden their HR vision beyond survival to sustain national presence by contributing to the GDP of Sri Lanka.

According to Dave Ulrich, the role of an employee sponsor or advocate needs to be practiced by creating an organizational climate and culture where people themselves choose to get motivated through fostering, effective methods of goal setting and empowering employees. Furthermore, due process approach to problem solving and grievance handling, building employee ownership and introducing gain sharing would address the issue considerably since those operational tasks make employees more comfortable. According to Dave Ulrich, it is imperative for HR, practitioners to take steps to close their own skill gaps

through building their knowledge, skills and attitudes. Thereby it facilitates for a more widened array to link activities to strategy, gaining understanding of organizational strategies to determine talent requirement, increase critical thinking skills, problem solving skills, influencing skills and strategic planning skills.

In a conversion or change, it is mandatory to conduct review meetings but those should not involve many hours of mere discussions without solutions. As a result, short and abrupt meeting on the production floor or when it is required is essential to create more advantages through folding out the realistic issue for better results. Through the conversion from HRM to SHRM, application of the performance bell curve for performance management suggests advanced benefits. This exercise should be initiated with the cooperation of line managers as they are directly involved in monitoring and improving performance of employees. As per the performance bell curve 10% of employees in an organization are non-performers who are neither committed nor having competence to perform. Therefore, companies need to make sure this 10% move forward to the area of average performers' category through deploying special strategies. Seventy percent of the average performers need to be motivated to move to the 20% of high performers through introducing a financial rewarding system while the 20% of high performance need to be retained through non-financial rewards.

Along with the SHRM conversion, a Company Wide Improvement Program (CWIP) shall facilitate as an open forum to discuss and solve issues pertaining to the conversion and change itself, which will be in the form of constructive criticism. As far as it involves every layer of the organization including floor level

employees to make them feel that, they are involving in the decision-making process and get self-motivated. In addition, the floor level representatives in their respective areas where their peers support them will implement the decisions taken at CWIP.

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