

Aligning High Performance Work Systems with Internal Organizational Context: Case Studies from Sri Lankan IT Companies

V. K. M. Cooray

*Sector Financial Controller
John Keells Holdings PLC*

N.W.K.D.K.Dayarathna

*Senior Lecturer
University of Sri Jayewardenepura*

Abstract

High performance work systems (HPWS) gained much interest in recent years as a human resource (HR) system contributing towards organizational performance. However, studies on HPWS and organizational performance have reported mixed results. While some found that HPWS result in improved organizational performance, later research revealed that HPWS do not always result in positive outcomes. This necessitates understanding on effective implementation of HPWS to achieve the desired outcomes. However, there is lack of research on how HPWS strength shapes the implementation of HPWS. Hence, we aim to bridge this gap by examining the implications of HPWS strength on the performance of Sri Lankan Information Technology (IT) companies.

For this purpose, we deployed a case study approach selecting two companies. Interviews were carried out among 13 key informants representing senior management, HR personnel and non-managerial employees. Document review and direct observations were used to further collaborate the evidence from interviews. The findings supported the research proposition that to yield positive outcomes on organizational performance, there should be a strong HPWS, resulting in a positive attitudinal climate among employees.

Key Words: High Performance Work Systems, Organizational Performance, Information Technology Industry, Sri Lanka

Introduction

In today's competitive business environment, the contribution made by Human Resource Management (HRM) for organizational success is vital. The management of work and people is increasingly important as human resource is a unique source of competitive advantage (Opatha, 2009; Wright, McMahan, & McWilliams, 1994). One of the highly discussed topics in recent years in relation to contribution of HRM to organizational performance is 'High performance work systems' (HPWS) (Boxall, 2012).

The notion of HPWS which originated in the manufacturing sector of United States (US) spearheaded across the service sector as US firms expanded in a globalized environment (Batt, 2002). Further, due to the rise of 'offshoring' to low cost producing countries such as China and India, HPWS gained popularity across the world (Boxall, 2012).

With the increasing popularity of this concept, many research studies have been conducted on the impact of HPWS on organizational outcomes. Studies revealed that HPWS result in

positive outcomes on organizational performance (Batt, 2002; Gamage, 2013; Huselid, 1995; Leggat, Bartram, & Stanton, 2011; Macky & Boxall, 2008; Mihail, Links, & Sarvanidis, 2013; Shih, Chiang, & Hsu, 2006; Wickramasinghe & Gamage, 2011). However, certain research questioned this outcome (Caspersz, 2006; Godard, 2001). Hence, it is important to understand how HPWS could result in positive outcomes intended by the organization.

We decided to conduct this research in service sector as most research conducted on HPWS is on manufacturing sector (Liao et al., 2009). Further, the research focused on IT industry, given the importance of this sector to the Sri Lankan economy. Previous research on IT employees has revealed that this workforce is highly educated, highly professional, has a strong preference for independence and depicts lower loyalty towards the organization (Baugh & Roberts, 1994). They hold a large portion of the intellectual capital of the company and are crucial for the success of this knowledge driven industry. However, one of the biggest challenges faced by IT organizations is retaining these valuable employees. They are on high demand due to the shortage of experienced employees and because of the aggressive recruitment strategies by competitors (McNee, Morello, Zidar, & Smith, 1998; Murphy, 2000). With vision 2022 of Sri Lankan IT/ Business Process Management (BPM) industry being a revenue target of USDollar 5 billion, 200,000 direct jobs and 1000 start-ups, a study on how IT companies have successfully implemented HPWS would be of immense benefit for the industry.

Problem Statement, Research Questions, and Research Objectives

Although many organizations claim that they implement work and employment practices which constitute HPWS, not every organization is able to yield positive outcomes through its implementation. There are also contradictions on the HPWS outcomes intended by the management and what are experienced by employees (Caspersz, 2006; Geare, Edgar & Deng, 2006; Wood & de Menezes, 2011). Hence, it seems that there is significant variation in implementation of HPWS. Even though prior research has focused on the existence of HPWS, there has not been adequate research conducted on the effective implementation of these practices (Huselid & Becker, 1997; Boxall, 2012).

Boxall and Macky (2009) state that a basic flaw of HPWS literature is claims of one set of best practices without regard to specific context. Hence, Boxall (2012) suggests that research should not simply look at HRM practices at face value, rather should address the “how” question focusing on understanding the fit between HPWS and organizational context.

In understanding how HPWS could result in positive organizational outcomes, the concept of ‘strength of the HRM system’ by Bowen and Ostroff (2004) is important. They opine that when the HRM system is high in strength it will result in a strong situation where employees would have a shared perception on what is intended by the management. Therefore, we aim to investigate the implications of HPWS strength on organizational performance in IT companies in Sri Lanka.

In addressing the research problem, the following research questions will be considered:

1. What are the HPWS practices implemented in Sri Lankan IT companies?
2. How do employees (managerial and non-managerial) perceive and respond to HPWS implemented in Sri Lankan IT companies?
3. What are the implications of HPWS strength for perceived organizational performance in Sri Lankan IT companies?

Accordingly, the research objectives are:

1. To identify what are the HPWS practices implemented in Sri Lankan IT companies;
2. To understand how employees (managerial and non-managerial) perceive and respond to HPWS implemented in Sri Lankan IT companies; and
3. To understand the implications of HPWS strength for perceived organizational performance in Sri Lankan IT companies.

High Performance Work Systems

High performance work system is a system of work and employment practices that result in superior performance in an organization (Boxall&Macky, 2009). Two very closely related terms which are more meaningful are high involvement work systems (HIWS) (Lawler, 1986) and high commitment employment practices (Walton, 1985). While the aim of HIWS is to increase employee involvement; high commitment employment practices aim to increase employee commitment towards the organization (Mowday, Steers, & Porter, 1979). This research considers HIWS to avoid any ambiguity and throughout the next sections, HPWS would imply to HIWS. We selected the high involvement stream because the main source of competitive advantage in professional services such as IT is the esoteric knowledge of employees (Boxall&Macky, 2009). Unlike in manufacturing or mass service sector, these professional organizations rely on discretionary judgement of employees and therefore aim to encourage high levels of involvement that pool expert knowledge.

What practices are considered as essential in HPWS is not specific as there are many variables considered in different studies of HPWS as shown in Table 1 below.

Table 1: HR Practices Considered in Empirical Studies on HPWS

HR Practice	Previous Research
Communication/ information sharing	Gamage (2013), Ganli, Long and Ming (2014), Guest, Conway and Dewe (2004), Hartog and Verburg (2004), Huselid (1995), Huselid and Becker (1997), Lee and Bang (2012), Leggat et al. (2011), Lepak, Liao, Chung and Harden (2006), Mihail et al. (2013), Shih et al. (2006), Wickramasinghe and Gamage (2011)
Employee participation and empowerment	Gamage (2013), Guest et al. (2004), Hartog and Verburg (2004), Huselid (1995), Huselid and Becker (1997), Kling (1995), Lee and Bang (2012), Lepak et al. (2006), Shih et al. (2006), Wickramasinghe and Gamage (2011)
Extensive training and development	Batt (2002), Beltrán-Martín, Roca-Puig, Escrig-Tena and Bou-Llusar (2008), Ferreira, Neira and Vieira (2012), Gamage (2013), Ganli et al. (2014), Guest et al. (2004), Hartog and Verburg (2004), Huselid (1995), Huselid and Becker (1997), Kling (1995), Lee and Bang (2012), Leggat et al. (2011), Lepak et al. (2006), Mihail et al. (2013), Shih et al. (2006), Wickramasinghe and Gamage (2011)
Employee relations based on trust	Mihail et al. (2013)
Grievance procedures	Huselid (1995), Huselid and Becker (1997)
Internal promotion	Gamage (2013), Ganli et al. (2014), Guest et al. (2004), Hartog and Verburg (2004), Shih et al. (2006)
Job security	Batt (2002), Mihail et al. (2013), Shih et al. (2006)
Performance appraisal	Batt (2002), Beltrán-Martín et al. (2008), Ganli et al. (2014), Guest et al. (2004), Hartog and Verburg (2004), Huselid (1995), Huselid and

	Becker (1997), Lee and Bang (2012), Lepak et al. (2006), Wickramasinghe and Gamage (2011)
Performance based compensation and benefits	Beltrán-Martín et al. (2008), Gamage (2013), Guest et al. (2004), Hartog and Verburg (2004), Huselid (1995), Kling (1995), Lee and Bang (2012), Mihail et al. (2013), Shih et al. (2006)
Reduced status distinctions	Gamage (2013), Leggat et al. (2011)
Rewards and recognition	Ferreira et al., (2012), Lepak et al. (2006), Wickramasinghe and Gamage (2011)
Selective recruitment	Batt (2002), Beltrán-Martín et al. (2008), Gamage (2013), Ganli et al. (2014), Guest et al. (2004), Hartog and Verburg (2004), Huselid (1995), Lee and Bang (2012), Leggat et al. (2011), Lepak et al. (2006), Shih et al. (2006)
Teamwork	Batt (2002), Ferreira et al. (2012), Guest et al. (2004), Hartog and Verburg (2004), Huselid (1995), Lee and Bang (2012), Leggat et al. (2011), Lepak et al. (2006), Mihail et al. (2013), Wickramasinghe and Gamage (2011)
Use of job redesign and task analysis	Hartog and Verburg (2004), Huselid (1995), Huselid and Becker (1997)
Work- life balance programs	Huselid (1995), Guest et al. (2004), Lepak et al. (2006)

In exploring the HPWS adopted by the case study companies, we were guided by the bundle of HR practices which included selective recruitment, performance management, performance based compensation, extensive training and development, teamwork, employee engagement, work life balance programs and information sharing due to the importance of these practices to IT organizations.

Selective recruitment: Selecting the right candidate is very critical and quite demanding in the IT sector due to the sheer magnitude and the size of recruitment at the entry level positions, dynamic nature of knowledge, skills and abilities required from IT professionals, shortage of employees and job hopping which is quite common in this sector (Rao, 2010).

Performance management: This is a key HR practice implemented by IT companies and is closely related with job design and change, learning, growth, innovative work practices and pay (Paul & Anantharaman, 2004).

Performance based compensation: Research shows that the primary incentive which is attractive to IT professionals is financial rewards rather than non-financial rewards (Chou & Pearson, 2012; Dockel, Basson, & Coetzee, 2006). What are essential for these professionals are not high salaries, but competitive compensation (Higginbotham, 1997).

Extensive training and development: In IT industry where knowledge continues to evolve rapidly, training and development plays an important role in developing human capital (Murthy & Abeysekara, 2007). Not only should employees be well trained in latest technologies, they should also have career opportunities to apply newly learned skills (Cataldo, van Assen, & D'Alessandro, 2000; Jiang & Klein, 2000). Training and development is crucial for the survival of IT professionals as it ensures employability in their career and therefore is a key HR practice in building their commitment (Dockel et al., 2006; Murthy & Abeysekara, 2007; Paul & Anantharaman, 2004).

Teamwork: This is an important high performance work system practice as IT work is mostly designed as project team structures where the organizational setting requires IT staff to closely work with each other (Lounsbury, Sundstrom, Levy, & Gibson, 2014). As Landy and Conte (2013) state, during the past two decades there is widespread use of work teams in IT companies.

Employee engagement: Employee engagement is important as management of IT professionals require encouraging high levels of involvement, as the nature of their work involves larger, ambiguous tasks (Boxall&Macky, 2009).

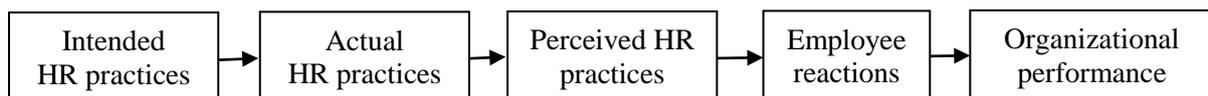
Work life balance programs: IT employees value work life initiatives as very meaningful because they work at a pace that invites burnout, rather than sticking to normal office hours (Dockel et al., 2006).

Information sharing: Information sharing involves open communication with employees on matters concerning their jobs and the organization. This provides an opportunity for employees to familiarize themselves with the subject matter and encourages their participation (Mihail et al., 2013). A study by Pare and Tremblay (2007) identified that information sharing has a direct negative impact on turnover intentions of IT professionals.

Black Box of High Performance Work Systems

Discovering the process through which HRM practices influence performance was labeled as ‘opening the black box’ between HRM and performance by Guest (1997). Wright and Nishii further (2007) explain that management intentions result in intended HRM practices, management actions are the actual practices, and workforce perceptions and attributions at individual and collective levels result in perceived practices. This explanation can be related to the HR causal chain developed by Boxall and Macky (2007) which is illustrated in Figure 1 below.

Figure 1: The HRM- Performance Causal Chain



Source: Boxall and Macky (2007)

HRM- performance causal chain also indicates that it is important to consider employee perspectives in understanding HPWS. For this research, we considered job satisfaction (Macky&Boxall, 2008; Mao, Song, & Han, 2013; Messersmith, Patel, Lepak, & Gould-Williams, 2011; Takeuchi, Chen, & Lepak, 2009), affective commitment (Macky&Boxall, 2007; Mao et al., 2013; Takeuchi et al., 2009) and perceived organizational support (Liao et al., 2009) in analyzing the employee attitudinal climate. Job satisfaction relates to what employees feel about their working environment and their overall evaluation of worksituation (Scandura&Lankau, 1997); affective commitment is the emotional attachment of employees, with a strong desire to be with the organization and exercise effort willingly on behalf the organization (Mao et al., 2013) and perceived organizational support is where employees perceive that their organizations value and care about their wellbeing, and use behaviors valued by the organization to reciprocate such treatment (Settoon, Bennett, & Liden, 1996).

HPWS influence employee attitudes as shown above and such attitudes are closely related to perceived organizational performance. Perceived organizational performance is the perceptions of employees regarding the overall company performance (Allen and Helms, 2002) and is closely related to its objective performance outcomes (Dollinger & Golden, 1992; Powell, 1992). We used the relative measures introduced by Delaney and Huselid (1996) to analyze perceived organizational performance as it covers the constructs critical to IT industry. This included asking employees to assess organization performance relative to those of competitors, on quality of services, ability to attract employees, ability to retain employees, client satisfaction, relations between management and employees and relations among employees in general.

High Performance Work System Strength

Bowen and Ostroff (2004) argued that for HRM system to be effective there should be a strong psychological climate where there is high consensus among employees on their perceptions. This would result in shared perception of what the organization values and what behaviors are expected and rewarded. When HRM system is weak, individuals can create their own versions of HRM practices which will guide their behavior, resulting in larger variability in the outcomes. Further, due to the uncertainty created, employees will collectively create their own interpretation, which is different to what was intended by the management. Bowen and Ostroff (2004) further established meta-features of HRM systems which create strong situations, as detailed in Table 2 below.

Table 2: Meta-Features of HRM System Strength

Meta-feature and its meaning	Characteristic	Meaning
1. Distinctiveness Features in a HRM system that allow it to stand out in the environment, capturing attention and arousing interest	Visibility	Degree to which HRM practices are significant and readily observable.
	Understandability	Degree to which the content of HRM practices lack ambiguity and can be easily understood.
	Legitimacy of authority	Legitimate authority of HRM system and its agents
	Relevance	Whether the situation is defined in a way that the individuals see it as relevant to an important goal
2. Consistency Features in a HRM system that establish consistent relationships over time, people and contexts	Instrumentality	Extent to which an unambiguous perceived cause-effect relationship is established regarding the HRM system's desired behaviors and associated employee consequences
	Validity	Consistency between what HRM practices are supposed to do and what they actually do
	Consistent HRM messages	Extent to which HRM practices avoid double-bind communications to employees and allow them to perceive HRM content consistently
3. Consensus Features resulting in	Agreement among principal HRM senders	Agreement among message senders such as top management and HR executives

agreement among employees on the intended targets of influence by HRM system	Fairness	Extent to which HRM system adheres to the principles of distributive, procedural and interactional justice
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Source: Bowen and Ostroff (2004)

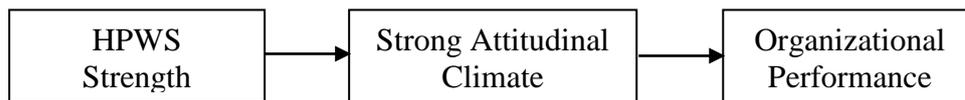
We used the above meta-features in analyzing the strength of the HPWS implemented by two case study companies.

Theoretical Framework

In exploring the research problem, this research is guided by the central proposition that, for an organization to yield positive outcomes on organizational performance through HPWS, the HPWS of the company should be strong resulting in a positive attitudinal climate among employees.

A graphical presentation of these concepts is illustrated in Figure 2 below.

Figure 2: Proposed Relationships Linking HPWS Strength and Organizational Performance



Source: Bowen & Ostroff (2004); Dayarathna (2011); Wright & Nishii (2007)

Research Methodology

Based on an interpretivist paradigm, a qualitative research was undertaken. To generate context specific in-depth knowledge, a case study approach was adopted, considering two IT companies who successfully implement HPWS. The research deployed qualitative data collection methods such as interviews, documentation and non-participatory observations. To facilitate the semi-structured interviews, we followed the research protocol included in Appendix 1. However, questions asked were not limited to this as further questions were raised based on the responses given by the interviewees.

Random purposeful sampling was used to select participants. A discussion was held with the Chief Operation Officer (COO) of each company to understand the organization structure and the work groups. It was then revealed that both companies treat all employees as core workers and the structure was project based and not hierarchical. To ensure multiple perspectives, representatives from the senior management, HR and employees were interviewed. The COO represented senior management. When considering HR, one company had only two senior HR executives while the other had a large HR team. While one senior HR executive was interviewed from the first company, two HR managers- a HR functional head and Business Unit (BU) HR head were selected randomly from the next company. The employees were randomly picked but purposefully, as it was decided to have a mix of employees representing different age, gender, years of service at the company, different roles and different projects. Final sample included thirteen respondents- two from the senior management, three from HR and eight employees. Their profiles are given in Appendix 2. Interviews were conducted during March to June 2016 in English, which were audiotaped

and then transcribed. Documents such as internal magazines, annual reports, newspaper articles, corporate websites and magazine articles were used to corroborate and augment evidence from other sources. Direct observations provided additional evidence about the context of the organization.

In analyzing case study data, pattern matching technique was used by the researchers (Yin, 2014).

Introduction to the Case Study Companies

Company ABC

ABC is a global IT services company providing IT consulting, technology and outsourcing services to clients in different industries. Founded in 1996 with 10 employees, ABC now has a staff strength of over 9800 employees. Starting with four clients, the company now has a client base of 120 clients. Majority of the clientele is from the US, Europe and United Kingdom accounting for approximately 95% of the revenue. ABC has consistently recorded double digit growth in revenue and profitability. The year on year growth is 21% whereas the industry growth rate is 12% per annum. This case study is based on the Technology Centre at Sri Lanka which was awarded several best employer awards and awards on people development.

HR department is headed by a Senior HR director. There are four specialist roles- recruitment, learning and development, performance management and compensation and operations. Business partnering role is done by ten BU HR partners who are responsible for one of the business units and a practice. He/ she will liaise with other specialist roles as and when required.

Company XYZ

XYZ which was established as a software product company in year 2000 with 10 employees, now has a staff strength of 150 employees. This company too was awarded several best employer awards and awards on people development. XYZ specializes in providing software product engineering services to independent software vendors around the world. As the customers are independent software vendors, there is long term engagement with the customers which can be minimum two years, extending even upto 10 years. The clientele consists of about 25 independent software vendors who are mainly from the Scandinavian region. HR Department consists of only two senior HR executives where the HR functions are divided among them.

Findings and Discussion

Application of HPWS in the IT Industry in Sri Lanka

Top management, HR personnel as well as employees stated that all eight HPWS practices- selective recruitment, performance management, performance based compensation, extensive training and development, teamwork, employee engagement, work life balance programs and information sharing are implemented in their companies.

Selective recruitment: Both companies aimed at selecting the right set of people who have the passion to progress in their career. Recruitment is done mainly through dedicated campus hiring programs and employee referrals. Roshan- HR Manager at ABC explained,

Millennials are more likely to trust their peer group's opinion about a product or a company rather than traditional expert advice. So, jobs are recommended by their

university colleagues instantly appeal to them. At ABC, we've tried to effectively leverage this trait through our employee referral program.

The companies employ a rigorous interview process and employ technical and psychometric tests for selection. These tests evaluate basic technical skills, problem-solving capabilities, attitude, leadership potential, desired career path and compatibility with team-oriented, thought-leadership culture.

Performance management:Both companies create and manage individual development plans, adjust compensation and award promotions based on performance appraisals. Employee performance is evaluated on a balanced score using a 360-degree appraisal process. Once performance reviews are conducted, a career committee consisting of the management discusses employee concerns, compensation plans and development plans for the following year.

Management as well as HR personnel believed in differentiating high performers from the rest. As explained by Ashan- a HR manager at ABC:

We believe in differentiating people. That gets you the cream of the cream, who perform at a super level expecting a good career progression. Especially when it comes to millennials, they need to see where they are going and transparency in promotions.

These comments stated by management and HR were endorsed by the employees. As explained by Amala- a project manager of ABC:

Performance evaluation process has helped this company achieve superb performance. We have defined MBO [Management by Objective] criteria aligned with the company objectives. Everyone is aware of that and works towards that. So we get a chance to improve ourselves, show our performance, and get rated accordingly.

Explaining the initiatives ABC has taken to provide instant performance feedback to their millennials, Gihan-COO highlighted,

We focus a lot on showing people how they are performing, so that there's absolute clarity. You don't have to wait for six months to know whether you are doing well; you know it real time every day. Otherwise you can't do course correction. At the pace our industry moves, your cycles should be much shorter. Annual appraisal is too late, you will only have seven, eight appraisals in your career. But if you do daily appraisals, you'll know daily how you are doing and technology can support that. That's what we've built. We give people real time feedback all the time.

To achieve this purpose, ABC has introduced gamification where gaming concepts are introduced into the business environment to set out a healthy level of competition which drives individual performance. Hence, performance management was a real time, dynamic game, which is much loved by millennials.

Performance based compensation:In both companies, compensation is linked to performance. Variable compensation and salary increments are performance based. The companies consistently benchmark compensation and benefits with relevant market data and adjust based on market trends and individual performance to ensure competitive compensation. According to Nimesh- an Architect at ABC,

We have KPI [Key Performance Indicator] measuring that directly links to your promotions and salary increments. There are no ad hoc under the hand salary increments. There are no instances where only some get promoted and others are not.

In addition to the defined tier- based salary scale, a performance based variable component is paid to the employees. For higher managerial levels, the variable pay is linked to company performance as well.

Extensive training and development: Management in both companies placed great emphasis on training and development and invested heavily on that. While formal training programs are conducted by outsiders as well as internal trainers, the companies also sponsor external courses. To encourage internal trainers, both companies have introduced recognition methods and conduct 'train the trainer' programs.

Employees stated that training and development has helped them massively. As explained by Dilani:

Once a person joins, that person should complete internal exams conducted in that domain. We also have professional communication and General English exams to do. They teach all the processes, the applications which you could use, people you could ask and so on. Everything is taught during the two weeks which molds a person to be a good professional. Also, every month we have workshop on different subjects facilitating employees to be matured in their domain.

Employees at ABC also have access to a wealth of information in the form of case studies and white papers which can be easily accessed via company search engine. The objective of this is to provide the right amount of information on a specific subject at the right time. Both companies also conduct internal gaming competitions to develop the skills of their employees, which has become a huge success among tech savvy millennial workforce.

Teamwork: Both companies practice team work where there is a flat structure within the project teams. As explained by Gihan-COO of ABC,

In our business, we have a more of a team concept... In a team, people take different responsibilities at different times, everybody is an equal player and there's no hierarchy. So, the expectation from the team is that we get the job done to delight the customer.

Employees viewed themselves as part of a large family. They stated that nothing is possible without team work. The work environment of the companies too facilitated team settings. For example, teams are seated together as collaboration among team members is important. Further, the necessary infrastructure is in place for distributed teams. The companies also organized different team building activities.

Further, as teams are self-managed, the employees were confident in achieving tasks in a better manner. Krishen, a senior tech lead at XYZ explained:

A good thing about the company is that they don't micro manage people. Every project team has a management representative. He doesn't tell us what to do. Management expects us to trust each other and bond within the team, within the company, as well as with customers. They expect us to manage things within the team which has worked well.

Employee engagement: Management, HR personnel as well as employees stated that employee engagement is one of the key practices contributing towards organization

success. Management believed that there is a strong correlation between employee engagement and innovation. Hence, they attempt to create an environment where employees can easily engage and develop the future of their client businesses. Emphasizing on employee engagement, Gihan- COO of ABC said:

We want people to have a voice....If everybody merely shuts up and does what the manager says, we will not be successful... We want people to be innovative, come up with ideas, because we believe that ideas come from those who interact with the client. In most of our projects, ideas come from them. So company expects you to be competent; raise your opinions, bring ideas into the picture and drive the outcome for the customer.

In both companies, the employees endorsed that they have many mechanisms to engage with management and present their views. There were no labour unions present; rather the management got their employees engaged in decision making and actively sought out employee opinions.

One of the key strategies XYZ implement on employee engagement is “initiatives”. Initiatives are identified and executed by employees in line with organizational goals, while the management team play the role of mentors. Nimali– a senior HR executive at XYZ explained:

In terms of engagement we have something called initiatives. So even if you take recruitment, training, it's very cross functional where employees themselves voluntarily join these groups. Even if you take a typical CSR [Corporate Social Responsibility] or a welfare initiative, in most companies it's driven by HR, whereas here you get the coders who drive these.

Work life balance programs: There were several initiatives taken by both companies to facilitate work life balance, such as flexible work hours, recreational facilities, CSR activities. The employees were appreciative of the support services offered by the company as they have the freedom to schedule their work in a manner which enabled them to attend personal matters. We also observed that there are lots of recreational facilities provided by the company such as chill out rooms, play rooms with pool tables, video gaming facilities and on site gym for employees to work out their stress and improve team work.

Information sharing: The companies believed that information sharing and open communication is essential. Hence, there are regular company-wide updates from senior management, team member sessions at the regional, local and account levels, as well as regular town hall sessions to share information with employees.

Both companies adopt an open-door policy on communication, where employees can simply walk up to the Chief Executive Officer (CEO) or the senior management team. While this enables employees to get exposure to senior leaders, senior leaders too benefit as it facilitates to understand the ideas and concerns of employees at grass root levels, as well as interact with them.

Although both companies implemented the same practices, ABC relies highly on digital platforms to foster communication and engagement. Gihan – COO explained:

Millennials are very tech savvy. They're used to the web, smart phones and when they come in they expect an environment and culture that is equivalent to what they experience outside their office. They need to be able to collaborate, talk to each other.

Both companies implement a HPWS which consist of the above practices and are closely linked with each other resulting in synergetic effects. Although the practices are common, ABC highly leveraged on IT in implementation. This is not a surprise because implementation could differ due to different organizational contexts (Toh et al., 2008). Although in the same industry, the two companies differed in terms of the nature of clients served, scale, and market presence leading towards differences in implementation.

Most importantly, we found conformity amongst the management, HR team and employees regarding the intended, actual and perceived HPWS practices. The 'talk vs walk' of HPWS practices being the same, warrants a study on how the two companies have achieved this status. Hence, we moved on to study the strength of the HPWS of the two case study companies.

Strength of HPWS

We interviewed managerial and non-managerial employees on the meta-features of a strong HPWS to understand how they perceive the HPWS implemented.

Distinctiveness: The interviewees viewed the HPWS as high in distinctiveness as the four characteristics identified by Bowen and Ostroff (2004) - visibility, understandability, legitimacy of authority and relevance were present.

Management as well as employees stated that HPWS play a significant role in their companies and is readily observable, resulting in high visibility. Further, HPWS are applicable to all employees and includes a wide range of practices increasing the visibility. At ABC, visibility was further enhanced by gamification which uses information about employee behavior real time, measure and provides instant feedback to employees.

In improving understandability, management emphasized the importance of communication. XYZ did not have sophisticated processes for communication as the workforce was small. However, Gihan- COO of ABC explained that this was challenging for ABC.

As you get larger, you must communicate more.... Because people can't figure it out themselves. You must communicate with people much more.... That is how when you get larger, you deal with challenges.

To improve understandability, HR division explains about the relevant HPWS practice at all employee touch points. Endorsing that the HPWS is easily understood Harini – a project manager at XYZ explained:

Each person understands the practices well and performs accordingly, as everything is already defined. Roles are defined, processes defined, practices defined, it's just a matter of focusing what the customer needs are and then perform accordingly.

Legitimacy of authority was high as the employees expressed high regard on the HPWS as it was driven by the senior management who believed on the importance of people. The management made a conscious effort in communicating with their employees that the organization values high performance and recognizes high performers.

Employees viewed the HPWS as relevant as it supported their individual growth providing them opportunities and exposure. Further, they viewed their line managers enacting HPWS as helping them to achieve their personal goals.

Consistency:The interviewees viewed the HPWS as high in consistency due to the features of instrumentality, validity and consistency of HRM messages.

Management viewed that HPWS has been instrumental in achieving the expected behaviors, which is evident from the outstanding company performance. They explained that sustaining these results is a long-term phenomenon of positive and negative reinforcement. This enables to establish an unambiguous perceived cause- effect relationship about the HPWS's desired behavior and related employee consequences. Gihan- COO of ABC explained:

It's a long-term game. Each time when somebody behaves the way you expect, you recognize and appreciate that and you get more of that behavior. If somebody is not behaving as expected, you must give that feedback. It could be that a person doesn't know or doesn't have the skill. You need to spend some time mentoring and grooming that person. That cycle must continue for a long time.

Employees viewed HPWS as high in validity due to consistency in the walk and talk of HPWS, recognition given to high performance by management and HPWS being successful in achieving the intended performance outcomes.

The HPWS delivered consistent HRM messages in three aspects. First is what the management says the organizations' goals and values are and what the employees conclude based on their perceptions of HPWS. Next, is the consistency among HPWS practices implemented. For example, at the time of employee selection, the competencies of the candidates in relation to other HPWS practices such as teamwork are evaluated. Further, there is fit between HPWS and organizational goals. The third dimension of consistency is stability over time. The management and employees stated that HPWS is successful because it has evolved over time.

Consensus:The respondents stated that there was agreement among the principal decision makers such as the top management and HR executives on what is intended from the HPWS. Further, the respondents viewed the HPWS as fair.

The main aim of management from HPWS is to achieve client expectations at a high productivity with high quality. Gihan- COO of ABC explained:

We take this analogy of a pit-stop. If you take a pit-stop, everything happens in a couple of seconds and there's no manager looking over. Everybody knows exactly what they are supposed to do, and that team is highly energized, motivated, to get that thing done in a split-second. They operate at a high level of precision. That's a great example and that's there in the top of our pursuit of excellence [pointing at the poster on company values displayed in his room]. That's high performance.

HR team too agreed with the top management. Roshan- a HR manager at ABC explained:

From a recruitment aspect, we need to scale up quite fast for projects that are coming in. How soon you can put up a team together, how well you can attract best talent from the industry is the key. Even for training and development...New technologies are out, we need to roll out that to the client in the next two weeks; how do we learn that, train our people, make sure guys are right up there in terms of knowledge to go and perform.

Employees perceived the HPWS as fair. It was evident by certain terminology expressed by the employees during the interviews such as "there are no ad hoc under the hand increments", "no politics" and further explained by Dilani- an associate consultant at ABC:

There's no favouration. You work, you will be credited for that. Nothing more than that. Now, in my team, I've got our CEOs relation. But still, if she doesn't work, I have my freedom to tell her, this is not what I expect, you must redo that. It's very open, very easy, and because of that the team is hardworking and dedicated because they know how easy it is to work here than other companies where our friends work.

The research revealed that in both companies the management and employees perceived their HPWS as strong. As the strength of the HPWS in both case study companies is high, the next task would be to understand whether this fosters the emergence of a strong psychological climate among individuals as proposed by Bowen and Ostroff (2004). The section which follows will discuss this aspect analyzing the attitudinal climate of the employees in the two companies.

Employee Attitudinal Outcomes

Job satisfaction: Employees reflected their job satisfaction through statements such as 'I feel like coming to work every day', 'I'm not going to look back and regret on wasting time', 'It's a good investment of my time, my effort', 'I think I took the right decision' and 'It's a really nice place to work'.

Affective commitment: Employees of both companies displayed high level of commitment towards the organization, as stated by Dilani- an associate consultant at ABC:

The company gives us all these privileges, so it's our gratitude to work for the company. Not just come to work at 8am and leave at 5pm.

Further, the employees were not sticking only to the core job responsibilities. They took individual initiatives to achieve the common goal of the organization.

Perceived organizational support: A high level of perceived organizational support was evident among the employees. They were of the view that the company invests in them for their personal growth in terms of training and development and various opportunities and exposure given. Dilani- an associate consultant from ABC explained,

Every single day I learnt something new. I'm not doing the same thing repeatedly. I was just 23 when I joined and I had a team of 10 who were elder than me. The company taught me everything from leadership skills to time management skills. Now I have about 25 under me which helped me in a very good way to manage a team, be a good leader, mentor and I have many interns as well. So, it's a really nice place to work.

From the responses of employees, what emerged was that a positive attitudinal climate existed. In considering rival explanations, previous research such as exploitation hypothesis (Kroon, Voorde, & Veldhoven, 2009) and critical HR perspective (Ramsay, Scholarios, & Harley, 2000) questioned this sharply as work intensification without having regard for employees resulted in high level of stress and came at the expense of employees. None of the employees interviewed stated that HPWS has a negative impact on them, justifying the mutual gains perspective where both the employee as well as the organization benefits (Mariappanadar & Kramar, 2014) due to HPWS.

However, when we asked from the management as to what sort of an impact do they think HPWS has on employees, they stated that some employees might find it difficult to cope up with the HPWS. Shehara- COO of XYZ explained:

As long as people can cope with the performance expectations, it's good. The down side is when they can't keep up to it, and then it can turn out to be negative.

A possible explanation to this is, in implementing HPWS one important practice is to recruit persons who should be able to meet the performance expectations of the company. If the recruit cannot deliver such performance expectations, through HPWS itself it will be identified, and the company would either attempt to improve the performance of such person or if not, such person will be asked to exit the company. Hence, in a company where HPWS is effectively implemented, the workforce would be high performers with a positive attitudinal climate as those who were interviewed for this research. This is in line with the theories of person- organization fit which discusses the compatibility of the employees and the organization (Kristof- Bowen, Zimmerman, & Johnson, 2005).

Hence, the findings support the proposition that a strong HPWS is related to a positive attitudinal climate among employees.

Perceived Organizational Performance

As the case study companies have strong HPWS resulting in a positive attitudinal climate among the employees, we then interviewed the employees on the perceived organizational performance of the company.

Quality of services: Employees perceived their respective companies as providing high quality services to their clients. High service quality was also evident from the numerous awards won by both companies. Expressing her views on perceived quality of services, Stella- a business analyst at ABC said:

ABC has pushed the limits in terms of what you can achieve. During the last decade, ABC has pushed the boundaries to go global. It's a company which is on top of technology and solutions. We have been innovating for our clients, growing higher than industry rate, growing into different businesses and providing unique solutions to world's best companies. It makes you feel proud that we can deliver such work from Sri Lanka.

Client satisfaction: Employees viewed their client satisfaction as high and that the growing customer base of the company proves this. They also added that it is the positive word of mouth of clients which helped them gain more business. To verify this, at XYZ we were shown certain testimonials from the clients. In ABC, this was evident from the Net Promoter Scores¹ which was high. Further, the client portfolio included clients who have been continuing their relationship with the company for several years. Due to all these reasons, the employees viewed their clients as highly satisfied.

Attraction of employee: Employees of ABC viewed that their company can attract high performers as it provides global exposure. Stella- a business analyst said:

Presently, I'm working on four projects- all leaders in health care, banking and insurance. So, talking with them directly and working... you will never get that exposure from anywhere. The exposure is very high.

¹Net Promoter Score is a measure of customer satisfaction based on the feedback provided by the customers.

Employees of XYZ said that the main reason for employees to join their company is because of the friendly working atmosphere and the informal work culture. They were also of the view that the company can attract the best of the university graduates. Krishen- a senior tech lead said:

To correspond with customers such as software houses we serve, you must get the cream of people... Most of our employees are university first class graduates. So I think the company has been successful in attracting the right set of people.

Retention of employees: Employees perceived their companies as successful in retaining high performing employees. As explained by Krishen- a senior tech lead at XYZ:

Employees hardly leave the company because of a HR issue or a salary issue. I don't think we had resignations like that during the past few years. They may leave the company because of personal reasons such as migration or to run his own enterprise. Other than that, I don't think people would leave the company.

Relations between management and employees: The employees viewed their management as very supportive and placed a high level of trust in management, similar to management placing trust on employees. As explained by Harini- a project manager at XYZ:

In other companies if there's a strict deadline, they force you to meet it. But the major difference I see here is, when we work on a tight schedule, either the CEO, a management representative or a project lead will come and try to help us on those things and then they will ask us not to repeat the same thing; not to work late night, because, you always should maintain work life balance.

Relations among employees: The employees viewed their colleagues as friendly and helpful. Harini- a project manager of XYZ stated:

What I like most about working here is, the people. Even if you are passionate and know how to develop, you can't survive without people interaction. If your co-workers do not support you, then you will not be able to achieve anything. So it's mainly the people factor.

Dilani- an associate consultant from ABC said:

Everyone is very helpful. Thanks to them I learnt a lot. What I learnt from my university is theoretical; but, ABC has really helped me to come to this level.

We found that in both companies, employees viewed the perceived organizational performance as high in all six aspects. As perceived organizational performance is closely related to objective performance outcomes of the company, the findings also explain the high performance of the companies.

Key Findings

The contributions of the present research are of several folds. Firstly, it provides an understanding on the HPWS practices implemented by IT companies. There is only few research carried out considering data from both managerial and non-managerial employees such as that of Caspersz (2006), Liao et al. (2009) and the findings were that there is a significant variance between the intended, practiced and experienced HPWS. In contrast, the present research found congruence between managerial and non- managerial employees regarding the intended HPWS practices and what were implemented and experienced.

The study revealed that both managerial and non-managerial employees perceived that the companies have a strong HPWS resulting in the employees sharing a common perception on management intentions of HPWS. Hence, this study has empirically assessed Bowen and Ostroff's (2004) notion that a strong HRM system promotes shared perceptions and results in a strong organizational climate. The findings of Parker, Baltes, Young, Huff, Altmann, LaCost and Roberts (2003) that such a climate result in emergence of positive employee work attitudes was further strengthened by this study as the findings revealed that the job satisfaction, affective commitment and perceived organizational support among employees were high. Further, the findings revealed that the employees perceived the organizational performance as high.

This explains how the HPWS practices implemented by Sri Lankan IT companies have resulted in high performance shedding some light to the 'black box' of HPWS and organizational performance. As depicted in the theoretical framework, the employees perceived their HPWS as high in strength resulting in a strong attitudinal climate among employees. Such a shared perception on what is intended by the management has given rise to positive work attitudes among employees, resulting in higher organizational performance.

Overall, the study supported the research proposition that for an organization to yield positive outcomes on organizational performance through HPWS, the HPWS of the company should be strong resulting in a positive attitudinal climate among employees.

Implications of the Study

The research findings are of practical significance to managers. The findings reveal that not only is the right bundle of HPWS is required, the process of communicating such HPWS should be strong with the features of distinctiveness, consistency and consensus present.

The research also provides important implications to HR practitioners. Firstly, successful implementation of HPWS cannot be fulfilled by the HR personnel alone. It should be driven by the top management and everyone in the organization has a role to play for its success. Further, when formulating HR policies and practices, those should not be looked in isolation, rather should fit with the organizational context. The findings also demonstrate that it is important that management should consider the relationship between HPWS and employee attitudes. Investing in improving the HPWS strength will have a positive effect on employee attitudes and further pay dividends in relation to organizational performance, as in the case study companies.

Limitations of the Study and Future Research

Despite the findings, the current research also has several limitations. Firstly, the outcomes of this study would be relevant only to IT companies like that of the case study. Further, the current research did not focus on how internal organizational factors and external contextual factors could influence HPWS. As the present study adopted a qualitative approach, future research could be conducted by using mixed methods so that the respondents' perceptions can be compared with objective measures.

Conclusion

The contribution made by HPWS in managing work and people to provide the companies with competitive advantage is immense. However, to do so, both the content of the HPWS

and the process of implementation need to be strong. The content of the HPWS should include HR practices which fit with each other resulting in synergies. Further, the process of implementing such practices needs to be strong where employees should perceive the HRM system as high in distinctiveness, consistency and consensus. This would enable employees to have shared perception on what is intended by the management resulting in a strong climate which would lead towards positive employee attitudes. By doing so, management can realize the intended outcomes of implementing HPWS.

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Appendix 1: Interview Protocol

Thanks for allocating your time to talk to us today. The aim of this interview is to find out how high performance work systems (HPWS) is practiced in your company and to understand how the rest of the organizational factors have contributed to deliver what the management intends to achieve from HPWS.

Well, this interview will approximately take about one hour or so. We just need to check out few things with you before we get started. We know that when we spoke, you agreed to take part in the interview. We just want to know whether you are still ok to take part in the interview.

It is important to know that if you want to stop at any time or you want to take a break you can, and if we ask you a question which you prefer not to answer, please feel free to say “I am sorry, I don’t want to answer that question”. That is perfectly fine. The sole purpose of this interview will be for research purpose only and the identity of the company and the participants will be kept anonymous. Do you have any questions for us before we get started?

Place of interview

Date of Interview

Research Question No. 1- What are the HPWS practices implemented in Sri Lankan IT companies?

1. What are the HPWS practices implemented by this company to increase the performance of the workforce?

Research Question No. 2- How do employees (managerial and non-managerial) perceive and respond to HPWS implemented in Sri Lankan IT companies?

Strength of the HPWS

<u>Meta-Features</u>	<u>Characteristics</u>	<u>Questions</u>
Distinctiveness	Visibility	2. Do you think that the HPWS practices of your company are significant? 3. Do you think that the HPWS practices of your company are readily observable?
	Understandability	4. Do you think that the employees of this company understand the HPWS practices?
	Legitimacy of Authority	5. What level of regard do you think does the HR function hold? 6. How does the management of the company view the workforce?
	Relevance	7. Do you think that these HPWS practices are relevant to achieve the individual goals of employees?
Consistency	Instrumentality	8. Do you think that the HPWS practices of the company result in the expected behaviours?
	Validity	9. Do you think that there is consistency between what HPWS practices are supposed to do and what they actually do?
	Consistent HRM messages	10. What are the goals and values of this organization? 11. Do you think that the HPWS practices of this

		company are consistent with each other? 12. Do you think that the HPWS of your company fit with organizational goals?
Consensus	Agreement among principal HRM senders	13. What is it that the management intends to achieve through company's HPWS?
	Fairness	14. How fair do you think that the HPWS of the company is?

Employee Attitudinal Outcomes

- 15. How satisfied are you with the job?
- 16. To what extent do you think the employees are attached to the organization?
- 17. Do you think that the organization values and cares about your wellbeing? Why do you say so?

Research Question No. 3- What are the implications of HPWS strength for perceived organizational performance in Sri Lankan IT companies?

- 18. How you perceive the strength of the HPWS in your company? Is it strong or weak?
- 19. Do you think that HPWS impact on organizational performance? Why do you say so?
- 20. How would you compare this company's performance over the past three years to that of other organizations that do the same kind of work? What about...
 - 20.1. Quality of products, services?
 - 20.2. Ability to attract essential employees?
 - 20.3. Ability to retain essential employees?
 - 20.4. Satisfaction of clients?
 - 20.5. Relations between management and other employees?
 - 20.6. Relations among employees in general?

Thank you so much for sharing your views with us. Before we wrap up, is there any question you want to ask from us?

Appendix 2: Profile of the Interviewees

Company	Name	Years of Service	Role
ABC	Gihan	19 years	Head of ABC Sri Lanka operations
	Ashan	5 years	HR manager- business unit
	Roshan	3 years	HR manager- recruitment specialist
	Nimesh	12 years	Architect
	Stella	1 year	Business analyst/ growth hacker
	Amala	6 ½ years in the company	Project manager
	Dilani	1 ½ years in the company	Associate consultant in business consulting
XYZ	Shehara	13 years	Head of operations
	Nimali	1 ½ years	Senior HR executive
	Gavin	1 ½ years	Business analyst
	Harini	6 ½ years	Project manager
	Krishen	5 ½ years	Senior tech lead
	Thivanka	1 ½ years	Senior software engineer