

**Addis Ababa University**  
**College of Business and Economics**  
**School of Commerce**



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

*A Thesis submitted to the Office of Graduate Studies as  
Partial Fulfilment of the Requirement for Masters of Arts  
Degree in Human Resource Management*

**By: Meheretab Lemma**

**Advisor: Solomon Markos (Ph.D)**

**September, 2021**

**Addis Ababa, Ethiopia**

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## **DECLARATION**

I hereby declare that the work which is being presented in this thesis entitled “**Assessment of Strategic Human Resource Management Practices and Challenges in Selected Ethiopian Banks**” is original work of my own, has not been presented for a degree to any other university and all the materials used for the thesis have been duly acknowledged.

**Declared by:**

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\_\_\_\_\_

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September, 2021

**Date**

## **APPROVAL**

This is to certify that the thesis entitled “**Assessment of Strategic Human Resource Management Practices and Challenges in selected Ethiopian Banks**” was conducted by Meheretab Lemma under the supervision of Solomon Markos (PhD), and submitted for Masters of Art in Human Resource Management to Addis Ababa University School of Commerce Graduate Programme.

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## **LIST OF ACRONYM AND ABBREVIATIONS**

**CBE** Commercial Bank of Ethiopia

**HR** Human Resource

**HRM** Human Resources Management

**RBV** Resource Based View theory

**SHRM** Strategic Human Resources Management

**SPSS** Statistical Package for Social Sciences

## **ABSTRACT**

*The purpose of this study is to assess the strategic human resources management practices and its associated challenges in selected Ethiopian banks. A sample of 345 employees was selected using Yamane's sampling formula and 85% responses rate was attained. Mixed research approach and descriptive research design is used to analyse the data. Primary data was collected using self-administered questionnaires and interviews. Data analysis involved statistical computations for averages, percentages, standard deviation and chi square analysis. From the study, it was found that the overall strategic human resource practices in the selected banks were perceived positively. These banks accepted their HR professionals as strategic partner and evaluating SHRM in surveyed banks is a popular practice that each employee has clearly defined duties. Major challenges included insufficient resource allocation, lack of cascading business strategy statements to HR activities and the prevalence of group favouritism and political affiliation. Thus, this study concludes that even if the practices of SHRM implementation have been in good direction in the surveyed banks, the failure of effective implementation of HRM policies that created a mismatch between human resource policies and practices. It is suggested that there should be concrete partnership between senior management and HR professionals to effectively maneuverer the implementation of SHRM and HR professionals should be empowered to initiate organizational change with in their domain.*

**Key Words: Strategic Human Resource Management, Vertical Integration, HR Role**

# **CHAPTER ONE**

## **INTRODUCTION**

This chapter presents the background of the study which is basically on strategic human resource management practices and its associated challenges in banking industry. It also presents statement of the problem, research questions and objectives of the study with significant, scope and limitation of the study. Further, it includes definitions of terms and organization of the study.

### **1.1 Background of the Study**

Generally speaking, it has been more than two hundred years since formal organizations have become the predominant setting in the global economy by which people with different knowledge, skill and capital and with some common goal put their resources for the common good of all stakeholders. Since the introduction of the “division of labor” by Adam Smith in 1776, there have been different developments of business philosophies proposed for an optimum configuration of resources and organizational performance. One interest area in this regard is the philosophy of management. For instance, the instrumentality theory which has its roots in the scientific management theory of Fredrich Taylor states that rewards and punishments are the best instruments to shape employees’ behavior (Armstrong, 2014). This theory supports the rationale that financial incentives can motivate employees. In today’s organizations, it is evident that this theory has its own positive practical results. This can be seen by the benefits organizations get when applying performance related pay. But since this theory fails to consider the integral human needs and other important factors, it has its own short comings in dealing with employees’ behavior and hence organizational performance.

After 1990’s many literatures began to give more attention to strategic HRM (Butler et.al, 1991). When the discipline first emerged, there was a continuous debate whether strategic HRM is a real phenomena or just a notion far from what is on the ground. But researchers like Barney (1991) laid the foundation to give strategic HRM a theoretical ground. He explained that a firm is said to have competitive advantage if it has a strategy that can exploit the distinctive resources which can create value to that specific organization and at the same time

hard to imitate by other competitors. Later Boxall (1996) openly enunciated the resource based view as the conceptual frame work for strategic HRM asserting that human resource can be sources of competitive advantage.

As Delery and Doty (1996) defined it, strategic HRM practices are those practices that are theoretically or empirically related to overall organizational performance. One of the main advantages of strategic HRM over the past approaches and theories was that it was more integrative and value driven (Khatoon et.al, 2013). It was integrative because it took other previously ignored factors in to consideration. It also looked into the fit between HR practices and organizational goals, the consideration of HRM when designing strategy, the involvement the HR functions in senior management teams, the devolvement of HR practices to line managers and values HR activities contributed to organizational performance (Bowen and Ostroff, 2004). In other languages, it has shifted human resource management from focusing on functional activities to a more strategic one. In addition, the emergence of strategic HRM paves the way for researchers to investigate the relationship between human resource management and organizational performance.

From strategic point of view, firms operating in the twenty first century face challenges in the form of rapid changes in the business environment. For instance, globalization, work force diversity, legislation, managing work-life balance, increasing change in technology and specifically change in information technology are some of the challenges. Business strategies are formulated and designed to address these contemporary challenges and to identify, develop and sustain competitive advantages. When formulating an organizational level business strategy, the first and most important step is to scan the general business environment (Hitt et.al, 2007). One of the important changes in today's business is the fact that it is becoming more knowledge based than ever. Starting in the 1980s the competition areas shifted from hard assets to intangible resources (Hitt et.al, 2007). Because of this, organizations are required to consider human resource issues when developing business strategy. On top of this, it is also critical to ensure that human resource strategies are aligned with business strategies to get effective organization outcomes. H.R Chenhall (2005) cited in Sejfijaj (2007) writes that strategic alignment is important to bring desired behavior among employees and execute strategy at a process level. This is called vertical alignment or external fit.

Theoretically, both horizontal fit, which is the alignment of different bundles of HR practices with each other, and vertical fit are important for effective organizational outcomes (Armstrong, 2014). On the contrary, empirical findings like that of Huselid (1995) and Venkatraman (1989) cited in Huselid (1995) found little evidence that horizontal fit and vertical fit contribute to increased firm performance. However, Huselid (1995) attributes this to the measurement method he used to gauge the vertical and horizontal fit and calls for further researches to be made in this area. He stated that a more “refined theoretical and psychometric development” of these constructs are critical to empirically support the theory of strategic fit. In addition to this, Delery and Doty (1996) also found limited evidence for the alignment between business strategy and human resource practices. On the other hand, Dean and Lepak (1996) cited in Snell et.al (2001) found a significant relationship between the strategic fit and high organizational performance in manufacturing industries. In response to the call of Huselid (1995), Ekhsan and Othman (2009) identified measures that can tell the alignment of business strategy and human resource strategy. These are the existence of company mission and corporate statement, HR professionals’ direct involvement in board, and direct reporting to the director and participation of HR professionals in formulating business strategy. Even when the development of such construct measurements are available, researches’ evidence for vertical and horizontal fit is “weak, or at best mixed” (Gerhart, 2007).

Lack of strong empirical support for vertical and horizontal fit is one challenge for strategic human resource management. But theoretically speaking, strategic fit 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 (Hoor-Ul-Ain, 2014). The other challenge in strategic HRM is the identification of when, why and how human resource activities affect organizational performance. Purcell (2004) called this challenge a ‘black box’. He studied how different HR practices can affect organizational performance for three years and concluded that the effects are more evident in medium term than in the short term.

## **1.2 Statement of the Problem**

The increasing importance of strategic human resource management and the growing attention it is getting from both academicians and practitioners is largely a result of the change in business environment. Globalization, technological changes, employment relationships and high competition for markets and resources are some of the main factors that changed how we understand and do business. As Delery and Doty (1996) noted in their study, strategic human resource management practices are those HR practices which are either theoretically or empirically related to the overall organizational performance.

The traditional view that emphasize on transferable resources as the only competitive advantage is, eventually, being replaced by the idea that other intangible organizational resources like organizational cultures, management process, highly developed employee skill and systems in general can be sources of distinctive competencies (Greer, 2001). In this regard, strategic human resource management focuses on the link between human resource practices and the overall business strategy in order to use HR as a distinctive competency in achieving organizational goal. Even though strategic HRM is not without criticism of lacking adequate theoretical basis, different literatures show that there is a positive relationship between strategic HRM and organizational performance. For instance Akhtar et.al, (2008) reported that their finding is consistent with other literature in that strategic HRM is positively related to firm performance.

The Ethiopian banking sector is moderately competitive (Zerayehu, 2015). This is because the product and services they provide are more or less similar. They compete in the market by making minor differential of prices of their products and mainly by quality of service and efficiency (Emebet, 2017). Consequently, the only main variable in such a market that can make a real difference will be human resource. This can explain why banks in Ethiopia are competing to get the scarce human resource by providing attractive salary and benefit packages. In addition to this, the National Bank of Ethiopia annual report 2017/18 revealed that there is high mobility (movement) of employees among banks. This shows that acquiring the right and skilled employees is not enough but retaining and developing them is also equally important.

In Ethiopia and specifically in the banking industry it is too soon to say that the concept and practice of strategic HRM is a common phenomenon [Abraraw and Alemayehu, (2016) cited in Ketema (2019); Emebet 2017). The vertical alignment is also found to be moderate. From time to time, more banks in Ethiopia are starting to recognize the strategic importance of human resource. Some banks like Dashen and Abyssinia bank have adopted new organizational structures that acknowledge the importance of HR as a strategic business partners. Even though it is believed that this change is helpful in making HR become more strategic and has positive impact on organizational performance, informal discussions with employees revealed that there is a role ambiguity and difficulty in the implementation process. The organizational 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 attempt to see what challenges and implementation problems are holding the application of strategic HRM in the selected banks.

Even though there are few researches that assess the practice of SHRM in Ethiopian banks[(Workineh et.al (2015);Emebet (2017); Tekalign (2019); Sileshi (2020)], this study was different in that it used the combination of contingent perspective, which focus on vertical alignment and Ulrich's (1997) strategic HR role model to assess the contribution of HR professionals for effective implementation of strategic human resource management practices and give a new perspective with respect to the challenges..

### **1.3 Research Questions**

This study has the following research questions

- To what extent is business strategy and HR strategy are aligned in the selected banks
- What is the role of HR professionals in implementing strategic HRM practices?
- To what extent are overall strategic HRM are evaluated?
- What are the challenges associated with practicing strategic HRM in the selected banks?
- Is there a difference among employees perception in implementation of strategic HRM?

## **1.4 Objective of the Study**

### **1.4.1 General Objective**

- To assess the strategic human resource management practices and its associated challenges in the selected banks

### **1.4.2 Specific Objective**

- To determine how well business strategies are aligned with HR strategies and practices
- To examine the role of HR professionals in implementing strategic HRM practices
- To identify to what extent are strategic human resource management practices are evaluated
- To identify challenges of strategic human resource management implementations in the selected banks?
- To test the difference among employees perception in implementation of strategic HRM.

## **1.5 Significance of the Study**

This study contributes to the scant literature on Ethiopian banking industry that assesses the application of strategic human resource management. It is extant that in recent years some Ethiopian banks are opening a strategic business partner position for HR officers to be involved in and support strategic issues that affect the performance of the organizations. Even though this is one step forward in embracing the principles of strategic human resource principles, there are still multiple bottle necks on the way to realize the full benefit of applying strategic HRM. As a result the findings of this study can be used as an input for senior management and HR professionals to better integrate the practice of human resource management with the overall strategy of banks and to understand the challenges associated with it.

## **1.6 Scope of the Study**

This study assessed the strategic HRM practices from the point of view of mainly contingency perspective. In addition to that, the strategic HR role model of Ulrich (1997) was also used to measure the extent of the participation of HR professionals in designing business strategies and; the power and competency they possess for initiating and managing change. This study also focused on one state owned bank and two private commercial banks of Ethiopia.

The population identified and the samples taken are all from in the head office of the selected banks found in Addis Ababa. Primary data was collected by using self administered questionnaires. Data are analyzed using descriptive statistics to show the extent of implementation of strategic human resource management practices and challenges.

## **1.7 Limitation of the Study**

This study used descriptive research design to assess the challenges and practices of strategic HRM in the selected banks. As a result the result and finding of this research cannot be generalized to the whole bank industry. But it only gives an insight how the strategic HRM practices are exercised in the selected banks. In the same way, the challenges that were identified at the end of the research were only applied to the selected banks up on which this study was conducted. The analysis and the conclusion of this paper are solely based on the quantitative and qualitative approach focusing on the selected banks.

## 1.8 Definitions of Terms

- **Strategic Human Recourse Management**– is mainly about integration and adaptation and it concern is to ensure that: human resources (HR) management is completely integrated with the strategy and strategic needs of the firm; HR policies cohere both across policy areas and across hierarchies; and HR practices are adjusted, accepted and used by line managers and employees as part of their everyday work (Armstrong, 2014).
- **Strategic Fit** - refers to the two dimensions that distinguish strategic HRM: First, vertically, it entails the linking of human resource management practices with the strategic management processes of the organization. Second, horizontally, it emphasizes the coordination or congruence among the various human resource management practices (Armstrong, 2014).

## 1.9 Organization of the Study

This study is essentially organized into five chapters. The first chapter deals with introduction of the study. While Chapter two the study discusses on the theoretical and empirical literatures and conceptual frameworks. The third chapter deals with research methodology, research design, sampling technique, size and method of data analysis techniques. The research results and discussion are presented in chapter four. The last chapter includes the conclusion and recommendation part of the study based on the findings obtained from the analysis.

# **CHAPTER TWO**

## **LITERATURE REVIEW**

### **2.1 Introduction**

This chapter provides a wider understanding of the concepts and variables of this study from previous research. The content of this chapter focuses on literature review on relevance of Strategic HRM in banking services, related theories in Strategic HRM, and the empirical studies and theoretical framework guiding this study.

### **2.2 Theoretical Literature Review**

#### **2.2.1 The Concept of Strategic Human Resource Management**

Strategic HRM has been defined by different writers in different ways. Before delving directly in to the different definitions given by scholars, it is worth mentioning what Armstrong (2014) said about understanding strategic HRM. He stated that strategic HRM is not a technique rather it must be regarded as a mind-set underpinned by certain concepts. As a result, the role and actions of HRM practitioners were not as such checked whether they are in line with the business strategy of the firm. This strategic thinking, that was once lacking, is the essential aspect of strategic HRM that uniquely characterize it from what is known as human resource management. In his definition, Armstrong (2014) implied that strategic HRM is underpinned by 'certain concepts'. These concepts are resource based view and strategic fit. According to Boxall (1996) the resource based view can serve as a conceptual frame work for strategic HRM. As one important tenet of strategic HRM, the resource based view states that human resource can be a source of sustainable competitive advantage.

Boxall and Purcell (2003) also noted an insightful idea how human resource can be a source of sustainable competitive advantage. They said that resource based strategic HRM can create that competitive advantage by what they referred as human resource advantage. Boxall (1996) further explained human resource advantage as the combination of human capital advantage and human process advantage. Human capital advantage is the first step in creating human resource advantage by being able to source employees with a competitively valuable skill,

knowledge and attitude. In terms of human resource activity, this is done in the recruitment level. In other words, it can be said that recruitment is one strategic human resource activity. The next step is human process advantage. This covers the whole system that an organization put in to practice with respect to building distinctive people culture, retaining and developing valuable talents and ways of doing works. By this, as dictated both in the human capital theory and resource based view; an organization can make its human resource a source of competitive advantage.

## **2.2.2 Theories of Strategic HRM**

### **2.2.2.1 Resource Based view (RBV)**

The resource based view was a concept that was initially found in strategy literatures. Eventually this theory started to shift its emphasis from external factors toward internal organizational resources as a source of competitive advantage (Wright et.al 2001). Human resource is a special and one of the most important resources that an organization can possess. Due to this, there came a growing acceptance of peoples as strategic resources. Although strategic HRM did not directly evolve from the resource based view theory, the development of the subject as a separate discipline and the conceptual justification it get can be attributed to the resource based view theory.

It was Barney (1991) who gave RBV theory the most widely used theoretical statement. According to him, for a resource to be source of a sustainable competitive advantage, it has to be valuable, rare, inimitable and non-substitutable. Resources are valuable when they can be used to strategically exploit available opportunities and neutralize threats. Second, if a firm is not emphasizing on resources and capabilities that are unique to it, it cannot create a competitive advantage let alone sustaining it. Of course, there may be other non-strategic resources that can be used to survive in the industry but these cannot assure the creation and development of competitive advantage. Third, it is important to discuss the idea that even when resources and capabilities are valuable and rare, there may be a chance that they may not be sustainable. The condition of Inimitability is as necessary as the first two. If others manage to copy the culture, system of doing works and other capabilities of a firm, then it that resource will cease to be source of a sustainable competitive advantage. Finally, the resources

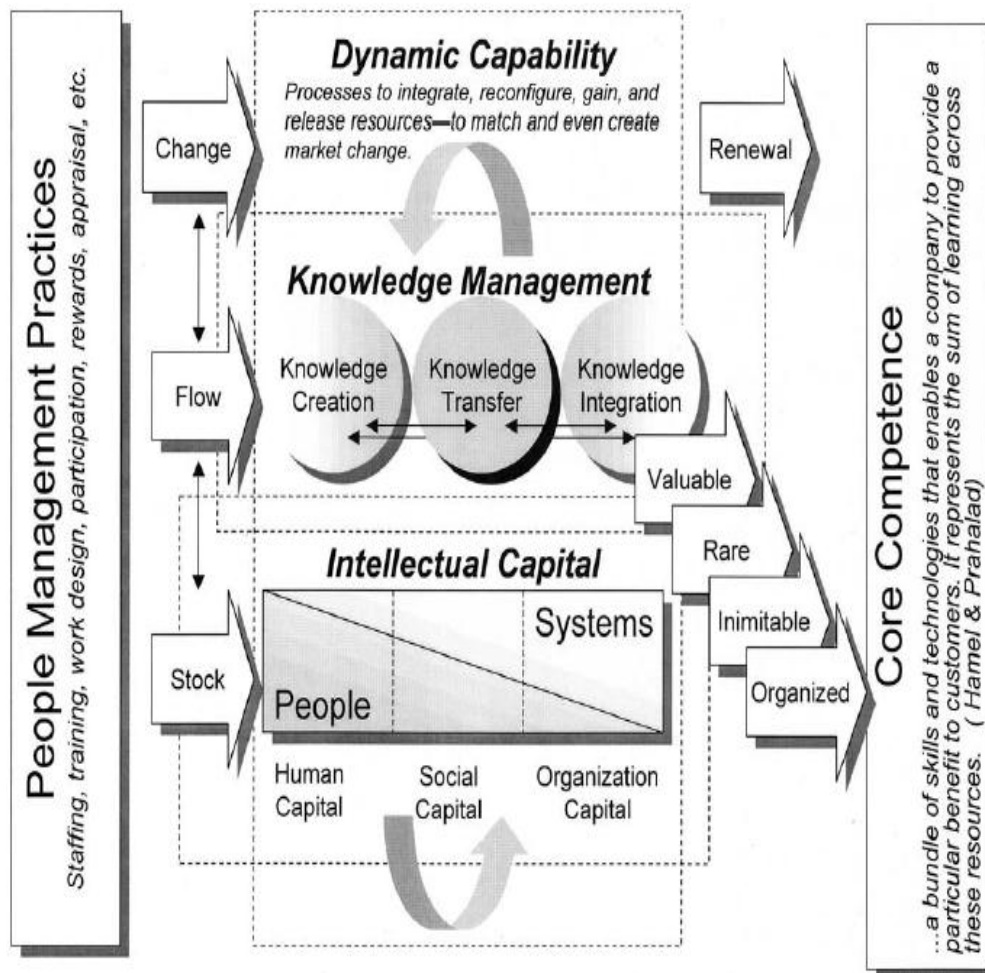
have to be non-substitutable. This confirms that other competitors are unable to come with other alternative methods to challenge the sustainability of that competitive advantage an organization has.

Boxall (1996) also described and majorly contributed to the development of strategic HRM by justifying the resource based view as conceptual framework. He explained that human resource of an organization can be a source of competitive advantage by what he termed as “human resource advantage”. Human resource advantage is composed of two ideas. The first is human capital advantage. This is the potential of an organization to capture people with high knowledge and skill from the labor market. By this an organization can create a pool of human capital with potentially high performance. The second component is human process advantage. This can be understood as a “function of causally ambiguous, socially complex, and historically evolved process such as learning, cooperation and innovation”. The second task he added is creating employees and teams that make the organization capable of learning both within the industry and across the industry. It is this notion of organizational learning that is called organizational process advantage.

In relation to this, there are two opposing views regarding how human resource can be considered as sustainable competitive advantage. Wright et.al (1994) distinguished between the human capital an organization possess and the different HR practices. He argued that only the pool of human capital can serve as source of sustainable competitive advantage since it is impossible to imitate the pool of human capital an organization has. But it is easy to imitate the different HR practices a firm undertakes. Because of this he presents only the human capital an organization possess can serve as source of sustainable competitive advantage.

It is in stark contrast to this that Lado and Wilson (1994) cited in Wright et.al (2001) proposed. They argued that not only the human capital pool of an organization can serve as a source of competitive advantage but the HR practices also. The difference between the two views is that the focus they have when mentioning the HR practices. Wright et.al (1994) was focusing on a single HR activity which can easily be imitable by others. But when Lado and Wilson (1994) refer to HR practices they meant the whole HR systems. As it is discussed in their literature, what creates the uniqueness and inimitability of HR system is the unique set of

outcome that comes as a result of applying different combination of HR practices and the interdependence and complementary nature among the different HR practices.



**Figure 1 A model for integrating strategy and strategic HRM**

**Source: Wright et.al (2001)**

As it is discussed in the opening section of the resource based view, the main conceptual frame work that strategic HRM uses is borrowed from the strategy literatures. What differentiated strategic HRM from the previous functional human resource management is its strategic touch to HRM. Regarding this Wright *et.al* (2001) diagrammatically show how people management can be used to create core competency.

In the figure it can be seen that knowledge management and intellectual capital are labeled as flow and stock variable respectively. These variables along with the dynamic capability are

used as a connector between people management and core competency. The dynamic capability captures what Pfeffer (1998) described as ‘flexibility’.

### **2.2.3 Strategic Fit**

According to Wright & McMahan (1992) cited in Wright et.al (1998) 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. Wright & McMahan (1992) cited in Wright (1998) identified two types of fit. The first one is the fit between human resource management practices and the strategic management process of the firm. This ensures that the general human resource strategy that dictates the direction of where the human capital and skill inventory is going must be aligned with the business strategy of the firm. This type of fit is known as vertical fit. The second fit which is known as the horizontal fit is the congruence between the different human resources practices used. Both the vertical and the horizontal fit are, to a large extent, confirmed to have positive impact on organizational performance (Gerhart, 2007).

Sejfijaj (2017) writes that strategic fit is related to resource based view in that the key to profitability and enhanced organizational performance comes not only by external factors like industry selection and position but also from identifying and utilizing the unique internal characteristics of an organization. Consequently, Sejfijaj (2017) mentioned Armstrong (2014) confirmed that strategic HRM is underpinned by resource based understanding and strategic fit.

### **2.2.4 Model of Strategic HRM**

The discipline of strategic human resource management as more robust as it is than human resource management in dealing with organizational performance and business strategy, has its own models that explain how its principles work.

#### **2.2.4.1 Matching Model**

This model is pioneer in bringing the concept of strategic human resource management to the fore front. It emphasizes the alignment of business strategy with human resource strategy and

structure of organization. In conformance with this model, quite a number of empirical researches on sectoral and company level businesses proved that changes in competitive environment leads to changes in business strategy. In turn, changes in business strategy necessitate a change on how an organization manages its human resource (Jamal, 2012). If organizational structure and human resource system are aligned with organizational strategy, they will serve as a driving force in achieving corporate mission and strategy. The matching model acknowledges that four generic HR functions are practiced in every organization. These are selection, appraisal, reward and development.

#### **2.2.4.2 Harvard Model**

The Harvard model stresses the human aspect of HRM (Armstrong, 2014). It states that the whole relationship an employee has with an organization is dependent up on the human resource management of the organization. Contemporary human resource management requires a more systematic and strategic approach so that there would be practical results on organizational performance. Organizations should treat their employees not as cost factors but as assets that can bring long term return and source of competitive advantage.

The basic principle of Harvard model is that line managers are responsible for the congruence between human resource strategy and HR professionals are concerned with mainly designing HR policies and come up with mechanism to reinforce the strategy and policies of HR. The Harvard model has exerted considerable influence over the theory and practice of HRM, particularly in its highlighting on the fact that HRM is the concern of management in general rather than the HR functions in particular. The model identifies the different stakeholder benefits that impact on employee behaviour and performance, and also gives greater emphasis to factors in the environment that will help to outline human resource strategic choices. This model has potential for international or other comparative analysis, as it takes into account different sets of philosophies and assumptions which may be operating (Sejfijaj, 2017).

#### **2.2.4.3 Hard and Soft Models**

The hard model focuses on the process, quantitative and rational aspect of managing human resource to ensure that employees continue to be sources of competitive advantage

(Armstrong, 2012). In contrast with Harvard model, the hard model considers human resources as other resources of an organization that can be managed to get maximum return whereas the soft model gives value to the knowledge and skills that employees possess, and use commitment, communication, leadership and adaptability to get maximum efficiency. Concerning the applicability of these models and the development of strategic HRM, some researchers [(Keenoy, 1997) cited in Armstrong (2014) and (Wright et.al, 2018)] argue that there should be a balance when treating such seemingly contradictory sides of strategic HRM. For instance, commitment and control were viewed as opposing notions of human resource management when in reality they are not. After that researchers began to focus on high commitment HR practices ignoring the control part. Wright et.al (2018) in their study, identified such kinds of tensions under a section titled “Tension for strategic HRM”. They also pointed out other tension areas in the development of strategic HRM in which one is overemphasized and the other is given less attention by researcher. These unbalanced focuses were seen in the area of human capital/HR practices, differentiation/integration, fit/flexibility, and individual/organizational.

#### **2.2.4.4 Contextual Model**

This model provides emphasis for the environmental factors that have been neglected by other models (Olasoji, 2019). These factors include social, institutional and political factors that can impact the management of human resource. This model includes a wide variety of factors that are in the business environment in which human resource management is exercised and gives a more comprehensive understanding of how HRM is practiced. It is also reflected as multiple stake holder frameworks for it involves both internal and external stakeholders.

According to Martin-Alcazar et.al(2005) the context and HRM strategy can affect each other, though to a different extent. He postulates that the contextual model is superior to the previous models in three perspectives. These are 1) The nature of human resources; 2) the level of analysis and 3) stakeholders implied in the analysis. Because of the complexity of the environmental context in which HRM is considered, some responsibilities which once were the responsibilities of HR professionals are extended and distributed to other managers and especially to line managers. This changes the role of HR people and the nature of human

resource. The level of analysis is also deepened by integrating the practice of HR activities with the broader contextual environment in which they are carried out. Because of this, quite a number of studies about the contextual model are focused in the European context (Martin-Alcazar et.al, 2005). Regarding stake holders involved both internal and external stakeholders who can influence and be influence by the strategic decision. Because of these three perspectives, the contextual model completes the prior models and theories.

## **2.2.5 HRM Perspectives**

### **2.2.5.1 The Universalistic Perspective**

Pfeffer (1998) identified seven best HR practices that can produce profit everywhere. These are employment security, selective hiring of new personnel, self-managed teams and decentralization of decision making as the basic principles of organizational design, comparatively high compensation contingent on organizational performance, extensive training, reduced status distinctions and barriers, including dress, language, office arrangements, and wage differences across levels and extensive sharing of financial and performance information throughout the organization.

Pfeffer (1998) used the terms high commitment, high performance, high involvement and so on, interchangeably as they all refer to systems of producing profit through people. The universalistic perspective holds that there are some human resource practices that are destined to bring high performance across all industries and places. Delery and Doty (1996) based on previous theoretical works [Osterman (1987), Sonnenfeld and Peiperl (1988), Kerr and Slocum (1987) and Miles and Snow (1984)] identified seven practices that are consistently considered strategic HR practices. These are internal career opportunities, formal training systems, appraisal measures, profit sharing, employment security, voice mechanisms, and job definition. They also stated that nearly all the seven strategic HR practices are included in the previous 16 practices for effective people management of Pfeffer (1994).

The first practice identified was internal career opportunities. Organizations are required to meticulously respond to the needs of having qualified employees from time to time. When looking for such employees to fill vacant positions, they have two choices; they can either recruit from the outside labor market or internal labor market. This choice is largely

determined by the HR strategy and the competence needed for that job. Internal career opportunity is giving priority for internal labor market to fill existing vacancy. It is also designing a career planning and arranging a career path by which potent employees can realize their capability. The second practice is training system. Trainings can be extensive training or based on selection and socialization. When employees first join a company they may either pass through a formal training or learn and acquire necessary skills through on job training or socialization. But trainings are not only limited to the time of joining an organization.

Trainings are conducted either on need basis or as part of a regular training program prepared by organizations. Third, appraisals can measure results or behaviour. Behaviour appraisal is a qualitative evaluation of conducts and inherent actions of employees that are necessary for the effective performance of a job whereas result appraisals simply measure the results of those behaviours. The fourth one is profit sharing plan which is a pay related to performance of an organization. In companies where profit sharing is applied, employees are entitled to pay schemes according to the performance of the organization. Fifth, employment security is another factor that has strategic effect on organizational performance. Even though, employment model and practices are changing towards where employment security is low, employees who feel that their employment is secure have higher chance to identify themselves with their job and develop sense of belongingness. Sixth, voice mechanism comprises of formal grievance system and participations in decision making. Organizations that have open doors and provide a mechanism by which employees' say is valued are better positioned to enjoy employee development and organizational development. Finally, well designed job description is critical for the effective performance of employees. This variable can also serve as a proxy variable for HR planning in that job description is the result of job analysis and job design. Besides, clearly defining duties and responsibilities minimize role ambiguity, promotes accountability and effectiveness.

### **2.2.5.2 Contingency Perspective**

In contingency perspective of strategic HRM, the relationship between the dependent and independent variable is complex as compared to the universalistic perspective. In order for an

organization to be effective, the management has to consider the different level of contingent factors upon which the success of different HR practices depend. Among the contingency factors business strategy is the most important one (Armstrong, 2014; Delery and Doty, 1996). In terms of the strategic fit, this perspective emphasizes the vertical fit. It also extends to include a more complex relationship between business strategy, contingent variables and organizational performance. In the universalistic perspective discrete HR practices are assumed to have simple and linear relationships while in contingency perspective, HR practices have interactive relationship among themselves and causal relationship with organizational performance based on the contingency variables (Colbert, 2004).

### **2.2.5.3 Configurational Perspective**

The configurational perspective is more complex than the previous two perspectives for different reasons. First, it analyzes the effectiveness of HR practices by considering the general environment in which a firm is placed and incorporating as many factor variables as possible. It goes on to identify “unique patterns of factors that are posited to be maximally effective” (Delery and Doty, 1996). Doty and Gillick, (1994), cited in Delery and Doty (1996) noted that the configurational perspective “represent nonlinear synergistic effects and high-order interaction that cannot be represented with traditional bivariate contingency theories”. One thing it can be said of this perspective is that it includes the previous two perspectives and adds the different unique factor in to determine the highly effective HR practices that are both vertically and horizontally fit.

### **2.2.5.4 Ulrich’s Strategic HR role Model**

In this model, Ulrich (1997) presented four dimensions of the strategic role of human resource professionals. These four dimensions are ends of a two construct continuums. The first continuum is about the nature of the role of human resource professionals. In this regard, human resource professionals can be engaged in operational activities and/or in strategic management. The second is about the balance between the people part of human resource management and the process part. With respect to this, HR professionals can be employee champions fostering the welfare of employees and/or change agent seeing to it that there is an

efficient and effective HR system. Overall, the four dimensions of the strategic role of HR is 1) administrative expert 2)employee champion 3)change agent and 4)strategic partner.

### **2.2.5.5 Administrative Expert**

Being an administrative expert, for HR practitioners, is ensuring that day to day operations are efficient. This requires them to design efficient HR processes and practices like recruitment, selection, staffing, training, appraising, rewarding and promoting. This notion is different from what characterized by control, compliance and consistency. Ehrlich (1997) cited in Choi (2015) emphasized that this expertise is not the same as the traditional HRM which is characterized by control, compliance and consistency but rather gives attention not only to the functions of HR activities but also considers what role these HR practices play in the general organizational processes. In addition Ulrich (1997) states that to ensure the efficiency of HR practices, there must be a continuous reengineering of work processes. In other words, the basic function of HRM activities has to be carried out in a way that can add value to the whole organizational operations.

### **2.2.5.6 Employee Champion**

Employees are motivated when they feel that their concerns are given attention. When every employee needs are attended properly, employees develop a sense of organizational citizenship. One of the important roles of HR professionals is to avail themselves for such queries and demands of employees. The role of HR, in this case, would be to make sure that employees' interests are not overlooked by the management of organizations. HR practitioners should be the channels by which employees' problem could be brought to the table. This requires HR people to have high degree of communication so as to listen and attend to employees' concern (Ulrich, 1997).

### **2.2.5.7 Change Agent**

This strategic role of HR is all about initiating and managing changes in HR systems. This is one of the important measures that can tell whether an HR system is effective or not. If HR people are free to initiate a change within their power limit and manage such kind of projects,

they are said to be playing the role of change agent. But this might not hold true for every organizations. Some factors that can determine this are, the power vested on HR professionals, capacity of HR professionals to undertake management of change, organizational culture, and organizational structure and so on. HRM is nothing but one strand of an organization that deals with the management of people. So it is important to ensure that every change in the area of human resource is taken in an effort to match organizational changes (Ulrich, 1997).

### **Strategic Partner**

Every organization has its own business strategy. Business strategies show the totality of the direction and goal of an organization with the consideration of the disposable resources and environmental factors. Top managers are responsible for the formulation of business strategy of an organization. It is when human resource professionals participate in the design and formulation of business strategy that it is said they are playing the role of strategic partner. According to Ulrich (1997) it is the participation of HR in defining organizational strategy that makes it strategic partner. The role of strategic partner gives HR professionals the chance to exercise one of the principles of strategic HRM. Ulrich & Eichinger (1997) cited in Choi (2015) recommends HR people to read annual reports, to be familiarize with the product and services of the company and understand financial reports. They also argue that HR business partners should play all the four role explained by Ulrich (1997) in a balanced manner.

### **2.2.6 Challenges of Strategic Human Resource Management**

Based on literatures, a recent study by Olasoji (2019) classified challenges of strategic human resource management in to two; change management challenges and leadership development challenges.

#### **2.2.6.1 Change Management**

Change management is a way of adopting new systems in to the production process of a company so that it can develop and maintain competitive advantages. The very concept of strategy formulation is also based on scanning the external and internal business environment. Based on the contingency perspective of strategic human resource management, the most

important factor upon which strategic human resource management is contingent is business strategy. In modern economy the importance of having a business strategy for organizations is unquestionable. But when business strategy of a company fails to accommodate political, economic, social, technological, legal and other important changes that will affect HR management, the problem of ineffective systems are mirrored in strategic human resource management. Wright et.al (2018) discussed about how strategic human resource management is not coping with the changing business environment. They focused on how strategic HRM researches remained stagnant as time goes by. 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 and solving contemporary problems. 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, HR practices-organizational performance relationship.

#### **2.2.6.2 Leadership Development**

The other aspect of the challenges of strategic HRM is leadership development. Leadership development, beyond the functional activities of an organization, capacitates potential employees to hold leadership posts (Olasoji, 2019). According Ulrich (1997) cited in Hoor-Ul-Ain (2014) traditional HRM has been engaged in administrative function seeing to it that costs are under control and operational activities are going according to plan. But different researches [(Ulrich et al., 1995); (Ulrich, 1997), (Losey, 1999); (Ulrich & Brockbank, 2005); (Ramlall, 2006)] confirmed that there is a room for additional value if HR professionals develop a competency to become business partners. There are attempts to make HR a strategic business partner across the world. Hoor-Ul-Ain, (2014) identified that challenges in this regard are uncertainty about how the business partner approach works, inadequate preparation and weak implementation. In her finding, she stated that poor perception towards HR professionals, inability to measure and show effects of HR outcomes on organizational performance, lack of competency of HR professionals and absence of HR strategy are the challenge that stands on the way of HR on becoming strategic.

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 by business strategists. The other reason being the role they are accustomed to play as a mediator between the staff and the management to compromise issues. As a result, they find it difficult to initiate innovative ideas, plan and execute programs and are business minded. Strategic human resource management needs long term vision and interventions by top managers (Durai, 2010). But in most cases, especially when considering human resource activities, organizations aim for short term goals. What is more, senior executives do not involve in strategic HRM decision making for they don't give much attention for the strategic effect of it.

It is also useful to assess the challenges of strategic human resource management practices from the contextual perspective. Budhwar and Yaw (2004) purported the importance of considering socio-cultural factors in heterogeneous societies. They stated that political instability and economic shocks negatively affects 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.

## **2.3 Empirical Literature**

### **2.3.1 Evidences from Global Studies**

Delery and Doty (1996) did a research with a purpose of explaining strategic HRM with three different ways of theorizing: Universalistic perspective, Contingency perspective and Configurational perspective. The study used both descriptive and inferential statistics to check which perspective explains the variation in financial performance of banks. The results showed a relatively strong support for universalistic perspective and some support for contingency and configurational perspective. They identified seven consistently strategic HRM practices and tested a specific job type that is loan officers and concluded that the HR practices identified are more associated with the large variation of financial performance of the banks.

Based on the seven strategic HR practices identified by Delery and Doty (1996), Akhtar et.al (2008) examined the factorial validity of the practices and their effect on company performance in the context of Chinese enterprises. They 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. The result also showed that employment security and job description contribute uniquely to product/service development and profit sharing uniquely contributed to financial performance.

Loo-see Beh and Leap Han Loo (2013) conducted study that sought to investigate the relationship between best human resource management practices and organizational performance of seven major insurance firms operating in Klang valley, Malaysia. The study adopted descriptive research method to make the analysis. It was found that performance appraisal, internal communication, SHRM alignment in the organization and career planning were the core human resource management practices that influence organizational performance. Husield (1995) adopted the ten high performance work systems developed by Delaney, Lewin and Ichniowski (1989) and studied the impact of them on the organizational performance of publicly owned U.S firms. He found that high performance work practices have economically and statistically significant impact on both intermediate employee outcomes and short and long term measures of corporate financial performance.

### **2.3.2 Evidences from African Studies**

Omondi *et.al* (2011) first recognized two strategic factors that can help to stay competitive. These are pre-entry and post-entry strategic human resource management practices. Then they used factor analysis to distinguish what factors discouraged commercial banks of Kenya not to adopt strategic human resource management. These factors were poor communication and decision making process, poor planning on human resource management issues and poor job orientation.

Mwatete (2012) studied the challenges of implementing strategic human resource management at the Kenya sugar board. She collected data from nine department heads. The method of data collections was an interview guide. She analysed the response by content analysis and found the following were major challenges implementing strategic human

resource management: organizational culture, top management support, communication on new initiatives, managements' knowledge of what strategic human resource management entails, lack of flexible HR strategies and practices, external and internal political factor, financial cost of strategic HRM, copying strategies which are unsuitable to the organization needs and change in overall organizational strategy. Among the challenges identified, most of them are responsibilities of executives. It is concluded that it is impossible to implement strategic human resource management without consent and support from top managers.

In a study conducted by Busienei et.al (2013), universalistic perspective was used to analyze the effect of HR strategic orientation on the performance of Kenyan large private manufacturing firms. The data was collected using questionnaires developed by Huselid (1995), Becker and Huselid (2006) and Becker and Gerhart (1996) and was adjusted by the researchers. Descriptive research design was used to analyze the responses. The findings showed that there was high positive correlation between universalistic HR strategic orientation and firm performance. The study generalized that universalistic HR strategic orientation can bear positive effect on firm performance in Kenyan manufacturing firms and especially in those registered in Kenya Association of Manufacturers (KAM).

### **2.3.3 Evidences From Ethiopian Studies**

Another research by Tekalign (2019) descriptively assessed strategic human resource management practices of Commercial Bank of Ethiopia. Four dimensions of strategic human resource management were identified by the researcher. These are business and HR strategy integration, devolvement of HRM to line managers, high employee commitment and consistency of HRM practices. Based on this self-administered questionnaires were used to collect data. Findings of the study showed that HR integration is high, consistency of HR practices and devolvement of HR to line managers are exercised to a lower extent and average employee commitment. He then concluded that the overall implementation of strategic human resource management practices is to a lower extent. Bekele (2020) assessed the strategic HRM practices towards employee retention in Awash Bank and found that work-life balance was the major factor that enhances employee retention followed by reward and compensation and employee empowerment.

Emebet (2017) assessed the strategic Human Resource Management Practices in Ethiopian private banking sector in Ethiopia. Data analysis involved statistical computations for averages, percentages, and standard deviation analysis. From the study, it was 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. From the study, it is determined that there is a positive perception of overall strategic human resource management practices in private commercial banks. Training programs, participative work settings, impartial recruitment and incentive arrangements provide proper motivation and combine to enhance organizational goals' achievement in terms of market share and profitability.

## **2.4 Research Gap**

It has been said that the combination of HRM and strategic management is garden-fresh thought and several practising managers also attend short courses, consultations and seminars as part of their professional development, and they depend on management articles and books, journals and other literatures. The principal determination of HRM learning has been to monitor and advise practising managers (Patrick and Robert, 2018). That helps to adapt HRM best practices, HRM is essentially considered as an integral part of corporate strategy, and the key to strategic success helps to develop a unique response to an organisation's external environment.

In a few words, as has been pointed out by several scholars (Durai, 2010; Budhwar and Yaw 2004), HRM scholarship and schooling are based on preparations and models that lack a sound theoretical foundation (Patrick and Robert, 2018). Similar explanations can be made about the field of strategic management (Durai, 2010). However, practising managers cannot just concede decisions about the allocation of resources until a consensus emerges within the academy about strategic management in general and SHRM in particular. The RBV has been designated as the bridge between HRM and strategic management theory (Wright, *et al.*, 2001). It is vigorously contended that HRM's proper role lies in serving to establish conditions where complex capabilities will spontaneously emerge and flourish. In the absence of clear guidance from empirically-validated theory, it has been argued that managers are disposed to adopt 'management fads'. While this is reasonable, it is itself a deductive

proposition and there is little data available about the extent to which it is true. In other words, it is impossible to know the extent to which models and assumptions and prescriptions in business schools reflect management practice in organisations (Patrick and Robert, 2018).

That is the gap in existing knowledge which this study seeks to help in filling, the reason why the practices of SHRM is important. In addition, previous studies focused either on single banking organization like Tekalign (2019) who descriptively assessed strategic human resource management practices of Commercial Bank of Ethiopia or involved only in private banking sector like Emebet (2017) assessed the strategic Human Resource Management Practices in Ethiopian private banking sector in Ethiopia. Thus, this study was involved in assessing strategic human resource management practices and its associated challenges in Ethiopian banking sector.

# **CHAPTER THREE**

## **RESEARCH METHODOLOGY**

### **3.1 Introduction**

This section includes methods to be used in order to achieve the objectives of the study. It highlights research design, data source and the methods used in data collection for the research. It also identifies the target population for the study, the sample size and frame, sampling technique and other method of study.

### **3.2 Description of the Study Area**

This study was conducted in Addis Ababa, the capital of Ethiopia. The city is the hub of the country's economic and business activities. It is the place for all federal government offices, embassies, and headquarters of banks, insurances, largest companies and international organization. It is located on a well-watered plateau surrounded by hills and mountains, in the geographic center of the country. Addis Ababa is the educational and administrative center of Ethiopia (Source: Addis Ababa City Administration, 2021).

CBE was officially established as a share company in 1963. In 1974, CBE merged with the privately owned Addis Ababa Bank. Since then, it has been playing significant roles in the development of the country. Currently CBE has more than 22 million account holders and the number of Mobile and Internet Banking users also reached more than 2.5 million as of June 30th 2019. Active ATM card holders reached more than 8 million. 2,513 ATM machine and 9,539 POS machines were available (Source: CBE, 2021). While Dashen Bank was created in September 1995 with a capital of 14.9 million birr and after receiving business license from the national bank of Ethiopia it started to give service in January 1, 1996. Currently, the bank is one of the biggest private banks in Ethiopia. Dashen bank is one of the most reputable brand in domestic banking market. On top of the conventional banking service, Dashen bank provides interest free banking called Sharik (Dashen Bank, 2020). In addition, Berhan bank is the third generation bank in Ethiopian banking industry categorized with Bunna, Abay, Addis and Debu Global bank. Berhan was registered and licensed by the National Bank of Ethiopia on 27th June, 2009 with an authorized capital of Birr 300 Million and subscribed capital of

Birr 154.7 Million divided into shares of 1000 Birr par value each. Currently it has an asset size of 27 billion birr and a capital of more than 3.5 billion birr (Berhan Bank, 2020/21)

### **3.3 Research Approach**

A mixed approach is used for this study. This approach is vital to have a deeper insight in to research questions and as a result to capture the understanding of HR professionals with regard to challenges of SHRM. It also used to quantitatively of analyze the implementation of SHRM practices at organizational level in the selected banks and present the interplay of the findings of quantitative and qualitative approach. The purpose of this approach is that both qualitative and quantitative research, in combination, provides a better understanding of a research problem or issue than either research approach alone (Creswell, 2009).

### **3.4 Research Design**

Descriptive research design is employed for this study to describe and assess the strategic human resource management practices and its associated challenges in the selected banks. This study used descriptive research design to examine the extent of the implementation of strategic HRM practices and the challenges as they are. The reason why descriptive design was applied is to reveal the implementation gaps and challenges of strategic HRM the way they are. There are quite a number of researches made that examine the relationship between strategic HRM practices in the international context [(Hussield, 1995); Akhtar et.al (2008); Khatoon et.al (2013)] using explanatory research design. But the adoption of strategic HRM in Ethiopia is somewhat a contemporary phenomenon (Abraraw and Alemayehu, 2016). Due to this, descriptive research design was used to know what problems are the major factors hindering the application of the principles of strategic HRM in this early stage of its adoption in Ethiopia and expound the degree of implementation of SHRM practices

### **3.5 Data Type and Source**

Source of the data was HR officers of the selected banks found in head office and districts of Addis Ababa. This study used primary data which were collected by the use structured questionnaire. The questionnaire for the strategic HRM practices is adopted from Society for Human Resource Management-SHRM (2015). The other questionnaire that describe the challenges of strategic HRM are own development based on literatures. The questionnaire had three parts; the first is the demographic section, the second is the items about the practices of strategic HRM and the last section contains sets of items about the challenges of strategic HRM.

### **3.6 Data Collection Instrument**

The study used two types of data collection methods; these were questionnaire and interview checklist.

#### **3.6.1 Questionnaire**

Primary data was collected through self-administered questionnaire to be distributed to different group of sampled employees from the surveyed banks in Addis Ababa, Ethiopia. The questionnaire sought information about the demographic inquiries of the employees, the vertical integration, role of HR professionals and evaluation and challenges in SHRM implementation.

The questionnaire was divided into two parts. The first section of the questionnaire was enabled the researcher to collect demographical data and general information about the respondents such as age, gender and background information while the second section contained respondent's perceptions on the assessment of SHRM practices and associated challenges. Closed ended questions were rated on a five-point Likert scales ranging from '1' "Strongly Disagree" to '5' "Strongly Agree". In addition, the researcher translated for employees to easily understanding the questionnaire. The questionnaire was adapted from research paper of Society for Human Resource Management- SHRM (2015). And the question items chosen for challenges of strategic HRM are adopted from Mwatete (2012) and Oladimeji (2019), researches made in the African context. In addition, validity and reliability of instruments were used in a research are one of requirements of a meaningful

and scientific research.

### **3.6.1.1 Validity**

Validity and reliability check and verify the correctness of data collection instruments in that order. 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. In order 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 literatures also suggest the same measurement questions. For instance, Ekhsan and Othman (2009) identified measures that can tell the alignment of business strategy and human resource strategy. These are the existence of company mission and corporate statement, HR professionals' direct involvement in board, and direct reporting to the director and participation of HR professionals in formulating business strategy. Moreover, since the questions adopted from Mwatete (2012) and Oladimeji (2019) that focus on the challenges of strategic HRM practices are made in the African context, it better measures the challenges associated with the implementation of strategic HRM in the selected banks.

### **3.6.1.2 Reliability**

Since this study used contingency perspective as one model 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 the strategic HRM practices. Items like 'HR professionals are accountable for providing innovative solutions and programs' can elicit the change agent role of HR professionals. Items included in the third sections are also drawn from literatures. 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) presented that in developing and heterogeneous society group favouritism and political affiliation are challenges that can distort the principles of strategic HRM. These kinds of items are included in the questionnaire. Once an instrument is valid it is reliable but the reverse is not true (Kothari, 2014). But the reliability of the instruments was also measured using

Cronbach's alpha.

**Table 1 Cronbach's alpha Test Result**

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

*Source: Survey Result, 2021*

Therefore, Cronbach's alpha gives the proportion of the total variation of the scale scores that is 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 are checked and found high to analyses the association between the variables under study. According to Duria (2010), stated that Cronbach's alpha all variables were scored more than 0.75 Cronbach's Alpha test and it shows that they maintained internal consistency. In this regard, values of 0.75 or greater were considered adequate for a scale that was used to analyses associations. Thus, the data collection instrument was checked as reliable and the study determined the reliability of the construct as a measurement instrument.

### **3.6.2 Interview**

The semi – structure interview checklist was prepared for 10 branch manager, HR manager and officers including senior staffs who were working in surveyed banks in Addis Ababa based on their reliability to the issue under investigation. In order to gain an in-depth insight into the current situation of the surveyed banks with regard to the assessment of the selected SHRM practices and associated challenges in SHRM implementation, various (ten) interview session was scheduled with the managers and directors of the surveyed banks.

## **3.7 Population and Sampling**

### **3.7.1 Target Population**

Population refers to full set of groups from which a sample is taken (Kothari, 2004). It is a well-defined or set of people, services, elements, and events, group of things or households that are being investigated. Thus, target population of the study consisted of 2,527 employees of the selected banks working in the head office, districts and branches. The positions are categorized as director, manager, and HR officers. Out of the total population 6.9 % are directors, 83.9 % are managers and 9.1 % are HR officers.

### **3.7.2 Sample Design and Sampling Techniques**

These sampling units are directors, managers and HR officers of three selected Ethiopian commercial banks that are found in Addis Ababa. Out of the 17 commercial banks of Ethiopia, these three banks are selected on the basis of two conditions. The first one is based on convenience to collect data and conduct the research. The second is based on the leading position of the banks in terms of size and their nature of ownership. In terms of size, the state owned commercial bank of Ethiopia is, by far, the leading bank in the country in many aspects like market share, profit, deposit and number of employees. Dashen Bank is also one of the leading private commercial banks in the country. This size effect implies that these two banks are one of the largest employers and they have a more comprehensive and organized human resource system in place that matches their size. On the other hand, Berhan Bank is relatively less in size. Compared to the biggest banks, it has a more centralized and unsophisticated human resource management. Hence, the combination of the three banks allows this study to assess the practice of strategic human resource management in both well-organized human resource management and big bank setting; and in simpler human resource management and smaller bank setting. In terms of nature of ownership, Commercial bank of Ethiopia is the only state owned commercial bank. Due to this, the bank is always the first in line to implement new regulations and directives that can alter industrial and operational management including human resource management.

Tesfaye Boru, president of Debu Global bank mentioned that “almost all banks in Ethiopia are established using the business model of the Commercial Bank of Ethiopia (CBE) as a

benchmark. While there is a tendency to follow each other, the banking industry is criticized for emulating the business philosophy of the state giant” (Berhane, 2021).It is only after the Commercial Bank of Ethiopia that other private banks resonate to new directives and regulations of the Central Bank. This suggests that changes in organizational configurations in Commercial Bank of Ethiopia can mirror changes in other private banks to a certain extent especially in terms of organizational structure. In addition to this, the target population consists of managerial employees found in Addis Ababa. Since all human resource management strategies and policies are designed at the head office, other outlying branches of the banks are expected to exercise that same strategies and policies

**Table 2 Population Distribution**

<b>Banks and Location Departments</b>		<b>Directors</b>	<b>Managers</b>	<b>HR officers</b>
<b>Commercial Bank of Ethiopia</b>	Head Office	124	967	141
	A.A Districts	-	80	29
	A.A Branches	-	658	-
<b>Dashen Bank</b>	Head Office	27	69	28
	A.A Districts	-	12	24
	A.A Branches	-	166	-
<b>Berhan Bank</b>	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

From the target population sample is chosen by judgment sampling. In this study, the sample size was calculated by the following formula in order to sample size determination and allocation to respondents. The study employs the known sampling formula called Yamane’s formula for calculating sample size. Yamane (1967) suggested simplified formula for calculation of sample size from a population which is an alternative to Cochran’s formula. The formula to be used to calculate the sample size of the study is the statistical formula given by Yamane (1967) formula. Sample size for  $\pm 5\%$  precision levels Where Confidence Level is 95% and  $P=.5$ . For 2527 size of population, the sample Size (n) for precision (e) of

5% was 345 based on the following formula as presented below:

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

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

$$= 345$$

Where n = number of sample size and N = Total number of study population e= level of confidence to have in the data or degree of freedom which is 95% apply for this study with 5% error.

**Table 3 Sample Distribution**

<b>Banks and Location Departments</b>		<b>Directors</b>	<b>Managers</b>	<b>HR officers</b>	<b>Total</b>	<b>Proportion</b>	<b>Sample Size</b>
<b>CBE</b>	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
<b>Dashen Bank</b>	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
<b>Berhan Bank</b>	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
<b>Total</b>		<b>176</b>	<b>2,121</b>	<b>230</b>	<b>2,527</b>		<b>345</b>
<b>Grand Total</b>			<b>2527</b>				<b>345</b>

### **3.8 Data Analysis Methods**

In the data analysis descriptive statistical techniques like frequency, mean, correlation and standard deviation were used to examine the extent of application of strategic HRM practices in selected banks. Finally in the conclusion and recommendation section, this study discussed which strategic HRM practices are practiced to a greater extent and which practices are highly correlated with which. Major challenges were also identified and recommendation was given based on the specific results of the analysis. In addition, chi square was used to test the difference among employees and banks perception in implementation of strategic HRM.

### **3.9 Ethical Considerations**

This study retained standard research ethics and practices that included basic ethical codes of conduct throughout the research process. The information collected supported the temperament of participants. Before actual data collection based on interview guide, respondents were informed about the objectives of the study. Covering letter was attached to the interview guide to ensure the participant's anonymity and confidentiality that information obtained from them disclosed to the third party. It simply the consent of respondents were properly maintained. Every respondent was briefly communicated about the objective of the research, confidentiality of the data they gave and anonymity of respondents. It is only then that they participated in the study. They were also informed to give true information as much as possible. It was also checked that there is every necessary approval for the collection of data and those data were only used for the purpose of this research

The questionnaires were designed out in such a way that respondents are not required to mandatorily write their names and reveal their personal information on the questionnaire and the confidentiality of data being collected is handled with due care and used for academic purpose only. Moreover, the study provided anonymity that means the information from the respondents were kept confidential and not biased for any other personal interest. The interview also was presented in terms of data coding methods like respondent one two and three structures. The study maintained the surveyed bank policy in relation to any intellectual property rights of the organization. So, the banks code of ethics taken in to account without

significantly compromising the findings of the study. Concerning references, all the materials and sources are properly acknowledged.

# CHAPTER FOUR

## RESULTS AND DISCUSSION

### 4.1 Introduction

This part of the study presents the data presentation, analysis and discussion part which contains research analysis techniques and demographic profile of respondents.

### 4.2 Response Rate of Respondents

**Table 3 Respondents' Response Rate**

<i>Questionnaires Distributed</i>	<i>Questionnaires Returned</i>	<i>Percentage</i>
345	294	85 %

*Source: Own survey, 2021*

As shown in table 3 above, about response rate, 345 questionnaires were distributed to respondents and 294 were appropriately filled and returned with the rate of 85%. Based on this sample size the next analysis was carried out. According to Tawhida et.al, (2013), a response rate of 50% is adequate for a study, 60% is good and 70% and above is excellent. Thus, a response rate of 76% was fit and reliable for the study as shown below table. In view of that, it can be supposed that the study attended good and well-intentioned reactions with respondents due to Covid 19 struck. This shows that the study attempted to incorporate various staffs that are involved in banking services. Therefore, this study obtained a chance to assess the strategic human resource management practices and its associated challenges in the selected banks.

### 4.3 Respondents Profile

This part presents the respondents' profile about their education, gender, age and banking work experiences that related to this study.

**Table 4 Respondents' Banking Position vs. their Gender Cross tabulation**

		Gender		Total
		Female	Male	
CBE	Directors	3	8	11
	Managers	82	120	202
	HR Professionals	5	14	19
Dashen Bank	Directors	1	2	3
	Managers	12	18	30

	HR professionals	2	4	6
Berhan Bank	Directors	1	1	2
	Managers	6	14	20
	HR Professionals	0	1	1
	<b>Total</b>	<b>112</b>	<b>182</b>	<b>294</b>

*Survey result, 2021*

The table shows that the gender characteristic of study participants within their respective banks and working bank position was also considered. The table shows female who participant in this study constituting 112 (38 percent) respondents whilst male consisted of 182 (62 percent) respondents. The results indicate that the two genders were adequately represented in the study since there is none which was more than the two-thirds. However, the statistics show that the male gender could be dominating the banking sector in the study. As a result, the percentages specify an increase in the number of men engaging in banking employee activities. This could be attributed to further availed professional baking support to women through various mechanisms hence empowering more women to engage in more banking employee activities. The more males noted for participated in banking sector and in this study due to the fact that women who are considered women usually work in households and male work in income generating activities as per the interviewees responses.

**Table 5 Employee Respondents Profile (N=294)**

		Column N	
		Count	%
Age of Respondents	Below 25 years	21	7.1%
	26-35 years	87	29.6%
	36-45 years	112	38.1%
	greater than 46 years	74	25.2%
Education Level	Certificate	0	0.0%
	Diploma	21	7.1%
	Degree	140	47.6%
	Masters	129	43.9%
	PhD	4	1.4%
Experience in the	Below 5 years	12	4.1%

bank	6 to 10 years	114	38.8%
	11 to 15 years	76	25.9%
	More than 16 years	92	31.3%

*Survey result, 2021*

The lowest age of the respondents was 21 years and the highest being 55 years. Out of 273 respondents of this study of banking actors that was surveyed, 7.1 percent constituting 21 respondents were within the age of below 21. It shows that you aged individuals have been included in banking staffs and it helped to assess the strategic human resource management practices and its associated challenges. 29.6 percent (87 employees respondents) for the age group of 26- 35, 38.1 percent (112) for 46-55 age 25.2 % of the employee respondents were included in the study that fell more than that of aged 46. The findings show an increase in the number of adult and young people engaging in banking activities once they attain the age of 21 years.

The above table portrays 7 % of the respondents graduated diploma, 47.6 % of them completed first degree and 45.3 % of them completed master’s degree & above. The high number of university graduates (more than 90%) engaging in banking activities can be supported by the banking sector strategy on education training and research. This shows the banking organizations implemented educational benefits scheme that is designed for graduates of education training, and universities.

Further, from the findings in the above table, majority 38.8% of the employee respondents indicated they had worked for 6 to 10 years, 25.9 % indicated from 11 to 15 years and 31.3 % of them has more than 16 years working experience. The study results shows that majority of the respondents had worked in banking sector for a period of one year and above. In addition, long and extensive business experiences may acquire stability, may gain a lot of experience in running a banking business or may feel a sense of more responsibility hence could be positively related to HRM. Overall, the above tables show that the respondents characteristics and their value profile for the accomplishment of this study. It means that they understood the operations of their banking HRM and their businesses well and therefore were in a position to give reliable information on strategic human resource

management practices and its associated challenges. Consequently, it is an evident that the background information of most respondents were from both gender category, in active age group, as having variety of working experiences. Accordingly, they apparently knew the strategic human resource management practices and its associated challenges in banking sector in Ethiopia, and endowed to respond the questionnaire and to provide pertinent data for this study.

#### **4.4 Responses on SHRM Practices and Challenges using Descriptive Statistics**

The response analysis was conducted using frequency (count), mean and standard deviation. They were used to present the various characteristics for data sets. In this study, descriptive statistics helps to enables us to present the data in a more meaningful way, which allows simpler interpretation of the data. The study of Soomro and Firoz (2018) was taken as a benchmark mean scores rating. They studied on similar area and used mean scores as 4.51-5.00 excellent or very good, 3.51-4.50 good, 2.51-3.50 average or moderate, 1.51-2.50 fair and 1.00-1.50 is poor.

##### **4.1.1 Vertical Alignment of strategic HRM practices - Response**

All business functions attempt to relation their work methods and practices with firm strategy to achieve higher organizational performance. According to the “Best-fit” approach of contingency theory vertical integration is the alignment between the organizations business and HR strategy and horizontal integration is to confirm that the different elements of the HR strategy fit together and are mutually supportive (Armstrong, 2008).

**Table 6 Vertical Alignment (N=294)**

Items	Agree		Strongly Agree		Mean	Std. Deviation
	Count	%	Count	%		
HRM is aligned with the bank's mission	108	36.7%	123	41.8%	4.04	1.084
HRM is integrated with the Bank's business strategy	104	35.4%	126	42.9%	4.02	1.152
Strategies are configured to the bank's business plan	104	35.4%	134	45.6%	4.13	1.034
HRM supports the bank in its key strategic initiatives	102	34.7%	141	48.0%	4.14	1.106
HRM practices are according to competitive strategy	165	56.1%	87	29.6%	4.02	.925
HRM system is fit with the overall strategy of the bank	149	50.7%	103	35.0%	4.07	.968
<b>Grand Mean</b>					<b>4.07</b>	

*Survey result, 2021*

This above Table 6 revealed that majority of the employee respondents stated that the surveyed banks have well defined and articulated vision, mission and goals as by their strong agreement with average mean scored value of 4.07 and Std. deviation 1.044. This shows that emphasis has been laid on a strategic approach to development and implementation of human resource policies and practices. More than 91% of the interviews' responses indicated that bank' strategies are determined by consideration of both the internal and external environment in light of mission and purpose. Human resource management strategy therefore is represented an integral part of achieving this broader organizational strategy with strategy in various sub-fields or areas of human resource management supporting the overall human resource management strategy. HRM considerations are also an integral part of corporate strategy, and the key to strategic success lies in developing a unique response to an organisation's external environment (Colbert, 2004).

The above Table 6 presented the third scored mean that the highest mean was 4.14 that indicated that HRM supports these bank in its key strategic initiatives. These may be related to the indicator for good fit between human resource management practices and the strategic management process of the firm. This may ensure that the strategy human resource that decrees the direction of where the human capital and skill inventory is aligned with the

business strategy of the surveyed banks. This may assure that the vertical fit is probably effective.

The second mean 4.13 show that HRM strategies are configured according to the bank's business plan. In addition, this table presented the third mean score as 4.07 that indicated HRM system is fit with the overall strategy of the bank. This shows that banks' HR functions and processes have been integrated with vertically business strategies and goals. This kind of integration has been categorized under internal fit.

The lowest mean was 4.02 that showed HRM is integrated with the banks' business strategy and HRM practices are according to the bank's competitive strategy. This shows that the tough competition in terms of HR from local banks were less forced these banks to incorporate HR practices. This may be an indicator that these banks strategic initiatives to excel the overall performance and achieve organizational objectives are relatively weak. According to the majority of the interviews' responses, there is poorly support from top management to HR, relative lower HR budget, and experienced and competent HR professionals are less contributed a lot for HR integration. Thus, based of the above Criterion of HR integration, it can be concluded that these banks aligned their HR strategy to a moderate extent. Tekalign (2019) found that local privately owned banks were forced CBE to incorporate HR practices as a strategic initiatives to excel the overall performance and achieve organizational objectives. He also found that CBE meet the vertical integration of HR strategy with corporate Business strategy of the bank to a higher extent.

#### 4.1.2 The Role of HR professionals in implementing strategic HRM practices - Response

The role of strategic partner gives HR professionals the opportunity to exercise one of the principles of strategic HRM. It is related to people to understanding annual reports, to be familiarize with the product and services of the company and understand financial reports.

**Table 7 Role of HR Professionals (N=294)**

Items	Agree		Strongly Agree		Mean	Std. Deviation
	Count	%	Count	%		
There is investment to develop HR professionals' competency regarding business knowledge	277	94.2%	11	3.7%	4.01	.261
HR professionals are accountable for providing innovative solutions and programs	273	92.9%	11	3.7%	3.99	.350
HR professionals have broad banking business knowledge	275	93.5%	8	2.7%	3.97	.340
The post "HR business partner is available in the bank's organizational structure	249	84.7%	34	11.6%	4.06	.448
HR business partners' performance evaluation and job description are valid and tailored to them.	179	60.9%	80	27.2%	4.14	.652
Top executives and HR professionals have global perspective that value and consider the perspective of all stakeholders	181	61.6%	78	26.5%	4.13	.648
<b>Grand Mean</b>					<b>4.05</b>	

#### *Survey result, 2021*

The grand mean (4.05) was rated as very good. The SHRM practices in terms of 4.14 to 4.06 considered as best practices such as HR business partner that available in the bank's organizational structure, valid HR business partners' performance evaluation and job description and ensuring global perspective of top executives and HR professionals. However, much work reminded as these banks achieved weak SHRM practices based on below 4.01 mean cores). These included aggressively investment to develop HR

professionals' competency, accountable for providing innovative solutions and programs broad banking business knowledge.

This mean score (4.05) is lower than what Emebet (2017) found 4.18 mean score for HR professional development and education for promoting personal and professional growth at large. This shows that the strategy linking to human resource management can be well explained by the pressure to enhance the status of human resource management professionals within companies. Human resource strategies arise from the adoption of a strategic approach to people management which is aligned with the business strategy and which is reflected in set human resource policy initiatives specifically designed to achieve the strategic goals of the business. According to the majority of the interviews' responses, SHRM integration and bank value creation may be further increased; it needs more efforts. In this role, HR managers need to have knowledge of core banking markets, competitors, costs, profit indicators and stakeholders to be considered equal business partners.

As Table 7 outlined majority of the respondents, 179 (60.9 %), believe that HR business partners' performance evaluation and job description are valid and tailored to them. Its mean score (4.14) was rated as very good with less data variability ( $sd = 652$ ). This may shows HR has been a strategic partner, HR managers are well involved in strategic decision making alongside with other senior managers, providing greater opportunity to align HR goals, strategies, philosophies and practices with banks' objectives and the implementation of business strategy.

In the same manner, Table 7 showed that majority of the respondents, 61.6 %, believe that top executives and HR professionals have 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. The majority of the interviews' responses indicated that top management 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 of the organization. This is parallel to what Armstrong (2008) observed that 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 organizational structure.

Respondents have also rated the accountability and knowledge of HR professionals of these Banks. According to Table 7, more than 90 % of the employee respondents agreed that HR professionals are accountable for providing innovative solutions and programs and HR professionals have broad banking business knowledge. But their mean (3.99 and 3.97 respectively) were rated as the lowest mean scores as of this group – role of HR professionals. This shows that the SHRM implement is conducted through incomprehensible for providing innovative solutions and programs and HR professionals have not wide-ranging banking business knowledge.

### 4.1.3 Evaluation of strategic HRM practices - Response

**Table 8** Evaluate SHRM (N=294)

Items	Agree		Strongly Agree		Mean	Std. Deviation
	Count	%	Count	%		
Financial efficiency of HR operations	168	57.1%	80	27.2%	4.06	.773
The specific effects of HR programs	170	57.8%	74	25.2%	4.02	.786
To demonstrate the link between HR activities and assets of the bank	169	57.5%	71	24.1%	3.99	.822
Senior Executives are involved in evaluating HR strategies	167	56.8%	89	30.3%	4.16	.670
Top Executives engage in evaluating HR strategy	163	55.4%	91	31.0%	4.15	.696
The effectiveness of overall HR function is assessed as seen by HR and its stakeholders	164	55.8%	85	28.9%	4.09	.763
The alignment of HR activities with each other and with the strategic goal is periodically evaluated	174	59.2%	84	28.6%	4.14	.688
<b>Grand Mean</b>					<b>4.08</b>	

*Survey result, 2021*

The above table displays respondents' opinion about the evaluation of SHRM in surveyed banks in Addis Ababa. From Table 8 it is observed that the grand mean was 4.08, it was rated as very good with less data variability (sd.7425). This shows that evaluating SHRM in surveyed banks is a popular practice that each employee has clearly defined duties which are evaluated regularly to determine levels of compensation. This also shows that workers are

observed as a source of the banks' competitive advantage rather than complimentary or limiting factors of the firm's success. According to the majority of the interviews' responses, employees have a good employment security and it is well managed. In addition, it is learnt that surveyed banks are very selective in recruitment to acquire and retain best employees in the workplace with high and competitive wages, incentive pay, employee ownership, information sharing, participation and empowerment, training and skills development, cross utilization and cross training and promotion from within. But Tekalegni (2019) found that the banks performance management system was not serve as an input for training. As evidence an individual scored poor performance in the appraisal system were not been prepared for training program so as to boost his/her performance. Besides, he also found that the degree of line managers received training to undertake HR related responsibilities were found below average with a mean score values of 2.35 (Std. Dev., 1.03).

The highest mean scores were found from 4.16 to 4.09. These show that 4.16 mean indicates senior executives are involved in evaluating HR strategies, 4.15 mean displays top Executives engage in evaluating HR strategy, 4.14 mean indicates the alignment of HR activities with each other and with the strategic goal is periodically evaluated and finally 4.09 mean indicates the effectiveness of overall HR function is assessed as seen by HR and its stakeholders. This may indicate that top senior executives are well 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 overall HR function is well seen by HR and its stakeholders. This creates to practice Strategic human resource management in good way. It may also relate to effective overall organizational performance and include career opportunities, formal training systems, result oriented appraisals, employment security, participation, job descriptions and profit sharing.

In this study, the employee responses direct good managerial attitudes about strategic human resource management practices. It was also found that training and development is perceived as the most important strategic human resource management practice. Similarly, Emebet (they also strongly agreed (mean, 4.22) on managers/ supervisors' follow up on the) found that adaptation of employees to their functions. It implied that most (almost all) banks now a

day are working towards increasing their number of branches as a strategic marketing practices results in increasing their number of customers. Consequently, she said banks set a goal of reaching a pre-specified target in terms of new customers who opened new account; and evaluate their staffs' performances based on their persuasion of new customers considerably.

In general, when the practices of strategic HRM are compared by their mean, the lowest mean is calculated for the role of HR professional. The overall mean for the role of HR professionals is 4.05. From the individual question items included under this section the item "HR professionals have broad business knowledge" has the minimum mean of 3.97. On the other hand, the last strategic HRM practice which is about evaluation, scores a mean of 4.08 which is the highest. In connection with this, the question under this section with the highest mean of 4.14 is "The alignment of HR activities with each other and with the strategic goal is periodically evaluated". These numbers clearly show that the selected bank for this study put more emphasis for evaluation of strategic HRM practices than to empower HR professionals to initiate and lead changes within their domain of influence.

#### 4.1.4 Challenges of strategic HRM practices - Response

**Table 9 SHRM Implementation Challenges (N=294)**

Items	Count	%	Count	%	Mean	Std. Deviation
Business strategy statements are not cascaded down to HR activities	128	43.5%	80	27.2%	3.85	.972
No separate HR strategy document - long term HR vision of the bank	131	44.6%	69	23.5%	3.73	1.048
Top managers do not involve and support HRM of the bank	123	41.8%	73	24.8%	3.71	1.077
Top managers are sceptical about the positive results of strategic HRM	127	43.2%	68	23.1%	3.69	1.068
HR professionals misunderstand business strategy of the bank	118	40.1%	67	22.8%	3.63	1.104
HR professionals lack business competencies	117	39.8%	67	22.8%	3.61	1.121
HR professionals lack important political skills	130	44.2%	70	23.8%	3.72	1.086

Organizational structure of the bank do not empower HR professionals	135	45.9%	72	24.5%	3.77	1.071
Insufficient resource allocation	137	46.6%	70	23.8%	3.78	1.040
Group favouritism and political affiliation	148	50.3%	78	26.5%	3.93	.937
					<b>Grand Mean</b>	<b>3.74</b>
						<b>1.054</b>

*Survey result, 2021*

In the survey instrument, respondents have also requested to identify the major challenges of Strategic HRM. Accordingly, as Table 9 shows, the mean scores between 3.61 and 3.73 are considered as having good achievement. These included business competencies, well understand business strategy of the banks and important political skills like image building, alliance formation, networking, compromise and issue selling of HR professionals. Others included Top managers are convinced about the positive results of strategic HRM and they are involved and support HRM of the bank. There is also a separate HR strategy document that shows long term HR vision of the bank.

Table 9 also shows, the majority of the respondents believed that the following are the major problems or challenges of SHRM implementation in the surveyed banks. First, organizational structures of the banks do not empower HR professionals to participate in strategic issues and initiate organizational change. It was scored a mean of 3.77. This may be due to the complexity and rigidity of the ways surveyed banks or organizations follow to manage human resources which, of course, are influenced by a number of 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 important reason is that human resource professionals lack flexibility or change organizational 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 preminent to high levels in the organizational structure.

Second, insufficient resource and budget allocation is hampering the effective implementation of strategic HRM (Mean = 3.78). Additionally, most of the interview respondents were agreed on the presence of other predictors of HR integration, like resource

and budget allocation, intense competition and relative HR department size. Lack of sufficient budget for training and education was reported as a reason for the effective SHRM practices in the sector.

Third, business strategy statements of the bank are not properly cascaded down to HR activities (Mean = 3.85). This may be related to lack of clear information and understanding about SHRM. This is found by all respondents as a reason for first line managers' failure to clearly interpret and cascaded down target to individual level. This creates strategic objectives of the organization less communicated to all employees through different communication media of the organization and the targets are cascaded all the way to 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 organization's goals and the evolving nature of work in determining how they are integrated into the overall business strategy (Choi, 2015).

Finally, the prevalence of group favouritism and political affiliation distorts the principle of strategic HRM in the bank (Mean = 3.93). This shows that the process of SHRM is suffered with lack of autonomy and biases in majority of private banks due to personal interests as well as Socio-political affiliation. This may create less employment relationship as it is referred as an economic, social and political relationship in which employees provide manual and mental labor 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 relationships. There is a non-formalized kind of contract which 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 is found that the Human Resources Department in collaboration with other departments like Corporate Planning has been planning, implementing and following up activities pertaining to the selected SHRM practices.

The surveyed banks have a written document regarding SHRM in addition well documented to HRD policies, procedures and manuals, as the majority of the respondents replied, the surveyed banks are able to align and integrated those practice with its business objectives and strategies, though its strength might be varied, and is helping for profitability and HRM effectiveness of the surveyed banks.

## 4.5 Chi-Square Tests Result (Pearson Chi-Square)

### 4.5.1 Perception Difference about SHRM practices and its Challenges

This study takes vertical integration, HR professionals' role, evaluation of SHRM and challenges in SHRM with banks and staffs position to evaluate their perception differences on SHRM practices and challenges.

**Table 10 Pearson Chi-Square Test Results among Bank Positions**

	Value	df	Asymptotic Significance (2- sided)
Vertical Integration	371.385 <sup>a</sup>	176	.000
Role of HR Professionals	326.066 <sup>a</sup>	80	.000
Evaluate SHRM	362.195 <sup>a</sup>	136	.000
Challenges	408.278 <sup>a</sup>	192	.000

*Survey result, 2021*

The above table displays chi square test result with 5% significance as Pearson Chi-Square Asymp. Sig. (2-sided) above .05, the result revealed there is difference [Pearson Chi-Square =.000] among respondents' banking position on vertical integration, HR professionals' role, evaluation of SHRM and challenges in SHRM. This study found that responses on vertical integration vary based on their banking position; 196 cells (94.7%) have expected count less than 5. The minimum expected count is .00.

It also differs with role of HR professionals; found 88 cells (88.9%) have expected count less than 5. The minimum expected count is .00. Responses shows that evaluate SHRM vary with banking position as directors, managers and HR professionals; 151 cells (93.2%)

have expected count less than 5. The minimum expected count is .00. The result of the study shows that challenges in SHRM implementation is varied based on their banking position. 216 cells (96.0%) have expected count less than 5. The minimum expected count is .00. This may be associated with the capacity of the banks, their diverse attitude towards SHRM, ownership and technological and other issues. This also shows that the management of employees differs at all levels in the business and which are related to the implementation of strategies directed towards creating and sustaining competitive advantage. It creates varies performance standards or strategies, and a way of linking the two issues together in order to have these combinations work. It can be concluded that bank operators do have various understanding on SHRM and presumed fragmented thoughts about challenges of SHRM. Some of the interview respondents said the main problems are related with capacity building and others pointed out that the problem is related with HR professionalism and rejection of HR tools by HR managers.

**Table 11 Pearson Chi-Square Results among Banks**

	Value	df	Asymptotic Significance (2-sided)
Vertical Integration	162.370a	44	.000
Role of HR Professionals	106.120a	20	.000
Evaluate SHRM	132.303a	34	.000
Challenges of SHRM	119.729a	48	.000

*Survey result, 2021*

The above table shows chi square test result with 5% significance as Pearson Chi-Square Asymp. Sig. (2-sided) above .05, the result revealed there is difference [Pearson Chi-Square =.000] among surveyed banks on vertical integration, HR professionals' role, evaluation of SHRM and challenges in SHRM. This study found that responses on vertical integration vary based on surveyed banks; 55 cells (79.7%) have expected count less than 5. The minimum expected count is .08.

The responses also show SHRM practices and challenges vary with role of HR professionals; found 24 cells (72.7%) have expected count less than 5. The minimum expected count is .08. Evaluate SHRM have varied with banks; 44 cells (81.5%) have expected count less than 5. The minimum expected count is .08. Challenges in SHRM implementation is varied based on their nature of organization or banks. 60 cells (80.0%) have expected count less than 5. The minimum expected count is .08. This also shows that there is a difference on providing comprehensiveness and clarity of SHRM, employee management. This may consequence to lack of proper development and implementation comprehensive SHRM practices but it cannot claim that organizational performance. This may create a problem on improving performance strategies or standards established and an approach to manage these two issues together.

As the respondents revealed, the major challenge for the Bank in implementation of those selected SHRM practices is the understanding of a written SHRM document. The chi-square shows that there is significant variation of responses both among HR positions ranks and types of banks. To this end, as they have revealed, the surveyed banks have major weakness including creating good working environment, leadership bias, favouritism and managerial capacity. Respondents were of the opinion that the problem could be a pointer to a dimness mainly to leadership that could be adjusted through leading by example and living the values of the culture that needed to be instructed into the organization, which, they felt, would lead to a cohesive culture that would make it easy to obtain collective employee buy-in necessary for implementation of changes in the management of human resources.

# **CHAPTER FIVE**

## **MAJOR FINDINGS, CONCLUSION AND RECOMMENDATION**

This chapter deals with the summary of major findings from the previous chapter presented. Then the conclusions are drawn from the major findings. Finally, based on the major findings and conclusions, recommendations are given to address the identified problems.

### **5.1 Summary of Major Findings**

Majority of the participants of this study are male and most of the participants fall in middle age group. Almost all of these respondents are Masters and Bachelor of Arts degree holders. Participants who have entitled with job grades that are at senior positions comprise a greater number who have long been serving the surveyed banks. Using descriptive research design, this study found that

- The banks under study exhibit their HR has been a strategic partner; HR managers are well involved in strategic decision making alongside with other senior managers, providing greater opportunity to align HR goals, strategies, philosophies and practices with banks' objectives and the implementation of business strategy.
- Evaluating SHRM in surveyed banks is a popular practice that each employee has clearly defined duties which are evaluated regularly to determine levels of compensation.
- There are major problems or challenges in implementing SHRM in the surveyed banks including organizational structures, insufficient resource and budget allocation, lack of cascading business strategy statements to HR activities and the prevalence of group favouritism and political affiliation distorts the principle of strategic HRM in the bank.
- The result revealed there is a perception difference [Pearson Chi-Square =.000] among respondents based on their positions and bank type on SHRM implementation practices including vertical integration, HR professionals' role, evaluation of SHRM and challenges in SHRM.

## **5.2 Conclusions**

This study concludes that the practices of SHRM implementation have been in good direction in the surveyed banks. There is also an indicator for 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 but there is lack of identifying the gaps in terms of individual's cognitive and behavioural change; groups' integration; and institutionalization along with proper flow of information, strategic alignment, and processes to support firms' objective achievement.

Additional major challenges in implementing SHRM in the surveyed banks includes problems with organizational structures, insufficient resource and budget allocation, lack of cascading business strategy statements to HR activities and the prevalence of group favouritism and political affiliation distorts the principle of strategic HRM in the bank. Another challenge raised in surveyed including understanding of a written SHRM document though they may be currently in action. This creates a perception difference among respondents based on their positions and bank type on SHRM implementation practices including vertical integration, HR professionals' role, evaluation of SHRM and challenges in SHRM.

This study also concluded that the failure to effectively implement HRM policies creates a mismatch between human resource deployment and other aspects of the organization. Thus, this study found that there is a no relationship between vertical integration and challenges in SHRM. There is a no relationship between vertical integration and role of HR professionals and evaluation of SHRM; that show there is lack of the congruence of the HRM system with other organizational characteristics, such as total quality strategy.

### **5.3 Recommendations**

Based on the major findings and conclusions reached, the following recommendations are forwarded to the bank so as to improve the overall strategic human resource management practices.

- Human resource professionals should be empowered and need flexibility to initiate new programs or change organizational structures, especially where change issues may challenge existing rules and regulations as they may appear in the standard operating procedures.
- Banks should invest in human resources through training and management development to improve individual HR professional's capabilities and organizational capabilities through improving knowledge and skills.
- Senior managers at surveyed banks should have clear ideas about new capabilities that they wished their staff to possess: innovation, new felicity in customer relations, awareness of banking strategies and operations and so on to enhance positive employee attitudes so that they themselves and HR professionals put their effort in a concerted way to link business strategies of the banks and HR activities.
- Banks may focus on management development on the cascading of a partnership culture and they may organize a well-articulated top team with a clear and unified understanding of purpose and direction to cascade business strategy statements to HR activities throughout the organization. Banks may look at their vision for their companies and maximize the contribution that their people can make to achieve that vision; thus, their HR strategy may address such issues as structure, team-working, performance or quality and customer care.
- Banks' senior management may dictate HRM practices in the same way they dictate other aspects of employee behaviour: practices must develop incrementally in processes to reflect organisational power and politics. This may help to reduce group favouritism and political affiliation that distorts the principle of strategic HRM in the surveyed banks.

- This suggests that senior managers of banks should be convinced that HRM deserves a seat at the board room when core issues affecting the future direction of the organisation are being considered.
- Senior line manager 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.
- In a bid to avert group favouritism and political affiliation which is the predominant challenge of strategic human resource management practice in the surveyed banks, the senior management and the board of banks should commit themselves to organize the human resource along the line of the business need and merit. To this end, a clear and stringent policy and manual should be prepared and continuous follow up must be in place for the effective implementation of it.

#### **5.4 Implications for Practice**

The purpose of this study was to assess the practices of SHRM implementation and associated challenges in banking sector. It was based on the practices and strategy theories in general and the SHRM literature in particular were providing useful guidance to managers working in contemporary banking set ups. Accordingly, the findings of the study demonstrate that bank managers want to develop complex banking capabilities such as these; they need to gain a deep understanding of their nature and of the difficulties inherent in understanding their origins. The HR professionals and senior managers in this study tended to overlook these matters; they tended to describe the outcomes that they were seeking without being able to (or seeing the need to) describe the changes that would be required to achieve these outcomes. At the same time, managers should comprehend how tough or perhaps unbearable it is to design a training and development program that will create complex capabilities when those capabilities are causally vague and path reliant on.

The findings of this study will concern specialist HR managers or HR professionals who wish to have their work accepted as a profession that deserves a place at the boardroom table, or even in the top corporate management team. In terms of practical implications it is clear that

senior managers in these surveyed banks regarded HR staff as ‘strategic partners’ no matter how that that expression is understood. One can therefore conclude that the value of SHRM has been expanded to professional bodies and banking sector in the whole.

## **5.5 Implications for Further Research**

Future studies may apply explanatory research design to specifically assess both the direction (positive or negative) and strength of the relationship between organizational structure, culture and performance management practices. In addition, future studies may apply exploratory to describe the needs of various categories of SHRM implementation strategies. Further, future studies may be conducted on SHRM confers performance benefits on organisations that adopt it and the relationship between the practise SHRM and competitive advantage. Firms will be chosen for this study on the basis of informed comment about the likelihood that they have adopted some kind of HRM strategy. In addition, future researchers may involve in the benefits of SHRM as they are espoused in an abundance of literature, the role of managers, development of SHRM theory and the associated prescriptive literature.

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## **Annex**

### **Appendix I – Questionnaire**

**ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE**

**[MA PROGRAM]**

#### ***Survey Questionnaire***

Dear Respondents,

I am Meheretab Lemma, a postgraduate student at Addis Ababa University School of Commerce in the field of Human Resource Management. And I am conducting a research by the title “Assessment Strategic Human Resource Management Practices and Challenges in Selected Ethiopian Banks”.

The purpose of this questionnaire is to collect data that is necessary to assess the practice of strategic human resource management. The study is conducted for academic purpose purely. Participation in this study is entirely voluntary; and thus unanimity and secrecy is maintained. Your genuine, frank, timely response is vital for the success of the study.

Kindly, complete all parts of the questionnaire as your answers are essential in getting necessary data to meet the research objective. You do not need to indicate your name on the questionnaire.

For further information, you may contact researcher via +251920033024 or meret0330@gmail.com. Thank you in advance for your cooperation.

Best Regards,

Meheretab Lemma

Section 1. Demographic Information

**Instruction:** Please mark 'X' where appropriate

1. Gender

Male  Female

2. Age Group

below 25 years  26-35 years

36-45 years  more than 46 years

3. Educational level

Certificate  Diploma

Degree

Masters  Ph.D

4. Year of Service in the Bank on HR position

below 5 years  6-10years

11-15 years  more than 16 years

## Section 2: Strategic Human Resource Management Practices

**Instruction:** Please mark 'X' where appropriate

### Section 2: Strategic HRM practices

No	Measurement Items	Measurement Scale				
		<i>SD</i>	<i>D</i>	<i>N</i>	<i>A</i>	<i>SA</i>
		1	2	3	4	5
<b>Vertical Alignment of strategic HR practices</b>						
1	HRM is aligned with the bank's mission and objective.					
2	HRM is integrated with the bank's business strategy.					
3	HRM strategies are configured according to the bank's business plans.					
4	HRM supports the bank in its key strategic initiatives.					
5	HRM practices are according to the bank's competitive strategy.					
6	HRM system is fit with the overall strategy of the bank.					
<b>Role of HR professionals in implementing strategic HRM</b>						
1	There is investment to develop HR professionals' competency regarding business knowledge (how the banking business works)					
2	HR professionals are accountable for providing innovative solutions and programs.					
3	HR professionals have broad banking business knowledge					
4	The post "HR business partner" is available in the bank's organizational structure					
5	HR business partners' performance evaluation and job description are tailored to them and are valid					
6	Top executives and HR professionals have global perspective that value and consider the perspective of all stakeholders					
<b>Evaluating SHRM</b>						
1	Financial efficiency of HR operations is measured					

2	The specific effects of HR programs is measured at departmental level					
3	HR ROE (Return on Investment) is measured to demonstrate the link between HR activities and assets of the bank					
4	The Senior management involve in assessing HR policies					
5	Top executives engage in evaluating HR strategy					
6	The effectiveness of overall HR function is assessed as seen by HR and its stakeholders					
7	The alignment of HR activities with each other and the business strategy is evaluated annually					

Source: Society for Human Resource Management (SHRM), (2015) and; Soomro and Shamsi, (2018)

### Section 3: Challenges of Strategic Human Resources Management practices

No	Measurement Items	Measurement Scale				
		SD	D	N	A	SA
		1	2	3	4	5
<b>Challenges of Strategic HRM</b>						
1	Business strategy statements (eg. vision and mission) of the bank are not properly cascaded down to HR activities					
2	There is no separate HR strategy document that shows long term HR vision of the bank.					
3	Top managers do not involve and support human resource management of the bank					
4	Top managers are skeptical about the positive results of strategic HRM					
5	HR professionals do not well understand business strategy of the bank.					
6	HR professionals lack business competencies					
7	HR professionals lack important political skills like image building, alliance formation, networking, compromise and issue selling.					
8	Organizational structure of the bank do not empower HR professionals to participate in strategic issues and initiate organizational change					
9	Insufficient resource and budget allocation is hampering the effective implementation of strategic HRM					
10	The prevalence of group favouritism and political affiliation distorts the principle of strategic HRM in the bank.					

Source: Own development based on literature

If you have any suggestion in relation to the above issue please put your ideas on the space provided.

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*Thank you for taking your time and filling this questionnaire!*

## **Appendix II- Interview Checklist**

Dear Sir/Madam,

I indeed appreciate for your appreciated responses to the following checklists. It will not take much of your time.

Shall I proceed with my questions?

***Thank you!***

1. Do you think the link between well business strategies are aligned with HR strategies and practices?

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2. Please explain the role of HR professionals in implementing strategic HRM practices

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3. Please explain strategic human resource management practices and its challenges

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4. Please inform us leadership role in strategic HRM.

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*Thank you again!*


## Appendix III- Letter of Consent



# Memo

Memo-M/SID/137/21

TO : East District  
: West District  
: North district  
: South District

FROM : Manager, Research and Data Analytics. 

DATE : April 06, 2021

**Subject: Request for Cooperation to conduct Research**

Meheretab Lemma a student from Addis Ababa University, is conducting a research entitled "Assessment of Strategic Human Resource Management & Challenges in Selected Ethiopian Banks" in our bank for his study.

As part of the research, he intends to collect/distribute questionnaire/ conduct interview with staffs at your esteemed office.

This is to kindly request your office to extend collaboration and provide information without compromising the Bank's information disclosure policy.

**Best Regards,**

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COMMERCIAL BANK OF ETHIOPIA

INTER DEPARTMENTAL MEMORANDUM

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DATE  
ቀን : February 08 , 2021

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TO  
ሰ : Manager – Talent Acquisition  
: All District Directors found in Addis Ababa

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FROM  
ሰ : Manager- Learning and Development Management

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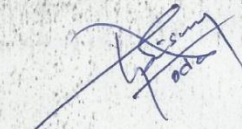
SUBJECT  
ጉዳይ : Request for Cooperation

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Addis Ababa University under its letter Ref No BAIS/H/09/21 dated 27/01/2021 has requested our Bank to assist and cooperate **Ato. Meheretab Lemma** a Masters Degree student at the University in the Faculty of Business and Economics. The aforementioned student currently undertaking a project work in titled “**Assessment of Strategic Human Resource Management and Challenges in selected Banks**”

This is, therefore, to request your good office to provide him the required assistance and cooperation without compromising confidentiality.

Regards



Sisay Oda

*Woy. Meheret  
on cooperation with  
with required secret  
1/2/21*

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HR Development



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የንግድ ሥራ ት/ቤት

**ADDIS ABABA UNIVERSITY**  
**College of Business and Economics (CoBE)**  
**SCHOOL OF COMMERCE**

**Department of Business Administration and Information Systems**

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ፖ.ሣ.ቁ P.O.BOX			BAIS ት/ክፍል BAIS dept.	011 515 75 79		ቀን Date 2/12/2020	
		<b>3131</b>					
		አዲስ አበባ ኢትዮጵያ ADDIS ABABA, ETHIOPIA					

**To: Berhan Bank S.C**  
**Addis Ababa**

The Addis Ababa University School of Commerce currently runs five Masters level programs and one Doctoral Program: Human Resource Management (MA), Project Management (MA), Marketing Management (MA), Supply Chain and Logistics Management (MA), Business Leadership (MA, PhD) In addition to this, the School is also Preparing itself to launch some more expedient Programs very soon.

As an immediate and direct stakeholder to this socioeconomically pragmatic move, we would like you to cooperate with us by way of assisting our students to conduct academic researches and case analyses in your organization. As such, we kindly request your esteemed organization to provide student **Meheretab Lemma IDNo GSE/3049/10** with information pertaining to **Assessment of Strategic Human Resource Management Practices and Challenges at Berhan Bank S.C** (A copy of the paper produced may be provided to you if so demanded).

Thanking for your earnest Cooperation, we remain

Sincerely Yours

Dr. Tilahun Muluneh  
BAIS Department Head



*Lead HRIS & Benefit  
kindly provide him lists  
of other mgmt (MS), & HR officers, if any  
for his research paper  
M. Reda  
28/12/20*