

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



**STRATEGIC HUMAN RESOURCE MANAGEMENT PRACTICE  
AND CHALLENGES IN SELECTED ETHIOPIAN PRIVATE BANKS**

*A Thesis Submitted to School of Commerce In  
Partial Fulfillment of the Requirements for Degree Masters  
Of Arts in Human Resource Management*

**BY- RUTH AKALEWOLD**  
**ADVISOR – SOLOMON MARKOS (PHD)**

**June, 2024**  
**ADDIS ABABA, ETHIOPIA**

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## Declaration

I, **Ruth Akalewold**, the undersigned, declare that this thesis entitled: “**Assessment of Strategic Human Resource Management practice and challenges in selected Ethiopian private Banks**” is my original work. I have undertaken the research work independently with the guidance and support of the research advisor. This study has not been submitted for any degree or diploma program in this or any other institutions and that all sources of materials used for the thesis has been duly acknowledged.

Declared by

Name \_\_\_\_\_

Signature: \_\_\_\_\_

## Certification

This is to certify that the thesis prepared by Ruth Akalewold, entitled “**Assessment of Strategic Human Resource management practice and challenges in selected Ethiopian private Banks**” and submitted in partial fulfillment of the requirements for the Degree Masters of Arts in Human Resource Management complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

**Solomon Markos (Ph.D)** \_\_\_\_\_

Name

Signature

\_\_\_\_\_

Date

## **Approval**

**Strategic Human Resource Management Practices and Challenges in selected Ethiopian Private Banks.**

**By Ruth Akalewold.**

Signature of Board of Examiner`s:

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## **Acknowledgments**

First and Foremost, above all, I thank my Almighty God who gave me the grace, courage and support in all aspects of my life.

I would like to thank my Advisor Solomon Markos (Ph.D.) for his constant support, guidance and encouragement.

I would like to appreciate and thank the staff members of the three Banks surveyed, for their kind cooperation and support.

Finally, I would like to thank all my beloved family and friends who supported and encouraged me during my research work.

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## **List of Acronym and Abbreviations**

SHRM Strategic Human Resource Management

HR Human resource

KPI Key performance indicator

RBV Resource based view

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## **Abstract**

*Strategic human resource management (SHRM) practice is becoming widely adopted and discussed worldwide in the organizations. Having these in mind a descriptive study is conducted to assess the strategic human resource practice and challenges in selected Ethiopian private Banks. Both primary and secondary data sources were used to collect data. A total of 248 employees have been used as a target population. From the target population, 153 samples were chosen using sample size determination formula at 95% percent confidence level with a judgmental sampling technique. The study adopted mixed research approach using both qualitative and quantitative data type. A data was analyzed through descriptive statistics with the help of SPSS software. The study recommended that the banks should assess and revise their HR function practices and address the issues raised by the employees like performance evaluation metrics, clear communication of the business goal with employees, skill alignment to improve their SHRM practice. Finally, major challenges were observed that hinder the full implementation of SHRM practices.*

*Key Words: Strategic human resource management, HR alignment, HR functions*

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the study

The field of study known as strategic human resource management (SHRM) was developed from traditional personnel management in the early 1980s. Its primary objective was to improve performance, productivity, and competitive advantage by coordinating human resource practices with strategic organizational goals. The field of strategic management rose to prominence in the 1960s and 1970s in an idea of applying a strategic approach to a human resource management. Academic then introduced concepts like competitive advantage, corporate strategy and strategic planning. The introduction of these new concepts and a change in management philosophy highlighted how crucial it is to match organizational objectives with business strategy (Bratton and Gold, 2001)

Strategic human resource management is a highly evolved discipline in dealing with human resource management practice, as it has become the major driver of business performance by creating core capability to an organization and contributing to the overall existence of an organization. As Delery and Dotty (1996) stated in their study, strategic human resource management practices are those HR practices which are either theoretically or empirically related to the overall organizational performance.

According to Armstrong (2011) SHRM is also defined as an approach which has a goal of managing people by focusing on how the organization's human resources will be used to achieve its objectives through integrated HR strategies, policies and practices. Based on the proposition that an organization's human resources are crucial to its success and as such, HR strategies and plans ought to be incorporated with broader business strategies and plans. To ensure successful alignment, a rigorous approach should be used while establishing and implementing HR strategy. This involves maintaining components such as recruiting, nurturing, and retaining talent in addition to creating a healthy work atmosphere and providing the resources needed to assist the employees. Organizations can maximize their competitive advantage and attain long-term

success by embracing a comprehensive approach and acknowledging the strategic importance of human capital.

As highlighted in the book Mello (2018) the strategic integration of HR practice is emphasized by SHRM as a means of improving employee engagement, productivity, and performance, all of which eventually translate into better organizational performance. By approaching HR strategically, businesses may successfully hire, develop, and retain talented individuals who have the skills necessary to promote innovation and acquire a competitive edge. Additionally, SHRM assists firms in managing difficult business situations and adapt to changing market dynamics by encouraging a culture of continuous learning and talent development.

Even though strategic HRM has numerous benefits there is also number of barriers related to its practice. Aligning HR strategies with the organization's overarching strategic goals is a major challenge. This demands for an in-depth knowledge of the business landscape and the capacity to create HR programs that complement the organization's long-term objectives. The constantly changing external environment, which includes changes in labor laws and regulations as well as technological advancements, presents another difficulty. For SHRM practitioners to stay current and compliant, HR procedures must be continuously modified (Wright and Snell, 2018).

According to Zerayehu et al (2015) the Banking sector in Ethiopia is an integral part of the financial sector in particular and the economy as a whole. Its contribution to the country's macroeconomic stability and growth objectives is evident and is moderately competitive sector. This is because the product they provide and the service they render are almost similar. They compete by utilizing minor differentials in pricing, quality service, and efficiency (Emebet, 2017). As a result, in a market like this, the main and essential significant factor that can truly matter is human resource. This explains why Ethiopian Banks are vying with each other for the limited human resource pool by offering alluring benefit and compensation packages. Furthermore, the 2017/18 National Bank of Ethiopia annual report showed that personnel mobility (migration) within the Banks is high. This demonstrates that hiring competent staff members is not enough; it's also critical to retain and grow them.

In studying SHRM, role of HR in organizations can be gained and it enables people to comprehend how business goals and HR procedures can be matched to promote organizational success. HR professionals can better contribute to business strategy by learning how to act as

strategic partners by studying Strategic Human Resource Management. Organizations can get a competitive edge by implementing SHRM to enhance employee performance and engagement, attract and retain talent, and promote innovation. Ensuring that HR initiatives are in line with business goals ensures that HR procedures complement overarching company goals. For a summary Ineffective initiatives result from HR strategies that are frequently not aligned with company objectives. There is little data-driven decision making in HR departments; instead, they frequently rely on informal proof. There are gaps in capability; HR specialists are not as skilled in change management and strategic planning. Adoption of technology can vary widely, particularly among smaller businesses

## **1.2 Statement of the problem**

Unlike the traditional view of human resource management practice, emphasizing on transferable and tangible resources as the only competitive advantage, it is widely becoming understandable 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). An organization's human resources are crucial because they are the one to manage and develop its workforce. Talent acquisitions, performance management, employee engagement, organizational development and compliance are just a few of the areas that HR functions have an impact on. The success of an organization is influenced by its human resources since they guarantee a knowledgeable and effective workforce.

Furthermore, business performance of an organization and its strategic human resource management are closely associated in that strategic human resource management procedures can have a big impact on company performance in a number of ways like, talent acquisition and retention, employee engagement and productivity, performance management and goal alignment, learning and development, leadership development and succession planning. Strategic HR management may face a number of obstacles like strategic alignment, limited HR involvement in strategic decision-making, resistance to change, limited resources, measuring HR's impact and effectiveness.

Strategic human resource management has become increasingly important for private Banks in Ethiopia craving to gain a competitive edge in the dynamic industry. However, it is premature to

assert that the concept and implementation of the subject matter have become widely adopted and prevalent [Abraraw and Alemayehu, (2016) cited in Meheretab (2021)]. Without understanding of these practices and challenges, private Banks may struggle to effectively align their HR strategies with organizational goals, address HR-related issues, and create a strategic-focused manpower.

While there have been numerous research efforts by international scholars and local researchers in the field of strategic human resource management within the Banking industry, it is increasingly evident that the current level of research is insufficient to address the growing competitiveness of the industry. In regarding to the existing gap in knowledge of the area we can raise some of the main points to give emphasis on.

**Alignment with organizational strategy:** it is critical to comprehend how to match HR procedures to the organization's overarching strategic objectives. The method and procedures for accomplishing this alignment, as well as the obstacles and facilitators that businesses face when incorporating HR and business strategies, can all be studied through research. Emebet (2017) in her key findings stated that integration of HRM procedures with business strategy are seen less favorably which and recommends for further assessment on HRM integrations.

**Measuring SHRM effectiveness:** The development of reliable measurement frameworks and methodologies to evaluate the success of SHRM initiatives is another aspect that should be given emphasis. A measurement of practices' effectiveness helps to scrutinize the strong and weak side of it and source of improvements. This can assist business in defending their HR expenditures and highlighting the vital role of strategic HR practices in reaching their goals.

**Limited understanding of SHRM practice:** it refers to lack of knowledge, awareness, and comprehension of the strategic value, practices, and guiding principles of human resource management inside an organization. This insufficient knowledge can show up in a number of ways and make it difficult to apply SHRM practices effective. Some of the key aspects associated with a limited understanding of SHRM could be strategic alignment, lack of awareness of SHRM principles and lack of investment in HR capabilities.

**Understanding SHRM as a competitive advantage:** in analyzing SHRM as a competitive advantage, organization can better utilize their human resource, draw and hold onto elite

personnel, improve performance, encourage innovation, and coordinate HR with business plan (Wright and Snell, 2018).

Organizations that aspire to implement strategic HRM practices will possibly face particular difficulties. Especially an industry like Banking sector, having significant changes occurring regard to technology, customer expectations, regulatory frameworks, and the hiring and retention of talent, a thorough evaluation of private Banks' SHRM procedures is required in order to pinpoint their problems and consider possible actions.

Therefore, it is essential to assess the strategic human resource practice and challenges in Banks in Ethiopia to identify areas of improvement and develop effective strategies that enhance organizational performance, employee satisfaction, and sustainable growth in the Banking sector

### **1.3 Research Questions**

This study has the following research questions

- How well the HR practices are aligned with the overall strategic goal (vertical alignment)
- How is SHRM used as a competitive advantage?
- How do HR initiatives support the effectiveness of SHRM practices?
- What are the challenges facing the chosen Banks strategic human resource implementations?

### **1.4 Objectives of the study**

#### **1.4.1 General objective**

To assess the practice and challenges of strategic human resource management in selected private Banks of Ethiopia.

#### **1.4.2 Specific objectives**

- Evaluating the extent of alignment of HR practice with strategic goal through vertical alignment of HR practices
- To determine how well SHRM is used as a competitive advantage

- To assess how well the HR initiatives, support the effectiveness of SHRM practices
- To determine the challenges facing the chosen Banks strategic human resource implementations

## **1.5 Significance of the study**

Through an analysis of SHRM practice and challenges in the selected Ethiopian private Banks, this study can contribute to a better understanding of the Banks' strategic HR environment by demonstrating a wide range of SHRM practices and giving them a more practical look. The study's major findings and recommendations can help professionals and academicians a source for improvement areas of HR procedures in the Banking industry.

Furthermore, by developing an advanced knowledge of strategic HR management techniques, the management of the organizations can improve organizational performance, enhance staff engagement, and promote overall competitiveness. HR managers of the chosen Banks can get insightful information to outline new HR policies or modify the existing and maintain effective HR strategies that complement the corporate business plans of the Banks. The findings can help them improve and streamline the HR plans and align them with the business goal. The study adds valuable information to the body of knowledge on HR practices in the Banking industry, which can be useful to other academics in the subject as it serves as a basis for additional research and theory development.

## **1.6 Scope of the study**

This study intends to provide a thorough analysis of strategic HRM practices and their alignment to the overall business strategy by utilizing a range of theoretical frameworks and viewpoints to enhance comprehensive understanding and contextualizing of the study. The concept of aligning business goals to the HR practices and specific HR initiatives of the bank was given insight based on the Guest model of SHRM in which the approach proposes how HR practices should align with business strategy. The resource-based view model was referred to give insight into the concept of "SHRM as a competitive advantage". The conceptual scope of the study is restricted to these SHRM practices, despite the existence of multiple conceptual frameworks on SHRM practices in the literature due to research context specificity.

The methodological scope of the study constitutes three private Banks from the existing Banks in Ethiopia based on their generational ranks given by the National Bank of Ethiopia respectively as Nib Bank, Zemen Bank, and Berhan Bank to address the banks from each generation and their widness.

Due to the nature of the data required for the study directly related to the HR department, the target population of the study is employees in the head office who are working in the selected Banks HR departments consisting of HR professionals and selected management and leadership teams from which the samples were collected.

### **1.7 Limitations of the study**

As it is described the study's objective is to assess SHRM practices and challenges in the selected three Banks in a descriptive research design among the existing Banks. As a result, it can be difficult to generalize to the whole large pool of the Banking industry. However, it is precisely studied and gives insight on the selected Banks. Additionally, documents related to business strategy and HR initiatives of the Banks were limited to access due to confidentiality.

### **1.8 Definition of Terms**

**SHRM** is an approach to managing people that deals with how the organization's goals will be achieved through its human resources by integrating HR strategies, policies, and practices (Armstrong, 2011).

**Alignment of HRM** refers to the integration, involvement, and alignment of HRM with the strategic needs of an organization and involvement in the formulation and implementation of organizational strategies (Armstrong, 2011).

**Competitive advantage** is the desired position an organization seeks to be more than its rivals and in which it demonstrates a greater comparative or differential value and conveys that information to its desired target market than its competitors to gain it (Barney, 1991).

## **1.9 Organization of the Study**

The research study is organized into five chapters, such as the introductory chapter which includes the background of the organization, statement of the problem, research questions, significance of the study, scope of the study, and limitation of the study. The second chapter covers a review of related literature. Chapter three discusses the research design and methodology of the study. Chapter four focus on the data presentation, interpretation, and analysis. Finally, chapter five includes a summary of findings, conclusions, and recommendations.

# **CHAPTER TWO**

## **LITERATURE REVIEW**

### **2.1 INTRODUCTION**

This chapter offers a thorough synthesis and critical analysis of a pertinent academic works, theories and empirical studies in the area of strategic human resource management. It attempts to highlight the major discoveries and contributions made by earlier researchers while also looking for the gaps, contradictions and areas of disagreement in the body of existing literature. In addition, it acts a benchmark for the current investigation, assisting in the formulation of research questions, the improvement of methodology and the demonstration of the importance and the originality of the work. It will examine the major ideas, conceptual framework and factual data to give readers a thorough grasp of the field's current state of knowledge and to set the stage for the thesis's later chapters.

### **2.2 Theoretical Literature Review**

#### **2.2.1 The concept of strategic human resource**

The concept of Strategic Human Resource Management (SHRM) is complex and incorporates different perspectives from different scholars. As we study more about the subject matter, it becomes clear that SHRM is not limited to a single definition but rather encompasses a variety of perspectives and theories advanced by well-known academics and experts. This investigation will highlight the various viewpoints and insights that add to our knowledge and the dynamic and varied nature of strategic human resource management.

Various authors have given different definitions of strategic HRM, Armstrong (2014) mentioned regarding comprehending strategic HRM. According to him, strategic HRM should be viewed as a mindset supported by certain ideas rather than as a technique. As a result, it was not ascertained whether the roles and deeds of HRM practitioners aligned with the company's business plan. The

fundamental feature of strategic HRM that sets it apart from traditional HRM is the strategic thinking that was previously absent.

The concept of strategic human resource arises in the early 1980's attaching the prefix of 'strategy' to the term 'human resource management' emphasizing strategic integration. The need to link the strategic concept to human resource management by different practitioners can be explained by the drive for business to elevate the standing of HRM specialists (Bratton and Gold, 2001). SHRM can enhance organizational performance and competitiveness. This has drawn considerable attention from scholars and practitioners. Academics have emphasized the significance of correlating human resources practices with the strategic objectives of an organization in order to attain a competitive edge. Boxall and Purcell (2003) state that SHRM is the process of integrating HR practices and policies that are created and put into action which helps the organization achieve its goals and optimize its human capital. Organizations can effectively manage their human capital, cultivate a knowledgeable and driven workforce, and adapt to the changing external environment through strategic alignment.

Holbeche (2004) defined the term SHRM in a way that makes employees of an organization ensure that human resources are strategic resources of an organization in which every contribution they make will have a change and an effect on the overall organizational goal by stating, "Strategic HRM has a clear focus on implementing strategic change and growing the skill base of the organization to ensure that the organization can compete effectively in the future."

Nakayama and Sutcliffe (2004) in their study stated that under strategic human resource management, workers are viewed as a source of the firm's competitive advantage rather than complementary or limiting factors of the firm's success. Strategic human resource practices in any firm include employment security and how it is managed, selectivity in recruitment to acquire and retain best employees in the workplace, high and competitive wages, incentive pay, employee ownership, information sharing, participation and empowerment, self-managed teams, training and skills development, cross utilization and cross training and promotion.

As Jackson and Schuler (2005) view integrating HR practices and strategies with the organization's overarching strategic objectives is known as strategic human resource management. To gain a sustained competitive advantage, it places a strong emphasis on the

formation of strategic alliances between HR and other organizational functions. Organizations can better align workforce capabilities with strategic direction and achieve organizational success by strategically leveraging human resources.

Armstrong (2006) in his book defines strategic human resource management as the development and implementation of HR policies and practices that produce the desired employee competencies and behaviors required to achieve the organization's strategic goals. It highlights the importance of HR strategies being closely aligned with the company's overall strategic direction. By implementing effective strategic HRM, organizations can improve performance and develop a workforce that helps them achieve their strategic objectives.

The alignment of HR practices with strategic objectives is a critical factor in attaining competitive advantage and organizational success. Mello (2018) in "Strategic Human Resource Management" emphasized that this alignment guarantees that human resources are used efficiently to improve business performance. Through the incorporation of HR strategies and policies that facilitate the establishment of organizational cultures that promote creativity and adaptability, businesses can adjust to evolving market circumstances and propel expansion.

According to Armstrong (2006), organizations can develop their human capital with the necessary competencies, skills, and behaviors to accomplish their strategic goals, when HR practices are closely aligned with those business goals. In addition, Jackson and Schuler (2005) highlight the necessity for HR to form strategic alliances within the organization to acquire a long-term competitive advantage in the market. Through this partnership, HR can better align its operations with the overarching strategic direction, which promotes productivity and fosters organizational success. Strategic Human Resource Management (SHRM) is a complex concept that encompasses various perspectives and theories from various scholars. It emerged in the early 1980s as a mindset supported by certain ideas, aiming to enhance organizational performance and competitiveness. SHRM is the process of integrating HR practices and policies to help organizations achieve their goals and optimize their human capital. It emphasizes the importance of correlating HR practices with the strategic objectives of an organization to attain a competitive edge.

Strategic HRM practices include employment security, recruitment selectivity; high wages, incentive pay, employee ownership, information sharing, participation and empowerment, self-

managed teams, training and skills development, and cross utilization and promotion. Integrating HR practices and strategies with the organization's overarching strategic objectives is known as strategic human resource management. By leveraging human resources strategically, organizations can better align workforce capabilities with strategic direction and achieve organizational success. Effective strategic HRM can improve performance and develop a knowledgeable and driven workforce.

### **2.2.2 Alignment of HR Practice with Strategic Goal and Strategic Fit**

As Galford (1998) alignment between human resource and organizational strategy starts with human resource professionals with a strategic focus, in doing so, the HR system should be geared with the organization's strategy and the HR professionals must ensure they are strategically focused. The concept of alignment or best fit emphasizes that HR strategies should be congruent with the context and circumstances of the organization. A key consideration in creating HR policies and practices to achieve firm's strategic objectives is the degree to which the policies and practices align with each other in support of overarching goals (Martinson and De Leon, 2018).

'Best fit' can be perceived in terms of vertical integration or alignment between the organization's business and HR strategies. It is generally accepted that best fit is more important than best practice (Armstrong, 2011). The notion of strategic fit or alignment is fundamental to SHRM, as was stressed by some commentators: 'The primary role of strategic HRM should be to promote a fit with the demands of the competitive environment because by "strategic" we mean that HR activities should be systematically designed and intentionally linked to an analysis of the business and its context. The skills and behaviors of employees must fit the strategic needs of the firm in order for the workforce to be a source of competitive advantage (Allen and Wright, 2007).

In more detail, Schuler (1992) stated that: 'Strategic human resource management is largely about integration and adaptation. Its concern is to ensure vertical fit that HR management is fully integrated with the strategy and strategic needs of the firm, horizontal fit 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. Wright and McMahan (1992)

pointed out that maximizing fit could be counterproductive when the organization has to manage change and cope with conflicting competitive goals in a complex environment. Allen and Wright (2007) emphasized that a tight fit between HRM and strategy may inhibit the ability of the firm to remain flexible enough to adapt to changing circumstances.

So it is indicated by scholars that an alignment of HR practices with organizational objectives is a major essential part of strategic human resource practice to promote organizational success, gain competitive advantage, and enhance the ability to experience change management.

### **Fitting vertically:**

According to (Wright and Snell, 2018), merging HR and business strategies to achieve fit meant having an understanding of the behaviors and skills required to carry out the strategy, the HRM practices required to elicit those behaviors and skills, and the capacity to swiftly put the intended system of HRM practices into place. It is important to keep in mind that business and HR issues impact one another which in turn influence corporate and business unit strategies. It needs a firm synchronization of different HR practices, policies and strategies to the overall organizational goal.

The alignment between human resource and organizational strategy is crucial for achieving success and gaining a competitive advantage. HR professionals must focus on strategic alignment, ensuring their HR systems are aligned with the organization's strategy. This involves vertical integration of HR activities with the business and HR strategies, ensuring they are aligned with the context and circumstances of the organization. Strategic human resource management (SHRM) aims to promote a fit with the demands of the competitive environment, ensuring that employees' skills and behaviors align with the firm's strategic needs. However, maximizing fit can be counterproductive when managing change and coping with conflicting competitive goals in a complex environment. Therefore, alignment of HR practices with organizational objectives is essential for promoting organizational success, gaining a competitive advantage, and enhancing change management.

## Vertical Strategic Alignment

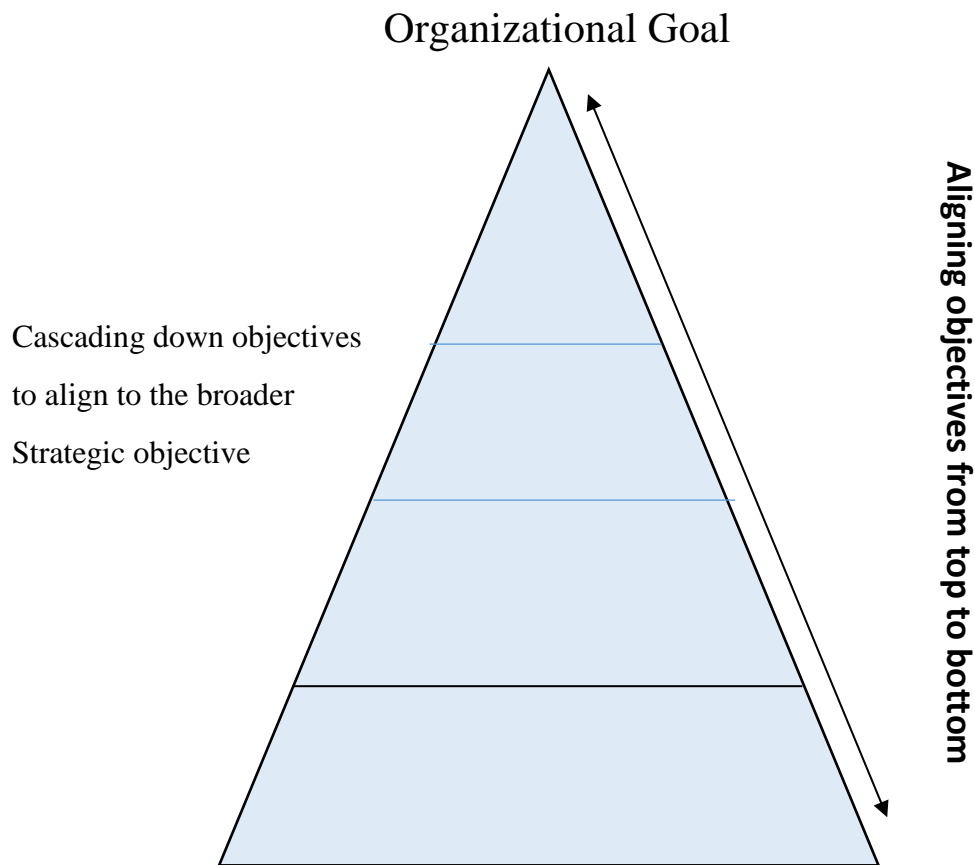


Figure 1: Vertical alignment

### **Fitting Horizontally:**

Harmonizing efforts between several departments or business units within an organization is known as horizontal strategic alignment. Ensuring that different organizational components collaborate harmoniously to accomplish shared objectives is the main objective. Prevention of silos and promotion of collaboration are critical processes for the overall success of the organization, and horizontal alignment is one way to achieve these goals.

Horizontal fit or integration is achieved when the various HR strategies cohere and are mutually supportive. It is carried out by first identifying appropriate HR practices, and then assessing how the items can be linked together so that they become mutually reinforcing and therefore coherent. This may mean identifying and integrating processes and finally drawing up programs for the development of these practices, paying particular attention to the links between them. The

essence of these fits is that they each consist of a set of complementary work practices that are developed and maintained as a whole.

## **I Guest Model of SHRM**

The 1990s saw the development of the Guest Model of Human Resource Management (HRM), a theoretical framework by British scholar David Guest. It lists several HRM procedures that are thought to support successful organizational outcomes and high-performance work environments. To achieve desired results, the model highlights the integration of HRM practices with organizational strategy.

Four important dimensions are outlined in David Guest's Guest Model of Human Resource Management (HRM). In order to attain desired results, it first highlights how HRM practices should be aligned with organizational strategy. It further identifies particular HRM practices—such as extensive training, performance management, employee involvement, and rewards systems—that support high-performance work systems. Thirdly, it implies that these practices when implemented effectively produce desired HRM outcomes like employee commitment, adaptability, flexibility, and high-quality work. The model also underscores the significance of assessing HRM performance in terms of its influence on organizational performance metrics, including financial performance, customer satisfaction, productivity and turnover.

This model of HR strategy is a framework that outlines how HR procedures ought to be coordinated with the external environment and the business plan. The model is composed of four primary sections: Long-term effects, HRM policy objectives, HRM practices, and HRM results

## **II. Harvard Model of SHRM**

As Martinson and De Leon, (2018), any successful business must have a strong foundation in human resource management (HRM), which is essential to maximizing employee productivity and effectiveness. HRM goes above and beyond administrative duties as a strategic business partner, making a major contribution to the accomplishment of company objectives. HRM has many benefits that affect all facets of the workplace. HRM is essential to creating and sustaining a strong, competent, and motivated workforce since it fosters skill development, ensures high performance, and aligns employees with the company's strategic goal.

A theoretical framework known as the Harvard Model of Strategic Human Resource Management (SHRM) was created in the 1980s at Harvard University by Michael Beer, Nitin Nohria, and other individuals. It offers a thorough analysis of how HR procedures can support organizational effectiveness and be in line with strategic objectives. The Harvard Model places a strong emphasis on how stakeholder interests, organizational outcomes, and HR policies interact.

This model highlights how employee behaviors, organizational outcomes, and HR policies and practices are interdependent. To attain high-performance work systems and employee commitment, which in turn lead to improved organizational performance, it is suggested that HR practices should be in line with the organization's overall strategic objectives.

Several essential components and a thorough framework for HRM that promotes organizational efficacy are included in the Harvard Model. The model emphasizes the necessity for adaptable HR practices, taking into account changes in organizational and external contexts such as labor market conditions and business strategy by acknowledging the impact of situational elements, recognizing and weighing the interests of stakeholders, like management bodies, labor unions, customers, and shareholders, are a fundamental component of the model.

The Harvard Model identifies four key policy domains that are necessary to align HR practices with organizational goals and stakeholder interests. These domains are Work Systems, which optimize organizational structures to improve productivity, happiness, and health; Employee Influence, which focuses on giving workers a voice in decision-making; Human Resource Flow, which manages employees' lifecycles within the organization; and Reward Systems, which establishes pay structures in line with organizational objectives. The ultimate goal is to provide favorable HR results, such as cost-effectiveness, congruence, competence, and dedication, all of which increase the organization's efficacy and competitiveness (Armstrong, 2011).

Based on the Harvard model these are the major four dimensions of strategic HRM

## **Stakeholder Interests**

The Harvard Model of Strategic Human Resource Management (SHRM)'s Stakeholder Interests component emphasizes how important it is to understand and take into account the varied

expectations of different stakeholders both inside and outside the company. The significance of identifying important stakeholders is emphasized, including unions, customers, shareholders, employees, and the larger community. The requirement to reconcile and balance various groups' frequently divergent interests is essential to this dimension in order to make sure that HR practices and policies support stakeholder satisfaction as well as corporate performance. In order to foster openness, confidence, and cooperation, HR professionals must practice effective relationship management and communication. Furthermore, the Stakeholder Interests dimension highlights the moral obligation and social responsibility ingrained in HR procedures, pushing businesses to think more broadly about how their choices will affect the environment and the community. In the end, this dimension contributes to a comprehensive and long-lasting approach to strategic human resource management by highlighting the dynamic nature of stakeholder interests and the need for HR strategies to be flexible in response to changing external variables and expectations.

## **Situational Factors**

The Harvard Model of Strategic Human Resource Management (SHRM)'s Situational elements dimension emphasizes how important it is for HR procedures to be sensitive to the unique contextual elements that affect a company. It acknowledges the important influence of both internal and external factors on HR decision-making, including corporate strategy, labor market conditions, technology improvements, industry dynamics, and legal and regulatory frameworks. This factor emphasizes how crucial it is to match HR strategies to the particular opportunities and challenges given by the situational setting of the firm. Organizations can improve their overall effectiveness and strategic capabilities by customizing HR practices to these criteria.

The dynamic and ever-changing nature of the corporate environment is highlighted by the Situational Factors component, which calls for HR professionals to regularly evaluate and modify their strategies in order to guarantee strategic alignment and resilience in the face of shifting obstacles. Essentially, this dimension pushes businesses to create HR policies that are both internally consistent and flexible enough to change with the external factors influencing their workplace.

## **Human Resource Flow**

The Harvard Model of Strategic Human Resource Management (SHRM)'s Human Resource Flow component is concerned with the procedures involved in controlling employees' movements within a company over the course of their careers. This dimension covers a range of HR-related tasks, such as exit planning, placement, promotion, transfer, and hiring. It highlights how crucial it is from a strategic standpoint to match organizational goals and objectives with these processes of human resource movement. Through strategic placement of personnel, firms can maximize worker capabilities, support employee growth, and improve overall organizational performance. This dimension acknowledges that an organization's human resources are dynamic and emphasizes the necessity of strategic workforce planning to meet shifting business needs and retain a trained and motivated workforce. In addition to being crucial for each person's professional development, efficient human resource management also greatly enhances an organization's capacity to adjust to and prosper in a fast-paced, cutthroat marketplace.

## **Reward Systems**

The Harvard Model of Strategic Human Resource Management (SHRM)'s Reward Systems dimension emphasizes how crucial it is to strategically plan and execute efficient performance rating systems, recognition initiatives, and pay and benefit structures. This dimension acknowledges that job satisfaction, motivation, and overall organizational success are all directly impacted by how employers reward and recognize their workforce. HR specialists can design incentives that promote desired behaviors and results by coordinating reward programs with company objectives. This dimension highlights how maintaining employee engagement and morale requires fairness and openness in award distribution. It also emphasizes how important performance appraisal systems are for offering helpful criticism and encouraging ongoing development. In addition to helping to draw and keep talent, strategic reward programs also foster a supportive workplace environment that celebrates and honors employees' achievements. In general, the Harvard Model's Reward Systems component stresses how to include recognition and compensation procedures into the organization's larger strategy framework to make sure that these systems uphold and strengthen strategic goals.

### **III Universalistic theory**

The best practice paradigm is predicated on the idea that there exists a set of superior HRM practices, and that implementing these would unavoidably result in improved organizational performance (Marchington et al, 2008). The concept of "best practice" was first introduced in the early American HRM models. These models suggested that implementing certain "best" HR practices would improve organizational performance, which would then be reflected in better employee attitudes and behaviors, lower absenteeism and turnover rates, higher skill levels and hence higher productivity, improved quality and efficiency, and ultimately higher profitability by creating competitive advantage (Marchington et al, 2008). It is stated here that if companies can recognize, embrace, and put into practice a set of best HRM practices, they will all gain from them and witness increases in organizational performance. The universalistic perspective posits that companies can achieve enhanced performance by recognizing and adopting optimal practices, regardless of their industry, geography, or product market circumstances.

### **IV The AMO Model**

The "ability-motivation-opportunity" (AMO) model is a framework that acknowledges the interaction that drives performance and accomplishes strategic goals between employee abilities, motivation, and organizational opportunities. The AMO model states that in order for employees to carry out their jobs in an efficient manner, they must have the requisite abilities, knowledge, and skills. Apart from aptitude, motivation is a critical factor in determining worker engagement and output. Extrinsic factors like rewards and recognition, as well as intrinsic factors like personal growth and satisfaction, can have an impact on motivation. Even with skills and drive, employees still need the correct organizational opportunities to reach their full potential. This includes elements like precise job descriptions, information availability, encouraging leadership, and sufficient resources. The Alignment of Ability, Motivation, and Opportunity (AMO) model offers a thorough understanding of how organizations can maximize employee performance, cultivate a culture of high performance, and ultimately accomplish their strategic goals.

### **V The Ulrich's HR Competency Model**

According to Ulrich (2008) HR must be operationally efficient in order to help a firm. A well-thought-out structure improves the HR's ability to deliver services and make an effect. HR

models aid in defining and clarifying HR's role within the firm. HR professionals can position their HR organization for success by understanding the ideas underlying many prevalent frameworks and how HR models work.

This model provides a comprehensive framework that successfully communicates the complexities of the HR business. By breaking down the HR function into six distinct abilities, the model assists HR practitioners in developing a well-rounded skill set that covers a wide range of issues, including strategic thinking and change management, as well as technology competency and data-driven decision making. This comprehensive plan ensures that HR professionals are prepared to address the myriad challenges they face in today's complex business context and deliver tangible advantages for their organizations.

Dave Ulrich created the well-known Ulrich's HR Competency Model, which lists the fundamental knowledge, abilities, and skills that HR professionals must have in order to successfully support organizational success. The model identifies four critical roles that HR professionals ought to play: change agent, administrative expert, employee champion, and strategic partner. HR specialists act as a strategic partner by coordinating HR procedures with business goals and making sure that HR plans advance the overarching objectives of the company. The administrative expert position highlights how crucial knowledge and efficiency are to HR operations and procedures. Advocating for the needs and welfare of workers, HR professionals create a positive work environment and increase employee engagement in their role as employee champions. Finally, HR professionals act as change agents by spearheading organizational change projects, assisting with adaptation, and promoting the growth of an innovative culture. In a business environment that is changing quickly, the Ulrich HR Competency Model offers HR professionals a thorough framework for improving their knowledge and abilities. This allows them to contribute strategically and create value for their organizations.

## **VI SHRM Model**

A thorough method for managing human resources inside a company is the Strategic Human Resource Management (SHRM) paradigm. It acknowledges that HR plays a crucial role in

coordinating its policies and plans with the overarching goals of the company. Organizations can uncover external factors that may have an impact on HR practices by performing an environmental analysis. A coherent and cooperative approach is ensured by the integration of HR strategies with the overarching company goals made possible by strategic planning. HR policies, which address topics including hiring, training, performance management, pay, and employee relations, are developed to support these goals. Deploying HR programs and maintaining effective communication are part of implementation (Gratton, 1999). Frequent assessment and monitoring guarantee the efficacy of HR procedures, permitting modifications as required. By positioning HR as a strategic partner, the SHRM model helps businesses draw in top talent, maximize employee performance, and gain a competitive advantage in the marketplace.

### **2.2.3 SHRM as Competitive Advantage**

The link between competitive advantage and SHRM practices has been explained by empirical research. Studies have indicated that the creation of highly qualified staff that is in line with the organization's values and culture comes with the implementation of strategic recruiting and selection procedures and other HR functions which, in turn, can improve organizational performance (Delery & Doty, 1996). Moreover, it has been demonstrated that performance-based pay and benefits, together with other strategic compensation plans, influence and retain top talent while inspiring workers to reach high standards of productivity and creativity. For this relating purpose the Resource based view of SHRM is discussed below which gives emphasis on Human resource as an inimitable and unique character which can create a competitive advantage in an organization (Armstrong, 2011).

#### **I Resource-Based View (RBV)**

The Resource-Based View (RBV) (Boselie et al., 2005) is the primary theory employed in SHRM research to support the expected relationships between human capital, HRMP, and firm performance. RBV theorizes that sustained competitive advantage can be attributed to firm specific resources that support value creation and that are difficult for other firms to obtain. It

articulates the idea that an organization's diversity of resources—including its human resources—creates a competitive advantage and gives it a distinctive identity.

A framework for strategic management known as the Resource-Based View (RBV) places a strong emphasis on the role that internal resources and capabilities play as sources of long-term competitive advantage. According to the RBV, a company's distinct collection of assets, both material and immaterial, can support its long-term success. This perspective holds that resources that are rare, valuable, hard to duplicate, and non-replaceable can provide an edge over competitors over time. To attain greater performance, the RBV focuses on locating and utilizing these strategic resources. It emphasizes how crucial it is to match organizational resources to the outside world and make efficient use of them in order to take advantage of business opportunities. Organizations can create strategies that capitalize on their unique resources and gain a competitive edge in the market by embracing the RBV perspective. Barney, (1991) is credited with making RBV theory the most popularly applied theory. In his view, a resource needs to be rare, valuable, unique, and non-replaceable in order to provide a long-term competitive advantage. When resources are put to strategic use to seize opportunities and eliminate threats, they become valuable. Second, a company cannot establish or maintain a competitive advantage if it does not highlight the resources and capabilities that are specific to it. While it is possible to survive in the industry with non-strategic resources, it is not guaranteed that a competitive advantage will be created or developed.

According to (Hamel and Prahalad, 1989), a competitive edge of an organization can be gained by developing human resources that allow it to learn more quickly and use what it learns more skillfully than its competitors. Individual employee abilities, such as exceptional performance, efficiency, adaptability, creativity, and the capacity to provide highly personalized customer service, are vital components in enhancing an organization's competitive edge.

## **II Human Capital theory**

The Human Capital Theory suggests that a company can gain a competitive edge by investing in the knowledge, skills, and abilities of its employees. Through the cultivation and advancement of employees' human capital, companies can augment efficiency, incite creativity, cultivate flexibility, and provide outstanding customer experiences. This calculated risk-taking in the

training and development of staff members boosts their output on an individual basis and builds a group identity that distinguishes the company from rivals. Organizations can use human capital to stay ahead in a changing market, resulting in long-term success and a clear competitive advantage, by recruiting top talent, sharing knowledge, and engaging in continuous learning.

#### **2.2.4 HR Initiative and Business Outcome**

The field of human resource management frequently discusses the idea of HR initiatives and their importance in companies. As the authors Cascio and Boudreau (2011) state that HR initiatives are a collection of tactical steps that HR departments take to maximize human capital and promote organizational success. They stress that these programs go beyond conventional HR duties and concentrate on enhancing employee engagement, establishing a healthy work environment, and coordinating HR procedures with business strategies.

Another insight given by Mello, (2018) elaborates HR initiatives as proactive ways to improve talent management, foster leadership qualities, and establish a culture of ongoing learning and growth. These programs are thought to be essential for drawing in, keeping, and inspiring workers in addition to guaranteeing the organization's sustained competitiveness. As emphasized by a number of writers, HR initiatives are, in essence, strategic interventions meant to maximize human capital and match HR procedures with company objectives, which eventually leads to better performance and long-term success. As it is understood HR initiatives have a positive impact on motivating employees and enhancing organizational, there are few steps to effectively implement it. It starts with assessing the need of the employee as well as the organization's goal through carrying out survey, collecting feedback and performance evaluation to discover any potential improvements. The second step is identifying organizational goal by considering any challenges the organization is facing and identifying what should be done to overcome it. Creating action plan and defining key HR metrics to be able to measure the impact of the initiative. Executing, monitoring and evaluating are the final steps (Sachs, 2024).

## **2.2.5 HR Initiative and SHRM**

The implementation of HR initiatives is essential to accomplishing strategic goals. According to Mello, (2002) HR initiatives must to be planned and carried out in a way that enhances the organization's competitive advantage and long-term objectives. HR departments can help the business as a whole by coordinating HR initiatives with the organization's strategic objectives. Additionally, it explains on how important it is to take into account both internal and external issues while creating HR initiatives in the framework of SHRM. The competitive landscape, market circumstances, and industry dynamics are examples of external factors, whereas the organization's resources, culture, and structure are examples of internal elements. HR specialists may create and carry out projects that are sensitive to outside opportunities and challenges and in line with the organization's strategic objectives by taking these variables into consideration.

As Armstrong (2011) noted in his book, HR initiatives are merely affected by the different HR functions process by gaining insight that HR initiatives may fail to appropriately work as it is planned unless the HR function processes are supporting. These processes could be deploying efficient recruitment and selection process, comprehensive training and development program, fair compensation and benefit structure and clear communication.

According to Salaman and Storey (2003) HR activities ought to be directed by a cogent strategic framework rather than being viewed in a vacuum. The writers stress that the framework and strategic guidance provided by SHRM are essential for the development and execution of HR initiatives. For consistency and efficacy, HR efforts must to be in line with the organization's overarching strategic objectives.

### **I HR Value Chain Model**

As Ulrich (1997) discussed in his book how important it is for HR to coordinate its efforts with the overarching business plan and actively support the accomplishment of organizational objectives. Ulrich provides advice on how HR professionals can adopt a strategic mentality and actively engage in strategic decision-making. The book also emphasizes how critical it is that HR specialists comprehend the value they provide to the company. Ulrich presents the idea of the HR value proposition, which entails outlining the special contributions that HR can provide to improve performance as a whole, employee engagement, and organizational effectiveness. HR

specialists can be essential to the success of an organization by identifying and utilizing this value proposition.

Additionally, he outlines the essential skills required for HR professionals to succeed in their positions. Ulrich delves deeply into these competencies, which include being a capable builder, change champion, strategic positioner, and credible activist. He offers helpful advice on honing and utilizing these abilities to add value to organizations. The book also explores the evolution of HR functions into more strategic and effective entities, as well as the process of HR transformation. Ulrich offers a thorough approach to HR transformation that calls for streamlining HR procedures with technology, redefining HR roles, and coordinating HR efforts with customer needs. HR professionals can improve their skills, help their organization succeed, and adjust to the ever-changing business environment by concentrating on these areas.

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

### **I. Change Management**

Wright et al (2018) address how the evolving business environment is beyond the capabilities of strategic human resource management. They concentrated on how, over time, strategic HRM research has remained stale. The speed at which business is changing globally is causing models and theories of strategic HRM to become obsolete and unable to adequately explain the state of affairs or address modern issues. For example, executives now prioritize "talent" above all other assets when it comes to strategic HRM functions; however, strategic HRM still focuses on HR policies, HR practices, and the relationship between these factors and organizational performance.

### **II HR Effectiveness Measurement**

Strategic Human Resource Management (SHRM) faces a big challenge in HR Effectiveness Measurement. The challenge is in identifying and measuring how HR initiatives affect organizational results. The long-term and indirect nature of HR outcomes makes it challenging to pinpoint HR's exact contribution. It can be difficult to measure subjective metrics like employee engagement and talent retention accurately, and HR's value may not be fully captured by

traditional financial metrics. Measuring efforts are further complicated by the delay in observing results, the alignment of HR metrics with strategic objectives, the availability and quality of data, and the influence of external factors. To overcome these obstacles, organizations must establish relevant metrics, use technology to analyze data, carry out exhaustive assessments, and combine quantitative and qualitative metrics. To improve HR practices and guarantee their efficacy in the organization's strategic context, ongoing monitoring and assessment are essential.

### **III Sustainability**

Sustaining the momentum and impact of SHRM initiatives over the long term can be challenging. HR leaders need to continuously monitor, evaluate, and adapt their strategies to evolving business needs, market trends and internal dynamics. Lack of sustainability in HR practices may drift away from strategic priorities, hindering the organization's ability to achieve its desired outcomes.

### **IV Limited Knowledge**

Without a clear understanding of SHRM concepts, HR professionals may struggle to align HR strategies with the broader business goals and objectives. Strategic HR planning requires a deep understanding of the organization's internal and external environment, including factors such as industry trends, workforce demographics, and competitive landscape (Yimer, 2015).

### **V Gap between the strategy and practice**

A significant barrier to strategic human resource management could be the disparity between the strategy's intended objectives and actual outcome, or the gap between human resource management theory and practice, between the HR department's stated purpose and how employees view the department's actions, as well as between Senior Management's perception of HR's position and the role it actually performs (Armstrong, 2008). Addressing the gap is

essential for the organizations to effectively execute strategic HR practices and attain desired outcomes.

### **2.3 Empirical Literature Review**

Research projects have been carried out about strategic management. Njagi & Kombo (2014) on their research work they tried to assess how Kenyan commercial Banks performed after implementing a strategy. The two particular goals of the study were to ascertain how operationalizing and institutionalizing strategy affected Bank performance. The study used a correlation research strategy to meet these goals. A census method was applied and research was carried out. Descriptive statistics like percentages were used in the data analysis process. The type and intensity of the association between strategy implementation and organizational performance were assessed using Pearson's correlation coefficient. A multivariate regression model was created to ascertain how strategy adoption affected organizational performance. The findings show that organizational performance and strategy execution have a strong association. The study suggested that in order for an organization to succeed and compete, strategies should be put on into practices that work. Majority of studies tend to concentrate on strategy management practice from the strategic management process by giving less emphasis on strategy implementation.

Aliyev, J. (2024) in the study on strategic human resources and competitive advantage, on the discussion the significance of strategic human resource management practice was described by the major findings highlighting that a well-managed human resources can offer distinctive capabilities that give a competitive position among the competitors of the organization and discloses the insight and practical implementations for leveraging human capital as a source of sustained competitive advantage through strategic human resource management.

Beh Loo-see and Leap (2013), In order to better understand the connection between top HRM practices and the operational effectiveness of seven significant insurance companies in Malaysia's Klang performed a study. The analysis of the study was conducted using the descriptive research method. From the key findings it was concluded that SHRM alignments in the organization are the core HR practice that influence organizational performance. Huselid, (1995) examined the effects of the 10 high performance work systems that Delaney, Lewin, and

Ichniowski created as cited in (Huselid, 1995) on the organizational performance of publicly traded US companies. He discovered that both intermediate employee outcomes and short- and long-term indicators of business financial success are significantly impacted by high performance work practices in an economically and statistically significant way.

Dinberu (2014) completed one of the studies on the topic carried out in Ethiopia. Based on primary and secondary data gathered through surveys, interviews, and written documents, the researcher evaluated Nib International Bank's strategic management processes. Sample was sort out based on simple random sampling, and the collected data was then analyzed using descriptive statistics. Based on this, the study's findings demonstrated that NIB's communication of the strategy plan is inadequate and that thorough stakeholder participation is not achieved. Furthermore, the Bank has misalignment or poor linkage of its strategic plan with individual tasks and work units are noted. The study suggested that the Bank improve the way it communicates its strategic plan, address its poor use of analysis, balance its performance metrics, and connect those metrics to individual and work unit success.

Amelework (2015) conducted an additional local stud in the instance of Ethiopian Insurance Corporation; the researcher evaluated the strategic management practice. Both primary and secondary sources of data were employed in the study in order to achieve the goal of evaluating the insurance's strategic management procedures. While narrative form was used to analyze the qualitative data, descriptive statistics were used to analyze the quantitative data. The findings showed that when developing strategies, EIC does not involve every employee in a bottom-up approach, districts and outlines branches are not included in the procedure. The study suggested that EIC ensure employee participation in strategy formulation since it fosters a sense of ownership of the plan and further builds organizational skills.

The strategic HRM practices used by Ethiopia's private Banking industry were evaluated by Emebet, (2017). Data analysis was based on statistical calculations including averages, percentages, and standard deviation. The study's findings indicated that private commercial Banks' strategic HR procedures were generally seen favorably. On the other hand, negative perceptions were held of training and development as well as the incorporation of HRM practices with business strategy. Upon the general findings, a recommendation was given by the researcher to emphasize and work on alignment of HR practices with the overall business

strategy. Research on strategic management has been conducted in various fields, including Kenyan commercial banks, insurance companies, and Ethiopian Insurance Corporation. It is found a strong association between strategy implementation and organizational performance, suggesting that strategies should be implemented effectively and highlighted the importance of strategic human resources management practice, highlighting its potential to provide a competitive advantage. Additionally it is found that top HRM practices significantly influence organizational performance, high performance work systems significantly impact employee outcomes and business financial success and inadequate communication, poor stakeholder participation, and misalignment with individual tasks and work units.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This section includes techniques that are applied in order to meet the study's goal. It outlines the research strategy, the data source, and the techniques used to obtain the research's data. It also specifies the study's target population, sample size and frame, sampling methodology, and other related details.

#### **3.2 Description of the study area**

According to the National Bank of Ethiopia (2023) report there are 29 operational commercial Banks comprising one state-owned and 28 private Bank. Three categories can be used to classify Ethiopian private Banks, according to the year of establishment as first, second and third generation Banks (Endale, 2023). For this study purpose among the existing Banks the three private Banks are selected according to their generation consecutively (Nib international Bank, Zemen Bank and Berhan Bank). Nib Bank was established on May 26, 1999 under license number LBB/007/99 in compliance with the commercial code of Ethiopia and proclamation for licensing and supervision of banking business proclamation no.84/1994. Its authorized capital was birr 150 million, with 717 shareholders contributing birr 27.6 million by becoming the nation's sixth licensed private Bank (Source: Nib Bank, 2022). While Zemen Bank was established in Addis Ababa in 2008 and registered as a share company with an initial paid up capital of 95 million by creating a reputation for itself as a dynamic new player in the market by adopting a unique strategy (Zemen Bank, 2021). Additionally, Berhan Bank is one of the private Banks that are categorized as the third generation Bank. It was established in 2009 in compliance with Ethiopia's licensing and supervision of banking business proclamation no.84/1994.

### **3.3 Research design and approach**

#### **3.3.1 Research Design**

A descriptive research design is utilized in this study to describe and understand a phenomenon in a systematic and objective manner. Robson (2002) states that the essential of adopting a descriptive survey is in that it helps to identify and obtain information on the characteristics of a particular problem or issue and describe what the situation is in a systematic manner.

#### **3.3.2 Research Approach**

The study adopted mixed research approach. It is defined as an approach to knowledge (theory and practice) that makes an effort to take into account a variety of views, viewpoints, standpoints (Johnson & Onwuegbuzie,2004) and to obtain a more comprehensive understanding of the topic by combining with in-depth qualitative and quantitative insight. A questionnaire was used to gather data from a sample of business or human resource specialists. The qualitative component would involve a thorough insight into the challenges faced in implementing SHRM practices through interviews with HR managers and other relevant stakeholders and provide narratives, perspectives and contextual understanding. The quantitative approach is the process of collecting and analyzing numerical data. It can be used to find patterns and averages, make predictions, test causal relationships, and generalize results to wider populations. For the quantitative data analysis, the study used a five-point Likert scale, frequency tables, and percentages are also employed.

### **3.4 Data type and source**

The research employed both primary and secondary data sources for the study's successful completion. Insights from managers, human resource specialists and leadership teams was gathered through primary data collection technique which allows obtaining first-hand details regarding the implementation and practice of strategic human resource management. Furthermore, a thorough review of secondary data sources, including academic articles and dissertations was conducted to support and validate the findings from primary data.

## **3.5 Population and Sampling**

### **3.5.1 Target Population**

According to Kerlinger and Lee (2000) Population is defined as the total group of people or things that share an observable trait and from which the researcher wants to make inferences. Thus, the target population of this study is 248 employees working in HR and other departmental offices of the selected private Banks.

### **3.5.2 Sample design and sampling techniques**

The number of items chosen from the population to represent is referred to sample size (Kothari, 2004). From the existing private Banks in Ethiopia the three Banks are selected considering their convenience. The Banks selected were narrowed to three in order to allow the researcher to go further into the nuances of a few Banks' strategic HRM practices by focusing on them specifically. This level of research allows for a deeper grasp of each institution's underlying dynamics and intricacies, yielding a richer insight which strikes a balance between the necessity of representativeness, depth, and practicality while carrying out significant study on strategic HRM in the Banking industry.

From the overall target population, sample size was taken by judgmental sampling technique in which it aids researcher in identifying specific individual or groups which possess valuable insights and relevant data regarding the research topic.

### **3.5.3 Sample Size**

The target number of respondents chosen from the entire population is known as the sampling size. The study has used Yamane (1967) statistical calculation formula to distinguish the representative sample size.

The sample size was taken by the formula of Yamane (1967).

$$n = N / (1 + N(e^2))$$

Where, n = number of samples

N = number of population = 248

e = sampling error (Usually .10, .05 and .01 acceptable errors, the researcher used 0.05 sampling error and 95% confidence level).

Based on the above sample size formula

$$n=248/1+248(0.05)^2$$

$$n= 248/1+248(0.0025)$$

$$n=153$$

Based on the above sample size formula using judgmental sampling techniques a sample of 153 was part of sample from the population. From the total 248 populations, 100 of them are Nib Bank employees, 72 of them are Zemen Bank employees, and 76 of them are Berhan Bank employees.

Therefore, a sample of 62 Nib Bank employees, 44 Zemen Bank employees and 47 Berhan Bank employees are selected as a sample from each stratum.

The study has adopted purposive sampling to select employees to fill out questionnaires and interviews by considering their access to information.

### **3.6 Data Collection Instruments**

The study has used two types of data collection methods both self-administered questionnaire and interview which was developed in compliance with the research objectives.

#### **3.6.1 Questionnaire**

As indicated by Kabir (2106) it can save time and resources by being distributed to many participants at once. Self-administration guarantees anonymity, encouraging truthful and objective responses. Additionally, by using self-administered questionnaires, the researcher can collect quantitative data that can be statistically analyzed to find patterns, trends, and connections between the challenges and practices of SHRM. The questionnaire adopted for this study was in

reference to the research paper of the Society for Human Resource Management- SHRM (2015) and own developed based on literature and surveys of previous research. The questionnaire is comprised of two parts. The first section of the questionnaire is developed to gain demographic data and general information about the respondents. The second section of the questionnaire was developed to gain about the subject matter of Strategic human resource management practice in the Banks and its applicability, alignment with the overall organizational strategy, implementation, and possible challenges.

### **3.6.2 Interview**

The interview enables a thorough investigation of participants' viewpoints and perceptions of SHRM practices and difficulties. They offer the chance to collect rich, qualitative data that transcends simple yes/no answers, facilitating a deeper comprehension of the subtleties and complexities involved (Cooper and Shendler, 2006). A thorough investigation of the subject is made possible by the researcher's ability to elicit additional information, ask follow-up questions, and seek clarification through interviews. The interview is prepared for HR managers to collect information regarding the alignment of business strategy with HR practices, its implementation, and overall practice and challenge. Based on their dependability of the matter under study, HR managers, and officers, including senior staff members, who worked at surveyed banks in head office departments, were interviewed. Interviews with managers and directors of the surveyed banks was planned in order to obtain a comprehensive understanding of the existing state of affairs about the assessing of the chosen SHRM practices and related implementation issues. The analysis and synthesizing both data types it involved triangulating the quantitative results with qualitative themes to validate statistical findings and offer richer explanations. This mixed-methods approach not only confirmed the quantitative patterns but also revealed nuanced insights and contextual factors that were not apparent from the numerical data alone.

### 3.7 Validity

According to Creswell (2014), validity pertains to the degree of accuracy with which a study measures or evaluates the concepts or constructs that it aims to explore. To assure the validity of its findings, this study uses an exacting methodology that carefully considers any potential threats to validity. Using a mixed research technique, the study has combined quantitative data with qualitative insights from interviews. By using numerous data sources and triangulation, this study seeks to decrease the likelihood of erroneous results, which would improve the study's internal validity

### 3.8 Reliability

According to Mooi and Sarstedt (2011), reliability is the degree to which the results of an assessment or measure are free from random error. It also refers to the consistency or stability of the score derived from an assessment or measure over time and across settings or conditions. It is commonly used as a measure of the internal consistency or reliability of a psychometric test score for a sample of examinees. For testing the reliability of the data instrument, Cronbach's Alpha was calculated to test the reliability of the research instrument. As per (Walsh, 1995) recommendation, a minimum level of Cronbach's alpha should be 70%. Hence the reliability of the response was able to be ensured.

**Table 1 Cronbach's Alpha Reliability Scores**

<b>Reliability Statistics</b>		
<b>Variables</b>	<b>Cronbach's Alpha</b>	<b>N of Items</b>
Alignment	.713	11
SHRM as competitive advantage	.914	6
SHRM and HR initiatives	.708	7
Challenges	.709	6
<b>Total N</b>		<b>30</b>

Hence 0.761 represent that the instruments are reliable to measure the desired objective of the study.

### **3.9 Data analysis**

As of (Kothari (2004) data analysis is defined as the process of manipulating data collected from the field, breaking down existing complex factors into simple parts and putting the parts together in a new arrangement in order to obtain responses to the research questions and for the purpose of interpretation. For this purpose, the study used descriptive statistical methods to examine the practice and extent of applicability of strategic human resource management. Major challenges were also identified and recommendations were given based on the analysis.

### **3.10 Ethical consideration**

The ethical consideration of this study was maintained by informing respondents the purpose of the study and the essentiality of the data gathered from them. A brief explanation of the study's purpose, the confidentiality of the information they provided, and respondents' anonymity was given to each respondent. The confidentiality of the information they have given and anonymity of the respondents (by ensuring that the name of the respondents not being requested in any case) and all of the information gathered were only used for academic purpose.

# CHAPTER FOUR

## RESULT AND DISCUSSION

### 4.1 Introduction

This chapter of the study presents a data analysis and interpretation collected through questionnaire and interview based on the study's major questions from respondents. From the total distributed 153 questionnaires all were appropriately filled and returned to the researcher which makes the response rate 100%. Additionally, scheduled interview was conducted with human resource department managers and directors.

### 4.2 Demographic profile of respondents

This section presents the general demographic information (gender, age, educational level and work experience) of respondents.

#### 4.2.1 Gender of Respondents

Table 2 Gender of respondents

<b>Gender</b>					
		Frequency	Percent %	Valid Percent	Cumulative Percent
Valid	Male	48	31.4	31.4	31.4
	Female	105	68.6	68.6	100.0
	Total	153	100.0	100.0	

Source: SPSS result, 2024

The above table shows the gender distribution of participants. As shown in the table majority of respondents are females, 68.6%, and the rest 31.4% are males. This implies that the number of female employees dominated in the positions of selected banks. The results show that the two genders were fairly represented in the study. Nonetheless, the data suggests that females may be predominating in the study's banking industry. Consequently, the percentages indicate a rise in the proportion of females participating in banking staff activities. This may be related to the fact that more women were given access to professional baking help through a variety of channels, enabling them to participate in more banking employee duties.

## 4.2.2 Age of Respondents

Table 3 Age of respondents

Age of Employees					
		Frequency	Percent %	Valid Percent	Cumulative Percent
Valid	below 25	45	29.4	29.4	29.4
	26-35	83	54.2	54.2	83.7
	36-45	14	9.2	9.2	92.8
	above 46	11	7.2	7.2	100.0
	Total	153	100.0	100.0	

Source: SPSS result, 2024

The age distribution of the population depicts that 29.4% of the age distribution is below 25. The second age group (26-35) covers 54.2% of the total population. The remaining age groups from 36-45 and above 46 cover 9.2% and 7.2% of the sample respondents consecutively. This explains that the majority of employees in the selected banks are at productive stage that enables the company to meet its organizational goal and objectives.

## 4.2.3 Educational Level of Respondents

Table 4 Education level of respondents

Educational level					
		Frequency	Percent %	Valid Percent	Cumulative Percent
Valid	Degree	112	73.2	73.2	73.2
	Masters	41	26.8	26.8	100.0
	Total	153	100.0	100.0	

Source: SPSS result, 2024

The above table shows that 112(73.2%) of the sample respondents are Degree holders which constitutes more than half of the total respondents. Whereas, the rest 41(26.8%) of the respondents are Master's Degree holder. This implies sample populations of the respondents

have a better educational background. The banking sector focus on education, training, and research can help explain the high percentage of university graduates working in banking. This demonstrates how financial institutions have put in place an educational benefits program intended for university graduates and those who have completed education programs.

#### 4.2.4 Work Experience of respondents

Table 5 Age of respondents

Work Experience					
		Frequency	Percent %	Valid Percent	Cumulative Percent
Valid	less than 5 years	100	65.4	65.4	65.4
	6-10	46	30.1	30.1	95.4
	more than 16 years	7	4.6	4.6	100.0
	Total	153	100.0	100.0	

Source: SPSS result, 2024

As the above table shows from the total respondents 100(65.4%) have a work experience of less than 5 years, 46(30.1%) of them have 6-10 years of experience, and the rest 7(4.6%) of the respondents have more than 16-year experience. This implies that the respondent's characteristics and their value profile for the accomplishment of this study indicating 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.

#### 4.3 Descriptive analysis

Data collected through questionnaires were analyzed quantitatively using frequency, mean, and standard deviation. Mean scores of each dimension were analyzed and interpreted. The study utilized Kothari's (2004) mean score to categorize participants' perception as low, moderate, or high. Accordingly, a mean score of less than 2.69 is defined as low, a mean score of between

2.70 and 3.49 is described as moderate, and a mean score of more than 3.50 is described as high on a five-point scale.

#### 4.3.1 Alignment of HR practices with overall strategic goal/Vertical alignment

Table 6 Alignment of HR practices with overall strategic goal

Items	Disagree		Neutral		Agree		Strongly agree		Mean	Std. deviation
	F	%	F	%	F	%	F	%		
HR practices and policies are directly aligned with the overall strategic goals of the bank			8	5.2	98	64.1	47	30.7	4.25	.54446
The performance evaluation criteria are linked to the strategic objectives of the bank	59	38.6			78	51.0	16	10.5	3.33	1.10024
The training and development programs offered by the bank are aligned with its strategic objectives					15	9.8	138	90.2	4.90	.29834
Mechanisms are in place to ensure that HR initiatives and practices remain consistent with the strategic priorities of the bank					39	25.5	114	74.5	4.74	.43724

The HR department effectively communicates the strategic goals to employees	54	35.3	28	18.3	47	30.7	24	15.7	3.26	1.10624
There are specific HR metrics or KPIs that measure alignment with the bank's strategic goals	54	35.3	30	19.6	55	35.9	14	9.2	3.18	1.02438
The rewards system motivates employees to contribute towards achieving the bank's strategic objectives	75	49.0	78	51.0					3.01	1.00309
The bank's talent management approach prioritizes innovation and creativity.	136	88.9	4	2.6	13	8.5			2.19	.57421
The bank's recruitment and selection process aligns with its strategic objectives.	80	52.3	7	4.6	60	39.2	6	3.9	2.94	1.03740
The bank deploys succession planning proactively.	91	59.5	20	13.1	42	27.5			2.67	.87850
Skill alignment of an employee and its position is well applied in talent acquisition process	84	54.9	24	15.7	45	29.4			2.74	.88503
<b>Grand Mean</b>									<b>3.38</b>	

Source: SPSS result, 2024

The table above shows the data on the response rate of the alignment of the bank's HR practice and policies with overall goal, it shows that 64.1% of the respondents agreed and 30.7% of them strongly agreed on the alignment. Implying that majority of the sample respondents of the study agreed there is an alignment of the HR practice with the objective of the bank showing there is favorable alignment between the two concepts. From the unit questions presented through section of alignment, the strongest alignment was seen by the training and development program where 90.2% of the respondents strongly agreed implying the bank's training and development program is well articulated and integrated with the banks' general objective.

The effective communication of strategic goal of the bank to the employees shows as an area of improvement implying 54% of the respondents disagreed that there is a clear communication of the banks' goal, objective and strategy to the employees. The rewarding system and talent management approaching system in prioritizing innovation and creativity are another areas of improvement implying unfavorable condition with a disagreement rate of 54% and 49% respectively. In addition to these, the alignment of recruitment and selection process with its strategic objective, skill alignment, and deployment of succession planning results were seen as an area of improvement in which the disagreement response rate showing 52.3%, 59.5%, and 54.9% respectively.

To generalize table 6 responses, according to the mean score categorization base, the overall alignment of HR practices to the business goal shows a moderate applicability. In going through each questions related to the alignment of HR practices, the employees' perception on the banks' HR practices and policies direct alignment with the overall strategic goals of the bank was found highly perceived with a mean score of 4.25 showing that there exist a general well aligned HR practice and policies in the banks. And the lower standard deviation shows there is a perception consensus among the respondents on the response. The higher mean score related to alignment questions were on the alignment of training and development programs offered by the bank with its strategic objectives were 4.90 indicating that the banks' effort on developing and training their human power are seen favorable.

Additionally, on the question related to availability of mechanisms that are used to ensure that HR practices and initiatives remain consistent with the strategic priorities of the banks also seen favorable with a mean score of 4.74 which will better ensure the alignment based on having a set

out mechanism to control each practices and initiatives are in line with the bigger goal of the banks. To the contrary, the bank’s talent management approach prioritizing innovation and creativity, recruitment and selection process alignment with its strategic objectives, proactive deployment of succession planning, and skill alignment of an employees with their respective job position in talent acquisition process shows a lower mean score indicating there is a lower perception and a poor performance of the banks on the respective areas.

Regarding the respondents’ perception on the link of performance evaluation criteria to the strategic objectives of the bank resulted a mean score of 3.33 which is lower than the grand mean inferring that employees of the banks have a lower perception on that the banks’ having concrete performance evaluation criteria that are aligned with its objective which in turn enhance employee motivation and engagement, as they see how their contributions impact the banks’ success.

Based on the above data the overall result shows that the bank has a moderate aligning practice of its goal to HR practices but there are also existing areas of gap with poor alignment implications which needs to be assessed and given priority.

#### 4.3.2 SHRM as a competitive advantage

Table 7 SHRM as a competitive advantage

Items	disagree		Agree		Mean	Std.deviation
	F	%	F	%		
SHRM is effectively utilized as a competitive advantage	59	38.6	94	61.4	3.22	.97668
I believe the implementation of SHRM practices can contribute positively to our organization's competitive positioning	42	27.5	111	72.5	3.45	.89547
I believe SHRM practices can help in attracting and retaining top talent	44	28.8	109	71.2	3.42	.90824
I believe adoption of SHRM practices can improve employee productivity and performance relative to competitors	38	24.8	115	75.2	3.50	.86697

I believe the emphasis on SHRM allow the bank to create a unique and desirable employer brand in the industry	47	30.7	106	69.3	3.38	.92569
I believe SHRM practices can contribute significantly to ability to innovate and stay ahead of competitors	40	26.1	113	73.9	3.47	.88172
<b>Grand Mean</b>					<b>3.40</b>	

Source: SPSS result, 2024

Based on the above table, the response on the perception of SHRM as a competitive advantage was analyzed. The general perception of utilizing SHRM effectively as a competitive advantage in the banks shows a 61.4% of agreement and 38.6% of disagreement among the respondents. Basing on the mean score of each question it is shown that a higher score of the mean 3.50 stating the employees' positive perception on the statement supporting adoption of SHRM practices can lead an improvement in employee productivity and performance relative to competitors were seen favorable. The second and third higher mean score of 3.47 and 3.45 indicates that employees believe SHRM practices can contribute significantly to ability to innovate and stay ahead of competitors and positively to the banks' competitive positioning. From the overall mean score the lower mean score value of 3.22 indicates the lower perception of the employees on the effective utilization of SHRM practice as a competitive advantage by the banks. In general, the above analysis shows that most of the employees have a higher perception and understanding of that, implementation of strategic human resource management practice gives the bank a competitive advantage through different perspectives, despite the common understanding of SHRM as a competitive advantage it is shown that there is low implementation and effective utilization of SHRM as a competitive advantage in the banks

### 4.3.3 HR initiatives and the effectiveness of SHRM practices

Table 8 HR initiatives and the effectiveness of SHRM practices

Items	Disagree		Agree		St.agree		Mean	St.deviation
	F	%	F	%	F	%		
The bank's HR initiatives are well-aligned with the overall business strategy	8	5.2	35	22.9	110	71.9	4.61	.74449
The bank's HR initiatives have been effectively implemented across the organization.	35	22.9	118	77.1			3.54	.84283
The HR initiatives have led to tangible improvements in employee engagement and productivity.	14	9.2	96	62.7	43	28.1	4.09	.80102
The bank's HR initiatives have been successful in attracting and retaining top talent.	49	32.0	96	62.7	8	5.2	3.41	.99690
HRM initiatives take into account external and internal aspects of SHRM			108	70.6	45	29.4	4.29	.45714
There is a necessary skill and competency to carry out the HRM initiatives	16	10.5	14	69.2	30	19.6	3.98	.78629
The HR functions are well functioned for successful HR initiatives executions	90	58.8	63	41.2			2.82	.98754
<b>Grand mean</b>							<b>3.82</b>	

Source: SPSS result, 2024

The above table shows the data analysis regarding the supportiveness of HR initiatives to the strategic humane resource management practice. Accordingly, it is shown that the overall alignment shows a moderate result having a mean score of 4.61. The mean score of 4.29 indicate that the banks' initiatives take into account both external and internal aspects of strategic human resource management practice when time of designing the initiatives implying a favorable positive effect. The emphasis given to both internal and external aspects when designing HR

initiatives helps the HR functions to align the demand and supply of the needed initiatives to fill the gaps and develop an applicable initiative that can meet its objectives. The other analysis shows about HR initiatives leading to tangible improvements in employee engagement and productivity to a favorable extent resulting a moderate mean score of 4.09. This could be achieved through investing and designing HR initiatives which can directly enhance employee productivity and their engagement by providing employees development program and contribute to overall success of the bank. Regarding the existence of a necessary skill and competency to carry out the HRM initiatives shows a higher perception among the respondents implying that the banks have a knowledgeable and skillful professional to successfully carry out HRM initiatives. A lower mean score indicating a lower perception were observed on the bank's HR initiatives for successfully attracting and retaining top talent and the HR functions functioning for successful executions of HR initiatives with a respective mean score of 3.41 and 2.82, implying that the banks' initiatives are poor in attracting and retaining top talent which needs to assess the former and existing HR initiatives designed and measuring their effects and scrutinizing out area of gaps to come up with a different HR initiatives. Additionally, only designing of HR initiatives will not make a difference if the designs are not applicable, the HR initiatives to be applicable, the HR department should support for the effective designing and implementation of the initiatives through making a data driven initiatives and cross functional collaboration with other departments for its executions. Based on the response it is observed the banks' HR functions are not well functioning for successful HR initiatives executions implying a poor connotation.

#### 4.3.4 Challenges facing the chosen Banks strategic human resource implementations

Table 9 Challenges facing the Banks in implementing SHRM

Items	St.disag	Disagree	Agree	Strongly agree	Mean	St. deviation
	F %	F %	F %	F %		

The bank's organizational structure lacks empowerment for HR professionals to engage in strategic matters and enhance organizational change	14	9.2	80	52.3	59	38.6			2.67	1.08612
Adapting HR practices to meet the evolving regulatory and compliance requirements poses a challenge for bank	14	9.2	95	62.1	44	28.8			2.48	1.00724
Ability to resist change can hinder the implementation of strategic HR initiatives in banks					100	65.4	53	34.6	4.34	.47739
Developing a diverse and inclusive workforce is a challenge in strategic HR implementation for bank					111	72.5	42	27.5	4.27	.44773
Managing and integrating different organizational cultures presents a challenge for banks					111	72.5	42	27.5	4.27	.44773
The bank experiences challenges aligning SHRM theory with practical implementation					125	81.7	28	18.3	4.18	.38794
<b>Grand Mean</b>									<b>3.70</b>	

Source: SPSS result, 2024

The above table constitutes the respondents' response on the major challenges of SHRM implementation and was additionally analyzed using bar chart. From the above table shown from the respondents' response on the question of the bank's empowerment level for HR professionals to engage in strategic matters shows 80% of disagree response which indicate that the bank's organizational structure empowers its HR professionals to engage in a strategic matter.

Regarding the compliance and regulatory requirements as a challenge 62.1% of the respondents disagree, 9.2% strongly disagree and the rest 28.8% agree. This indicates that the respondents

believe compliance and regulatory requirements are not a major challenge for the implementation of SHRM.

From the sample respondents 65.4% agree and 34.6% strongly agree responses regarding the ability to resist change viewed as challenge in SHRM. Additionally, developing a diverse and inclusive workforce and managing and integrating different organizational cultures are considered as a major challenge based on the respondents' response rate of 72.5% agree and 27.5% strongly agree. On the other hand, 81.7% agree and 18.3% strongly agree on the question related to challenges to align the practice and the theory as a challenge of SHRM.

To generalize table 8 responses, based on the mean score of each question's response, the lower mean score 2.48 indicates that compliance and regulatory requirements are not the major challenge of practicing SHRM and a lower mean score of 2.67 on the statement saying "the bank's organizational structure lacks empowerment for HR professionals to engage in strategic matters and enhance organizational change" which implies that the banks are in a favorable state on encouraging and empowering its employees to engage in strategic manner which will have a positive impact on showing the bigger image and objective goal the banks that can lead the employees to strategically align their activities in accordance with the bigger image of the banks. While a higher mean score results shows that employees perceive possible challenges in implementing SHRM in the banks. A higher mean score of 4.34 indicates that employees' perception on resistance to change can hinder the implementation of strategic HR initiatives in banks that can appear due the hesitance of employees to embrace and adapt new HR practices, leadership style, fear of the unknown and risk aversion. The other higher mean score result of 4.27 indicates that developing a diverse and inclusive workforce is a challenge in strategic HR implementation that is free from bias that encourages the HR practices from the recruitment stage to developing its employees stage in an inclusive way. Based on the employees' perception, managing and integrating different organizational cultures are also perceived as a challenge which will in turn create communication barrier and cultural clashes among employees. Alignment of SHRM theory with practical implementation was also found as a major challenge in implementing SHRM with a mean score of 4.18 which will happen due to different factors like inapplicable theoretical framework, lack of stakeholder engagement and continuous improvement.

## 4.4 Interview Result

As Cooper and Shendler (2006) explained interview offer the chance to collect rich, qualitative data that transcends simple yes/no answers, facilitating a deeper comprehension of the subtleties and complexities involved in the concept, the researcher has gained a thorough understanding of the question about SHRM practice. Based on the interview result on the alignment of HR strategy with overall business goal, it is described that the banks have a five year written business strategy that will be revised and amended if it is needed and is significant. The business strategy is composed of different sections based on departmental divisions the banks have, and the HR strategy is amongst the divisions. The interview revealed that the banks have a well formulated and written business strategy which has a moderate level of alignment result with HR strategies. Even though there is a moderate level of alignment, the interviewees described that there is a significant variance between the written strategies and the real practice and implementations of the strategy in the banks which has been shown on the major challenges of implementing SHRM having a higher mean score in section four of the questionnaire response. This variance could exist due to different factors, like, unattainability of the strategy, failure of a thorough follow-up, and giving vague strategies are among many as it is revealed by the interview result.

From the section divisions of HR department, the training and development section (team) is one of the affected sections by the above factors. From the interview result with the department's manager, they tried to describe and show the alignment of organizational goal to HR practices, but also emphasizing on aligning the employee goal to team goal, team goal with organizational goal to help employee understand how the job role of the employee align and contribute to the objective of the organization which will eliminate the existence of vague understanding of strategies by the employees.

Additionally, the researcher tries to assess what strategic features the different HR function processes and practices deploy through the interview. Overall there is a favorable strategic features synchronized with every HR function practices taking place. However, the interviewees raised some areas of improvement needed. The first area of improvement shown was the innovation and creativity of employees. For an organization to strategically meet its main

objective in a competitive market specially banking industry, it should initiate and crave for an employee with a great innovation and creative ability which will be gained through selecting among a vacant pool by adding strategic feature criteria to the selection processes. The analysis of the data from questionnaire response also shows that the banks' poor level of prioritizing innovation and creativity in talent management process yielding a higher level of disagree response by the employees. The other area of improvement raised was the failure to align employee skill. The skill alignment should be given more emphasis in time of talent acquisition process through prioritizing hiring or assigning in a position where the employee skill and strategic priority of the bank and or where employee skill and the departmental position fit. Most of interviewees revealed that it is observed that talent acquisition process in many banks fail to focus on skill alignment where both educational background and knowledge of the employee does not fit as it is also indicated in the questionnaire section one responses which a lower mean score of 2.74 supports the response of the interviewees.

Furthermore, the interviewees described the positive perception on training and development, and reward and compensation practices of the banks noting to add new and well-designed rewarding and compensation practices like, implementing recognition program for acknowledging the outstanding performance of employees and other by enhancing an HR initiatives designed to yield a unique way of rewarding and compensating its employees.

#### **4.5 Discussion of major findings**

The aim of this section is to critically reflect on the key findings of the study established under the prior section. The discussion is made for the concepts relating to assessment of strategic human resource management practice.

#### **Alignment of organizational goal with HR practices**

As the definition of strategic human resource management as an approach that manages people in dealing with how organizational goal will be achieved through the human capital by integrating HR strategies, policies and practices. When we say integrating HR practices with business goal it constitutes each and every action an HR department make and the effectiveness

of HR functions. Each HR functions should function in supporting the effectiveness of SHRM. Performance evaluation is one area of HR function in which performance evaluation criteria should reflect the strategic priorities of the banks. Training and development is another function in which this programs should be tailored to the skills and competencies needed to achieve the objectives of the banks. Regarding training and development program of the banks the findings shows that the banks offer training and development program in accordance with the objectives.

An organization's HR department should play a crucial role in communicating the bank's strategic goal and any short and long term strategies to employees in that a clear and transparent communication ensures that employees understand how their individual contribution affect the overall success of the banks. In addition, Specific HR metrics or Key Performance Indicators (KPIs) should be developed to assess and ensure the alignment of HR practices and activities with the bank's strategic goals. It also allows HR to focus which areas are critical and need more effort by ensuring continuous improvements.

The rewards system of an organization should also be intended to incentivize and motivate workers to actively participate in accomplishing the bank's strategic goals. This might include monetary incentives, recognition programs, and career promotion possibilities based on performance and contribution to strategic goals.

Another HR function that to focus in is recruitment and selection practices, the recruiting and selection process should be connected with the bank's strategic objectives to ensure that the right people are employed to support those goals. This may entail focusing on applicants with certain talents, experiences, and cultural fit that coincide with the bank's strategic goals. Skill alignment is another practice that should be given a thorough emphasis. Skill alignment ensures that workers are put in places where their skills and competences are most effectively used to support the bank's strategic goals. This can include evaluating candidates not only based on their qualifications, but also on how well their abilities match the requirements of the position and the bank's strategic needs. In more detail, Schuler (1992) stated that: 'Strategic human resource management is largely about integration and adaptation. Its concern is to ensure vertical fit that HR management is fully integrated with the strategy and strategic needs of the firm, horizontal fit 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. Wright and McMahan (1992) pointed out that maximizing fit could be counterproductive when the organization has to manage change and cope with conflicting competitive goals in a complex environment. Allen and Wright (2007) emphasized that a tight fit between HRM and strategy may inhibit the ability of the firm to remain flexible enough to adapt to changing circumstances.

So it is indicated by scholars that an alignment of HR practices with organizational objectives is a major essential part of strategic human resource practice to promote organizational success, gain competitive advantage, and enhance the ability to experience change management.

### **SHRM as competitive advantage**

Strategic Human Resource Management (SHRM) comprises aligning HR practices with company goals to gain a competitive edge. When used correctly, SHRM may help businesses differentiate themselves from the competition by leveraging their human resources in creative ways, generating a unique value proposition for clients, and attaining long-term success. Organizational competitiveness can be improved by implementing strategic human resource management practice since it encourages human resource to achieve its strategic goal through talent development, performance management and succession planning and any other program that help business adapt to a changing market condition. Giving a wide emphasis helps an organization to create an organizational brand that is unique and desirable in the industry. The overall findings show that there is higher perception and understanding that an effective implementation of SHRM could possibly lead to gaining a competitive in the industry among their competitors. However, even though there is sufficient knowledge about its advantage there is poor and ineffective utilization of the practice to outsmart among the competitors. This competitive advantage can be gained through making a strategic action for every HR practices that can create competitive edge in a long insight of an organization.

The link between competitive advantage and SHRM practices has been explained by empirical research. Studies have indicated that the creation of highly qualified staff that is in line with the organization's values and culture comes with the implementation of strategic recruiting and

selection procedures and other HR functions which, in turn, can improve organizational performance (Delery & Doty, 1996).

## **HR initiatives and effectiveness of SHRM**

Strategic human resource management encompasses a comprehensive approach integrating human resource activities with business goal by ensuring their effectiveness in gaining business success. HR activities are critical in enhancing and improving SHRM practice by employee engagement and adapting dynamic market. HR initiatives should be meticulously formed by synchronizing with SHRM principles and objectives to ensure that they are directly contributing to competitive advantage and success of organizational goal. Alignment of HR initiative should be to the broader business goal and also tailored to addressing major challenges and opportunities with the banking industry. HR initiatives should also operate as driver for improvement and enhance the organization position through new innovative strategies and best practices. An effective HR initiative should clearly contribute and make a positive change in the SHRM practices of the banks, in order to gain this positive impact, HR initiatives first must be data driven decision that means any initiation for designing initiatives should be first assessed and find the area of gap and collect data and then cross functional collaboration should be done with other departments to examine and evaluate the need of the initiatives,

## **Challenges of SHRM implementation**

In today's competitive environment, strategic Human Resource Management (SHRM) is critical to the success of any firm, particularly in the banking industry. However, banks frequently face a slew of problems that prevent the efficient adoption of strategic HR policies. From all the challenges the fundamental difficulties confronting banks, includes the complexities of connecting theory with practice and fostering organizational change, resistance to change, developing divers and inclusive workforce are the major. Through addressing these difficulties by establishing a culture of innovation and adaptation, banks may increase their strategic HR capabilities and achieve long-term success in an increasingly competitive industry and overcome these difficulties within a collaborative effort from HR professionals, business executives, and employees.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATION**

#### **5.1 Introduction**

This chapter includes summary and presentation of major findings of the research that were discussed in chapter four. Then the conclusions made from major findings are also presented. Finally, as per the analysis and major findings, conclusion and recommendations have been made to address the problems that are identified.

#### **5.2 Summary on major findings**

The objective of this study was to assess the practice and challenges of strategic human resource practices in selected Ethiopian banks. Accordingly, descriptive statistics, interview, questionnaire data analysis using different tools like (SPSS software version 26), frequency and percentage was used and the following findings are identified.

The first data was a general demographic characteristic of the respondents. Accordingly, it is found that majority of the sample respondents from the banks were females and most of the respondent age range (26-35) which indicates that most of the banks employees around HR are at a productive age and more than half of the respondents are degree holder and work experience of less than 5 years.

In trying to assess the SHRM practice and challenge the study tries to derive out some ideas that can describe and examines the existing gap and strength. In doing so the questions in assessing the practice were divided into four sections. The first section tries to assess the alignment of strategic human resource practice through specifying out the vertical alignments and HR practices, the second section assesses the perception and practice of using SHRM as competitive advantage, third section assesses how do the banks perceive the interdependence between SHRM, HR functions and HR initiatives in the banks and finally to find out what challenges are facing the banks to implement the SHRM practices. Based on the analyzed data basing on these questions the following findings are listed.

Regarding the alignment of overall business strategic goal with HR practices, depending on the finding it shows that there is a moderate practice of aligning the HR practices and business goal.

Even though, it implies a moderate alignment, the finding also shows that there are areas of gap that need critical improvements.

- The result revealed that the performance evaluation criteria of the banks are not well aligned with the general objective of the banks. The evaluation metrics used by the banks are almost the same that emphasizes on shorter outcome and measures the employees based on that outcome which will drive the employees to prioritize their individual goal which will indirectly affect the performance to the shorter outcomes.
- There is a favorable finding that the banks have a training and development program which are directly aligned to the objective of the banks which will lead to having a knowledgeable and skilled employee.
- Based on the survey result of the banks it is indicated that the HR fails to clearly communicate the strategic goal of the banks to the employees which will lead to the employees lacking clarity regarding the organization's direction and fail to align their day to day activity with the broader objective of the banks.
- In general, as the result revealed that there is a specific gap on the practice and applicability of HR functions in the banks which will lead to demotivated employee, higher turnover, employee instability and mobility (as the 2017/18 National Bank of Ethiopia annual report shows).

Based on the assessment on how the banks perceive and use SHRM practice as a competitive advantage, it is shown that the banks perceive and have the knowledge on the interdependence and effect of SHRM as competitive advantage and know that the implementation of SHRM could contribute to the bank's competitive positioning but the utilization of the practice (SHRM) as effectively as its importance is seen very lower.

Additionally, the data analyzed shows that HR initiatives of the banks moderately support the broader objective and applicability of the practices. However, it is seen that various functions within the HR department are not effectively and efficiently enabling the successful implementation and execution of HR initiatives.

Based on the survey result, it was assessed to scrutinize out the major challenges of implementation of SHRM, on the finding it is shown that the bank organizational structure

empowers HR professionals to engage and participate in strategic matters to and enhance organizational change. Attracting and retaining top talent, ability to resist change, managing a diverse workforce and aligning the theory with practical implementation were observed as a major challenge in the selected banks.

### **5.3 Conclusions**

This section presents some conclusions that are made based on the major findings in assessing the practice and challenges of SHRM in the banks. The assessment made a deep data survey and an interview from the HR professional of the banks by addressing four objective areas, alignment of business goal with HR practices (vertical alignment), SHRM as a competitive advantage, relation of HR functions with HR initiatives and challenges of implementation. Major overarching business strategy goals of the banks and their HR policies are somewhat aligned, yet there are still certain areas that require improvement. Despite the fact that the bank's training and development initiatives being in line with their goals, there are gaps with performance evaluation standard metrics and deficiency in the clarity with which employees are informed about the strategic goal.

The organizational structure of the banks empowers HR professionals to participate in strategic matters and drive organizational change, which is a positive factor in SHRM implementation. In general, the banks perceive the value of SHRM practices as a competitive advantage and are making effort to implement it. However, the various HR functions are not effectively and efficiently supporting the successful execution of HR initiatives. In addition, attracting and retaining top talent, resistance to change, managing diverse workforce, and aligning SHRM theory with practical implementation are some of the challenges facing the banks in SHRM implementation.

Accordingly, based on the above findings we can conclude that the banks have the knowledge of SHRM but implemented the SHRM practices poorly. Thus, in order for the banks to outstandingly perform and gain a competitive advantage in the stiff market of banking industry the banks have to compete through enhancing productivity and organizational performance by emphasizing in implementation of SHRM effectively.

## 5.4 Recommendations

Based on the above major findings and conclusions, the study made the following recommendations for the banks to improve the general practice and implementation of strategic human resource practice,

The banks' HR department should effectively communicate the strategic goal of the organization to clear out a vague understanding and perception on employees towards the banks' overall goal. As implied by Armstrong (2011) HR is responsible for many of the key systems and processes (eg recruitment, training and communications) on which effective delivery depends.

Mwatete (2012), described that organizations must involve their employees in order for their efforts to be successful. To successfully educate employees on issues affecting them within the business, the firm must have a clear communication strategy in place. Furthermore, management must examine how to conduct the implementation process in systematic manner.

In order to ensure consistency of HRM practices in the banks and engage in a uniform way of operations, the banks should create continuous assessment and monitoring system whether HR practices are implemented in line with the policies and the objective of the banks as the whole.

The banks talent management approach should prioritize innovation and creativity to continuously evolve by ensuring its long term sustainability create differentiation in the market.

The banks should give an emphasis on succession planning in which it ensures a smooth transition of leadership roles to maintain stability during leadership changes and equip employees proactively by identifying high potential employees and provide them with targeted development opportunities.

The banks' HR professionals should make a thorough investigation and assessment on the practices of the different HR functions to scrutinize out areas of improvement and indications in any unfavorable conditions. A failure to perform individual HR functions effectively will decrease the performance and implementation of Strategic human resource which will make it less likely to improve the applicability of SHRM.

The banks should assure HR personnel have the knowledge, tools, and resources needed to perform their jobs well by providing training and assistance and the HR professional should be

addressed and emphasizes that there is significant interdependence and linkage between strategic human resource management with all HR functions, and HR functions with the specific HR initiatives, so that, the employees should be guided to perform accordingly to balance the linkage between the three. In doing so the HR functions should work on ensuring the integration of initiatives with business goal, allocating resources for the initiatives implementation, and establish KPIs and metrics to evaluate effectiveness and impact of HR initiatives.

As the major challenge indicated based on the finding, the banks should try to harmonize the theory of the Strategic human resource management and its actual practicability. To gain this knowledge the banks management should train and develop its HR professional how to attain and implement the theory of strategic human resource in to action.

### **5.5 Suggestion for further research**

Further researches could be done on the relationship between major HR functions and performance of an organizations relating to a better strategic human resource practices. Further research can also be conducted by incorporating other factors that affect the implementation of SHRM in organizations. In addition, future research may be done on the relationship between competitive advantage and SHRM practice, as well as how adopting SHRM improves an organization's performance.

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**Annex**  
**Annex I – Questionnaire**

**ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE**

**[MA PROGRAM]**

**Survey Questionnaire**

Dear Respondents,

I am Ruth Akalewold, a postgraduate student at Addis Ababa University School of Commerce in the field of Human Resource Management. I am conducting a research titled as “Assessment of Strategic Human Resource Management Practices and Challenges in Selected Ethiopian Private Banks”.

The purpose of this questionnaire is to collect data that is necessary to assess the strategic human resource management practice. The study is conducted for academic purpose purely. Participation in this study is entirely voluntary; and thus secrecy is maintained. Your genuine, 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 +251901099694 or ruthakalewold@gmail.com. Thank you in advance for your cooperation.

Best Regards,

Ruth Akalewold

## 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   
Above 46 years
3. Educational level: Certificate Diploma  Degree  Masters   
PhD
4. Work experience in the Bank: Less than 5 years  6-10 years   
11-15 years  more than 16 years

### Key Abbreviations

**SHRM-** strategic human resource management

**HR-** Human resource

**SD -** Strongly disagree

**D -** Disagree

**N -** Neutral

**A -** Agree

**SA –** Strongly agree

## Section 1: Alignment of HR practices with overall strategic goal

Instruction: Please mark „X“ where appropriate

<b>N O</b>	<b>MEASUREMENT</b>	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>
	<b>Alignment of HR practice with overall strategic goal</b>					
1	HR practices and policies are directly aligned with the overall strategic goals of the bank					
2	The performance evaluation criteria are linked to the strategic objectives of the bank					
3	The training and development programs offered by the bank are aligned with its strategic objectives					
4	Mechanisms are in place to ensure that HR initiatives and practices remain consistent with the strategic priorities of the bank					
5	The HR department effectively communicates the strategic goals to employees					
6	There are specific HR metrics or KPIs that measure alignment with the bank's strategic goals					
7	The rewards system motivates employees to contribute towards achieving the bank's strategic objectives					
8	The bank's talent management approach prioritizes innovation and creativity.					
9	The bank's recruitment and selection process aligns with its strategic objectives.					
10	The bank deploys succession planning proactively.					
11	Skill alignment of an employee and its position is well applied in talent acquisition process					

## Section 2: SHRM as a competitive advantage

Instruction: Please mark „X“ where appropriate

NO	MEASUREMENT	SD	D	N	A	SA
	<b>SHRM as a competitive advantage</b>					
1	SHRM is effectively utilized as a competitive advantage					
2	I believe the implementation of SHRM practices can contribute positively to our organization's competitive positioning					
3	I believe SHRM practices can help in attracting and retaining top talent					
4	I believe adoption of SHRM practices can improve employee productivity and performance relative to competitors					
5	I believe the emphasis on SHRM allow the bank to create a unique and desirable employer brand in the industry					
6	I believe SHRM practices can contribute significantly to ability to innovate and stay ahead of competitors					

### Section 3: HR initiatives and the effectiveness of SHRM practices

Instruction: Please mark „X“ where appropriate

NO	MEASUREMENT	SD	D	N	A	SA
	<b>HR initiatives and the effectiveness of SHRM practices</b>					
1	The bank's HR initiatives are well-aligned with the overall business strategy					
2	The bank's HR initiatives have been effectively implemented across the organization.					
3	The HR initiatives have led to tangible improvements in employee engagement and productivity.					
4	The bank's HR initiatives have been successful in attracting and retaining top talent.					
5	HRM initiatives take into account external and internal aspects of SHRM					
6	There is a necessary skill and competency to carry out the HRM initiatives					
7	The HR functions are well functioned for successful HR initiatives executions					

#### Section 4: Challenges facing the chosen Banks strategic human resource implementations

Instruction: Please mark „X“ where appropriate

NO	MEASUREMENT	SD	D	N	A	SA
	<b>Challenges facing the chosen Banks strategic human resource implementations</b>					
1	The bank's organizational structure lacks empowerment for HR professionals to engage in strategic matters and enhance organizational change					
2	Adapting HR practices to meet the evolving regulatory and compliance requirements poses a challenge for bank					
3	Ability to resist change can hinder the implementation of strategic HR initiatives in banks					
4	Developing a diverse and inclusive workforce is a challenge in strategic HR implementation for bank					
5	Managing and integrating different organizational cultures presents a challenge for banks					
6	The bank experiences challenges aligning SHRM theory with practical implementation					

**Annex**  
**Annex Appendix II – Interview**  
**ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE**  
**Interview Questions**

1. To what extent do you think the overall business strategy of the bank is well aligned with human resource practices?
2. How do you perceive the alignment of business strategy of the bank with human resource practices and relating to alignment indicators?
3. How does the bank's approach to talent acquisition and management reflect its strategic priorities?
4. What are the strategic features of the bank's recruitment and selection practices?
5. What are the strategic features of the bank's reward and compensation practices?
6. What are the strategic features of the bank's training and development practices?
7. What are the major challenges of implementing strategic human resource management?