Strategic HR Orientation of Companies in India: A Content Analysis Approach

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Abstract

This study used the content analysis approach for analyzing the strategic orientation of companies in India. Recognizing that HRM is no longer an administrative function alone, but assumes strategic importance affecting direction and future potential of any organization, this paper attempted to examine the extent of attention and focus to management of human resources as reflected in the public disclosures by the companies. Using the Economic Times Intelligent Group (ETIG) database of top 500 companies in India, equal numbers of domestic as well as foreign companies identified on the basis of shareholding pattern were analyzed through content analysis of their annual reports. The indicators used to measure the importance included space and coverage to HR issues, future plans and investment related to HR, and communication of HR focus through key HR personnel. These indicators were then linked to dimensions such as administrative activity, employee advocacy and support, change management, competency, strategic development, and employee partnership. The findings highlighted that HR as a strategic asset does not significantly reflect in annual reports of Indian companies. Significant differences were observed in orientation towards HR between domestic and foreign companies operating in India. The results showed no direct linkage between HR orientation as reflected in annual reports with profit after tax, but found a significant relationship with an increase in market capitalization. The study has important implications for HR professionals and strategic leaders in their endeavors to create value.

Keywords : content analysis, strategic HR, annual report, organizational performance

JEL Classification : L00, M1, M5, O15

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Contemporary research on human resource management is more focused on its strategic role in enhancing companies' competitiveness. Many studies have confirmed that HR is the most pivotal asset for any organization that can be instrumental in providing sustainable competencies. The practice of managing human resource is always evolving (Parry, 2011). From an administrative expert to strategic partner continuum, the role and functions of HRM vary. Many research studies confirm that there is a direct / indirect linkage between HRM orientation and practices with the performance of a company.

HRM includes all the strategies, policies, and practices for managing personnel. In times of predominance of mechanist organizations, the aspect used to be disconnected with strategic thinking. In the present dynamic and competitive environment, HRM is considered as one of the most important pillars of strategy formulation and implementation process. On the one hand, an HR manager has pre-assumed stature, yet the disclosure documents of companies do not prominently reflect orientation and focus of HRM, given its critical importance in a company's performance.

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An annual report is one of the important company documents and is expected to reflect the orientation, endeavors, and performance of a company. Many on-going as well as future plans about the company's growth, expansion, diversification, and success find mention therein. Given the strategic importance of HRM to any organization, the present study seeks to analyze the orientation of domestic as well as foreign companies in India towards HRM as reflected through their annual reports.

Literature Review

➪ **HR Capital / HRM as a Strategic Partner/ Asset :** The field of HR Management has evolved in terms of its importance, role, and functions (Bhojanna, Srikanth, & Tiwari, 2013). Many researchers have emphasized the HR manager's role as a strategic partner (Baird & Meshoulam, 1988; Bhojanna, et al., 2013 ; Rao, Vani, & Meesala, 2014 ; Schular & Jackson, 1987) and not merely an administrative expert. However, this distinction is not very clear in practice. Just labeling the HR head as a strategic partner does not ensure his or her contribution towards the company's goals and attainment of sustainable competency. The importance and emphasis on HR needs to be operationalized through managerial decisions and actions. Various researchers have confirmed the link of strategy with HR for successful implementation (Chow, Huang, & Liu, 2008 ; Colbert, 2004 ; Griffith, Jacobs, & Richey, 2006 ; Gunnigle & Moore, 1994 ; Inyang, 2010 ; Leede & Looise, 2005 ; Martell & Caroll, 1995, etc). Baird and Meshoulam (1988), Barney (1992), Schuler and Jackson (1987), Wright and McMahan (1992), Shukla (2014), Ugheoke, Isa, and Noor (2015), and so forth considered HRM as a source of competitive advantage and ,therefore, strategic in nature.

Human resource practices and policies affect the behavior and role of employees (Schuler & Jackson, 1987) and are instrumental in creating and supporting a specific type of culture (Wei, Liu, Zhang, & Chiu, 2008) in any organization for the alignment of HR policies and practices with business strategy, thereby directing the role and efforts of the employees towards the achievement of organizational goals and objectives (Chouhan, 2013). The strategic role of HR was also enforced by Bhatnagar and Sharma (2005) in their work on organizational learning capabilities. Various empirical studies have confirmed that alignment of HR policy & practices with business strategies lead to better financial performance (Martell & Carroll, 1995 ; Wei et al., 2008). Ugheoke et al. (2015) concluded in their study that SHRM is one the key elements that provides competitive advantage to even small firms. Therefore, we can consider SHRM as being well directed actions and endeavors for enhancing and providing a competitive posture in order to translate the HR policies and practices into strategic advantage for creating value (Rao et al., 2014 ; Ulrich, 1997).

➪ **Intellectual Capital (Human Capital and Structural Capital) :** Intellectual capital has always been a challenging issue for accounting professionals as well as corporate leaders. Being one the prominent sources of competitive advantage and value creation (Edvinsson & Malone, 1997 ; Sveiby, 1997; Steward, 1997 ; Usoff, Thibodeau, & Burnaby, 2002), it is worth to be included in the document of disclosure.

Intellectual capital can be defined as non monetary assets or resources with non-physical substances such as innovation, knowledge, research and development, employee training or customer satisfaction, underlying a firm's value creation process (Orens, Aerts, & Lybaert, 2009). There is no single consensus about the definition of intellectual capital, but many accept IFAC's (1998) given definition : Intellectual capital is a non- traditional, intangible asset and its accumulation, transformation, and valuation lie at the heart of knowledge management.

Intellectual capital can be manifested in many forms such as :

➪ Internal structure, external structure, and employee competency (Sveiby, 1997).

➪ Intellectual capital in human resources, intellectual capital in customers, intellectual capital in information technology, intellectual capital in processes, and intellectual capital in property (Firer & Williams , 2003).

↳ Research and development, organizational capital, relational capital, human capital, and social capital (Arvidsson, 2003).

↳ Human capital, relational capital, and structural capital (Abhayawansa & Abeysekera, 2008 ; Bontis, 2002).

↳ Internal capital, external capital, and human capital (Abeysekera, 2008).

Human capital is one the most important elements of intellectual capital that drives value creation for organizations (Chouhan, 2013). Human capital basically includes skills, personalities, abilities, knowledge, and the associated costs of such bundles of resources in any organization. Many studies conceptualized and defined human capital as employee competencies lying in explicit knowledge, skills, value judgment, social network, education, training, employee cost, turnover, and so forth (Abeysekera, 2008 ; Mckelvey, 1983 ; Sveiby, 1997).

↳ **Annual Report - A Strategic Disclosure Document :** An annual report is the major disclosure document for any company and serves as an important input for investors. In the words of Bontis (2002), published annual reports function as an important source of information for many external stakeholders looking to assess an organization's financial health. The annual report is just considered by many as a financial document, where all the information regarding the source and management of funds is given. The scenario is changing now, with users regarding an annual report as a comprehensive document reflecting the overall management of the company as a result of its strategies, policy actions having a direct bearing on not only its financial performance, but other dimensions of corporate performance. The added dimensions perceived by various stakeholders are organizations's future direction and its potential to harness and develop human resources with required competencies for long term sustainable growth and value creation.

Research Objectives

(1) To assess the extent of HRM emphasis in the annual reports of companies operating in India.

(2) To examine the nature of HRM issues covered by companies in their annual reports.

(3) To identify the aspects of differences in HRM emphasis, if any, between the domestic companies and foreign companies operating in India as reflected through their annual reports.

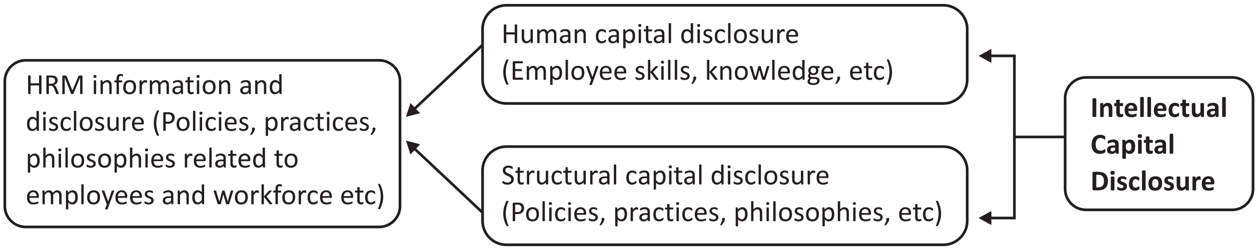
(4) To ascertain linkages between HR orientations as revealed in annual reports with the respective financial and market performances of the companies.

Theoretical Framework and Hypotheses Formulation

There is increasing interest in studies related to intellectual capital covering human capital, relational capital, and structural capital disclosure in annual reports (Abhayawansa & Abeysekera, 2008 ; Abeysekera, 2008 ; Bontis, 2002; Muhammad & Ismail, 2009; Ullah, Uddin, & Khanam, 2014; Ullah & Karim, 2015). The present study used the conceptual framework as shown in the Figure 1 for analyzing the HRM information disclosure. Human capital is defined as employee skills, knowledge and abilities; whereas, structural capital is all about the policies and procedures of the organizations for managing resources.

Various authors have used the content analysis approach for studying the disclosures of intellectual capital and argued for its strategic importance in the wealth creation process (Bontis, 2002; Guthrie, Petty, & Ricceri , 2006). However, literature is limited or silent on the study of specific human capital disclosure and its strategic implications. Sharp departure from conventional thinking on HR emphasis through disclosure is illustrated

Figure 1 . HRM Information Disclosure in Annual Reports



through the opinion that people can no longer be considered as cost on profit & loss statements, but are, in fact, assets to be invested in, developed, and carefully deployed (Bontis, 2002). This implies that companies having more disclosure related to human capital treat their human resources as strategic in nature.

Studies on the contextual differences in terms of intellectual capital disclosure in annual reports (Abeysekera, 2006 ; Abeysekera, 2008; Abhayawansa & Abeysekera, 2008; Bontis, 2002; Sonnier, Carson, & Carson, 2007) pertain to some countries. However, there is a lack of such study with special reference to a developing country like India, where there is no intellectual capital disclosure regulation. Any voluntary disclosure in such a situation by few companies emphasizes the importance given to intellectual/human capital as strategic in nature. Keeping this argument in mind, the following hypotheses have been formulated:

➲ **H01:** There is no significant difference between domestic and foreign companies in terms of importance given to HR information/ issues in their respective annual reports.

➲ **H02:** There is no significant difference between domestic and foreign companies in terms of coverage of the major HR issues in their respective annual reports.

➲ **H03:** There is no significant difference between domestic and foreign companies in terms of orientation towards HR in annual reports.

Some studies also argued for the relationship between financial performance and intellectual capital disclosure in the annual reports (Bontis, 2002; Sonnier et al., 2007). According to Bontis (2002), the amount of information disclosed in an organization's annual report can provide substantial financial benefits to an organization. The relationship between intellectual capital disclosure and profitability of the firm has also been established (Sonnier et al., 2007). Thus, the extent of inclusion of HR information and issues in the annual report should reflect in performance. PAT, being a financial measure, is an outcome of accounting treatment. Therefore, performance in market terms, that is, percentage change in market capitalization which reflects overall performance becomes a viable measure. The differences between market value and book value of companies' assets show the value created by the company through physical, financial, employee-supplier, customer, and those intrinsic to the organization (Boulton, Libert, Samek, & Anderson, 2000). In order to examine the relationship between HR orientation and performance, the following additional hypotheses were framed:

➲ **H04(a):** There is no significant relationship between firms' orientation towards workforce management and percentage change in profit.

➲ **H04(b):** There is no significant relationship between firms' orientation towards workforce and market capitalization.

Table 1. Profile of the Sampled Companies

			Sector		Total *(N)*
			Manufacturing Sector	Service Sector	
Type of company	Foreign	Count	37	14	51
		% within Types of company	72.5%	27.5%	100.0%
	Domestic	Count	49	2	51
		% within Types of company	96.1%	3.9%	100.0%
Total		Count	86	16	102
		% within Types of company	84.3%	15.7%	100.0%
		% of Total	84.3%	15.7%	100.0%

Methodology

In line with the stated objectives, the study attempts to analyze the strategic aspect of companies in terms of emphasis given to HR issues as reflected in their respective annual reports. Content analyses of annual reports was carried out find out the importance given to HR issues and related details. Non probability purposive sampling was used for the selection of the sample. ETIG database (2012) of top 500 companies was explored to draw the sample. On the basis of foreign shareholding patterns, 51 companies were identified as being foreign companies. An equal number of domestic companies from the ETIG database, with ascending order of foreign equity, were considered to make up the total sample size of 102 companies (*N* = 102). The profile of the sample companies is tabulated in the Table 1. The table depicts the sector-wise break-up of the foreign and domestic companies constituting the sample.

The time frame of the study is one year, that is, FY 2012-13. Content analysis of the Annual Reports of the sample companies for the FY 2012-13 was carried out using the following indicators:

(1) HRMD-1 : Word count for HRM issues.

(2) HRMD-2 : Words or speech of senior executives related to HR.

(3) HRMD-3 : Future plans for HR management (HR Strategy).

(4) HRMD-4 : Corporate expressions of beliefs, values, culture, HR investment, etc.

(5) HRMD-5 : Major issues covered .

The above indicators were used to measure the importance given by the companies to HRM issues, and information in their annual reports was used to measure the companies' orientation towards HRM along with five relevant dimensions (Bhatnagar & Sharma, 2005) using a 5- point Likert scale:

(1) Administrative activity (1 Point).

(2) Employee advocate/ welfare activities (2 Points).

(3) Change management/ Personnel management (3 Points).

(4) Business partnership/ competitive advantage based activities (4 Points).

(5) Strategic HRM/ Strategic partnership (5 Points).

For relating a firm's emphasis on HR issues with its performance, both operating performance as indicated by

Table 2. Space Provided to HRM Issues, Words/ Speech of HR Manager, Future Plan/ Strategy for HRM, HR Investment (Cross Tabulation)

			HRMD-1					HRMD-2		HRMD-3			HRMD-4		
			Up to 50 words	50-100 words	100-200 words	Separate section	Total	No	Total	No	Yes	Total	No	Yes	Total
Types of company	Foreign	Count	36	8	0	7	51	51	51	49	2	51	37	14	51
		% within Types of company	70.6%	15.7%	0.0%	13.7%	100.0%	100.0%	100.0%	96.1%	3.9%	100.0%	72.5%	27.5%	100.0%
		% of Total	35.3%	7.8%	0.0%	6.9%	50.0%	50.0%	50.0%	48.0%	2.0%	50.0%	36.3%	13.7%	50.0%
	Domestic	Count	49	0	1	1	51	51	51	51	0	51	45	6	51
		% within Types of company	96.1%	0.0%	2.0%	2.0%	100.0%	100.0%	100.0%	100.0%	0.0%	100.0%	88.2%	11.8%	100.0%
		% of Total	48.0%	0.0%	1.0%	1.0%	50.0%	50.0%	50.0%	50.0%	0.0%	50.0%	44.1%	5.9%	50.0%
Total	Count	85	8	1	8	102	102	102	100	2	102	82	20	102	
		% within Types of company	83.3%	7.8%	1.0%	7.8%	100.0%	100.0%	100.0%	98.0%	2.0%	100.0%	80.4%	19.6%	100.0%
		% of Total	83.3%	7.8%	1.0%	7.8%	100.0%	100.0%	100.0%	98.0%	2.0%	100.0%	80.4%	19.6%	100.0%
Chi Square value-							**15.488**		-			**2.040**			**3.980**
Sig value-							**.001**		-			**.153**			**.046**

change in PAT as well as overall value creation as reflected though change in market capitalization was analyzed. The change in PAT as well as in market capitalization figures during the FY 2012-13 from previous year for the sample companies falling in the ETIG-500 database appears in the Appendix 1.

Analysis and Results

➷ **Importance Given to HRM Issues in Annual Reports :** The importance given to HR issues in terms of coverage, expression of HR manager's views, future plans and strategies for HRM as well as investment in human resources have been analyzed in the Table 2. It is seen that the coverage given to HR issues in a separate section in annual reports is very dismissal in both foreign (13.7%) as well as domestic companies (2%). Majority of the companies surveyed (83.3%) devoted up to 50 words to their HR issues. The annual reports of all the surveyed companies lacked any statement from HR executives. It is also observed that there is no indication of HR strategy or future HR plans in annual reports of domestic companies. Foreign companies are also found lacking in this respect, with only 3.9% of the foreign companies indicating any hint of HR plans or strategy. With respect to the total sample, 98.0% of the companies did not include any information on HR strategy. Majority of the companies surveyed (80.4%) did not provide information on HR investment in their annual reports. Amongst the ones which did provide disclosure included 27.5% foreign companies as compared to only 11.8% domestic companies.

➷ **Coverage of HR Issues in Annual Reports :** The Table 3 reflects the HR related issues covered by respondents in their respective annual reports according to the following groups :

Table 3 . Major Issues Covered in Annual Reports (HRMD-5) (Cross Tabulation)

			HRMD-5					Total
			Group 1	Group 2	Group 3	Group 4	Group 5	
Type of company	Foreign	Count	22	7	7	10	5	51
		% within Types of company	43.1%	13.7%	13.7%	19.6%	9.8%	100.0%
		% of Total	21.6%	6.9%	6.9%	9.8%	4.9%	50.0%
	Domestic	Count	33	7	8	1	2	51
		% within Types of company	64.7%	13.7%	15.7%	2.0%	3.9%	100.0%
		% of Total	32.4%	6.9%	7.8%	1.0%	2.0%	50.0%
Total	Count		55	14	15	11	7	102
	% within Types of company		53.9%	13.7%	14.7%	10.8%	6.9%	100.0%
	% of Total		53.9%	13.7%	14.7%	10.8%	6.9%	100.0%

Table 4. Chi-Square Test Statistic (HRMD-5)

	Value	*Df*	Asymp. Sig. (2-sided)
Pearson Chi-Square	10.916a	4	.028
Likelihood Ratio	12.157	4	.016
Linear-by-Linear Association	7.662	1	.006
N of Valid Cases	102		

a. 2 cells (20.0%) have expected count less than 5. The minimum expected count is 3.50.

Table 5. Firms' Orientation Towards HRM in Annual Reports (Cross tabulation)

			Firms' orientation towards HRM					Total
			Administrative Activity	Employee Advocate	Workforce Management	HRM	Strategic HRM	
Type of company	Foreign	Count	12	20	8	7	4	51
		% within Types of company	23.5%	39.2%	15.7%	13.7%	7.8%	100.0%
		% of 'Total	11.8%	19.6%	7.8%	6.9%	3.9%	50.0%
	Domestic	Count	31	16	3	0	1	51
		% within Types of company	60.8%	31.4%	5.9%	0.0%	2.0%	100.0%
		% of Total	30.4%	15.7%	2.9%	0.0%	1.0%	50.0%
Total	Count		43	36	11	7	5	102
		% within Types of company	42.2%	35.3%	10.8%	6.9%	4.9%	100.0%
		% of Total	42.2%	35.3%	10.8%	6.9%	4.9%	100.0%

Table 6. Chi-Square Tests (Firms' Orientation Towards HRM)

	Value	*Df*	Asymp. Sig. (2-sided)
Pearson Chi-Square	19.913a	4	.001
Likelihood Ratio	23.128	4	.000
Linear-by-Linear Association	17.235	1	.000
N of Valid Cases	102		

a. 4 cells (40.0%) have expected count less than 5. The minimum expected count is 2.50.

- **Group-1 :** HR Expenditure/ employee management/ expenditure/ practices/ cost benefits,
- **Group-2 :** Employee welfare/ talent retention/ workforce management,
- **Group-3 :** Performance management/ appraisal/training/ skills enhancement,
- **Group-4 :** Leadership development/ culture improvement/ team building/ motivation,
- **Group-5** : SHRM/ strategic HR/ partnership/ competitive HRM/ Sustainable.

The Table 3 shows that of the total 102 companies, 53.9% were observed to cover basic issues like cost benefit analysis of employees, HR expenditure, and other administrative processes, and in case of only 6.9% of the companies did the annual reports cover issues related to strategic HR. Only 9.8% of the foreign companies included strategic HR like terminology in their annual documents vis-à-vis 3.9% of the domestic companies.

The Table 4 indicates that there is a significant difference between foreign companies and domestic companies in terms of content related to strategic HR coverage in annual report disclosure based on test statistics of chi-square value = 10.91, Sig value : - 0.028.

Firms' Orientation Towards HRM : Firms' orientation towards HRM was analyzed with ascending scores on Administrative activity (1 Point), Employee advocacy / welfare activities (2 Points), Change management/ Personnel management (3 Points), Business partnership/ competitive advantage based activities (4 Points), and Strategic HRM/ Strategic partnership (5 Points). The Table 5 reveals that only 4.9% of the total surveyed companies considered their human resources as strategic and 42.2% took it just as an administrative process.

Table 7. Descriptive Statistics (Firms' Orientation and Percentage Change in Profit)

	N	Mean	Std. Deviation	Minimum	Maximum
Percentage change in profit after tax	102	9.07	992.718	-4223.70	7542.90
Firms' orientation towards HRM	102	1.97	1.120	1.00	5.00

Table 8. Ranks (Firms' Orientation and Percentage Change in Profit)

Firm's orientation towards HRM		*N*	Mean Rank
Percentage change in profit after tax	Administrative/ Legal Activity	43	47.67
	Employee Advocate/ Welfare	36	48.64
	Workforce/ People management	11	69.18
	Human Resource Management	7	62.29
	Strategic HRM	5	51.00
	Total	102	

Table 9. Test Statistics a,b (Firms' Orientation and Percentage Change in Profit)

	Percentage change in profit after tax
Chi-Square	5.915
Df	4
Asymp. Sig.	.206

a. Kruskal Wallis Test

b. Grouping Variable: Firm's orientation towards HRM

Table 10. ANOVA Test Statistics (HR Orientation and Percentage Change in Market Capitalization)

N	102
F - test Value	0.374
Sig. value	0.033
Df	4

Descriptive

					95% Confidence Interval for Mean			
	N	Mean	Std. Deviation	Std. Error	Lower Bound	Upper Bound	Minimum	Maximum
Administrative/ Legal Activity	43	14.02	51.62	7.87	-1.85	29.91	-83.90	211.10
Employee Advocate/ Welfare	36	10.87	33.14	5.52	-.34	22.08	-83.70	88.60
Workforce/ People management	11	27.02	10.65	3.21	19.86	34.18	8.10	44.70
Human Resource Management	7	18.77	21.75	8.22	-1.35	38.89	.70	62.30
Strategic HRM	5	17.46	29.52	13.20	-19.20	54.12	-19.00	41.20
Total	102	14.80	39.82	3.94	6.98	22.63	-83.90	211.10

Table 11. Summary - Results of Hypotheses Testing

Parameters/ indicators	Hypothesis	Result	Interpretation
Importance given to HR issues	H01(a): There is no significant difference between domestic and foreign companies in terms of space provided to HR issues and information.	Rejected	Difference exists
	H01(b): There is no significant difference between domestic and foreign companies in terms of words/ speech of HR manager given in annual report.	NA	No Difference exists
	H01(c): There is no significant difference between domestic and foreign companies in terms of future plan / strategy for HRM discussed in annual report.	Not Rejected	No Difference exists
	H01(d): There is no significant difference between domestic and foreign companies in terms of disclosure of HR investment in their respective annual report.	Rejected	Difference exists
Coverage of HR issues	H02: There is no significant difference between domestic and foreign companies in terms of coverage of the major HR issues in their respective annual reports.	Rejected	Difference exists
Firm's orientation towards HR	H03: There is no significant difference between domestic and foreign companies in terms of firm's orientation towards HR.	Rejected	Difference exists
Co-relation between organizational performance and firm's orientation	H04(a): There is no significant difference between domestic and foreign companies in terms of percentage change in profit.	Rejected	Difference exists
	H04(b): There is no significant difference between domestic and foreign companies in terms of percentage change in market capitalization.	Rejected	Difference exists
	H05(a): There is no significant relationship between firm's orientation towards workforce management and percentage change in profit.	Not Rejected	No relationship exists
	H05(b): There is no significant relationship between firm's orientatin towards workforce management and percentage change in market capitalization.	Rejected	Relationship exists

Human resource as administrative/ legal activity was considered by 60.8% of the domestic companies vis-a-vis 23.5 % of the foreign companies. Furthermore, it was observed that management of people by 39.2% of the foreign companies was considered as an employee welfare activity ; 15.7% of the foreign companies considered it as management of people and assets as against 31.4% and 5.9%, respectively of domestic companies. HRM as a strategic activity was given importance by only 7.8% of the foreign companies and by 2% of the domestic companies. The test statistics in Table 6 confirm that there exists a significant difference (Chi-square vale 19.91, Sig value 0.001) between foreign and domestic companies in terms of orientation towards HRM. The Table 11 shows the relevant interpretation of the tested hypotheses.

➩ **Relating HR Orientation as per Content Analysis to Organizational Performance :** The relationship between firms' orientation towards HR as reflected through contents in annual reports and its performance as measured in terms of percentage change in PAT as well as percentage change in market capitalization was analyzed. The Table 11 shows that domestic and foreign companies themselves were found to significantly differ in terms of change in profits (U test value 909.00, Sig 0.000) as well as in value creation during the year as measured by change in market capitalization (*T*-test value 0.83, Sig value 0.043) as revealed through Appendix 1 and Appendix 2, respectively.

➩ **Firms' Orientation and Percentage Change in Profit (PAT) :** Keeping the above mentioned K-S value (K-S test value 3.800, Sig value 0.000) in consideration, the Kruskal Wallis test (Non-parametric test) was performed to analyze the relation between percentage change in PAT and firms' orientation towards HRM. Tables 7 - 9 shows that test statistic (H test value 5.915, Sig. value 0.206) supports the null hypothesis indicating no significant relationship between these two variables.

↳ **Firms' HR Orientation and Percentage Change in Market Capitalization :** The percentage change in market capitalization data is found to be normally distributed. One Way ANOVA (Parametric test) with test statistics (F test value 0.364, Sig. value 0.033) in the Table 10 does not support the null hypothesis, implying that the firms' HR orientation and percentage change in market capitalization has a significant relationship. The interpretation of the tested related hypotheses appears in the Table 11.

↳ **Summary and Interpretation of Hypotheses Testing :** The overall results of data analysis and hypotheses testing are summarized in the Table 11, which depicts that differences exist between foreign and domestic companies in terms of importance (null hypotheses 1a to 1d) and coverage of HR issues (null hypothesis 2) in annual reports. Furthermore, the null hypothesis has been rejected in case of relationship between market capitalization and firms' orientation towards HRM (null hypothesis 5b), implying a significant relation between the two. However, the null hypothesis has been accepted in case of association between firms' orientation towards HRM and profit after tax (Null Hypothesis 5a).

Findings and Discussion

It is observed that the information regarding HR issues in annual reports, as revealed in this study, is extremely dismal, particularly in domestic companies. It is rare that one comes across words, expressions, or statements about HR issues, views , future plans, investments and strategies for HRM in annual reports of foreign as well as domestic companies ; though the foreign companies scored better w.r.t their domestic counterparts in this respect.

As far as the coverage of issues is considered, the same is limited to coverage of costs, benefits, HR-related expenditure, and that too, by only half of the sample companies. The coverage of strategic issues in annual reports was extremely low. There is a significant difference between foreign and domestic companies operating in India with regard to the coverage of strategic issues and contents in their annual reports, with foreign companies showing better statistics.

Within the confines of very little content related to HR importance and coverage in annual reports, the HR orientation of the companies was predominately in terms of looking at HR as an administrative activity. The content analysis in this study reflects that consideration of HR as 'strategic' was only by a small fraction of the companies. The foreign and domestic companies significantly differed in their orientation towards HR with annual reports of foreign companies reflecting higher orientation towards strategic HR.

The relationship between HR orientation and organizational performance reveals that HR orientation somehow does not reflect in terms of profit for the year, but there is significant relationship between HR orientation and value creation in terms of increase in market capitalization during the year.

Thus, it is clear that HR, as a long-term strategic and predominant resource, its recognition in terms of importance and contribution somehow does not find its due reflection in the annual reports explicitly, even though it drives organizational performance. The relationship between HR orientation as reflected in the annual reports and value creation supports the theory that organizations which regarded HR as a critical resource and prerequisite for success were able to create value in market terms. When viewed in the context of HR manager being a strategic partner of the company (Barney, 1995; Bhatnagar & Sharma, 2005), the low importance given to HRM as revealed through the content analysis surely does not speak about the role, status, and recognition given by companies to HR practices. Investment in HR cannot be purely looked from a financial perspective. Efforts in terms of time, attention, guidance, cost of errors, attrition, and resulting outcomes may not be measurable, which possibly explain for very little disclosure of investment in HR in annual reports.

Various studies support the inclusion of human capital in annual reports (Ullah et al., 2014; Ullah & Karim, 2015). Bharadwaj (2000) stated that firms' most valuable and important resources are its intellectual capital or intangible assets. Tangible assets can be easily imitated or acquired in the open market. Therefore, by definition, they cannot be a strategic asset or advantage creating resources". The present study supports the view that intellectual capital disclosure leads to better organizational performance (Sonnier et al., 2007). The difference between book value and market value of the firm can be attributed to value dynamics of assets being looked as more than physical or financial so as to include all intangible and organizational resources primarily emanating from HR perspective and driving performance.

The findings of the study support the previous literature that strategic HR leads to better organizational performance (Martell & Caroll, 1995; Lawler III & Mohrman; 2003; Wei, 2006; Wei et al., 2008). The study, at the same time, is in consonance with the findings of several research studies conducted across various industries, which confirmed economic returns through strategic HR, although actual management practices are moving in opposite directions (Hassan, Hagen, & Daigs, 2006 ; Wang & Khilji, 2006).

Our results are consistent with Singhvi and Desai (1971), Wallace (1987), Wallace and Naser, (1995); Inchausti (1997); Owusu-Ansah (1998), Abeysekera (2006), Abeysekera (2008), Bontis (2002), Sonnier et al. (2007), indicating the significant relationship between HRM disclosure/emphasis with performance of a company. Although, contradictions are found in certain research studies,William (2001) argued that as firms improve their performance, they reduce their voluntary disclosure of intellectual capital. Certain researchers also opined that HR is out of the realm of annual report disclosure practices, as being strategic assets, the companies are supposed to hide HRM policies from competitors, and so forth.

Managerial Implications

This study has both theoretical as well as practical implications. It provides credence that HR disclosures not only reflect management endeavors in consideration of HRM as strategic but also as a key facilitating force in value creation. Indicators used in present study may be use to develop scale and parameters for increasing voluntary disclosure of HR information. The study has important implications for company leaders as well as strategists to approach HR from integrated perspective. The HR emphasis reflected in annual reports would help decision makers to assess the value creation potential of the company.

Conclusion

Study concludes that aspects of strategic HR are not being adequately reflected in annual reports of companies operating in India. The content analysis reveals that foreign companies operating in India were found to be better oriented towards HR as compared to their domestic counterparts. Further, positive relationship exists between firm's HR orientation and value creation by companies. The study confirms that strategic orientation towards workforce management contributes in creating value in market terms and not essentially towards profits. Therefore, aligning HR policies with company's strategy and its explicit communication through disclosures reflects management philosophy of governance and its endeavors towards value creation.

Limitations of the Study and Scope for Further Research

Even though the study provides significant insights about the contribution of Strategic HRM in value creation as revealed by content analysis and offers support that disclosure practices reflect management philosophy embedded in HRM policies and practices, it has certain limitations as well. Analyzing the impact of extraneous variables like company size, experience; sector (Service/ non service) and industry etc may lead to more insightful findings. However, longitudinal studies (time consequences) using content analysis are expected to show more pronounced results. Future studies on the alignment of HR practices with strategic posture of the company through important corporate communication instrument such as annual report would definitely enhance and explore the new dimensions of strategic HR driving value creation.

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Appendices

Appendix 1. Domestic and Foreign Companies : % Change in Profits

Mann-Whitney U	909.000
Wilcoxon W	2235.000
Z	-2.620
Asymp. Sig. (2-tailed)	.009
Kolmogorov - Smriow Z	3.800
Asymp. Sig. (2-tailed)	.000
a. Grouping Variable: Types of company	

Appendix 2. Domestic and Foreign Companies : % Change in Market Capitalization

Test of normality	K-S Value	1.136		
	Sig. Value	.151		
Levene's Test for Equality of Variances	F	7.230		
	Sig	.008		
Percentage change in market capitalisation		***t*-test for Equality of Means**		
		T	***Df***	**Sig. (2-tailed)**
Foreign N=51	Equal variances assumed	.083	100	.047
Domestic N=51	Equal variances not assumed	.083	74.8	.048