

**HUMAN RESOURCE MANAGEMENT PRACTICES AND
BUSINESS PERFORMANCE: AN EMPIRICAL STUDY OF
SMALL AND MEDIUM SCALE MANUFACTURING
FIRMS IN SRI LANKA**

BY

W.A.SUBHASHINI WEERAKKODY

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CANDIDATE'S DECLARATION

The work described in this thesis was carried out by me under the supervision of Professor H H D N P Opatha, Department of Human Resource Management of the University of Sri Jayewardenepura, and a report on this has not been submitted in whole or in part to any university or any other institution for another Degree.


.....
W.A.S.WEERAKKODY
(GS/MC/2368/2004)

SUPERVISOR'S DECLARATION

I certify that the above statement made by the candidate is true and that this thesis is suitable for submission to the University for the purpose of evaluation.

for
Dr. Aruna S. Gamage
Gamage

Dr. Aruna S. Gamage
Head
Dept. of Human Resource Management
Faculty of Management Studies & Commerce
University of Sri Jayewardenepura

Professor H H D N P Opatha

B.Sc (B.As.) Sp.(Hons) (SJP); MSc (B.Ad) HRM (SJP); MBA (Birmingham); Dip PM & IR (Cambridge Col.); Dip E.Eng (CPM); PhD HRM (Utara UUM); D HRM (IIU); MIPM(SL)

Supervisor

Professor of Human Resource Management (on Merit)

Department of Human Resource Management

University of Sri Jayewardenepura

Gangodawila

Nugegoda.

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**HUMAN RESOURCE MANAGEMENT PRACTICES AND BUSINESS
PERFORMANCE: AN EMPIRICAL STUDY OF SMALL AND MEDIUM
SCALE MANUFACTURING FIRMS IN SRI LANKA**

W.A.S.WEERAKKODY

ABSTRACT

Small and medium enterprises (SMEs) play a very vital role for the Economy in Sri Lanka. SMEs have shown a striking progress over the past two decades. The practice of effective Human Resource Management (HRM) is one that has been shown to be an integral part of small business success. Although there has been a sizeable amount of researches on the causes of failure as well as the determinants of success in SMEs, an empirical investigation on the impact of Human Resource Management practices on business performance in small and medium scale manufacturing firms is extremely rare in Sri Lanka. Therefore the primary objective of this study was to investigate the relationship between HRM practices and organizational performance of small and medium scale manufacturing firms in western province in Sri Lanka, because no any systematic investigation on the relationship between HRM practices and organizational performance in small and medium businesses in our country has been conducted over the past period. The research framework consists of independent variable, intervening variable and a dependent variable. Four hypotheses were formulated using deductive approach. Hence the purpose of the study was hypotheses testing. Variables are neither manipulated nor controlled for the study. Hence, the study was conducted in a non contrived setting. As the data for this study was collected at a single point in time, the study was cross sectional in time horizon. Measures of the study had possessed

sufficient validity and reliability. Sample for this study was selected from the Export Development Board (EDB) and Ministry of Industrial Development (MID). The structured questionnaire, which consists of 208 statements with seven point scale, was used in order to collect the data and the sample consisted of 150 small and medium enterprises in Western province. Hence, the unit of analysis was at firm level. CEOs/HR managers/owner managers/ MDs gave information on behalf of the firms. The data analysis included the univariate, bivariate, and multivariate analysis. The research revealed that, are positive relationships between HRM practices and HRM outcomes, HRM outcomes and organizational performance, and HRM practices and organizational performance. Further, there cannot be seen a considerable mediation effect between HRM practices and organizational performance in SMEs in Western province. It is concluded that positive but not strong relationship exists between HRM practices and HRM outcomes, positive and little bit strong relationship exists between HRM outcomes and organizational performance, and positive and relatively strong relationship between HRM practices and organizational performance in small and medium enterprises in Western province in Sri Lanka.

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