

# ORGANISATIONAL FACTORS INFLUENCING STRATEGIC HUMAN RESOURCE MANAGEMENT: AN EMPIRICAL INVESTIGATION FROM ETHIOPIA

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**Abstract:** *The purpose of this article is to analyse the level of strategic human resource management (SHRM) and explain organisational factors that influence the level of SHRM in Ethiopia. The findings are based on a large questionnaire survey run in 156 large business organisations operating in Ethiopia, comprising both service and manufacturing, local and multinational, and private and public firms. Data were collected from the most senior responsible managers in HR from the sample organisations. Discriminant analysis was then applied to partition organisations into high or low SHRM, and to identify the independent variables that acted as predictors of the level of SHRM. Results show a moderate level of SHRM. To a moderate extent, HR directors are members of the senior management team, and are involved in key strategic decisions and have direct reporting relationship to the CEOs. Top management support for HRM, HRM directors' involvement in strategic decisions, and HRM department budget are major predictors of SHRM.*

**Keywords:** *Strategic Human Resource Management, Top Management Support, HR Director's Involvement, HRM Department's Budget*

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## INTRODUCTION

Historically, the area of strategic human resource management (SHRM) has its beginning in the late 1970s and early 1980s, when the HRM field was being influenced by the rapid emergence of the area of strategic management (Boxall & Purcell, 2002). Its popularity is associated with the seminal writings of Fombrun, Tichy and Devanna (1984) and Beer, Spector, Lawrence, Mills, & Walton (1984). Nonetheless, the field is still experiencing problems of status identity and precise definition (Inyang, 2010). The SHRM literature provides varied perspectives. For instance, it is viewed as a management approach (Armstrong, 2008; Inyang, 2010); a new field of study and practice (Huselid, Jackson & Schuler, 1997; Wang & Shyu, 2008); and a sub-field of HRM (Boxall & Purcell, 2008). However, despite this variation, the common theme is integration of HRM with business strategy (Wright & McMahan, 1992; Wang & Shyu, 2008). It is concerned with 'integration' of HRM with the business/corporate strategy (Schuler, 1992). Integration is the degree to which the HRM issues are considered a part of business strategy formulation (for example, Brewster & Larsen, 1992).

SHRM claims that HR problems can best be solved by linking HRM and strategy formulation (Budhwar & Sparrow, 1997; Brewster & Larsen, 1992); and strategy implementation problems are best addressed by timely adjustment of HRM to the strategy (Hunger & Wheelen, 2011). Scholars (Armstrong, 2008) agree that through SHRM, employees can be managed effectively and organisational performance can be improved. Similarly, lack of SHRM is increasingly acknowledged as a major source of implementation failure (Golden & Ramanujam, 1985). However, despite its positive contributions, there has been little research investigating the level of SHRM.

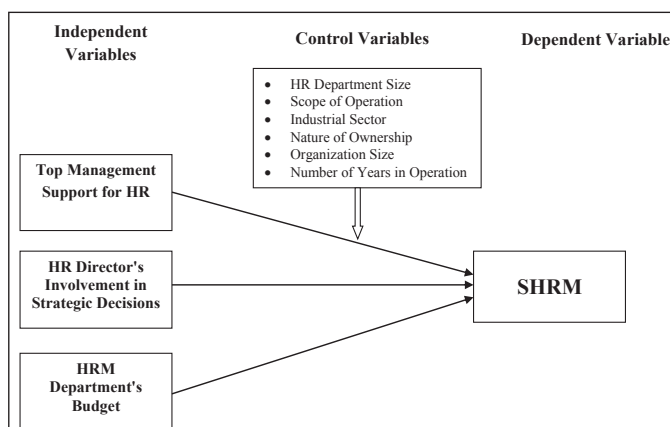
Moreover, what factors determine the level of SHRM is not yet researched. Literature provides us factors that determine traditional HRM practices, not SHRM. The works of Wei (2006) and Ozutku and Ozturkler (2009) on influences of HRM practices are important insight stimulators. Based on the related literature, therefore, top management support for HRM, the HR director's involvement in strategic decisions, and the HR department's budget are expected to be factors that determine SHRM. Hence, the article is aimed at exploring the level of SHRM; and explaining whether top

management support, HR director's involvement, and the HR department's budget determine the level of SHRM.

## CONSTRUCT DEFINITION

On the basis of the contingency perspective of SHRM, we propose that organisational factors influence SHRM. The contingency perspective of SHRM states that, to be effective, an organisation's HR policies must be consistent with an organisation's contexts (Bello-Pintado, 2015; Armstrong, 2008).

Organisational factors consisting of top management support for HRM, HRM director's involvement in strategic decisions, and HRM department's budget are proposed to have an influence on the SHRM of organisations. Contingency factors consisting of HR department size, relative organisation size, industrial sector, scope of operation, ownership structure, and length of year in operation are also used to identify the difference, if any, in the level of SHRM.



**Fig. 1: Conceptual Framework**

## SHRM

The dominant theme in the concept of SHRM is that it represents the strategic integration of HRM with the organisation's strategy. For instance, definitions such as SHRM is 'a discipline that integrates HRM with the process of strategic management' (Wang & Shyu, 2008:92); 'a management activity which involves integration of human factors to strategic goals of the organisation' (Inyang, 2010:25); 'a management process requiring HR policies and practices to be linked with the organisation's strategic objectives' (Bratton & Gold, 2007:38); 'the process of linking HR practices to business strategy' (Ulrich, 1997:89); and 'the process by which organisations seek to link the human, social, and intellectual capital of their members to

the strategic needs of the firm' (Baird & Meshoulam, 1984:3) indicate that SHRM is mainly defined as the integration of HRM and business strategy. Therefore, SHRM refers to the alignment between business strategy and HR policies (Werbel & DeMarie, 2005) based on the idea that a given business strategy requires a specific type of HR system (Boselie, 2010).

From the perspective of HRM-business strategy integration, SHRM is referred to as the involvement of HRM in the formulation and implementation of organisational strategies, and the alignment of HRM with the strategic needs of an organisation (Budhwar, 2000). In spite of the similarity in names, HRM and SHRM are two different practices. The latter is basically a part of the complete HRM process, focusing on long-term objectives rather than the in-house objectives with employees dealt by the former (Boxall & Purcell, 2008).

*Top Management Support for HRM:* Top management is the management team at the upper echelon responsible for the entire organisation (Collins & Clark, 2003; Arthur, Herdman & Yang, 2016). It refers to senior-level leaders, including presidents, chief executive officers, senior-level managers, and so on. Therefore, top management support means the values, beliefs, and philosophies of these senior-level management members regarding HRM and the assistance they provide to HRM as perceived by the HR directors.

*HR Director's Involvement in Strategic Decisions:* HR directors are the most senior people responsible for the HR in an organisation. They are managers in organisations, with the ultimate responsibility for HR, who may be addressed as Vice President for HR, HR Director, or HR Manager (Armstrong, 2008). These directors may or may not be involved in organisational strategies beyond their daily routines. The assumption is that if HR directors are involved in strategic issues, HRM concerns are considered in strategic decisions and, thus, contributes to making HRM strategic.

*HRM Department's Budget:* HRM department's budget is the annual budget allotted to the department to operate HRM activities. Most HR departments are resource dependent, and as a result, cannot be effective in satisfying the demands of a large number of clients (Crow, Hartman, Koen, & Epps, 1995). The assumption is that if the department does not have budget shortage, it can participate in strategic issues beyond the daily routines.

## TOP MANAGEMENT SUPPORT FOR HRM AND SHRM

Top level managers are exceptionally important, both in terms of their overt commitment to the development of

resourceful humans and in their support to the HR managers who attempt to build employee engagement as well as meet short- and long-term business needs (Qadir & Agrawal, 2017; Storey, 2007). Broadly classified, there are two views by top management regarding an organisation's HR: seeing HR as variable cost or as valuable resource (Greer, 2001). Top managers who perceive HR as valuable resources support HRM's efforts. The essence of SHRM is that employees are viewed as valuable assets of the organisation (Huselid et al., 1997). This entails top management's values and philosophies of HR in an organisation. SHRM is about getting the strategy of the business implemented effectively; this means getting everybody from the top to the bottom doing things that make the business successful (Schuler, 1992). Top managers' orientation towards the importance of HR for organisational success and organisational performance will determine strategic HR activities. Since HR is becoming a source of sustainable competitive advantage, if top managers with the orientation of HR as a valuable resource support the organisation's HRM, its activities can be strategic. Therefore, it is expected that top management support for HRM will have a positive influence on the integration of HRM and business/organisational strategy. On this basis, the following hypothesis is suggested.

*Hypothesis 1:* Top management support for HRM positively influences SHRM.

## HR DIRECTOR'S INVOLVEMENT IN STRATEGIC ISSUES AND SHRM

How can strategy implementation problems be solved (Golden & Ramanujam, 1985; Hunger & Wheelen, 2011) and how can people related issues be handled (Armstrong, 2008); these are central questions that organisations frequently ask. Dealing with these issues was considered the sole responsibility of the traditional strategic management and the traditional HRM, respectively (Wright & McMahan, 1992). This limits HR directors to only administrative activities. For most of their history, HRM directors focused on administrative aspects, which cover a wide range of employment practices, including recruiting, selecting, training, appraising, compensating, and so on (Huselid, Jackson & Schuler, 1997; Wei, 2006). They were not involved in business strategy issues. Recently, their duties and responsibilities have evolved, from record-keeping and welfare to fixing day-to-day issues with unions, to contributing to business success through integrated system of controls between HR and line managers (Boselie, 2010). However, HR is still seen by many managers as a cost centre, despite the claim of strategic business partners (Qadir & Agrawal, 2017). When they become strategic partners in

the business (Ulrich & Brockbank, 2005) and are engaged in strategic issues, the organisation's HRM can become strategic. It is assumed that since SHRM involves HR business strategy integration, the HR director's involvement in strategy formulation and other strategic decisions, will make the organisation's HR activities strategic. Thus, the following hypothesis is proposed.

*Hypothesis 2:* HR director's involvement in strategic decisions positively influences SHRM.

## HRM DEPARTMENT'S BUDGET AND SHRM

The budget allotted to the HRM department will influence SHRM. Researches reveal that there is a positive relationship between strategic contribution of an HR manager and the financial competitiveness of the firm (Mekonnen & Azaj, 2020; Boselie, 2010). Since there is reverse causality in the relationship of firm's financial strength and HRM practice, the amount of budget allotted to run HRM activities is expected to have an influence on the SHRM. As is usual in many organisational activities, the firms' financial capability influences HR activities (Kramar, 2014). Mwita, O'Neil, Nyagero & Elqura (2009) argue that HR managers in Ethiopia typically face budget limitations, and do not have the autonomy to procure equipment or improve their facilities. HRM departments perform a set of activities ranging from routine clerical activities to strategic long-term oriented activities (Ulrich & Brockbank, 2005). The budget will limit their activities; they can either focus on daily routine activities or perform long-term strategic activities. It is, therefore, assumed, that when the HRM department gets sufficient budget to cover its activities, it is likely that it will be involved in strategic activities. On this basis, the following hypothesis is proposed.

*Hypothesis 3:* HR department's budget positively influences SHRM.

## METHODS

### Sample and Source of Data

The aim of the research is twofold: to analyse the scenario of HR-business strategy integration; and to identify organisational factors that classify organisations as high or low SHRM.

The population of the research was made up of all large business organisations operating in Ethiopia. Large organisations were selected deliberately for the fact that they have separate functional units and professionals responsible

for HRM, who tend to apply many HR functions. However, though the number of people employed, the amount of capital used, and/or the technology they use are the major criteria to classify firms in the micro, small, medium, or large category, there is no clear demarcating line between them. For instance, the list of manufacturing organisations in Ethiopia found from the Central Statistical Agency mixes up medium- and large-sized firms, which comprises all organisations with ten employees or more. As a result, by considering experiences of other countries and practices of researchers in the area, for organisational size, organisations with 250 employees and more were used as a sample. Despite variations in specific numbers, researchers used the same approach in their sample selection in SHRM research (for example, Vernon & Brewster, 2013; Budhwar & Sparrow, 1997).

The respondent for each organisation was the most senior manager responsible for HRM. Senior HR executives are 'subject matter experts' and are believed to be in a good position to provide the required information (Chan, Shaffer & Snape, 2004). They have been used as respondents in other studies too (Vernon & Brewster, 2013; Budhwar & Sparrow, 1997; Huselid et al., 1997). Several scholars (Arthur & Boyles, 2007) have supported the appropriateness of the use of a single 'key' informant since it provides researchers more valid and reliable data than that gathered from multiple respondents.

## DATA COLLECTION

In the first phase of the data collection process, large business organisations, with 250 employees and more, were identified from the company lists of the Ethiopian Chamber of Commerce and Sectoral Associations, the Ethiopian Investment Agency, the Ministry of Trade and Industry, and the Central Statistical Agency. In the second phase, organisations headquartered in Addis Ababa were selected. Headquarters are needed, as HR directors operate at the head office. Since 90% of all large business organisations in Ethiopia have their headquarters in Addis Ababa, it was believed that the sampling frame is representative of all large business organisations in the country. In addition, wherever they are headquartered, organisations in Ethiopia operate in the same legal, economic, and socio-cultural environment. All manufacturing and service, state- and private-owned, and local and multinational companies that fulfil the above criteria were included in the sample. Accordingly, 181 organisations were found and approached, of which 156 usable questionnaires were collected and used, yielding a response rate of 86.2%.

The survey instrument was adopted from previously field-tested instruments (Brewster & Larsen, 1992; Budhwar & Sparrow, 1997), with minor modifications for language and contextualisation. Before the conduct of the survey, a pilot study was conducted among 13 organisations to check for meanings of terms and any possible cultural bias in the questions that were developed from the Western researchers' work. This makes up nearly 9% of the total sample population considered for the study. These were subsequently excluded from the final dataset. Professionals and colleagues in the area also commented on the instrument. After pilot testing, some of the items were refined, re-worded, or changed to be more representative of the intended constructs, thus enhancing content validity.

## MEASURES

*Dependent Variable:* SHRM is treated as a dependent variable. It is conceptualised as the degree to which the HRM issues are considered as part of the formulation of business strategies. It was measured by asking the HR directors to indicate the degree to which they agreed that HRM practices were linked to the firm's business strategy for ten items already used by other researchers (Budhwar, 2000), using a six-point scale ranging from (1) 'strongly disagree' to (6) 'strongly agree'. Six-point rather than five-point Likert scales were used in order to address the respondent's tendency to conceal positive emotions, hence selecting midpoints of a range (Lee, Jones, Mineyama & Zhang, 2002). Compared to the five-point Likert scale, the six-point scale results in high discrimination and reliability (Chomeya, 2010). It is also argued that a scale with more response category has high reliability, validity, and discriminating power (Preston & Colman, 2000). Besides, the Cronbach's alpha coefficient for this measure was 0.93.

*Independent Variables:* Three independent variables which were expected to influence SHRM were identified from the literature and were examined to see if they determine levels of SHRM. The independent variables that were expected to be determinants of SHRM were HRM department's budget, top management support for HRM, and the HR director's involvement in strategic decisions. Top management support was measured by a self-developed question. Respondents rated the support they get from their top management counterparts using a scale ranging from strongly disagree (1) to strongly agree (6). The HR director's involvement in strategic decisions was also measured by a self-developed question. Respondents rated their involvement in strategic decision making using a scale ranging from strongly disagree (1) to strongly agree (6). HRM department's budget



was measured based on the HRM directors' perception, their experiences, and the sufficiency of the budget to run HRM activities. Respondents rated the degree to which the budget assigned to the HRM department is sufficient to run its activities using a scale ranging from strongly disagree (1) to strongly agree (6).

*Control Variables:* Control variables were included in the research to capture other potential organisational characteristics that may influence SHRM. Based on earlier studies (for example, Damanpour 1991; Collins & Clark, 2003), six control variables, namely HR department size, scope of operation, industrial sector, nature of ownership, organisation size, and number of years in operation, were included.

## DATA ANALYSIS

The responses on the ten items of SHRM were summarised into one integrated scale. Descriptive statistics were used to determine the level of SHRM. Discriminant analysis (DA) was then employed to partition organisations into high or low SHRM groups, and to identify the factors that acted as predictors of the level. Organisations that score greater or equal to the average on the summated scales were allotted a score of 1 (high) and those scoring below the average were allotted a score of 0 (low). The DA technique was selected because (1) it helps to partition organisations into high and low SHRM groups; and (2) it helps to discriminate what specifically differentiates the groups. Moreover, DA is more appropriate when dependent variables are categorical, as is the case for the present categories of 0 and 1 (Hair, Anderson, Tatham & Black, 1995).

## DEMOGRAPHIC DATA

The HR directors who participated in the present research were mainly male (76.9%), above 30 (87.9%), and with at least a bachelor's degree (96.8%). Though there are variations in their specialisation, 57.1% specialised in HRM and in general management. Experience in the HR positions also varied, with some having more than 15 years' experience. However, nearly one-third had less than five years of experience, and just over one-third had between five to ten years of HR experience. This is an indication that the respondents are highly rated managers who know about the HRM practices of their respective organisations. A

significant portion (39.7%) of the HR directors had less than five years of experience in non-HR positions, while around 35.3% had more than ten years of experience in non-HR positions.

## ORGANISATIONAL DATA

In terms of the organisation's profile, two-thirds (66%) were private owned and nearly three-fourth (73.1%) operated locally. Most organisations (62.8%) were service providers, while the rest were engaged in manufacturing. More than half (58.3%) of the organisations have existed for 10 to 40 years, and slightly above a quarter (28.2%) have existed for over 40 years. The HR department's size for 64.7% of the organisations is below 26 employees. Two-thirds (66.6%) had up to 2,000 workers. The HR department's size seems proportionate to organisational size in terms of number of people. While 85.2% had up to 50 people in their HR departments, 66.6% had up to 2,000 employees overall. Comparatively, 14.8% had more than 50 people in their HR departments and 17.3% had more than 5,000 people overall.

## RESULTS

### Descriptive Statistics

The analysis case processing summary of the SPSS output reveals 156 valid cases used for analysis with no missing and out-of-range variables. In addition, there were no missing discriminating variables, indicating that all of the observations in the dataset are valid. With 156 cases and three independent variables, there is a ratio of 52 cases per independent variable. This ratio satisfies not only the minimum requirement of 5 to 1, but also the preferred ratio of 20 to 1 (Meyers, Gamst & Guarino, 2012).

The surveyed organisations were partitioned into two groups, high and low SHRM. The group statistics table (Table 1) presents the distribution of observations into the two groups. Among the 156 organisations surveyed, 41% (N = 64) are low in SHRM, while 59% (N = 92) are high. The division meets the discriminant analysis requirement, which states that the number of cases in each dependent variable group must be above 20 or above the number of independent variables, whichever is lower (Meyers, Gamst & Guarino, 2012). Nearly half (41%) of the surveyed organisations have a low level of SHRM.

**Table 1: Group Statistics**

Variable	Level of SHRM								
	Low			High			Total		
	Mean	Std. Dev.	Valid N	Mean	Std. Dev.	Valid N	Mean	Std. Dev.	Valid N
HR Director's Involvement in Strategic Decisions	3.39	1.610	64	4.95	1.217	92	4.31	1.585	156
Top Management Support for HR	2.36	.915	64	4.36	1.125	92	3.54	1.434	156
Perceived HRM Department's Budget	2.81	1.082	64	3.96	1.382	92	3.49	1.384	156

Since discriminant analysis aims at predicting a group membership, examining whether there are any significant differences between groups on each of the independent variables using group mean is an essential first step. This information is provided in the Group Statistics Table of the SPSS output (Table 1). Many authors recommend that if there are no significant group differences it is not worthwhile proceeding any further with the analysis. A rough idea of variables can be obtained by inspecting the group mean and standard deviation.

The group mean in the SPSS output showed how each variable distinguishes between low and high levels of SHRM. Top management support (2.00), HR director's involvement in strategic decisions (1.56), and perceived HR department's budget (1.15) have significant difference with regard to their group mean between the low SHRM and high SHRM organisations. This suggests that these variables may be good discriminators as the separations are large. The standard deviation also reveals similar variation between low SHRM and high SHRM organisations.

**Table 2: Tests of Equality of Group Mean**

Variable	Wilks' Lambda	F	df1	df2	Sig.
Perceived HRM Department's Budget	.838	29.797	1	154	.000
Top Management Support for HR	.527	138.384	1	154	.000
HR Director's Involvement in Strategic Decisions	.766	47.171	1	154	.000

The test of equality of group mean measures each independent variable's potential before the model is created. Each test displays the result of a one-way ANOVA for the independent variable, using the grouping variable as the factor. If the significance value is greater than 0.01, the variable probably does not contribute to the model. The F tests are significant for HR department's budget, top management support, and HR director's involvement in strategic decisions ( $p < .000$ ).

Wilks' Lambda is another measure of a variable's potential. In the ANOVA table, the smaller the Wilks' lambda, the more important the independent variable is to the discriminant function, that is, smaller values indicate the variable is better at discriminating between groups. Wilks' lambda is significant by the F test for all independent variables. In Table 2, Wilks' Lambda for 'top management support' is small compared to others, suggesting that top management support for HRM is an important factor to distinguish organisations between low and high SHRM (Wilks' Lambda = .527). The next most important factor is HR director's involvement in strategic decisions (Wilks' Lambda = .766).

### Summary of Canonical Discriminant Function

Statistical results for the discriminant analysis of SHRM are provided in Table 3. The eigenvalue is a value that is interpreted as the variance of the discriminant function. High eigenvalue is associated with 'good' predictive function, that is, the larger the eigenvalue, the more the variance in the dependent variable is explained by the function. An eigenvalue of 1.076 indicates high discriminating power of the discriminant function between high and low SHRM organisations.

Canonical correlation was also used to measure the association between the discriminant function and the dependent variable. The square of canonical correlation coefficient is the percentage of variance explained in the dependent variable. As can be seen from Table 3, the canonical correlation coefficient of .72 suggests that the model explains 52% of the variation in grouping.

Besides, to determine whether the discriminant function is statistically significant in differentiating group membership,

Wilks' Lambda measure was used. The Wilks' Lambda coefficient is the ratio of within-groups sums of squares to the total sums of squares, which is the proportion of the total variance in the discriminant scores not explained by differences among groups. The associated significance value indicates whether the group difference is significant. The Wilks' Lambda coefficient of .482 is statistically significant at the .001 significance level, indicating that the model works better than would be expected by chance for this sample size. The discriminant function, consisting of these three variables, statistically significantly differentiated the group of high SHRM organisations from low ones. It is very unlikely that organisations with a high level of SHRM and those with a low SHRM have the same mean on the discriminant function (Norusis, 2011). The Chi-square statistic (109.57) corresponding to Wilks' Lambda is statistically significant to conclude that there is a relationship between the dependent groups and the independent variables.

**Table 3: Summary of Canonical Discriminant Function**

Eigenvalue	Canonical Correlation	Wilks' Lambda	Chi-square	df	Sig.
1.076 <sup>a</sup>	.720	.482	109.560	3	.000

a. First 1 canonical discriminant functions were used in the analysis.

## Relative Importance of the Variables

The relative importance of the independent variables in predicting the dependent is measured by the standardised discriminant function coefficients (Table 4). Coefficients with large absolute values correspond to variables with greater discriminating ability. These coefficients show how the three original variables combine to make a new one that maximally 'separates' the organisations based on their level of SHRM. The function is defined by the high positive 'loading' of top management support.

To identify the correlation between a specific variable and the estimated discriminant function, the coefficients of structure matrix is used. The disparity the variable can explain in the dependent variable can be determined by squaring a factor loading. The larger the coefficient, the more important the variable is in determining the group membership. Top management support has a correlation of .914 with the discriminant function scores. Similarly, the HR director's involvement (.538) and HR budget (.431) have significant correlation with the discriminant function scores, indicating their significant contribution to the discriminant function. To sum up, top management support is the most important variable, explaining 84% of the variation in the group memberships, followed by HR director's involvement (29%).

**Table 4: Structure Matrix**

Variable	Function
Top Management Support for HR	.914
HR Director's Involvement in Strategic Decisions	.534
Perceived HRM Department's Budget	.431

Pooled within-groups correlations between discriminating variables and standardised canonical discriminant functions.

Variables ordered by absolute size of correlation within function.

To establish the cutting point for classifying organisations into high and low SHRM, functions of group centroids table was used. A 'group centroids' is the mean value of the discriminant function scores for that group. Larger centroids differences reflect better group discriminability. In the present research, the group centroids for low and high SHRM organisations are -1.216 and .865, respectively. Since the group centroid for high SHRM firms is closer to +1, which is far from the group centroid for low SHRM firms, it can be said that low and high SHRM organisations are well differentiated by the statistically significant discriminant function.

**Table 5: Functions at Group Centroids**

Level of SHRM	Function
Low	-1.236
High	.860

Unstandardised canonical discriminant functions evaluated at group mean.

## Classification Statistics

The classification processing summary table of the SPSS output reveals 156 valid cases used in the classification. The number of cases in the smallest group is 64, which is much larger than the number of independent variables (three), satisfying the minimum requirement of being greater than the number of independent variables or minimum of 20 cases.

**Table 6: Classification Results<sup>a</sup>**

		Level of SHRM	Predicted Group Membership		Total
			Low	High	
Original	Count	Low	53	11	64
		High	15	77	92
	%	Low	82.8	17.2	100.0
		High	16.3	83.7	100.0

a. 83.3% of original grouped cases correctly classified.

The classification results table is used to assess how well the discriminant function works, and if it works equally well for each group of the dependent variables. The discriminant function correctly classifies about 83.3% of original grouped cases. This means that the model is 83.3% accurate in assigning organisations to correct groups, which is very good. To put it differently, of the 156 organisations surveyed, 130 are correctly assigned as low SHRM and high SHRM groups. Specifically, 82.8% of low SHRM and 83.7% of high SHRM organisations are correctly classified, with about the same proportion of mistakes for both categories, 16.3% and 17.2%, respectively.

## DISCUSSION

### Level of SHRM

The DA results confirm a moderate level of SHRM in Ethiopian organisations. This agrees with Mekonnen and Azaj's (2020) assertion that the level of SHRM in the insurance sector in Ethiopia is moderate. However, the level varies across sectors, maturity level, nature of ownership, and scope of operation. Manufacturing organisations are typically low in SHRM, while service providers are high. This can be explained by the sectors' differences in direct employee-customer contact, modernity, and product intangibility. Since customers are actively involved in the service production process, service providers are sensitive to their needs and monitor them. Thus, service organisations are more likely to integrate HRM with strategy, than manufacturers. This finding agrees with Wasbeek's (2004) assertion that while the most important company asset for service companies is HR, that for manufacturing is machinery, in Ethiopia. It is also in line with Brewster and Larson's (1992) contention that the more the organisations become service oriented, the more human behaviour becomes a competitive factor for seeing HR as an important organisational asset.

The organisation's maturity level is also related to the level of SHRM. Organisations with relatively longer years in operation are high in SHRM than new ones. This agrees with Hossain and Hasan's (2016) affirmation that the SHRM practices of matured organisations in Bangladesh is higher than those of younger ones. Experience can teach organisations to focus on SHRM activities. It can also be explained by the time required to build an HRM system and organisational culture.

On the basis of nature of ownership, research results reveal that public organisations are typically high in SHRM, while private ones are low. Public organisations in Ethiopia are

relatively large in size and have been longer in operation than private organisations. Therefore, the public organisations' high level of SHRM can be associated with their size and experience.

Scope of operation, classified into multinational and local, has a difference in the level of SHRM. Multinational organisations are high in SHRM, while local organisations are low. The influence of parent companies' practices and their international experience could explain the variation. In Wasbeek's (2004) research, multinational companies working in Ethiopia have written HR strategy, whereas local companies do not.

HR department size and organisational size, measured in terms of number of staff, have also a difference in the level of SHRM. Organisations with small and large HR departments have low and high SHRM, respectively. Similarly, relatively large-sized organisations are high in SHRM, while smaller ones are low. This contradicts Hossain and Hasan's (2016) affirmation that organisation size does not influence SHRM practices in Bangladesh.

### Factors Affecting SHRM

The DA results confirm that management support, HRM budget, and the HR director's involvement are significant predictors of SHRM at the  $p < .005$  significance level.

*Top Management Support for HR and SHRM:* Top management support is the major predictor of SHRM. The power top managers have on the resources, their attitude towards HRM, their HR skills, and their priorities in decision-making have significant influence on SHRM. Top management that sees HR as an important company asset and source of sustainable competitive advantage integrates HR with organisational strategies. This agrees with the multiple constituency theory, which states that a large number of interested parties exert varying levels of influence on HRM practices that they perceive are relevant to their interests (Tsui & Milkovich, 1989). The top manager's priorities and practices influence HR practices. In line with this, Crow et al (1995) argue that a real problem in HRM comes when top managers' HR philosophies and means of managing HR activities are incompatible. This also agrees with Golden and Ramanujam's (1995) assertion that SHRM is stronger when the top management acknowledges the importance of people as the organisation's most important asset.

*HR Director's Involvement in Strategic Decisions and SHRM:* The HR director's involvement in strategic decisions is the second most important predictor of SHRM. Organisations that greatly involve HR directors in strategic decisions



have a high level of SHRM. Their involvement in senior management teams and decisions may enable HR directors integrate HR strategies with business/corporate strategies. This agrees with Ulrich and Brockbank's (2005) strategic partner model, which states that HR directors are strategic partners to the organisation. Poole and Jenkins (1997) argued that the greater the extent to which HR directors are able to influence the strategic decision-making process, the more likely it is that effective HRM policy design will be achieved. The HR director's involvement provides an important channel of information flow, communication, and influence.

*HRM Department's Budget and SHRM:* The HRM department's budget determines the level of SHRM. The amount of money allocated to HRM has a direct impact on HR practices. Shortage in HRM budget may limit the function's activities on SHRM. SHRM requires developing and maintaining employees in order to achieve business objectives and compete through HR, which in turn requires a large amount of money. Organisations that see HR as their strategic resource pay their employees above the industry average. This agrees with the investment perspective of HR, which states that every HR related payment is an investment. Crow et al. (1995) argue that most HR departments are resource dependent, and as a result, cannot satisfy the demands of their clients. There is also a positive relationship between an HR manager's strategic contribution and an organisation's financial effectiveness (Mekonnen & Azaj, 2020; Boselie, 2010), which implies HRM budget.

## CONCLUSION

HR directors in Ethiopia are typically male, above 30, and have a university degree. They are members of the senior management team, involved in strategic decisions, and have direct reporting relationship to senior managers. There is moderate level of SHRM. However, the level of SHRM varies across sector, size, maturity level, nature of ownership, and scope of operation. On the basis of sector, manufacturing organisations are typically low in SHRM, while service providers are high. Organisations with relatively longer years in operation have high SHRM than younger ones. Public organisations are also high in SHRM than privately owned firms. Moreover, multinational organisations are high in SHRM, while local organisations are low. Organisations that are relatively large and have large HR departments are high in SHRM. Top management support, HRM budget, and the HR director's involvement in strategic decision-making are predictors of SHRM.

## RESEARCH LIMITATIONS AND IMPLICATIONS

In the present research, only large business organisations were used to minimise confounding variables. Further research should include small- and medium-sized business organisations and public service organisations to show a greater picture of SHRM in Ethiopia. Moreover, in the present research, data were collected only from the most senior responsible persons in HR. Further research should include line managers. Methodologically, all the sample organisations were used for discriminant analysis, without a holdout group for comparison, since sample size was relatively small to split into two, recommending the use of holdout group for further research.

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