

Impact of Strategic Human Resource Management Practices on Perceptions of Financial Performances

(A Study on Medium and Large Size
Software Development Firms in Sri Lanka)

By

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This Report was submitted to the Department of Computer Science
& Engineering of the University of Moratuwa in fulfillment of the
requirement for of the Degree of Master of Business Administration.

Department of Computer Science & Engineering
University of Moratuwa
December 2009

University of Moratuwa



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Abstract

Enhancing financial performances through effective ways of managing human capital has become a rapidly evolving study in many industries, especially with the prevailing turbulent economy. While the state of the economy is largely uncertain, the changing nature of demographics, technological innovation, has brought a diverse of challenges to global software industry.

The purpose of this research is to evaluate the current practices in Sri Lankan software industry to harness the full potentials of its human capital through strategic management. Lack of empirical evidences of the links between human resource practices and firms' performances have hindered to gain the potentials of competitive advantage of human asset. If the firms are to get competitive advantage from human capital, they need to know if the human resource management is playing a strategic role within their organizations and whether the HR management practices can impact in adding values for business outcomes?

In this study, general managers, human resource managers and project managers were distributed surveys to identify the strategic role, human resource management practices and managers' perceptions on financial performances of the medium and large scale software development companies in Sri Lankan. The motivation, commitment and satisfaction of the non managerial IT professionals have gained through the said human resource management practices of those firms were also studied.

Research found that even though majority of software companies have identified the significance of strategic human resource management, only a handful of companies have a opportunity to practice them. Many HR/project managers still play an administrative and supportive role in their firms. This is mainly due to the lack of resources, budget limitations, tough financial targets set by upper management and the less recognition for human resource manager as a strategic partner. It was revealed that HR management practices had a positive relationship with financial performances of those companies which practice strategic human resource management. With these findings, research becomes a significant source to emphasize the value HR manager's strategic role and direct software firms to gain financial benefits via strategic HR management practices.