



**Uva Wellassa
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**IMPACT OF IMPLEMENTATION OF STRATEGIC HUMAN
RESOURCES MANAGEMENT ON FIRM PERFORMANCE
(WITH SPECIAL REFERENCE TO FINANCE COMPANIES IN
SRI LANKA)**

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ABSTRACT

Key Words: Strategic human resources management, Traditional human resources management, Return on Assets

In today's dynamic business environment, improving the firm performance has become a business asset and a competitive edge for various companies. In order to get that one of the major tools they use is Strategic Human Resources Management. This has become a common practice in finance companies as well. To improve firm performance and create firm competitive advantage, firm Human resources must focus on a new set of priorities. These new priorities are more business and strategic oriented and less oriented towards traditional Human resources functions such as staffing, training, appraisal and compensation. Strategic priorities include team-based job designs, flexible workforces, quality improvement practices, employee empowerment and incentive compensation. (Huselid et al., 1997).

This study focused on SHRM (strategic human resources management) implementation of finance companies in Sri Lanka. The objectives of the study were identifying the nature of SHRM practices, gaining the deeper understanding of the

relationship between SHRM implementation and the organizational performances and to determine the relative contribution of SHRM on firm performance. Independent variable of the research was Strategic human resources management and dependent variable was firm performance. This study was based on data of selected 15 finance companies of Sri Lanka.

According to the descriptive analysis, variables related to professional HRM (Human Resources Management) capabilities were highly applying to achieve business goals of the finance companies, HR managers of each finance company were highly and moderately satisfied to achieve business goals by using strategic HRM effectiveness, technical HRM effectiveness and business related capabilities. There was a positive strong relationship between independent and dependent variable. According to model equation, the contribution of Strategic human resources management (SHRM) practices was considerable.

These significant findings supported further to past literatures and findings of scholars of Mark A. Huselid et al., (1997), Christopher J. Collins et al., (2003) and Patrick M. Wright (2003).