

# ASSESSMENT OF STRATEGIC HUMAN RESOURCE MANAGEMENT PRACTICES AND CHALLENGES IN SELECTED ETHIOPIAN COMMERCIAL BANKS

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**Abstract:** *This study aimed to assess the strategic human resources management practices and associated challenges in commercial banks in Ethiopia. The study used a descriptive research method. A sample of 345 employees was selected using stratified random sampling and a response rate of 85% was attained. Data was collected using a self-administered questionnaire. Data analysis was conducted by applying statistical computations for averages and standard deviation. From the study, it was found that the overall strategic human resource practices in some commercial banks were perceived positively. These banks consider their HR professionals as strategic business partners, and thus, evaluation of HRM in terms of its contribution to business goals is a popular practice. However, several challenges distort the principle of strategic HRM and hinder HR from fully acting as a strategic partner. The major challenges included improper organisational structure, insufficient resource allocation, lack of cascading business strategy statements to defined HR activities, and the prevalence of group favouritism and political affiliation. This study found that there is a lack of congruence of the HRM system with other organisational strategies under operation, such as total quality strategy. Thus, it can be concluded that even if the practices of SHRM have been in a good direction in the surveyed banks, the failure of effective implementation of HRM policies created a mismatch between human resource policies and other aspects of the organisation. Therefore, the study suggests that the surveyed banks invest in human resources through training and management development, to improve individual employee capabilities and organisational capabilities to effectively link human resources with business strategy.*

**Keywords:** *Strategic HRM, HR Roles, HRM as a Strategic Partner, HR Business Partnership*

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## BACKGROUND OF THE STUDY

Strategic HRM has gained a lot of attention from researchers in the 1980s, and especially after the 1990s (Hendry & Pettigrew, 1986; Butler et al., 1991). When the discipline first emerged, there was a continuous debate whether strategic HRM is a real phenomenon or just another fad in the management discipline. However, researchers like Barney (1991) and Ulrich (1997) laid the foundation to give strategic human resource management (SHRM) a theoretical ground. Barney (1991) explained that a firm is said to have a competitive advantage if it has a strategy that can exploit the distinctive resources which can create value to that specific organisation, and at the same time, is hard to imitate by other competitors. This resource-based view of competitive advantage considers human capital

as a key source of competitive advantage. Later, Boxall (1996) openly enunciated the resource-based view as the conceptual framework for strategic HRM, asserting that human resource can be a source of competitive advantage. This attention given to human resource management has been catalysed by the increasing level of importance attached to the role of human capital in realising competitive advantage and enhancing organisational excellence. Today, many HR professionals see SHRM as a means of achieving competitive advantage, because SHRM is highly expected to formulate an HR strategy that supports business strategy (Du Plessis & Chui, 2015). Therefore, it has become evident that there is a need for HRM to be more strategic and business-driven (Robinson & Robinson, 2005; Rothwell & Budzcooter, 2012; Reynolds, 2021).

Delery and Doty (1996) and Akhtar et al. (2008) found that a set of strategic HRM practices like training, participation,

result-oriented appraisals, and internal career opportunities affect product/service performance and financial performance. One of the main advantages of strategic HRM over the past approaches and theories was that it was more integrative and value-driven (Khattoon et al., 2013). It was integrative because it considered other previously ignored factors. It also looked at the fit between HR practices and organisational goals, in consideration of the involvement of the HRM function in senior management teams, the devolvement of HR practices to line managers, and values HR activities contributed to organisational performance when designing the business strategy (Bowen & Ostroff, 2004). In other words, it has shifted human resource management from focusing on administrative activities to a more strategic one.

The strategic fit between the business strategies and HR functions is the major tenet of and necessary condition for strategic HRM. Despite the need to involve HR professionals in strategic issues, researchers opine that HR executives have not been strategic in history. HR practitioners and scholars now advocate that HRM should address the integration between business strategy and human resources management (Hoor-Ul-Ain, 2014).

Ulrich (1997) has argued that HR needs to play a proactive role as a strategic partner, by devising and delivering HR strategies, policies, and practices that support the organisation's business strategy. The potential for the HR function to be a strategic partner has been examined and its adding value has been established by various studies. HR strategic partnerships bring positive impacts to business, by improving organisational excellence (Du Plessis & Chui, 2015; Hoor-Ul-Ain, 2014).

However, the lack of strong empirical support for HR-business strategy fit is one challenge for strategic human resource management professionals. The existing body of knowledge on the role of HRM, particularly in the African business context, is next to nothing in this regard. There are a few studies that assessed the practices and challenges of strategic human resource management in Ethiopia, even though they are not comprehensive enough to paint a picture of the SHRM practices at the industry level, as they are more of specific company-level studies (Workineh & Raju, 2015; Emebet, 2017; Tekalign, 2019). The other challenge is the identification of when, why, and how human resource activities affect organisational performance. Purcell (2004) called this challenge a black box. He studied how different HR practices can affect organisational performance for three years and concluded that the effects are more evident in the medium term than in the short term. Cognizant of the fact that human capital has an important strategic role to play in realising competitive advantage, it is worthwhile to examine

whether HRM is proactively playing its expected role in dealing with business competitiveness.

Therefore, with the above points in mind, this study aims to determine how well business strategies are aligned with HR strategies and practices, examine the role of HR professionals in implementing strategic HRM practices, identify to what extent strategic human resource management practices are evaluated, and finally, assess the challenges that hinder the effective implementation of strategic HRM.

## STATEMENT OF THE PROBLEM

Even though strategic HRM is not without criticism of lacking an adequate theoretical basis, different authors show that there is a positive relationship between strategic HRM and organisational performance (Hoor-Ul-Ain, 2014; Boxall & Purcell, 2003). The idea that HR should become a strategic partner and a significant driver of business value still raises several questions. such as what does becoming a strategic partner entail? Is HR becoming a strategic partner? These questions have become contemporary HR issues for the last two decades (Hoor-Ul-Ain, 2014). Although researchers have held convincing arguments in supporting that HRM is the key strategic issue in most organisations, HR executives have not been strategic partners in history (Lawler & Mohrman, 2003; Brockbank, 1999; Mohrman et al., 2000), and administrative work is continuing to be the major function of HR (Tamkin et al., 2008; Guest & King, 2004; Caldwell, 2010). Hence, it has been argued that HR practitioners are still, several years later, struggling to gain strategic involvement and influence. On the other hand, the transformation of the role of the HR function is still subject to research (Hoor-Ul-Ain, 2014).

While most reports confidently claim that the people of the firm are the most important resource, many organisational decisions reveal a relatively low priority to both human resources and the human resource department, contrary to widely-held beliefs and all-too-frequent statements. Some managers give only lip service to the HR department. In reality, they mostly consider HR as just a cost function, rather than a value-adding unit. For instance, when organisations require cost-cutting, the first thing that comes to their mind is cutting human capital investments, such as training, wages, and headcounts (Barney & Wright, 1998). In Africa, particularly in Ethiopia, it is too soon to say that the concept and practice of strategic HRM is a common phenomenon. From time to time, the banking industry in Ethiopia is starting to recognise the strategic importance of the human resource. For example, some banks have adopted a new organisational structure that acknowledged the importance of HR as a strategic business partner. Even though it is believed that

this change helps make HR become more strategic and is expected to positively impact organisational performance, preliminary interviews held with senior employees and managers revealed that there is role ambiguity and difficulty in the implementation process. The organisational structures adopted do not empower them enough to initiate change and the job description of HR business partners does not clearly state how the strategic contributions of HR professionals should be made and appraised. As a result of this, this study attempted to see what challenges and implementation problems are holding back the application of strategic HRM in the selected banks.

Even though there are a few empirical studies that assess the practice of SHRM in Ethiopian banks (Workneh & Raju, 2015; Emebet, 2017; Tekalign, 2019), this study was different, in that it used the combination of contingent theory perspective to assess the alignment of business strategy with HR strategy and Ulrich's (1997) strategic HR role model to explain the contribution of HR professionals for effective implementation of strategic human resource management practices. This study attempts to examine the role of HR professionals in implementing strategic HRM practices, determine how well business strategies are aligned with HR strategies and practices, and the associated challenges that hinder the application of strategic HRM.

## LITERATURE REVIEW

Boxall and Purcell (2003) noted an insightful idea of how human resource can be a source of sustainable competitive advantage. They said that the resource-based strategic HRM view can create competitive advantage through what they referred to as human resource advantage. Boxall (1996) explained human resource advantage as the combination of human capital advantage and human process advantage. The human capital advantage is the first step in creating human resource advantage, by being able to source employees with competitively valuable skills, knowledge, and attitude; for example, the recruitment function achieves this advantage. The next step is the human process advantage, which covers the whole system that an organisation puts into practice concerning building distinctive people culture, retaining and developing valuable talents, and ways of doing work.

The resource-based view was a concept that was initially found in strategy works of literature. Eventually, this theory started to shift its emphasis from external factors towards internal organisational resources as a source of competitive advantage (Wright et al., 2001). It was Barney (1991) who gave the Resource-Based View (RBV) theory the most widely used theoretical statement. According to him, for a resource to be a source of sustainable competitive

advantage, it has to be valuable, rare, inimitable, and non-substitutable. With this view, Lado and Wilson (1994) cited in Wright et al. (2001) that not only the human capital pool of an organisation can serve as a source of competitive advantage, but also the HR practices. As it is discussed in their literature, what creates the uniqueness and inimitability of the HR system is the unique set of outcomes that comes as a result of applying a different combination of HR practices and the interdependence and complementary nature among the different HR practices (Wright et al., 1994).

According to Wright and McMahan (1992), strategic HRM is the pattern of planned human resource deployments and activities intended to enable the firm to achieve its goals. This definition implies that there should be a fit between HR strategy and business strategy. They identified two types of strategic fit. The first one is the fit between human resource management practices and the strategic management process of the firm which aims to ensure that the general human resource strategy is well aligned with the business strategy of the firm. This type of fit is known as the vertical fit. The second fit, known as the horizontal fit, is the congruence between the different human resources practices used. According to Gerhart (2007), both the vertical and the horizontal fit are, to a large extent, confirmed to have a positive impact on organisational performance.

Collins and Kehoe (2017) state that strategic fit is related to the resource-based view, in that the key to profitability and enhanced organisational performance comes not only by external factors like industry selection and position, but also from identifying and utilising the unique internal characteristics of an organisation, such as HR resources. Armstrong (2014) also confirmed that strategic HRM is underpinned by resource-based understanding and strategic fit.

Ulrich (1997) proposed a conceptual model about HR roles, by employing the criteria of value creation (what value do HR people create) in an increasingly complex environment. The focus is on moving human resources roles from operational to strategic; and defining how HR professionals need to perform more complex and contradictory roles at times (Conner & Ulrich, 1996). Ulrich presented his HR role typology based on his work in leading US organisations. He argued that HR professionals carry out the following four proactive roles as champions of competitiveness in creating and delivering value. *Administrative Expert*: It focuses largely on the efficiency of the process by involving people where HR professionals are required to design and deliver efficient HR processes about various HRM functions in managing employees of an organisation. The second role is *employee champion*. It demands HR to understand employee issues by spending time with them, and for understanding their concerns through discussion and listening. Hence,

HR professionals' involvement in the day-to-day problems, concerns, and needs of employees is an element of this role. The third role is *change agent*. Being a positive promoter of change in the entire organisation, it involves initiating change by adopting efficient and flexible processes and resolving employee issues emanating from change. And the last one is *strategic partner role*. Here, HR professionals endeavour to ensure the achievement of business strategies. Hence, HR must make sure of the alignment of its practices, processes, and policies with the overall organisational strategy.

Ulrich (1997) has indicated that the HRM department is expected to upgrade its strategic contribution by becoming a strategic partner. This strategic role is more worthwhile than traditional HR roles, as per the empirical research (Truss et al., 2002). The HR function has the potential of making a considerable contribution to organisations that exist in a dynamic business environment (Gunnigle, Heraty & Morley, 2011; Mitsakis, 2014). The road map for HR to become a strategic partner seems clear regarding what it needs to do to have strategic involvement, and then become a full strategic partner (Khan, 2014). Armstrong (2008) indicated that if HR business partners are intended to support the achievement of the business goals of the organisation, they should (1) understand the business; (2) build trusted relationships with line managers; (3) support the overall strategic activities and align HR activities with business requirements; (4) be proactive, anticipate requirements, identify problems, and devise solutions; and (5) view the broad picture beyond the routine activities.

The latest adjusted model of Ulrich has suggested that HRM shall act as (1) a strategic positioner, (2) change agent, (3) a credible activist who delivers what is promised, (4) a capability builder, (5) a human resource innovator who creates new HR practices that solve business problems, and (6) a technology advocate who enhances efficiency and builds relationships (Ulrich, Younger, Brockbank & Ulrich, 2012). Ulrich and Dulebohn (2015) argue that the dynamic nature of the business environment demands the adjustments of HRM roles constantly in light of the context.

The research identified several challenges that hamper HRM from becoming a strategic partner of business strategies. For example, Omondi et al. (2011) and Mwatete (2012) identified internal or organisational factors that discouraged Kenyan companies from adopting strategic human resource management. These factors were poor communication and decision-making process, poor planning on human resource management issues, poor job orientation, organisational culture, top management support, communication on new initiatives, managements' knowledge of what strategic human resource management entails, and lack of flexible HR strategies and practices. Among the challenges identified

above, most of them are the responsibilities of executives. Therefore, one can conclude from this that it is impossible to implement strategic human resource management without the consent and support from top managers.

Emebet (2017) also assessed the strategic human resource management practices in the Ethiopian private banking sector in Ethiopia. Her study found that the overall strategic human resource practices in private commercial banks were perceived positively. However, training and development, as well as integration of HRM practices with corporate strategy, were perceived negatively.

As the pace of business changes around the world is increasing, models and theories of strategic HRM are becoming unfit and powerless in explaining the current situation. For instance, 'talent' has become the most wanted asset that executives expect from strategic HRM functions, but still, strategic HRM is focused on HR policies and HR practices-organisational performance relationships (Wright et al., 2018). Mwatete (2012) further explains that it is much harder for HR practitioners who used to work in the traditional HRM setting to become strategically oriented. For one thing, they have inadequate knowledge of the wider business context in which they are working and are looked down on by business strategists. As a result, they find it difficult to initiate innovative ideas, plan and execute programmes, and are business-minded. Durai (2010) argued that strategic human resource management needs long-term vision and interventions by top managers, but in most cases, especially when considering human resource activities, organisations aim for short-term goals. What is more, senior executives are not involved in strategic HRM decision-making for they do not give much attention to the strategic effect of it.

It is also useful to assess the challenges of strategic human resource management practices from the external contextual perspective. Budhwar and Yaw (2004) claimed the importance of considering socio-cultural factors in heterogeneous societies. They stated that political instability and economic shocks negatively affect the principle and practices of strategic human resource management. As a result, in such a society, ethnicity and favouritism will be the driving force behind every intention, which highly distorts institutionalism, professionalism, and principles of strategic HRM.

## RESEARCH METHODOLOGY

### Research Design and Approach

As the study's main objective is to systematically describe the existing status, characteristics, frequencies, and trends

of SHRM, the descriptive research design was considered an appropriate choice. By employing mainly descriptive statistics, this study shows the extent of the implementation of strategic HRM practices in the selected banks. It is well known that descriptive research design usually uses a quantitative approach. The current study prefers a mixed approach, because it incorporates elements of both qualitative and quantitative approaches. A qualitative approach was applied to supplement and strengthen the quantitative aspects and provide an opportunity for the researcher to observe the application of SHRM first-hand.

## POPULATION AND SAMPLE DESIGN

Population refers to a full set of groups from which a sample is taken (Kothari, 2004). He further states that population is a well-defined set of people, services, elements, events, groups of things, or households that are being investigated. Thus, the target population of this study consisted of 2,527 HR officers, managers, and directors who are currently working for the three selected commercial banks in Ethiopia.

These sampling units are individuals, including directors, managers, and HR officers of the three selected Ethiopian commercial banks operating in Addis Ababa, Ethiopia. Out of the 17 commercial banks in Ethiopia, the Commercial Bank of Ethiopia, Dashen Bank, and Berhan Bank are selected, on the basis of proximity to the researchers. Commercial banks in Ethiopia are always the first in line to implement new regulations and directives that can alter industrial and operational management, including human resource management. This research targets only employees working in Addis Ababa at head offices of the selected banks. Since all human resource management strategies and policies are designed at the head office, other outlying branches of the banks are expected to exercise the same strategies and policies.

**Table 1: Population Distribution**

Banks and Location Departments		Directors	Managers	HR Officers
Commercial Bank of Ethiopia	Head Office	124	967	141
	A.A Districts	-	80	29
	A.A Branches	-	658	-
Dashen Bank	Head Office	27	69	28
	A.A Districts	-	12	24
	A.A Branches	-	166	-
Berhan Bank	Head Office	25	55	8
	A.A Districts	-	56	-
	A.A Branches	-	58	-
Total		176	2121	230
Grand Total		2527		

Source: Human Resource record of respective banks, 2021.

In this study, the sample size was calculated using the following formula, for sample size determination and allocation of respondents. The study employs the known sampling formula called Yamane's formula for calculating sample size.

$$n = \frac{N}{1 + A = \pi r^2 N(e)^2}$$

$$n = \frac{2527}{1 + 2527(0.05)^2}$$

$$= 345$$

Where, n = number of sample size, N = Total number of study population, and e = level of confidence to have in the data or degree of freedom, which is 95% for this study with 5% error. Simple random sampling technique was applied to select the sample from the sample group, because it gives everyone in the target population an equal probability of being selected as a respondent in the sample group.

**Table 2: Sample Distribution**

Banks and Location Departments		Directors	Managers	HR Officers	Total	Proportion	Sample Size
CBE	Head Office	124	967	141	1232	0.136526	168
	A.A Districts	-	80	29	109	0.136526	15
	A.A Branches	-	658	-	658	0.136526	90
Dashen Bank	Head Office	27	69	28	124	0.136526	17
	A.A Districts	-	12	24	36	0.136526	5
	A.A Branches	-	166	-	166	0.136526	23
Berhan Bank	Head Office	25	55	8	88	0.136526	12
	A.A Districts	-	56	-	56	0.136526	8
	A.A Branches	-	58	-	58	0.136526	8
Total		176	176	2121	230		
Grand Total		2527			124		345

## DATA COLLECTION INSTRUMENT

The primary data was collected by employing two types of data collection methods: questionnaire and interview checklist. A self-administered questionnaire was distributed to a different group of sampled employees from the selected private commercial banks situated in Addis Ababa, Ethiopia. The questionnaire sought information about the demographics of the employees, the vertical integration, the role of HR professionals, and evaluation and challenges in SHRM implementation.

The questionnaire was divided into two parts. The first section of the questionnaire has enabled the researchers to collect demographic data and general information about the respondents, such as age, gender, and background information, while the second section contained respondents' perceptions on the assessment of SHRM practices and associated challenges. Close-ended questions were rated on a five-point Likert scale ranging from '1' strongly disagree to '5' strongly agree. The SHRM practice was measured by a questionnaire adopted from the research report of the Society for Human Resource Management (SHRM, 2015), and the question items chosen to measure strategic HRM challenges were adopted from Mwatete (2012) and Olasoji (2019), which were formulated based on research undertaken in the African context.

## VALIDITY AND RELIABILITY

Validity indicates the degree to which an instrument measures what it is supposed to measure (Kothari, 2004). The concepts that are going to be assessed in this study are practices and challenges of strategic HRM. To precisely measure the practices of strategic HRM, a questionnaire is adopted from the research paper of Society for Human Resource Management – SHRM (2015). The items included in these questionnaires are valid because other works of literature also suggest the same measurement questions. For instance, Ekhsan and Othman (2009) identified measures that can demonstrate the alignment of business strategy and human resource strategy. These include the existence of company mission and corporate statement, HR professionals' direct involvement in board meetings, direct reporting to the chief executive, and participation of HR professionals in formulating business strategy. Moreover, since the questions adopted from Mwatete (2012) and Olasoji (2019) that focus on the challenges of strategic HRM practices are tested in the African context, they are believed to accurately measure the challenges associated with the implementation of strategic HRM in the selected banks. Since this study used contingency perspective and the measurement tools used to assess the

alignment of business strategy and HR strategy are supported by literature, they are considered valid and can measure the construct. In addition to the contingent model, Ulrich's (1997) strategic HR model is used to assess strategic HRM practices. Items like 'HR professionals are accountable for providing innovative solutions and programmes' can elicit the change agent role of HR professionals. Items included in measuring 'Challenges of SHRM' are also drawn from the literature. For instance, Mwatete (2012) identified that lack of management support and allocation of inadequate budget and resource is a challenge for the implementation of strategic HRM. In addition, Budhwar and Yaw (2004) argued that in a developing and heterogeneous society, group favouritism and political affiliation are the challenges that can distort the principles of strategic HRM. Therefore, items are included in the questionnaire. Once an instrument is valid it is reliable, but the reverse is not true (Kothari, 2004). The reliability of the instrument was also measured using Cronbach's alpha.

**Table 3: Reliability Score**

Variables	Cronbach's Alpha	N of Items
Vertical Alignment	.901	6
Role of HR Professionals	.846	6
HR Evaluation	.935	7
Challenges	.913	10
Overall	.910	29

Source: Survey Result, 2021.

Cronbach's alpha gives the proportion of the total variation of the scale scores that are not attributable to random error. To address issues of possible common method variance, Cronbach's alpha reliability test is conducted for all the measures. Reliability scores are checked and found to be adequate to analyse the association between the variables under study. All variables had Cronbach's alpha of more than 0.75, which indicates that they maintained internal consistency. In this regard, values of 0.75 or greater were considered adequate for a scale that was used to analyse associations (Durai, 2010). Thus, the data collection instrument was deemed reliable.

## RESULTS AND DISCUSSION

### Response Rate

As indicated in the research methodology section above, 345 questionnaires were distributed, out of which 294 were returned, thus resulting in a response rate of 85%. The response analysis was conducted using frequency (count),

mean, and standard deviation, and the various characteristics data sets were presented accordingly. Descriptive statistics help us present the data in a more meaningful way, which allows a simpler interpretation of the data. The study by Soomro and Firoz (2018) was taken as a benchmark to interpret mean scores rating. According to them, mean scores that fall between 4.51 and 5.00 are excellent or very good; mean scores from 3.51-4.50 are good; mean scores from 2.51-3.50 average or moderate; from 1.51-2.50 fair; and from 1.00-1.50 are poor.

### PERCEPTION ON SHRM PRACTICES

This section presents the general perception of respondents on SHRM practices, including the status of HR alignment with business strategy, the HR professionals’ role as strategic business partners, and the evaluation of HR in terms of its contribution to business objectives.

#### Alignment of HR with Business

All business functions, including HR, need to align their work methods and practices with a firm strategy to achieve higher organisational performance. According to the ‘best-fit’ approach of contingency theory, vertical integration is the alignment between the organisations’ business and HR strategy and horizontal integration is the extent to which the different elements of the HR strategy fit together and are mutually supportive (Armstrong, 2008).

**Table 4: HR Alignment (N = 294)**

Items	Mean	Std. Deviation
HRM is aligned with the bank’s mission	4.04	1.084
HRM is integrated with the bank’s business strategy	4.02	1.152
Strategies are configured to the bank’s business plan	4.13	1.034
HRM supports the bank in its key strategic initiatives	4.14	1.106
HRM practices are according to competitive strategy	4.02	.925
HRM system is fit with the overall strategy of the bank	4.07	.968
<b>Grand Mean</b>	<b>4.07</b>	

Survey Result, 2021.

Table 4 revealed that a majority of the respondents believe that the surveyed banks have a well-defined and articulated vision, mission, and goals, shown by their strong agreement, with an average mean score of 4.07 and standard deviation of

1.044. This shows that emphasis has been laid on a strategic approach to the development and implementation of human resource policies and practices.

The lowest mean was 4.02, representing the question items ‘HRM is integrated with the banks’ business strategy’ and ‘HRM practices are according to the bank’s competitive strategy’. This result may be an indicator that these banks’ strategic initiatives to excel in overall performance and achieve organisational objectives are relatively weak. To supplement this, according to a majority of the interview responses, there is poor support from the top management to HR, a relatively lower HR budget, and a low number of experienced and competent HR professionals, which collectively contributed a lot to HR integration problems observed in the surveyed banks. Thus, based on the above criterion of HR integration, it can be concluded that these banks aligned their HR strategies to a moderate extent.

#### The Role of HR Professionals as Business Partners

For HR to be a business partner, HR professionals should be allowed to exercise strategic roles. To this end, HR professionals are expected to demonstrate knowledge and competency to contribute their fair share to achieving business objectives. They need to understand the business context under which their organisation is operating, so that they can effectively link HR with business strategies to deliver business value.

**Table 5: The Role of HR Professionals (N = 294)**

Items	Mean	Std. Deviation
There is an investment to develop HR professionals’ competency regarding business knowledge	4.01	.261
HR professionals are accountable for providing innovative solutions and programmes	3.99	.350
HR professionals have broad banking business knowledge	3.97	.340
The post ‘HR business partner’ is available in the banks’ organisational structure	4.06	.448
HR business partners’ performance evaluations and job descriptions are valid and tailored to them	4.14	.652
Top executives and HR professionals have a global perspective that value and consider the perspective of all stakeholders	4.13	.648
<b>Grand Mean</b>	<b>4.05</b>	

Survey result, 2021.

The grand mean (4.05) of the HR professional's role in participating in strategic business decisions, was rated as good. The SHRM practices categorised between 4.14 and 4.06 are considered as best practices, because the respondents have a positive perception of the banks' organisational structure, HR business partners' performance evaluation system and job description, and global perspective of top executives and HR professionals. However, much work remains to be done. The banks need to improve the competency of HR professionals by investing more in training and development to enhance their business knowledge, to make them accountable in bringing about innovative solutions to business problems. In a similar study conducted in Ethiopia, Emebet (2017) also found a low mean score for HR professionals' development and growth.

As Table 5 indicates, a majority of the respondents believe that HR business partners' performance evaluation system and job descriptions are valid and tailored to them. The mean score (4.14) was rated as good, with less response variability ( $sd = 0.652$ ). This may show that HR has been a strategic partner; HR managers are well involved in strategic decision-making alongside other senior managers, providing greater opportunities to align HR goals, strategies, philosophies, and practices with banks' objectives and the implementation of business strategy.

In the same manner, Table 5 also showed that most respondents perceived that top executives and HR professionals have a global perspective that value and consider the perspective of all stakeholders. This contributes to the second-highest mean (4.13) of all the items in this group. A majority of the interview responses indicated that top management is often willing to involve human resource managers in top decision-making levels, mainly because they do not understand the importance of human resource as a critical function and source of competitive advantage for the organisation. This is parallel to what Armstrong (2008) observed, that is, human resource managers must work with top management to shape human resource and corporate strategies, which means that they should be elevated to high levels in the organisational structure.

## SHRM Evaluation System

**Table 6: Evaluation of SHRM (N = 294)**

Items	Mean	Std. Deviation
Financial efficiency of HR operations	4.06	.773
The specific effects of HR programmes	4.02	.786
To demonstrate the link between HR activities and assets of the bank	3.99	.822

Senior executives are involved in evaluating HR strategies	4.16	.670
Top executives engage in evaluating HR strategies	4.15	.696
The effectiveness of overall HR function is assessed as seen by HR and its stakeholders	4.09	.763
The alignment of HR activities with each other and with the strategic goal is periodically evaluated	4.14	.688
Grand Mean	4.08	

Survey Result, 2021.

Table 6 displays the respondents' perceptions about the evaluation of SHRM in surveyed banks. From Table 6, one can observe that the grand mean was 4.08; it was rated as good, with less response variability ( $sd = 0.7425$ ). This shows that evaluating SHRM in surveyed banks is a popular practice; each employee has clearly defined duties which are evaluated regularly to determine levels of compensation. This also shows that workers are considered a source of the banks' competitive advantage, rather than complementary or limiting factors to the firm's success. According to a majority of the interview responses, employees have good employment security and it is well managed. In addition, it is learned that surveyed banks are very selective in recruitment, to acquire and retain the best employees in the workplace with high and competitive wages, incentive pay, employee ownership, information sharing, participation and empowerment, training and skills development, cross-utilisation, and cross-training and promotion from within. However, Tekalegn (2019) found that the banks' performance management system did not serve as an input for training. As evidence, an individual who scored poor in the appraisal system was not prepared for a training programme to boost his/her performance. Besides, he also found that the degree to which line managers received training to undertake HR-related responsibilities were found to be below average, with a mean score value of 2.35 ( $Std. Dev. = 1.03$ ), on a five-point scale.

The results show that senior executives are involved in evaluating HR strategies (Mean = 4.15); the alignment of HR activities with each other and with the strategic goal is periodically evaluated (Mean = 4.14); and finally, the effectiveness of overall HR function is assessed as seen by HR and its stakeholders (Mean = 4.09). This may indicate that top senior executives are involved in evaluating HR strategies. It also shows that the alignment of HR activities with each other and with the strategic goal is occasionally evaluated and the usefulness of the overall HR function is well seen by HR and its stakeholders, which increases the vertical and horizontal integration of HR. This creates a conducive environment for HR professionals to practice

strategic human resource management, to enhance the banks’ business performance. It may also increase effective overall organisational performance and include career opportunities, formal training systems, result-oriented appraisals, employment security, participation, job descriptions, and profit-sharing.

**Challenges of SHRM**

**Table 7: SHRM Implementation Challenges (N = 294)**

Items	Mean	Std. Deviation
Business strategy statements are not cascaded down to HR activities	3.85	.972
No separate HR strategy document – long-term HR vision of the bank	3.73	1.048
Top managers do not involve and support HRM of the bank	3.71	1.077
Top managers are sceptical about the positive results of strategic HRM	3.69	1.068
HR professionals misunderstand the business strategy of the bank	3.63	1.104
HR professionals lack business competencies	3.61	1.121
HR professionals lack important political skills	3.72	1.086
Organisational structure of the bank does not empower HR professionals	3.77	1.071
Insufficient resource allocation	3.78	1.040
Group favouritism and political affiliation	3.93	.937
Grand Mean	3.74	

Survey Result, 2021.

In the survey instrument, respondents were also requested to identify the major challenges of strategic HRM. Accordingly, as Table 7 shows, mean score between 3.61 and 3.73 is considered as good achievement. These included business competencies, understanding the business strategy of the banks, and important political skills like image building, alliance formation, networking, compromise, and issue selling of HR professionals. Others, including top managers, are convinced about the positive results of strategic HRM; they are involved and support the HRM of the bank. There is also a separate HR strategy document that shows the long-term HR vision of the bank.

Table 7 shows that a majority of the respondents believed that the following are the major problems or challenges of SHRM implementation in the surveyed banks. First, the

organisational structure of the banks does not empower HR professionals to participate in strategic issues and initiate organisational change. It’s mean was 3.77. This may be due to the complexity and rigidity of the ways surveyed banks or organisations manage human resources, which, of course, are influenced by several factors (e.g., external influences on HRM policies and practices and technological changes), as well as by the lack of explicit HRM theories. However, the main reason is that human resource professionals lack flexibility or change in organisational structures, especially where change issues may challenge existing rules and regulations as they may appear in the standard banking operating procedures. Armstrong (2008) perceives that human resource managers must work with top management to shape human resource and corporate strategies, which means that they should be present in high levels in the organisational structure.

Second, insufficient resource and budget allocation is hampering the effective implementation of strategic HRM (Mean = 3.78). In addition, most of the interview respondents agreed on the presence of other predictors of HR integration, such as resource and budget allocation, intense competition, and relative HR department size. Lack of sufficient budget for training and education was reported as a challenge for effective SHRM practices in the sector.

Third, the business strategy statements of the bank are not properly cascaded down to HR activities (Mean = 3.85). This may be related to a lack of clear information and understanding about SHRM. This is found by all respondents as a reason for first-line managers’ failure to interpret and cascade down the target to the individual level. This creates strategic objectives of the organisation being less communicated to all employees through different communication media of the organisation, and the targets are cascaded to the individual level. SHRM supports long-term business goals and outcomes with a strategic overall framework. It focuses on longer-term resourcing issues within the context of an organisation’s goals and the evolving nature of work in determining how they are integrated into the overall business strategy (Long, 2008).

Finally, the prevalence of group favouritism and political affiliation distorts the principle of strategic HRM in banks (Mean = 3.93). This shows that the process of SHRM suffers from a lack of autonomy, and biases in a majority of the private banks, due to personal interests as well as socio-political affiliation. This may create fewer employment relationships, as it is referred to as an economic, social, and political relationship in which employees provide manual and mental labour in exchange for rewards by employers. Emebet (2017) stated that employee relation shows the existence of a psychological contract that is different from any other

relationship. There is a non-formalised kind of contract that is grounded on what each party expects from the other, and is different from the normal written and legal expectations of the parties from each other. She also contends that the socio-political relations around employment are not static; hence, it is important to consider the future of the bipartite and/or tripartite employment systems context for determining the employment relations outcomes. Accordingly, it was found that the human resources department, in collaboration with other departments like corporate planning has been planning, implementing, and following up activities about selected SHRM practices. The banks under study have written documents, including HRD policies, procedures, and manuals, as a majority of the respondents replied that the surveyed banks align and integrate HR practices with their business objectives and strategies, though the level of HR-business alignment might vary across banks.

## CONCLUSIONS

This study concludes that the practices of SHRM implementation are in a good direction in the surveyed banks. There is also an indicator for a good fit between human resource management practices and the strategic management process of the firm. The chances of integration between business strategy and HR strategy may be further augmented through an opportunity to empower HR business partners. Moreover, continuous assessment and evaluation of the existing SHRM practices are certainly being implemented; however, there is a lack in identifying the gaps in terms of individual's cognitive and behavioural change, groups' integration, and institutionalisation, along with the proper flow of information, strategic alignment, and processes to support firms' objective achievement.

Additional major challenges in implementing SHRM in the surveyed banks include problems with organisational structures, insufficient resource and budget allocation, lack of cascading business strategy statements to HR activities, and the prevalence of group favouritism and political affiliation, which distorts the principle of strategic HRM in the bank. This study also concluded that a failure to effectively implement HRM policies creates a mismatch between human resource deployment and other aspects of the organisation.

## MANAGERIAL AND FUTURE RESEARCH SUGGESTIONS

This study recommends that human resource professionals be empowered to initiate new programmes or change

organisational structures, especially where change issues may challenge existing rules and regulations as they may appear in the standard operating procedures. Banks may invest in human resources through training and management development to improve individual employee capabilities and organisational capabilities. Banks may focus management development on the cascading of a partnership culture and they may organise a well-articulated top management team with a clear and unified understanding of purpose and direction to cascade business strategy statements to HR activities throughout the organisation. Banks may look at their vision for their companies and maximise the contribution that their people can make to achieve that vision; thus, their HR strategy may address such issues as structure, teamwork, performance or quality, and customer care. Senior managers have to work to create a common understanding regarding how strategic human resource management can be implemented at all organisational levels. Banks and other organisations should not regard HRM as a second-order strategy, that is, as nothing more than a collection of routine functions, of which one or two might sometimes be used to help achieve a particular strategic objective. Senior line managers, in co-operation with external consultants, may re-evaluate the relationships between valuable resources such as complex capabilities and banking organisation culture on the one hand, and organisational performance on the other, including employees' understanding. Future research can focus on the factors or variables that need to be fulfilled for HR to play its strategic role in an effective and efficient manner. It is also important to study the relationship between HR and business performance to provide empirical evidence of the contribution of HR to various business strategies.

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