

# Strategic HR Orientation: A Comparison of Top Ranking Companies in India

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## Abstract

Strategic Human Resource Management (SHRM) is basically concerned with the integration of HRM with the strategic management process of the firm. In the present business environment, SHRM has emerged as a force to reckon with. However, despite its increasing importance, there is still a paucity of empirical researches on SHRM in the Indian context. Keeping in mind the fact that India is one of the fastest growing markets today, a study on SHRM in the Indian context is expected to be both timely and pertinent. The present study seeks to develop a reliable and valid scale for measuring SHRM in the Indian context. It also aims at comparing SHRM orientation of organizations on the basis of sector, nationality, ownership and size. Significant differences were observed in SHRM orientation between companies. However, no significant association was found between SHRM orientation and company type except in case of size. Large firms were found to have a greater SHRM orientation.

## Keywords:

Strategic Human Resource Management orientation, India.

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## Conceptual Background

Modern-day organizations are increasingly adopting Strategic Human Resource Management (SHRM) for attaining sustainable advantages. SHRM is basically concerned with the integration of HRM with the strategic management process of the firm (Armstrong, 2001; Bennett *et al.*, 1998; Cook & Ferris, 1986; Storey, 1992). HRM in most organizations had remained disjointed and haphazard giving little consideration to the organization's strategy (Werther & Davis, 1996). Debates in the 1980s and early 1990s, however, suggested the need to explore the relationship between strategic management and HRM more extensively (Boxall, 1992; Guest, 1991). These debates were used to highlight the growing proactive nature of the HR function and its importance to the organizations (Lengnick-Hall & Lengnick-Hall, 1988; Schuler, 1992).

The concept of SHRM became popular in the 1980s with the development of two models integrating strategy and HRM, viz. the Matching model and the Harvard model (Jain, 2005). Armstrong (2001) indicated that the concept of SHRM was first used by Fombrun *et al.* (1984) through their Michigan model which emphasised the importance of designing HR strategies to suit organisational strategy. This view is supported by Beer *et al.* (1984) in their Harvard model, who advocated the need for a more comprehensive and strategic perspective regarding HR.

Academic writings in SHRM began to emerge by late 1980s (e.g. Dyer, 1985;

Hendry & Pettigrew, 1986; Lengnick-Hall & Lengnick-Hall, 1988; McMahan *et al.*, 1998; Schuler & Jackson, 1987), and it was only by the end of the 20<sup>th</sup> century that the practice started to gain popularity among practitioners. Swiercz and Icenogle (1992) identified more than 150 articles on SHRM and the number has more than doubled in the intervening period (Khatri & Budhwar, 2002).

One oft-cited historical summary of the development of the personnel/HRM field is in an article by Carroll and Schuler (1983). They presented, starting from 1900, a summary of the major HRM innovations in each successive decade up to 1980. PM is listed as the major innovation in the 1960s, while SHRM is not listed at all. But in a more recent edition of his HRM textbook, Schuler (1995) updates this summary to the 1990s and lists SHRM as one of the major innovations.

Although definitions of SHRM vary, most authors (e.g., Armstrong, 2000; Gratton *et al.*, 1999; Huselid *et al.*, 1997; Kaufman, 2001; Wright, 1998) agree that it seeks to gain competitive advantage by managing human assets through an integrated, synergistic set of HR practices that both complements and promotes the overall business strategy. SHRM contributes to firm performance and competitive advantage (Buyens & De Vos, 2001; Gomez-Mejia *et al.*, 1995; Huselid, 1993, 1995; Huselid *et al.*, 1997; Milliman *et al.* 1991; Schuler & Jackson, 1987; Welbourne & Andrews, 1996; Wright, Dunford, & Snell, 2001; Wright *et al.*, 2005).

Increasingly, SHRM is becoming ever more popular. Today, HR is seen as “potential contributors to the creation and realization of the organization's mission, vision, strategy and goals” (Jackson & Schuler, 2000, p. 37). Environmental turbulence has increased the importance of the SHRM. Way back in 1999, Wright *et al.* (1999) opined that the field of SHRM is still in its infancy. By 2008, SHRM has emerged as a force to reckon with which has completely changed HR careers towards a market-driven focus (Heaton & Ackah, 2007). It is interesting to note that HR Department is now considered to be a potent powerhouse for strategic management. Apocryphal tales of HR executives graduating from mere organizers of company get-togethers to strategic decision makers are exemplum of the increasingly vital role that HR assumes in the present scheme of things.

### The Indian Context

India has absorbed managerial ideas and practices from around the world (Chatterjee, 2007). The personnel function in India originated in the 1920s (Budhwar & Khatri, 2001). A formal beginning of the HRM function was made in India in 1929, when the Royal Commission on Labour was set up by the Government of India (Saiyadain, 2003). By the 1980s larger HRM issues gained focus (Krishna & Monappa, 1994; Venkata Ratnam & Shrivastava, 1991). The literature on Indian HRM shows a strong influence of Anglo-Saxon thought (Akhilesh & Nagaraj, 1990; Venkata Ratnam, 1992). The influence of social values on HRM can also be discerned from the extant literature (Amba-Rao, 1994; Kanungo & Mendonca, 1994; Sparrow & Budhwar, 1997).

Heightening competition has started to put pressure on the HR function in India (Bordia & Blau, 1998; Sett, 2004; Chatterjee, 2007). By the year 2020, India is expected to add about 250 million to its labour pool at the rate of about 18 million a year, which is

more than the entire labour force of Germany. This so called 'demographic dividend' has drawn a new interest in HRM in India (Chatterjee, 2007). This is challenging because the Indian workforce is very diverse. Several studies have confirmed that HRM function is now well established in India (e.g. Balasubramanian, 1994, 1995; Budhwar, 2000; Sett, 2004).

India is now considered as one of the most important emerging markets. India's economy is expanding quickly and the country is becoming an important destination for MNCs (Budhwar, 2001). After liberalization and economic reform in the early 1990s, dramatic changes were set in motion in terms of corporate mindsets and HRM practices. Expectedly, there has been a marked shift towards valuing HR in Indian organizations as they become increasingly strategy driven (Chatterjee, 2007; Sett, 2004).

Despite the increasing importance of SHRM, there is still a paucity of empirical researches on SHRM in the Indian context. Most of the studies are based in the western context (e.g. Guest, 1997; Huselid, 1995 and others). Boxall and Dowling (1990) noted that the seminal HRM work is all American or British. Indian research in the field (e.g. Amba-Rao, 1994; Bordia & Blau, 1998; Mathur *et al.*, 1996; Sharma, 1992) has focused more on HRM rather than SHRM. Very few studies have been reported so far on SHRM in the Indian context (e.g. Budhwar & Boyne, 2004; Budhwar & Sparrow, 1997; Singh, 2004). The volatile and changing business environment of India is a good testing field for SHRM. Keeping in mind the fact that India is one of the fastest growing markets today, a study on SHRM in the Indian context is expected to be both timely and pertinent.

SHRM is an area that continues to evoke a lot of debate. Of the 25 studies reviewed by Wall and Wood (2005), the sample size in nine studies was less than 100. Majority of researchers have focused on the manufacturing sector (Chand & Katou (2007). “It seems unlikely that one set of HR practices will work equally well no matter what context” (Gerhart, 2005: 178), thus implying that more research is needed in the services sector and in different contexts. Although, some studies have been conducted to examine different aspects of HRM systems in public sector firms (e.g. Budhwar & Sparrow, 1997), most research on strategic HR issues has focused on private sector entities (Teo & Crawford, 2005). Most studies are also silent about scale reliability and validity issues. The present study seeks to address the above limitations.

### Research Objectives

The present study seeks to develop a reliable and valid scale for measuring SHRM in the Indian context. It also aims at comparing SHRM orientation of organizations on the basis of company type. For the present study, companies were divided into four broad categories viz. sector to which the company belongs, ownership pattern, nationality/origin and size.

On the basis of sector, the responding organizations were classified into service and manufacturing as per Government of India classification published on the National Portal of India ([www.india.gov.in](http://www.india.gov.in)). The nationality of the organization was determined on the basis of country of origin. This was classified as either Indian or foreign. On the basis of ownership pattern, companies were classified into public and private sector organizations. Size was determined by the number of employees. Organizations were classified into small, medium and large, using

a categorization similar to that of Budhwar and Sparrow (1997). Organizations with less than 1000 employees were considered small, those between 1001-5000 employees were considered medium and those with more than 5001 employees were considered large.

The specific objectives of the present study may be presented in two categories:

#### **Category I: Establishing association between company type and SHRM orientation**

- To establish association between SHRM orientation and company sector (i.e. service and manufacturing).
- To establish association between SHRM orientation and company ownership (i.e. private and public sector).
- To establish association between SHRM orientation and company origin (i.e. foreign and Indian).
- To establish association between SHRM orientation and company size (i.e. small, medium and large organizations) and SHRM.

#### **Category II: Assessing differences between company type on SHRM Orientation**

- To assess differences in SHRM orientation based on company sector (i.e. service and manufacturing).
- To assess differences in SHRM orientation based on company ownership (i.e. private and public sector).
- To assess difference in SHRM orientation based on company origin (i.e. foreign and Indian).
- To assess differences in SHRM orientation based on company size (i.e. small, medium and large organizations).

#### **Study Hypotheses**

Indian research in the field (Bordia & Blau, 1998; Mathur *et al.*, 1996; Sharma, 1992) has shown significant differences in the pattern of HR practices of private and public-sector organizations. In general, private sector has been found to have better vertical and horizontal fit than public sector (Budhwar & Boyne, 2004; Hood, 1991; Rhodes, 1994). Similarly there are differences in foreign and Indian companies. Foreign operators in India are known to have better-skilled HR, and have more efficient and effective HR systems (Budhwar & Khatri, 2001; Krishna & Monappa, 1994; Sparrow & Budhwar, 1997; Venkata Ratnam, 1995) and have better vertical and horizontal fit than domestic firms (Budhwar & Boyne, 2004). Company size also affects SHRM: the larger a company, the greater the emphasis on SHRM (Bayo-Moriones & de Cerio 2001; Deshpande & Golhar, 1994; Kotey & Sheridan 2004; Othman, 1996; Wagar, 1998). Larger organizations adopt sophisticated HRM practices because they are more visible and are under pressure to gain legitimacy (Mayson & Barrett 2006; McEvoy, 1984). Marginson *et al.* (1988) and Othman and Ismail (1996) argued that firms in the service sector were more likely to have a strategic approach to HRM than manufacturing firms.

Keeping in mind the above, two sets of hypotheses were considered:

#### ***Establishing Association between Company Type and SHRM***

- H<sub>01</sub>*: There is no association between company's sector (i.e. manufacturing and service) and its SHRM orientation.
- H<sub>02</sub>*: There is no association between company's ownership (i.e. public and private) and its SHRM orientation.
- H<sub>03</sub>*: There is no association between company's origin (i.e. Indian and foreign) and its SHRM orientation.
- H<sub>04</sub>*: There is no association between company's size (i.e. small, medium and large) and its SHRM orientation.

#### ***Establishing Difference between Company Type on SHRM Orientation***

- H<sub>05</sub>*: There is no significant difference in the mean scores of SHRM orientation between companies from manufacturing and service sectors
- H<sub>06</sub>*: There is no significant difference in the mean scores of SHRM orientation between companies from public and private sectors
- H<sub>07</sub>*: There is no significant difference in the mean scores of SHRM orientation between companies of Indian and foreign origin
- H<sub>08</sub>*: There is no significant difference in the mean scores of SHRM orientation between small, medium and large organizations

#### **Research Instrument**

For carrying out the present study, a research instrument was developed that tried to incorporate various dimensions of SHRM identified in the literature (e.g. Baird & Meshoulam 1988; Baron & Kreps, 1999; Becker & Huselid, 1998; Brewster & Larsen, 1992; Budhwar & Boyne, 2004; Gratton, 1996; Green *et al.* 2006; Hope-Hailey *et al.* 1997; Huselid *et al.*, 1997; Kelly & Gennard, 1996; Khatri, 2000; Schuler & Jackson, 1987; Teo, 2000; Teo & Crawford, 2005; Truss, 2003; Wood, 1995 and others).

Scholars have posited that an organization needs to adopt HR policies to suit its strategies (Delaney & Huselid, 1996; Dyer, 1985; Jackson *et al.*, 1989; Lengnick-Hall & Lengnick-Hall, 1988; Schneider *et al.*, 2003). The perspective argues for the matching of HRM with business strategy (Bowen & Lawler, 1992; Golden & Ramanujam, 1985; Schuler & Jackson, 1987). However, the theory is more complex because it implies two-way interactions rather than linear relationships (Venkatraman, 1989). A number of scholars like Becker and Huselid (1998), Budhwar and Sparrow (1997), Green *et al.* (2006), Hope-Hailey *et al.* (1997), Khatri (2000), Kelly and Gennard (1996), Teo (2000), Wood (1995) and others have emphasized issues like importance of human resource in the organization and HR inputs forming an integral part of corporate strategy.

Various studies on SHRM have pointed towards the key strategic status and role of the HR function (Purcell and Ahlstrand, 1994; Sisson & Scullion, 1985; Tyson & Wikander, 1994; Ulrich, 1997). A number of scholars like Green *et al.* (2006), Khatri (2000), Teo (2000) and others have emphasized that HR professionals are at the centre of the organization today. This re-definition requires that the HR manager adopt more of a business partner role (Schuler & Jackson, 1987; Sheehan, 2005). Increasingly, top HR executives



are sitting on the board of directors and making contribution to corporate decision-making (Chew & Sharma, 2005).

Baron & Kreps (1999) pointed out the need for laying a clear HR vision in light of organizational vision as a prerequisite for SHRM. Truss (2003) and Chang and Huang (2005) talked about the presence of an explicit HR strategy, while others like Budhwar and Boyne (2004), Budhwar and Sparrow (1997) extended this idea to emphasize that HR strategy needs to be translated into clear work programmes. Baird and Meshoulam (1988), Khatri (2000), Pfeffer (1994) opined that for a perfect fit, HR activities should be fully integrated with each other and. Khatri (2000) also focused on the criticality of free information flow among constituents.

SHRM also necessitates involving a fit between HR function and other areas (Welbourne & Cyr, 1999) as well as devolving HR responsibility to other managers (Budhwar & Boyne, 2004; Budhwar & Sparrow, 1997; Huselid, 1995; Wood, 1995). Budhwar and Sparrow (1997) studied issues like primary responsibility with functional managers for HRM, change in the responsibility of other managers for HRM and percentage of managers trained in HR issues. Casco'n-Pereira *et al.* (2006) highlighted not only devolvement of HRM tasks and responsibilities but also decision-making power to managers of other areas for ensuring external fit. Khatri (2000) identified the importance of free information flow between HR managers & others. Green *et al.* (2006) studied issues like extent of cooperative partnership between HR managers with managers of other areas.

Keeping in mind the above dimensions, a scale was designed to measure SHRM. It measured how integrated the HR function was with the strategic management process of the organization. It focuses on issues like importance given to HR, explicit effort to align business and HR strategies, HR activities being consistent with organizational vision, HR inputs forming an integral part of organizational strategy, top management's role in HR, position of HR department, representation of HR department at board level, position and responsibility of HR executives, HR executives' role in strategic decisions, relationship of HR executives with CEO, general managerial training to HR executives. The scale also included items focusing on existence of a coherent HR strategy, coordination and information sharing among HR managers, inter-linkages between HR sub-functions as well as other functional areas and devolvement of HR responsibility to other managers.

Content validity of the research instrument was ensured by drawing scale items from a comprehensive analysis of literature and discussions with subject experts as suggested by Shin *et al.* (2000). The questionnaire was administered for pilot testing on a panel of fifteen senior HR practitioners after which some of the items were modified and re-worded; thereby enhancing the content validity.

### Sampling Plan

In order to empirically test the scales and to attain the study objectives, primary data was obtained from companies in India based on single cross-sectional research design.

The respondents for the study were senior HR managers. Senior HR executives have been used as respondents in similar other studies (e.g. Budhwar & Sparrow, 1997; Fisher & Dowling, 1999; Huselid *et al.*, 1997; Teo, 2000). Chan *et al.* (2004) concluded that

these are the 'subject matter experts' and are in a good position to provide the required information. Becker and Huselid (2006) opine that choosing a single knowledgeable informant provides valid and reliable data. The sampling frame for the study was derived from the ranking of companies in India published in *Business World*. Top ranking companies were taken up for the present study in line with previous researches in the area (e.g. Chan *et al.*, 2004; Sheehan, 2005). Taking such organizations that are high performing, researchers could assume that HRM is at least nominally supported (Wan *et al.*, 2002).

In order to collect data from the companies from the above mentioned sampling frame, a census approach to sampling was used i.e. all companies in the rankings list were contacted. Data was collected through mail. This methodology has been used by other researchers in the area too e.g. Budhwar and Sparrow (1997), Takeuchi *et al.* (2003), Wood (1995).

### Respondents' Profile and Response Rate

The respondents of the study were HR managers (one from each firm) with majority of them occupying senior-level positions. The responding organizations represent a cross-section of industries. This helped extend the generalizability of the study as suggested by Dyer and Reeves (1995). The profile of responding organizations is presented in Table 1.

#### Take in Table 1

The study received a 24% response rate, which is relatively high as compared to similar researches. The response rates in similar studies have generally been low (mean rate 17.4%) as reported by Becker and Huselid (1998). Further, in the Indian cultural context, postal surveys generally result in low response rate (Budhwar & Sparrow, 1997).

In addition to response rate, item completion rate is used as another measure of survey effectiveness (Klassen & Jacobs. 2001). Klassen and Jacobs (2001) define item completion rate as "the proportion of survey items answered relative to all applicable items" (p. 717). The item completion rate for this study was 99%, suggesting high survey effectiveness.

### Scale Dimensionality, Reliability and Validity

In order to assess whether the scale was unidimensional, Structural Equation Modeling (SEM) capabilities of LISREL 8.50 were deployed. The scale was first tested for unidimensionality to ascertain whether items on the scale estimated only one construct. Lack of unidimensionality necessitates purifying the scale by removing those items that reduce unidimensionality. This was done through Confirmatory Factor Analysis (CFA) as suggested by Garver and Mentzer, (1999).

When using LISREL, a goodness of fit index (GFI) of 0.90 or higher suggests that unidimensionality exists. The fit for the model can also be determined based on the following indices: Adjusted Goodness of Fit Index (AGFI) - >0.9; Bentler's Comparative Fit Index (CFI) - >0.9; Bentler and Bonett's Non-Normed Fit Index (NNFI) - >0.9; Normed Fit Index (NFI) - >0.9; standardized residuals - <2.58 (Jöreskog & Sörbom, 2002), zero or few in number are acceptable; Root Mean Square Error of Approximation (RMSEA) - value of <0.08 or even <0.1 is acceptable. The chi-square/d.f. ratio value of 3 or 2 or less has been advocated as an

acceptable level of fit (Jöreskog & Sörbom, 2002).

The measurement model was estimated based on standardized solutions. The fit indices obtained in LISREL for the scale did not give satisfactory values and hence, the scale was surmised to lack unidimensionality. It was thus decided to obtain a purified scale with the help of item reduction. CFA was performed repeatedly to get a unidimensional model. Standardized residuals were used as an indicator to purify the scale and achieve unidimensionality, as recommended by Anderson and Gerbing (1988) and Mentzer *et al.* (1999). The iterative process helped obtain stronger fitting single-factor model. During each iteration, one item was reduced based on highest standardized residuals till p value became greater than 0.05 i.e. there was no statistically significant difference between items.

The above process of item reduction resulted in purified scale. The indices improved after scale refinement indicating better fitting measurement model and thus, supporting the case for unidimensionality. The unidimensional model obtained after scale purification is depicted in Exhibit 1

**Take in Exhibit 1**

After unidimensionality was established, the scale was subjected to tests of reliability and validity as suggested by Anderson and Gerbing (1991). Before assessing scale reliability, indicator reliability was estimated. Indicators are items used to measure a particular latent variable or construct. Indicator reliability refers to the reliability of individual indicators. Communalities or indicator reliability are the squared factor loadings for an indicator. Indicator reliability should preferably be 0.5 or greater (Schumacker & Lomax, 2004). Even values close to the recommended are considered acceptable (Wu, 2005). In the present case, except for a few indicators, most indicators had a reliability of more than 0.5.

The most popular method to assess the reliability of a scale is by computing the alpha coefficient of internal consistency and a value of 0.7 or more is used as a criterion for a reliable scale (Nunnally & Bernstein, 1994). Reliability assessment of the scale returned a Cronbach alpha of 0.82 suggesting high reliability.

Convergent validity of the scale was also assessed for the study. A construct is said to possess convergent validity if items of a construct converge or highly correlate (Garver & Mentzer, 1999). Anderson and Gerbing (1988) stated that convergent validity may be assessed through *t*-values for the factor loadings. If all *t*-values are over 2 (*p*=0.001) then this is viewed as evidence supporting convergent validity (Anderson & Gerbing, 1988; Mentzer *et al.*, 1999). It is to be noted that in all cases, *t*-values were more than 2, thus indicative of high convergent validity. Table 2 presents the indicator reliability range, Cronbach alpha (reliability) and *t*-values (convergent validity).

**Take in Table 2**

**Hypotheses Testing**

For testing study hypotheses in the first category i.e.  $H_{01}$ ,  $H_{02}$ ,  $H_{03}$  and  $H_{04}$ , Chi-square test was performed using SPSS 17.0. This was done to establish association, if any, between company type and SHRM orientation. Scores on SHRM orientation were classified into three categories viz. high, medium and low based on percentiles.

$H_{01}$ : There is no association between company's sector i.e. manufacturing and service and SHRM orientation.

Significant association does not exist between company type i.e. service and manufacturing organizations and SHRM orientation. Thus, the null hypothesis  $H_{01}$  was not rejected. The results have been given in Table 3.

**Take in Table 3**

$H_{02}$ : There is no association between company's ownership i.e. public and private sector and SHRM orientation.

Significant association does not exist between company type i.e. private and public sector organizations and SHRM orientation. Thus, the null hypothesis  $H_{02}$  was not rejected. The results have been given in Table 4.

**Take in Table 4**

$H_{03}$ : There is no association between company's origin i.e. Indian and foreign and SHRM orientation.

Significant association does not exist between company type i.e. foreign and Indian organizations and SHRM orientation. Thus, the null hypothesis  $H_{03}$  was not rejected. The results have been given in Table 5.

**Take in Table 5**

$H_{04}$ : There is no association between company's size i.e. small, medium and large organizations and SHRM orientation.

Significant association exists between company type i.e. small, medium and large organizations and SHRM orientation. Thus, the null hypothesis  $H_{04}$  was rejected. The results have been given in Table 6.

**Take in Table 6**

An independent samples T-test was deployed in order to test hypotheses  $H_{05}$ ,  $H_{06}$  and  $H_{07}$ . For hypothesis  $H_{08}$ , one-way ANOVA was deployed since it involved comparing three groups.

$H_{05}$ : There is no significant difference in the mean scores of SHRM orientation between companies from manufacturing and service sectors ,

Significant differences were observed on the dimension SHRM orientation ( $t[106]= 2.042, p<.05$ ) between companies from manufacturing sector (Mean=96.7, SD=14.2) and service sector (Mean=105.1, SD=17.2). Thus, the null hypothesis  $H_{05}$  was rejected.

$H_{06}$ : There is no significant difference in the mean scores of SHRM orientation between companies from public and private sectors

Significant differences were observed on the dimension SHRM orientation ( $t[106]= 2.633, p<.05$ ) between companies from public sector (Mean=91.7, SD=15.4) and private sector (Mean=100.1, SD=14.1). Thus, the null hypothesis  $H_{06}$  was rejected.

$H_{07}$ : There is no significant difference in the mean scores of SHRM orientation between companies of Indian and foreign origin

Significant differences were observed on the dimension SHRM orientation ( $t[106]=2.316, p<.05$ ) between companies of Indian origin (Mean=96.7, SD=14.5) and foreign origin (Mean=104.5, SD=14.9). Thus, the null hypothesis  $H_{07}$  was rejected. Table 7 presents the results of independent samples T-test.

#### Take in Table 7

**$H_{08}$ :** *There is no significant difference in the mean scores of SHRM orientation between small, medium and large organizations*

Significant differences were observed in the mean scores of small, medium and large organizations on SHRM orientation ( $p<.05$ ). Thus, the null hypothesis  $H_{08}$  was rejected. Table 8 presents results of one-way ANOVA.

#### Take in Table 8

Table 9 presents a summary of results of hypotheses testing.

#### Conclusion

Marginson *et al.* (1988) and Othman and Ismail (1996) argued that firms in the service sector were more likely to have a strategic approach to HRM than manufacturing firms. In the present study, significant differences were observed on SHRM orientation between companies from manufacturing and service sector. However, no significant association was found between SHRM orientation and company type i.e. service and manufacturing organizations. Hence, the claim of earlier studies that service sector were more likely to have a strategic approach to HRM is not supported.

Research carried out in the Indian context (Bordia & Blau, 1998; Mathur *et al.*, 1996; Sharma, 1992) has shown significant differences in the pattern of HR practices of private and public-sector organizations. Private sector has better vertical and horizontal fit than public sector (Budhwar & Boyne, 2004; Hood, 1991; Rhodes, 1994). Significant differences were observed on SHRM orientation between companies from public sector and private sector thus supporting earlier findings. However, no significant association was found between SHRM orientation and company type i.e. private and public sector.

Similarly, researchers have found differences in foreign and Indian companies. Foreign operators in India are known to have better-skilled HR, and have more efficient and effective HR systems (Budhwar & Khatri, 2001; Krishna & Monappa, 1994; Sparrow & Budhwar, 1997; Venkata Ratnam, 1995). They have also been found to have better vertical and horizontal fit than domestic firms (Budhwar & Boyne, 2004). Although, significant differences were observed on SHRM orientation between companies of Indian and foreign origin, no significant association was found between SHRM orientation and company type i.e. foreign and Indian organizations. Thus, the findings partially corroborate those of earlier researchers.

Company size also affects SHRM: the larger a company, the greater the emphasis on SHRM (Bayo-Moriones & de Cerio 2001; Deshpande & Golhar, 1994; Kotey & Sheridan 2004; Othman, 1996; Wagar, 1998). Larger organizations adopt sophisticated HRM practices because they are more visible and are under pressure to gain legitimacy (Mayson & Barrett 2006; McEvoy,

1984). In the present study too, significant differences were observed on SHRM orientation between small, medium and large organizations. At the same time, significant association was also found between SHRM orientation and company type i.e. small, medium and large organizations. Large firms were found to have a greater SHRM orientation. Thus, these findings are in agreement with those of previous researches.

***Thus, significant differences were observed in SHRM orientation between companies of different categories. However, no significant association was found between SHRM orientation and company type except in case of size. Large firms were found to have a greater SHRM orientation.***

#### Managerial Implications and Study Limitations

The study has implications for both academicians and practitioners in the area of SHRM. The expected contributions of the study to both theory and practice are listed below:

- The findings of the study are expected to serve as a primer for both HR researchers and practitioners in understanding the current status of SHRM in India.
- The study intends to build on recent theoretical work aimed at extending the boundaries of how SHRM is defined and researched. The research contributes to SHRM literature by empirically testing several hypotheses.
- Since a majority of SHRM studies have been conducted in developed countries, the present research will contribute to the literature by drawing its sample from India, where there is evidence of a fast-paced economic change and precipitating shifts in HRM.
- Most of the research work done in the past did not take into consideration aspects related to dependency and consistency among the various HRM functions. The present study attempts to focus on HRM as a system.

The results provide insight into the HR terrain in India and are of practical utility for strategists and HR decision-makers. Although efforts were made to carry on a research that was theoretically and empirically sound, the study does suffer from several limitations. The study is based on a limited sample. Hence, the study might have suffered from small sample size related problems. Larger number could have given more generalizable results. The study relied primarily on mail methodology of questionnaire administration. Thus the response rate was not very high as might have been if personal interview method had also been adopted. While in this study, a reliable and valid instrument has been developed for measuring the various dimensions of SHRM, it needs to be further validated in other cultures and settings.

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Table 1: Profile of Responding Organizations

Sector	Percent
Manufacturing	86.1
Service	13.9
Origin	Percent
Indian	80.6
Foreign	19.4
Ownership	Percent
Public sector	25.9
Private sector	74.1
Size (Employees)	Percent
Small (<=1000)	15.7
Medium (1000-5000)	54.6
Large (>5000)	29.6

Table 2: Reliability and Validity Estimates

Range	Indicator Reliability Range	Scale Reliability (Cronbach Alpha)	Convergent Validity (t-value Range)
Obtained Value	0.28-0.73	0.82	2.86-11.35
Recommended Value	>0.5	>0.7	>2

Exhibit 1: Measurement Model of the Scale

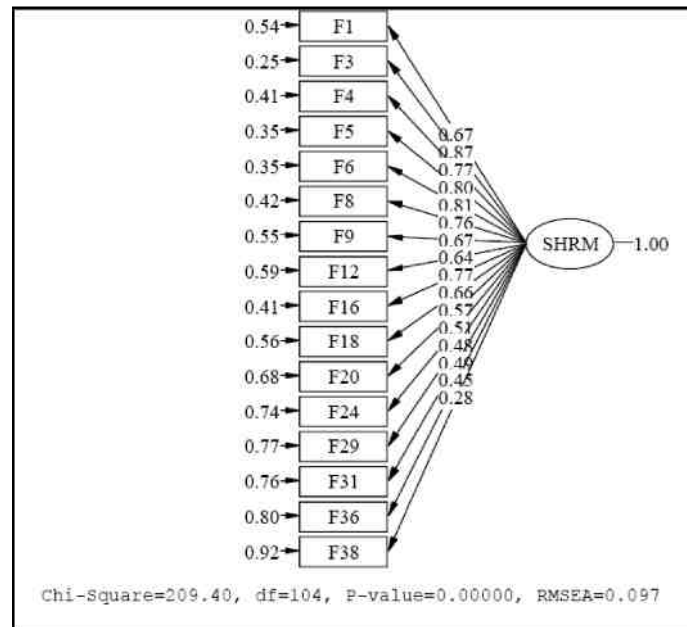


Table 3: Chi-Square Test (SHRM Orientation and Company Sector)

Measures	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.620	2	.164
Likelihood Ratio	3.468	2	.177
Linear-by-Linear Association	3.206	1	.073
N of Valid Cases	108		

Table 4: Chi-Square Test (SHRM Orientation and Company Ownership)

Measures	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.056	2	.217
Likelihood Ratio	3.082	2	.214
Linear-by-Linear Association	3.012	1	.083
N of Valid Cases	108		

Table 5: Chi-Square Test (SHRM Orientation and Company Origin)

Measures	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	5.147	2	.076
Likelihood Ratio	5.040	2	.080
Linear-by-Linear Association	4.799	1	.028
N of Valid Cases	108		



Table 6: Chi-Square Test (SHRM Orientation and Company Size)

Measures	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	10.308	4	.036
Likelihood Ratio	10.605	4	.031
Linear-by-Linear Association	8.397	1	.004
N of Valid Cases	108		

Table 7: Independent Samples Test

Construct/Nature of Variance		Levene's Test		T-test Results		
		F	Sig.	t	df	Sig. (2-tailed)
Cumulative SHRM (Sector)	Equal variances assumed	1.120	.292	-2.042	106	.044
Cumulative SHRM (Ownership)	Equal variances assumed	.008	.928	-2.633	106	.010
Cumulative SHRM (Origin)	Equal variances assumed	.091	.763	-2.316	106	.022

Table 8: ANOVA Results

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	2285.782	2	1142.891	5.568	.005
Within Groups	21550.764	105	205.245		
Total	23836.546	107			

Table 9: Tests of Association and Differences

Hypothesis	Test Performed	Results*
$H_{01}$	Chi-square	Not Rejected
$H_{02}$	Chi-square	Not Rejected
$H_{03}$	Chi-square	Not Rejected
$H_{04}$	Chi-square	Rejected
$H_{05}$	T-test	Rejected
$H_{06}$	T-test	Rejected
$H_{07}$	T-test	Rejected
$H_{08}$	ANOVA	Rejected

\* Significant at  $p < 0.05$