

## **HRM Practices, Knowledge Sharing, Innovation Capability And Firm Performance in Hospitals**

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**Abstract:** *The purpose of this paper is to examine the relationship among the HRM Practices, Knowledge sharing , Innovation Capability and Firm Performance. For this study, a sample of 225 nurses was drawn from the population of 750 nurses using a structured questionnaire from four Leading hospitals in Tiruchirapalli district. The results of Partial Least Square Path Modelling (PLS-PM) have shown that Out of the five HRM practices, Four HRM practices viz., Recruitment and Selection, Compensation and Reward, Team Work and Training and Development are found to be significant predictors of Knowledge sharing behavior and Knowledge sharing behavior of Nurses plays a vital role in predicting the Innovation Capability of Hospitals. And also Innovation Capability is found to be significant predictor of Firm Performance.*

**Keywords:** *Firm Performance, HRM Practices, Innovation Capability, Knowledge Sharing Behavior, and Partial Least Square – Path Modeling (PLS-PM)*

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### **I. Introduction**

It is well recognized that human resources are critical inputs in the production process. Organizations manage human resources through establishing human resource (HR) departments in a functional organizational structure, even though the role of HR is not limited to just the HR department itself. In a growing global economy managing knowledge effectively has become a source of competitive advantage. Companies are adopting integrated approaches to identify, manage, share and capitalize on the know-how, experience and intellectual capital of employees. During the past decade, many companies invested heavily in electronic knowledge management systems hoping to increase their ability to manage the vast array of knowledge hidden within the many nooks and crannies of organizational life. However, experienced users of electronic knowledge management systems now realize that managing knowledge is a much more complicated process. It's an open secret that today's business organizations greatly depend upon maximizing resources, eliminating redundancy and automating process to meet the business goals. Further it's also clear that Knowledge Sharing has become as essential part of Knowledge Management. The effective use of knowledge is a key ingredient in all successful organizations, no matter what business they are doing, what services they may provide. While knowledge management must focus on supporting the sharing of knowledge between individuals, this can't be done in isolation. Instead knowledge management projects must recognize the importance of providing effective platforms for this dissemination of knowledge.

Knowledge sharing creates opportunities to maximize organization ability to meet those needs and generates solutions and efficiencies that provide a business with a competitive advantage (Reid, 2003). Knowledge sharing can define as a social interaction culture, involving the exchange of employee knowledge, experiences, and skills through the whole department or organization. Moreover, knowledge sharing occurs at the individual and organizational levels. For individual employees, knowledge sharing is talking to colleagues to help them get something done better, more quickly, or more efficiently. For an organization, knowledge sharing is capturing, organizing, reusing, and transferring experience-based knowledge that resides within the organization and making that knowledge available to others in the business. A number of studies have demonstrated that knowledge sharing is essential because it enables organizations to enhance its innovation capability and reduce redundant learning efforts (Calantone *et al.*, 2002; Scarbrough, 2003).

An organization can successfully promote a knowledge sharing culture not only by directly incorporating knowledge in its business strategy, but also by changing employee attitudes and behaviors to promote willing and consistent knowledge sharing (Connelly and Kelloway, 2003; Lin and Lee, 2004). Moreover, various studies focused on the relationship between knowledge sharing enablers and processes (Van den Hooff and Van Weenen, 2004a; Van den Hooff and VanWeenen, 2004b; Bock *et al.*, 2005; Yehet *al.*, 2006), while others have focused on the relationship between knowledge sharing enablers and innovation capability (Calantone *et al.*, 2002; Syed-Ikhsan and Rowland, 2004). Many companies seek to develop their innovation capability in order to attain innovative outputs, increase their profits and achieve higher performance.

However, only few researchers and practitioners have tried an integrative model that explores the effectiveness of knowledge sharing from a holistic perspective, and little empirical research has examined the relationships among knowledge sharing enablers, processes, innovation capability and Firm Performance. To fill

this gap, this study develops a research model that links knowledge sharing enablers, innovation capability and Firm Performance.

### **Need of the Study**

Chee-Yang Fong, Keng-Boon Ooi under took a study titled “HRM practices and knowledge sharing: an empirical study”. In his study, the authors investigated the association between human resource management (HRM) practices and knowledge sharing. (Darroch and McNaughton, 2002) says that a firm that promotes employees to contribute knowledge within groups and organizations is likely to generate new ideas and develop new business opportunities, thus facilitating innovation activities. Moreover, various studies focused on the relationship between knowledge sharing enablers and processes (Van den Hooff and Van Weenen, 2004a; Van den Hooff and Van Weenen, 2004b; Bock et al., 2005; Yeh et al., 2006), while others have focused on the relationship between knowledge sharing enablers and innovation performance (Calantone et al., 2002; Syed-Ikhsan and Rowland, 2004).

From the literature review, it is observed that the concept of ‘Innovation capability’ and ‘Firm Performance’ has been less explored in the field. So, an attempt has been made to gain deeper understanding on the significance of Innovation Capability in the Firm Performance and how the same is being influenced by Knowledge sharing of employees by the Human Resource Management practices followed by the Hospitals.

### **Research Objectives**

- To examine the influence of HRM Practices on Knowledge Sharing of Employees in Hospitals.
- To measure the impact of knowledge sharing practices on Hospital Innovation capability.
- To examine the impact of Innovation Capability on the Firm Performance
- To test and validate the proposed research model

## **II. Review of Literature**

### **Recruitment and Selection**

In organizations, recruitment and selection are two activities of the staffing function of HRM carried out to acquire the right quantity and quality of employees. The recruiting firm generally will try to match the knowledge, skills and attitudes (KSAs) of the candidate, to the specifications and requirements of the job or position (Chatman, 1991). The recruiter will communicate to the potential candidates the job description and job specification of the position offered to attract applications from qualified candidates. In addition, recruiters will ensure that there is person-organization (P-O) fit between the candidate and the firm, where the value, beliefs and characteristics of the candidate are in line with the organizational environment and culture of the firm (Chatman, 1991). Once the new employee’s P-O fit is consistent with the new working relationship and environment, high individual and team work performance is expected which, in turn, will lead to better overall firm performance (Goodman and Svyantek, 1999). The closer the P-O fit, the quicker it is for the new staff to blend well with the new working environment, thus encouraging the interchange of knowledge among old and new members of a company (Chatman, 1991), which increases a firm’s competitive edge. In an organization that treasures knowledge sharing, P-O fit is significant because the original value and characteristics of the new recruit should embrace knowledge sharing too, in order to strengthen the dominant culture of knowledge sharing focused in the firm. A case study by Currie and Kerrin (2003) shows the consequence of an inaccurate selection process in enhancing the complexity of sharing knowledge among staff from different functional units. Since selection of the right candidate, who has the common perception of knowledge sharing, is of high priority, the recruitment methods deployed should enable the firm to attract those with knowledge sharing inclination, e.g. recruitment process will look for positive and outward looking employees who are willing to contribute to the collective goals of the organization. The selection methods, tools and testing methods used during the selection process, e.g. interview, background check, etc. should be carefully designed to ensure validity and reliability in selecting the pro-knowledge sharing employee. In this regard, recruitment and selection are anticipated to be associated with knowledge sharing.

### **Compensation and Reward**

According to motivation theories (Robbins and DeCenzo, 2008), compensation and reward reinforce the motivation for improved individual performance by employees. Employees are expected to repeat positive behavior in anticipation of rewards and recognition given by the firm. Thus, firms use compensation and rewards as the tools to elicit, enhance and maintain the desired knowledge sharing behavior of employees. From the compensation and reward programs implemented by firms, it is found that compensation and incentives are important practices in relation to knowledge sharing (Zarraga and Bonache, 2003). With the right reward system installed, employees within a firm will be prompted to share knowledge with one another (Ooi et al., 2009). Unfortunately, fewer firms have done a good job in administering an appropriate compensation system for

employees, to produce favorable organizational behaviors. Indeed, most compensation systems installed in firms focus on individual performance. There are some studies showing that individuals' reward could restrain the sharing of information among the company staff, reducing the occurrence of knowledge transfer in the organization (Quinn et al., 1996). This diverts the focus of employees from collective or organizational performance as a whole, causing strong conflict between these narrow focused practices and knowledge sharing programs on communication, collaboration and innovation. Employees are reluctant to share knowledge and "silos of knowledge" are formed (Goh, 2002), where employees keep their knowledge as a weapon to compete with peers in term of work performance. Clearly, this phenomenon works against knowledge sharing practices in a firm. The company should rather establish a different form of compensation system, which focuses on group-based compensation, in order to stimulate knowledge exchange and sharing within group members in an organization (Yahya and Goh, 2002).

### **Performance Appraisal**

Performance appraisal (PA) is defined as a formal system of review and evaluation of individual or team task performance (Mondy, 2010). An effective appraisal system evaluates accomplishments of work performance and the information gathered can be used for recruitment, training and development, compensation and internal employee relations (Mondy, 2010). Konovsky and Cropanzano (1991) have shown that when the employees in a company perceived that the performance appraisal is fair and just, the employees would have a positive perspective of the firm, and this would increase their commitment towards the firm. Jaw and Liu (2003) proposed that it is essential for firms to make known the results of the performance appraisal to the employees, and consequently enforce remedial actions for the underperforming employees. Thus, a performance appraisal system can serve as a positive pressure in stirring on employees to thrive for better performance, through greater knowledge sharing among themselves. Hence, it is important to study the effect of performance appraisal on knowledge sharing behavior.

### **Teamwork**

As defined by Katzenbach and Smith (1993), a team comprises a small assembly of people, possessing different skills that complement one another, to attain a common goal in which the members hold themselves responsible. Teamwork occurs when group members work together closely to accomplish a purpose. As knowledge sharing is about communicating information and ideas from one employee to another, sharing of knowledge can be encouraged through forming working teams in organizations. Furthermore, it was elaborated by Lim and Klein (2006) that cohesive teams consist of members with similar norms, representing ideas or beliefs about how members are expected to behave. In the context of knowledge sharing, cohesive teams with knowledge sharing value will consider knowledge sharing as a "code of conduct" of the team. This self-regulated behavior in the team enables the team members to share their knowledge with one another willingly. For sharing of knowledge to happen within a firm, according to Goh (2002), the firm's working environment should comprise team members who are cooperative. Hence, it is essential for a firm to create and nurture an environment for sharing of knowledge to occur (Zarraga and Bonache, 2003). The researchers are confident that teamwork can be established through HRM practices which create an environment that encourages behaviors leading to trust and overtime, enhances knowledge sharing in the organization.

### **Training and Development**

According to Noe et al. (2008), training is described as a planned effort designed by the organization in assisting its employees in the learning process of job related competencies, such as knowledge, skills, or behaviors that are vital for the success of individual's job performances. Whereas development refers to formal education, job experiences enhancement, assessment of personality and abilities that help employees prepare for the future (Noe et al., 2008). Training is important in the context of knowledge sharing as employees have an opportunity to exchange information and ideas during formal training sessions or informal interactions between two or more individuals (Ipe, 2003). Apart from formal training, informal training and learning is equally important in knowledge sharing, as described by Ramirez and Li (2009) that "external learning take place when employees communicate with supply chain". Knowledge transfer could also occur via supplier when employees undergo training to use a new piece of equipment. The employees in turn will teach the customers, this is another example of teaching and knowledge sharing (Ramirez and Li, 2009). The bottom line is that training can help to overcome some constraints in knowledge sharing, such as learner's lack of motivation, low absorption capacity and integration capability (Rhodes et al., 2008).

### **Knowledge Sharing Behavior**

It is an activity through which knowledge (i.e., information, skills, or expertise) is exchanged among people, friends, families, communities (e.g., Wikipedia), or organizations. Organizations have recognized that

knowledge constitutes a valuable intangible asset for creating and sustaining competitive advantages. Knowledge sharing activities are generally supported by knowledge management systems. However, technology constitutes only one of the many factors that affect the sharing of knowledge in organizations, such as organizational culture, trust, and incentives. The sharing of knowledge constitutes a major challenge in the field of knowledge management because some employees tend to resist sharing their knowledge with the rest of the organization. Broadly, sharing is the process where a resource is given by a source to a recipient.

### **Innovation Capability**

According to Schumpeter (1930), innovation is a new combination for the purpose and methods. Innovation will produce new qualitative product or process significantly different from the old. More literatures have shown a great interest in KS research within firms. One of the most important reasons may be that some kinds of close relationship exist between knowledge sharing and innovation (Song, Fan and Chen 2008). Firms must be innovative in order to produce valuable products by using the relevant resources and keep competitiveness. As noted by Jantunen (2005), a positive knowledge sharing culture helps firms improve innovation capability.

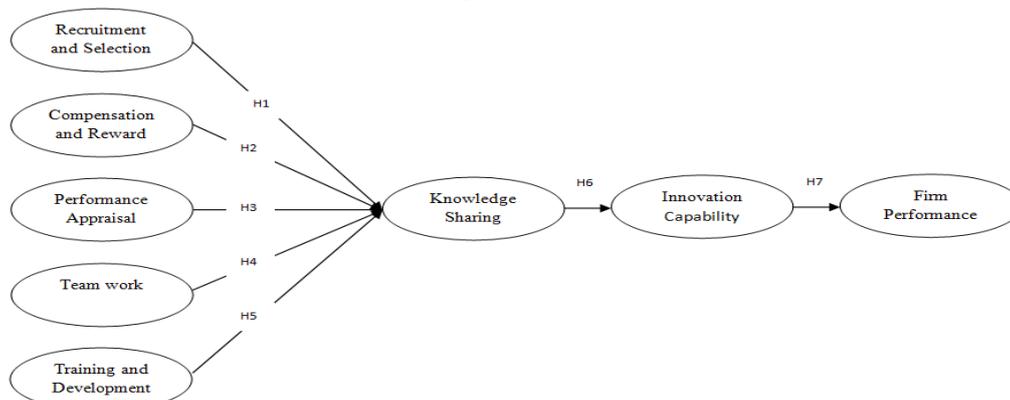
### **Firm Performance**

Innovation is the most important factor that decisively affects the nature or outcome of an organization's performance. Calantone et al. (2002) stressed that organizations need to have a robust learning orientation in order to acquire competitive advantage. The authors divided learning orientation into four components: "commitment to learning, shared vision, open-mindedness, and intra organizational knowledge sharing". They found that the overall learning orientation affects firm innovativeness, which in turn affects firm performance. They also found that the firm's innovativeness can be measured through the degree of innovation adoption by the company, and on the ability and willingness to change, which is positively associated with performance (Calantone et al., 2002). Keskin (2006) demonstrated the affect of market orientation on firm innovativeness through learning orientation; this finding shows that creating customer information and knowledge, evolving and then achieving a marketing plan and being willing to challenge assumptions and values have a positive effect on firm innovativeness. Furthermore, a firm's innovativeness refers to the willingness to practice new ideas and concepts, explore new approaches and methods, to creativity in the operations procedures, and the rate of introducing products; these all affect positively a firm's performance. Jiménez-Jiménez and Sanz-Valle (2011) studied organizational learning, which is considered as a foundation of obtaining sustainable competitive advantage and an essential factor in improving organization performance. The authors found that organizational learning has a positive effect on organization performance. Bowen et al. (2010) examined the link between organizational innovation and performance, and found that there is a positive correlation between the two.

### **Research Model**

- H1.** Recruitment and selection has significant positive association with knowledge sharing.
- H2.** Compensation and reward has significant positive association with knowledge sharing.
- H3.** Performance appraisal has significant positive association with knowledge sharing.
- H4.** Teamwork has significant positive association with knowledge sharing.
- H5.** Training and development has significant positive association with knowledge sharing.
- H6:** Knowledge Sharing has a significant positive association with Innovation Capability.
- H7:** Innovation Capability has a significant positive association with Firm Performance

**Figure 1.** Proposed Research Model



### III. Research Methodology

This basically is an empirical study and as the name suggests it relies on experience or observation alone, and it can even be without due regard for system and theory (Kothari, 2004). This is basically a data-based research, which can give conclusions based on observation. As far as the approach is concerned, it is both qualitative as well as quantitative in nature. Literature pertaining to HRM practices, Knowledge sharing behaviour, Innovation Capability and Firm Performance have been studied to understand the relevance of each one of them, and also, to study their antecedents and consequences of the same and used in the formulation of the working hypothesis.

#### Respondents

The respondents are nurses who are working in four private hospitals in a particular district of Tamil Nadu. The workforce comprises over 750 professional Nurses who render services to patients in the respective hospitals. The sample size of the study is 225 nuses. Simple random sampling was adopted. The reliability and convergent validity of the instrument have been verified. To attain desired sample size, the metric in the form of a self-administered questionnaire with 5-point Likert scale was distributed to 300 nurses and 225 questionnaires were returned back and finally, the complete responses of 225 nurses were taken as samples for this study.

#### Questionnaire

The questionnaire consists of two parts namely Part I and Part II. The part I contained 7 questions on Demographic factors of users such as Gender, Age, Marital Status, and Educational qualifications, Designation, Department and Experience. Part- II consists of the conceptual factors such as Recruitment and Selection with 5 questions, Compensation and Reward with 4 questions, Performance Appraisal with 3 questions, Team Work with 2 questions, Training and Development with 2 questions, Knowledge Sharing with 7 questions ,Innovation Capability with 6 questions and Firm Performance with 16 questions. The scaling values are 1- Strongly Agree; 2- Agree; 3- Neutral; 4- Disagree; 5- Strongly Disagree.

#### Sample Characteristics

Out of 225 respondents, 78 percent of the employees were Females. 38 percent of the employees were between the age group of 21-30 years. 57 percent of the employees were married. 44 percent of employees were diploma holders. About 53 percent of employees were in cadre of Executive or Staff Employees. 34 percent of Employees were working in Both Clinical and Technical department. About 72 percent of Employees were drawing a monthly salary ranging from 10000 to 20000.

### IV. Data Analysis

#### Reliability and Validity

The study has employed ‘Cronbach alpha coefficient’ for assessing the reliability of the scale. According to Nunnally (1978), Cronbach alpha level of 0.60 or above is considered to be acceptable for construct. Also, Convergent validity of all the constructs was examined using the measure of Average Variance Extracted (AVE) that is the average variance shared between a construct and its items (Fornell & Larcker, 1981). Chin et al 1999 & 2003 indicated that a construct with an AVE of over 0.5 is expected to have adequate convergent validity.

**Table 1. Reliability and Validity**

Dimensions	No. of items	Cronbach's Alpha value	AVE value
Recruitment and selection	5	0.77	0.50
Compensation and Reward	4	0.85	0.69
Performance Appraisal	3	0.90	0.84
Team Work	2	0.63	0.66
Training and Development	2	0.94	0.94
Knowledge Sharing	7	0.67	0.62
Innovation Capability	6	0.80	0.56
Firm Performance	16	0.91	0.44
<b>Total Items</b>	<b>45</b>		

Table 1 presents that all the constructs namely Recruitment and Selection, Compensation and Reward, Performance Appraisal, Team Work, Training and Development, Knowledge Sharing behavior, Innovation Capability and Firm Performance exhibit adequate reliability with internal consistency values of 0.77, 0.85, 0.90, 0.63, 0.94, 0.67, 0.80, 0.91 respectively which is greater than recommended alpha value of 0.60. Also, The AVE of each of construct was over 0.40 which satisfies the standard values.

**Model Validation**

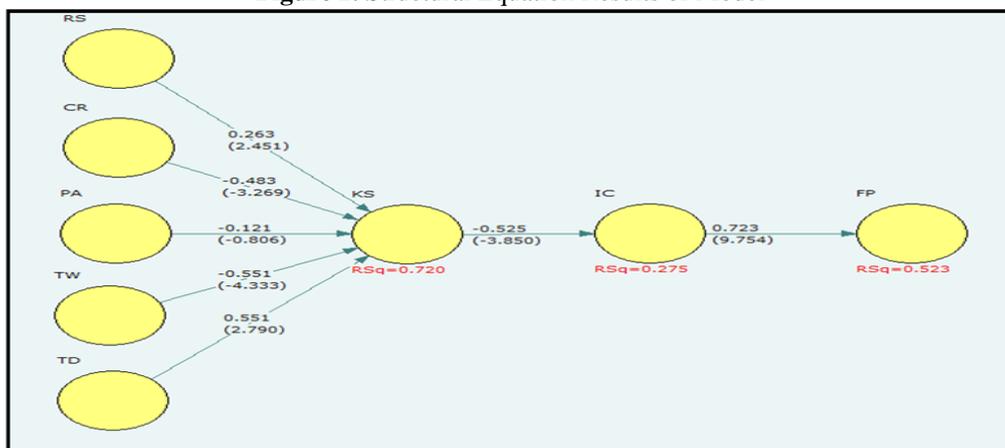
In order to test the proposed Hypothesis, this study employed a construct level Correlation analysis as an initial verification. Visual PLS is used to compute the constructs scores. Using these constructs scores as a base, the study explored the relationship between the variables using SPSS package 21.0. The construct correlation has been presented in the table 2.

**Table 2.** Construct Level Correlation of Model

Hypothesis	Independent variables	Dependent Variables	Pearson's Correlation	Significance level at 1 %
H1	Recruitment and Selection	Knowledge sharing	-0.163	0.000
H2	Compensation and Reward		0.047	0.000
H3	Performance Appraisal		-0.154	0.000
H4	Team Work		0.354	0.000
H5	Training and Development		0.266	0.000
H6	Knowledge Sharing Behavior	Innovation Capability	-0.074	0.000
H7	Innovation Capability	Firm Performance	0.177	0.000

The correlation table indicates that there exists a positive relationship between HRM practices and Knowledge sharing except Recruitment and Selection and Performance Appraisal which is negatively correlated to Knowledge Sharing with the R value of -0.163 and -0.154. And also there found to be negative correlation between Knowledge sharing and Innovation capability with R value of -0.074. And there found that Innovation Capability positively correlated with Firm Performance with R value of 0.177. Staples et al (1998) indicated that through the bivariate correlation are significant between the construct, it is still required to assess the path coefficient in the structural model as a causal effect. (Efron 1979, Efron and Gond, 1983) expressed that in order to ensure that path coefficients are statistically significant, this study has employed a bootstrap and jack knife re-sampling procedures to estimate standard errors for calculating values using visual PLS. The results are examined and the t-statistic value at the 0.05 level is 1.96. If the t-statistic value is greater than 1.96, the path is considered to be significant.

**Figure 2.** Structural Equation Results of Model



**Table 3:** Bootstrap Summary of Model and Hypothesis Result

Hypothesis	Entire sample estimate	Mean of sub sample	Standard error	t-Statistic	R square value	Result
H1	0.263	0.2185	0.1073	<b>2.4514</b>	<b>0.72</b>	<b>Significant</b>
H2	-0.483	-0.4507	0.1477	<b>-3.2693</b>		<b>Significant</b>
H3	-0.121	-0.172	0.1501	-0.8061		Insignificant
H4	-0.551	-0.5473	0.1272	<b>-4.3331</b>		<b>Significant</b>
H5	0.551	0.46	0.1975	<b>2.7901</b>		<b>Significant</b>
H6	-0.525	-0.5256	0.1364	<b>-3.8503</b>	<b>0.275</b>	<b>Significant</b>
H7	0.723	0.7342	0.0741	<b>9.7539</b>	<b>0.523</b>	<b>Significant</b>

As presented in figure 2 and table 3 ,the path linking Recruitment and Selection to Knowledge Sharing was found to be Significant at 0.05 level (beta= 0.263, t= -2.4514), indicating Recruitment and Selection has significant effect on knowledge sharing. This provided support for H1.

The path linking Compensation and Reward to Knowledge Sharing was significant at 0.05 level (beta=-0.483, t= -3.2693), indicating Compensation and Reward has a significant effect on knowledge sharing. This provided support for H2.

The path linking Performance Appraisal to Knowledge Sharing was found to be Insignificant at 0.05 level (beta=-0.121, t= -0.8061), indicating Performance Appraisal has no significant effect on knowledge sharing. This provided no support for H3.

The path linking Team Work to Knowledge Sharing was found to be significant at 0.05 level (beta=-0.551, t= -4.3331), indicating Team Work has a significant effect on knowledge sharing. This provided support for H4.

The path linking Training and Development to Knowledge Sharing was found to be significant at 0.05 level (beta= 0.551, t= 2.7901), indicating Training and Development has significant effect on knowledge sharing. This provided support for H5.

The path linking Knowledge Sharing to Innovation Capability was significant at 0.05 level (beta=-0.525, t= -3.8503), indicating Knowledge Sharing has significant effect on Innovation Capability. This provides support for H6.

The path linking Innovation Capability to Firm Performance was found to be significant at 0.05 level (beta=0.723, t=9.7539), indicating Innovation Capability has significant effect on Firm Performance. This provides support for H7

Collectively, HRM practices explained about **72 percent** of the variance in the knowledge sharing of employees, the Knowledge Sharing explained about **27 percent** of the variance in Innovation Capability and In addition, the Innovation Capability explained a variation of **52 percent** in Firm Performance.

## V. Discussion

### Knowledge Sharing Behavior

It is theorized that Knowledge Sharing are to be predicted by HRM Practices viz., Recruitment and Selection, Compensation and Reward, Performance Appraisal, Team Work and Training and Development. In other words, it can be understood that HRM practices adopted by the organization significantly predicts Knowledge sharing of employees.

The overall results of the structural model analysis revealed that Four out of five HRM practices (Recruitment and Selection, Compensation and Reward, Team work and Training and Development) acted as significant predictors in Knowledge sharing behavior among employees (with the exception of Performance Appraisal). From the analysis, it is revealed that Recruitment and Selection had a significant effect on Knowledge sharing. This finding is consistent with the findings of Cabrera and Cabrera (2005). It implies that the right selection of employees with adequate qualifications and traits will enable the organization in developing the effective knowledge base and in promoting sound knowledge sharing culture among employees.

From the results, it was determined that Compensation and Reward had a significant effect on Knowledge sharing. This finding is in consistency with the findings of Lin (2007b). It reveals that the compensation and reward policy adopted by organization creates considerable value to the employees. And it is realized that there is enough organizational support for knowledge sharing.

From the above analysis, it is known to that Team work had a significant effect on Knowledge Sharing. This finding is in consistency with the findings of Katzenbach and Smith (1993), that the team comprises a small assembly of people, possessing different skills that complement one another, to attain a common goal in which the members hold themselves responsible. Hence, it is essential for a firm to create and nurture an environment for sharing of knowledge.

From the analysis, it is known to that Training and Development had a significant effect on Knowledge Sharing. This finding is in consistency with the findings of (Ipe, 2003), that training is important in the context of knowledge sharing as employees have an opportunity to exchange information and ideas during formal training sessions or informal interactions between two or more individuals. On other hand, Performance Appraisal did not have impact on Knowledge sharing. This is not in line with the results of Jaw and Liu (2003). It is evident that performance appraisal followed by the firm does not create a platform for employees to capture and share knowledge. The results also show that there is a need for effective performance appraisal system in the firm for knowledge exchange and sharing among the employees.

### Innovation Capability

In this study, it is hypothesized that Innovation Capability of an organization is to be determined by Knowledge Sharing of employees. It implies that Knowledge sharing is the significant predictor of Innovation capability. From the analysis, it is found that Knowledge sharing had a significant effect on Innovation capability. This finding coincides with the findings of Calantone et al., (2002) and Scarbrough, (2003). This finding reveals that knowledge sharing of employees facilitate the organization management to innovate new ideas with regard to policy, process, procedure and practices. It can be seen as a good indicator for the growth and development of the organization. Also, it is guaranteed that the innovation capability possessed by the organization will keep them to be competitive and sustainable and unique in the prevailing competitive scenario.

### **Firm Performance**

According to the results of this study, the innovation capability is significantly and positively associated with firm performance. This finding provides further evidence to support previous literature indicating that the innovation capability has a positive relationship with a firm's performance. Jiménez-Jiménez and Sanz-Valle (2011) showed a significant and positive relationship between organizational innovation process and performance. The study of Murat and Baki (2011) demonstrated that the innovation capability includes the creation or enhancement of a method as well as developing the processes or systems. The authors showed a direct positive relationship between the innovation capability and a firm's overall performance (Murat & Baki, 2011).

### **Research Limitations and Future Research**

There are few limitations to this research study. First, the research setting for the current study was IT Company in a particular district. Respondents were limited to employees working in both day and night shift. The results of this study can be regarded as being representative of the perceptions of the general knowledge work force. To further increase the generalizability however, future research should replicate the study's findings with larger samples and in different contexts. Second, the study focuses on few HRM practices that influence knowledge sharing of knowledge workers. From the analysis, only the portion of variance has been shown by independent variables on the dependent variable. It means that there may be other factors on HRM which are hidden but may have significant influence on knowledge sharing. And likewise the same is for Innovation Capability and firm Performance. Here only few dimensions were taken for the analysis purpose apart from that there are other factors which contribute these practices. Finally, the study's findings are based on the modest sample size of 225 respondents. Although PLS Graph can handle small sample sizes and generates valid results, a larger sample with more statistical power would have permitted me to use other covariance based structural equation modelling tools such as LISREL. Future research should verify the findings of this research study using covariance based tools.

### **Implication for Practice**

The study has highlighted the importance of HRM practices in Organizations and its corresponding impact on the Knowledge sharing behavior of Employees. The HRM practices are Recruitment and Selection, Compensation and Reward, Team Work, and Training and Development. It will enable the organization to pay special focus on these four HRM practices which are important in predicting knowledge sharing among the employees

The results have revealed that performance Appraisal does not contribute towards knowledge sharing. Since this may be due to the ineffective appraisal system followed by the organization. The management of organization may be recommended to review and frame appropriate appraisal plan for individuals so as to enable them to share knowledge among each other.

The results have also indicated that Knowledge Sharing is a positive significant predictor of Organization Innovation Capabilities. So the management can give more concentration to improve this by proper implementation of knowledge Management system to share the knowledge among the Colleagues. Through that the Organization Innovation can be develop much more. A well-designed knowledge management system can help to improve the knowledge sharing behaviour among employees.

And also the results revealed that the Innovation capability of the organization has positively significant with the financial and non financial performance of the firm. Thus, a higher level of innovation capability leads to achieving higher overall financial and non financial performance, and leads to higher overall firm performance; companies therefore need to develop these innovation capabilities in order to improve firm performance.

## **VI. Conclusion**

In conclusion, the purpose of this study is to investigate the associations between the practices of HRM, knowledge sharing behavior, innovation capability and firm performance among employees in organization. A sample of 225 employees was drawn from four leading hospitals in a district. A model is developed and tested using structured modelling approach. The empirical findings have revealed that HRM practices are associated with knowledge sharing. Besides, Recruitment and Selection, Compensation and Reward, Team Work and Training and Development have a positive impact on the employees Knowledge sharing. Among the HRM practices, Compensation and Reward and Team Work are perceived to be dominant HRM practices and both are significantly related to Knowledge sharing of employees. Also, the findings have demonstrated that the knowledge sharing of employees is closely linked to Innovation capability of Organization. And as the same the Innovation Capability of the organization is positively significant with the firm's Financial and Non Financial performance. It is concluded that when there are healthy HRM practices in

organization, it will encourage employees to share the knowledge. When there is effective knowledge sharing culture among employees, it will result in the development of innovation capability in organization. By this the Innovation Capability is positively related to the improvement of Overall firm's performance.

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