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COLLEGE OF BUSINESS AND ECONOMICS SCHOOL OF COMMERCE

ASSESSMENT OF READINESS FOR DIGITAL HUMAN RESOURCE TRANSFORMATION; THE CASE OF PRIVATE COMMERCIAL BANKS IN ETHIOPIA

**Research paper submitted to Addis Ababa University school of
Commerce for Partial Fulfilment of Requirement for Masters of Arts
Degree in Human Resource Management**

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Advisor: Atsede Tesfaye (PhD)

**August, 2021
Addis Ababa, Ethiopia**

DECLARATION

I, Melaku Tilahun hereby declare that the research entitled “Assessment of the readiness for Digital Human Resource Transformation: the case of selected private Commercial Banks in Ethiopia” is my own work, that has not been submitted for any degree or any other examination in any other university. And all the sources that I have used or quoted have been acknowledged as complete reference. It is submitted to Addis Ababa University School of Commerce for the fulfilment of Masters of Art in Human Resource Management.

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APPROVAL

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August, 2021
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ACRONYMS

E-HR - Electronic Human Resource

ERP- Enterprise Resource Planning

D-HR – Digital Human Resource

DHRT- Digital Human Resource Transformation

HR - Human Resource

HRM - Human Resource Management

SHRM - Strategic Human Resource Management

HRIS - Human Resource Information System

ABSTRACT

The purpose of this study is to assess the readiness for Digital Human Resource Transformation in Ethiopian private commercial Banks in terms top management support and commitment, availability of resources (technology, skill, and budget) HR practitioners' role and organizational culture which are consider as a key enablers for the successful HR Transformation. The study has covered 8 Ethiopian private commercial Banks taking 80 participants as a target population who are selected purposively. The researcher has used a mixed research approach and descriptive research design as it aimed to address the research problem using interview and questionnaires to collect data. The collected data has analyzed by descriptive analysis method using SPSS Software Version 26. The results of the study shows that, there is good awareness and interest to transform HR in to digitization in private commercial Banks in Ethiopia. It also shows that top managements' support and commitment, availability of resources (technology, skill, and budget) and organizational culture are found at moderate level. Based on the findings, the researcher has recommend:, HRM department and HR Leaders have to play the leading role to assess their HRM practices, create awareness to the top management and other stakeholders and to actively participate in the transformation process. Since Digital Human Resource Transformation process is relatively very new process in Ethiopian in general and in the banking sector in particular, the researcher recommends other practitioners, scholars, students and also organizations to conduct further research in the area.

Key words: Readiness, Human Resources, HR role, Digital Transformation, Digitalization. Organizational Culture

Chapter One

1. Introduction

This chapter deals about background of the study; statement of the problem; objectives of the study; significance of the study; scope of the study; operational definition of key terms, and organization of the study.

1.1 Background of the Study

Digital transformation is the transformation of business processes, operations and structures in order to exploit the benefits of new technology. It has revolutionized the way companies relate to their customers, how companies run their operations, how they conceive of their business model and how they organize themselves. It is about integrating digital technologies, such as social, mobile, analytics and cloud, in the service of transforming how businesses work. The integration of digital technology into business processes has become very important for the survival and competitive advantage of contemporary organizations (Fenech et al, 2019).

Today, the world of work and organization has become increasingly challenging and unstable because of challenges facing such as globalization, responsiveness to customers, managing change and new technologies. Technologies and changes are impacting the workplace in a way that requires human resource development to change internal practices and causing a paradigm shift from the old ways of thinking and practices.

Digital technologies play an increasingly influential role in both the working lives of employees and human resource management (HRM), which is to be affected in multiple ways. Similarly human resource management is also business centric and brings about change by adding value to organizations as a strategic partner, administrative expert and employee champion (Fenech et al, 2019).

The digital age is moving at such a fast pace that it is fundamentally transforming the way organizations operate, be it in the private or the public sector, and is requiring them to develop new ways of thinking about service delivery that influence the way operating models are designed. Hence the profound effects on the functions of the Human Resources (HR) departments in these organizations and their role in identifying new approaches to managing people. (Deloitte, 2017)

Hasan and Faisal (2020), also described the importance of digital human resource management (HRM) has got immense popularity around the world including least developing countries due to rapid automation, tech-based business era, presence and involvement larger community online, real-time response, gaining efficiency, and distance handling of HR in the workplace. Application of digital HR practices has faster the process, reduces cost, saves times, recruiting through social media, establish a brand and enhance the name and fame of the organization to the global community providing a platform of Human Resource Information System (HRIS).

According to Alexander (2019), Digital technologies obviously affect HR activities and change the role of HR managers from static to dynamic and strategic. The challenges and opportunities for HR managers are many to increase employee productivity and eventually profitability, by linking effectively digital employees to automated jobs and the new digital forms and organization structure. New HR strategies are needed to fill the digital skills gap, to build loyalty and engagement, managing diversity, enabling work-life integration and retaining the talent pool of digital employees. In order to fulfill successfully their new role HR managers need to act primarily as strategic positioners (need to know the business context and the imposing external factors), as change agents and as technology proponent (need to know how to access, analyze, assess and share information and how to apply new technologies of information). Human resource managers themselves need to acquire digital skills and increase their digital dexterity.

Digital change does not occur by accident. Instead, it requires Organizational readiness and strong investment across the organization because the disruptive potential of change, especially for more mature stages of digital transformation, extends beyond technologies. It describes a paradigmatic shift in the way that technologies are adopted and used at an organizational level (Halpern et al. 2020).

To use the opportunities and to avoid the barriers or challenges during the process of transforming HR into digitalization, it is important to assessing organizational readiness in terms of top management support, availability of resources (technology, skill, fund/budget) HR practitioners' role and organizational culture which have an effect on the success of the digital transformation in Ethiopian Private Banks

1.2 Statement of the problem

According to the 2017 Deloitte Human Capital Trend report, the future of business success is at the intersection of digital innovation and human influence. An organization cannot just implement new technologies and expect to see positive business outcomes without considering the way work gets done and the expectations of the workforce. Leaders who alter employee mindsets and foster a culture of innovation can create a strong foundation for digital transformation. And, in turn, a digital infrastructure needs to be a vehicle used to measure, monitor, and manage the employee experience.

The rapid pace of technology change has shifted how we behave both as workers and as consumers, which has caused shifts in business operations. Ultimately, HR technology and practices are shifting to mirror new digital capabilities and management strategies, moving away from “tools that automate traditional HR practices, to platforms and apps that make life at work better.

Similarly, Bersin (2015) on the book entitled “The Rise of HR”, has argued that, the human resources profession is currently at a crossroads. Over the last few years digital and internet technologies have radically changed the way we work, requiring a tremendous change in all areas of human resources.

There are important research findings which indicates the importance or opportunities in the HR Digital transformation. Mitrofanova et.al,(2019) and Bersin, (2017) has identified three main areas of influence of digital technologies on the sphere of HR management: Digital workforce (introduction of new management methods, a culture of innovation, a set of practical skills that contribute to the creation of a new network organization); Digital workplace (design of the working environment that provides performance, the use of modern communication tools (such as Slack, Workplace by Facebook, Microsoft Teams, etc.); and Digital HR management (the use of digital tools and applications for solutions, experimentation and innovation).

Cijan et al (2019), also examined the role of digitalization on business performance and worker productivity by improving job satisfaction, blurs work/life balance, and promotes more worker autonomy.

The 2020 digital survey report conducted in Middle East companies shows that, 55% of survey respondents see HR’s biggest contribution to the overall digital transformation of their organization as digitalizing HR processes, with training staff to close the digital skills gap a distant second at 29%. The survey report also indicates that, companies in the region certainly understand some of the benefits of digital transformation particularly around efficiency, automation and innovation through

better data analysis and want to implement it. They also know that increasing the digital skills of their workforce is crucial.

With the advance process of technology, digitalization is rapidly changing the day to day living style of the people. In Parallel, digital transformations have also changed the organization design, hiring process and management of the employee. In these digital days anything can be purchased through smart phone in global level with rapid advances in automation and artificial intelligence technologies. In such digital society, banking sector has been passing through rapid transformation due to progressive economic reforms and fast pace technology.

Latest global research shows that business and HR leaders have three major challenges: first building and strengthening the new and changing leadership pipeline; secondly finding ways to reengage employees and build a strong global culture in a world of never-ending work; and the third challenge is reskilling the HR function itself, which often feels behind.

Similarly the research finding studied by Lei & Jing (2016), entitled “Human Resource Reform in the Digital Transformation” indicates that, human resource management (HRM) plays an essential role in the business operation and long-term development. In recent years, new digital technologies such as big data and cloud computing, etc. are emerging, which has brought challenges to the traditional HRM model. How to combine the concepts of digitization and standardization with HRM and how will the HR departments find a proper way to carry out reform, change the traditional business model, optimize the business frame, create the digital working environment and finally establish the modern HRM model have become common problems facing every enterprise.

It is well known that, Private Commercial Banks in Ethiopia are implementing new technologies that assists to digitalize their core banking system through Online Banking, Mobile Banking, ATM and point of sale (POS) machines. These technologies requires, Digital workforce and digital human resource management. Human Resource Management department is also expected to digitalize its functions and lead the digital transformation process of the organizations.

In line with this, Worku (nd.) in his study entitled “Human Resource Development Climate of Commercial Banks in Ethiopia” shows that technologies and changes are impacting the workplace in a way that requires human resource development to change internal practices and causing a paradigm shift from the old ways of thinking and practices. The sector is so dynamic and experiencing significant changes in its operations and in adopting new technologies due to the intense competition faces nationally and internationally. To cope with dynamic and competitive environment, the

commercial banks attempted to change their working systems by implementing up-to-date technologies as well as undergone through change management efforts.

To the best of my knowledge, the only study about Digital HR Transformation in Ethiopia is conducted by Eyilachew et al. (2017) on “Human Resource Information System (HRIS) implementation readiness in the Ethiopian health sector” which result shows that, HRIS implementation readiness in Ethiopia is very low due to poor logistic and supply, lack of competency, poor stakeholders’ commitment and shortage of finance were the challenges of HRIS implementation.

Lack of studies in the area and based on the above reasons the researcher has motivated to assess the readiness for Digital Human Resource Transformation in Ethiopian private commercial banks.

1.3 Research Questions;

1. How is the readiness and commitment of the top management to support the Digital HR Transformation?
2. How is the current awareness about the benefits of Digital HR Transformation at private Banks in Ethiopia?
3. What will be the role of HR leaders and HR professionals in the Digital HR Transformation process?
4. How is the availability of resources for Digitalization of HR at private banks in Ethiopia?
5. How is the current organizational culture perceived to be conducive for change and innovation?

1.4 Objective of the Study

The general objective of this research is to assess readiness for Digital Human Resource Transformation in Ethiopian private commercial Banks.

Specific Objectives

- To assess the readiness and commitment of the top management for Digital HR Transformation
- To assess awareness on the benefits of Digitalization HR Transformation at private Banks in Ethiopia
- To assess the role of HR Leaders and HR professionals in the Digitalization HR Transformation process

- To assess the availability of resources (budget, technology and skill) for digitalization of HRM at private banks in Ethiopia
- To assess the perception of the current organizational culture for Digital HR Transformation

1.5 Significance of the study

As it is mentioned in the introduction and statement of the problem parts, there is no study conducted concerning with digital HR transformation in Ethiopia. The researcher believe that, this research will contributes to the existing body of knowledge and literatures on the area of the Digital HR transformation to serve as a stepping stone for future research.

The findings of this research will increase the understanding and awareness of the importance of digital human resource transformation and the roles of HR Managers and professionals in the digitalization process.

This study will also serve as a guide not only for banking sector but also for other sectors in Ethiopia to reconsider and capable their HR department to create and lead the digital workforce in the current digital era.

1.6 Scope of the Study

Currently there are 17 private commercial Banks operating in Ethiopia. This study has conducted on eight private commercial Banks operating in Ethiopia. The selected Banks are Dashen Bank S.C., Awash Bank S.C., Nib International Bank S.C., Hibret Bank S.C., Bunna International Bank S.C., Zemen Bank S.C., Abay Bank S.C. and Addis International Bank S.C. The target population of the research are HR Leaders and professionals (who have senior officers and above positions) who have selected from 8 private banks working in Human Resource Management Department located in Addis Ababa.

This study focuses on assessing organizational readiness in terms of top management support, awareness on the benefits of Digital HR transformation, availability of resources (technology, skill and fund/budget) HR practitioners' role and organizational culture which have an effect on the success of the digital transformation in Ethiopian Private Banks.

1.7 Definition of Terms

- **Digitization** -the process of converting analogue organizational information into digital organizational information for automated processing.
- **Digitalization** -the socio-technical process of exploiting digitization potentials for operational and/or strategic organizational purposes.

- **Digital transformation** -the socio-technical digitalization sub-process of exploiting digitization potentials for strategic organizational purposes.
- **Digital HR Transformation-** the socio-technical digitalization sub process of exploiting digitization potentials for strategic purposes of HRM
- **Digital workforce** -introduction of new management methods, a culture of innovation, a set of practical skills that contribute to the creation of a new network organization
- **Digital workplace** -design of the working environment that provides performance, the use of modern communication tools such as Slack, Workplace by Facebook, Microsoft Teams, etc.
- **Digital HR Management** -the use of digital tools and applications for solutions, experimentation and innovation.
- **Electronic Human Resource Management (E-HRM)** -a way of implementing HR practices via Web-based technology which organizational stakeholders to access HR information and functions via the Internet or corporate Intranet.
- **Human Resource Information System (HRIS)** - is a system used to acquire, store, manipulate, analyze, retrieve, and distribute information regarding an organization's human resources.
- **Readiness assessment** – the act of measuring how prepared an organization is for a major change and/or a new intervention.

1.8. Organization of the paper

This research paper has organized into five different chapters. The first chapter is introductory chapter which includes background of the study, statement of the problem, research questions and objectives, the significance, scope of the study as well as definition of terms. The second chapter is about reviews of related literatures (theoretical, empirical and conceptual literatures) that are appropriate to the research. The third chapter describes the methodology and approaches that has been employed in the research, the fourth chapter focuses on data analysis and discussion of the study and the fifth and the final chapter is concerned with major findings of the research, conclusion and recommendations given by the researcher. References and questionnaires are also included as annex.

Chapter Two: Literature Review

This chapter deals about background of the study; statement of the problem; objectives of the study; significance of the study; scope of the study; limitations of the study; operational definition of key terms, and organization of the study

2.1 Theoretical Literature Review

2.1.1 Digital Transformation

As the concept is very new and very dynamic there is no common definition given by scholar. Different scholars define the concept in different ways. Some of the definitions are listed below.

- *“Digital transformation is the realignment of, or new investment in, technology, business models, and processes to drive new value and experiences for customers and employees and more effectively compete in an ever-changing digital economy”.* (Moren Swart n.d)
- George Westerman (2019), *“Digital transformation is the transition of a business based on traditionally manual processes to a business that has technology as its core in all its functions: internal (employee-facing, operational) and external (customer-facing)”.*
- *Digital Transformation is not about buying new gadgets or software, or only about implementing digital operations and automation. It is about changing operational processes for the whole organization, including increased employee engagement, the closing of knowledge gaps, and finding better ways of working.* (Frank.2019)

Alexanderia (2018), the term Human Resource Management (HRM) is used to refer to management activities in organizing work and employing people. HRM is a multidisciplinary organizational function based on theories and ideas of various fields such as management, economics, sociology, psychology. Researchers, academicians and practitioners have suggested many definitions of HRM based on their philosophy, the work context examined, and the management ideas adopted. Due to the complex nature of people, the particular characteristics of each one-work context and the external environment characteristics (i.e. social, economic, technological) no one definition points out the “best way” to manage people and there is still no universally agreed definition of the meaning of HRM (Beardwell and Thompson, 2017).

2.1.2 Human Resource Models and Views

There are different types of Human Resource Management theories, perspectives, views, models and approaches. Among these, the researcher has selected the following HR model and HR View which have relevant contents for this research.

2.1.2.1 A Model for Transforming HR

Ulrich et al (2009), by their book called “HR- Transformation Building Human Resources from the Outside In” have identified a four-phase model for Human Resource transformation to ensure that HR drives business success and avoids the common pitfalls of such efforts. This model addresses four simple questions about HR transformation:

Figure 2.1 Model for HR Transformation



Source: Ulrich et al. (2009)

- **Phase 1: Build the business case.** (Why do transformation?)

HR transformation begins with a clear rationale for why transformation matters, in terms of knowing the business context and building a case for change.

The context of a business setting captures the “why” of HR transformation. When HR transformation connects to the context of the business, it is more likely to be sustained because it responds to real needs. This means linking HR efforts directly to the business strategy and to the environmental factors that frame the strategy.

Understanding and linking HR with these contextual constituents helps HR to implement the strategy and to play a key role in defining it. By focusing on the business context, HR can avoid

the common mistake of seeking to implement internally focused ideas and concepts that come across as solutions looking for problems. To build this rationale for doing HR transformation, you need to understand general business conditions and specific stakeholders' expectations, and then use that understanding to build a business case for the transformation.

Traditional HR begins by focusing on HR issues and redesigning HR governance or practices.

HR transformation begins with an understanding of the context in which the business operates (both general conditions and specific stakeholders). This context provides the rationale for why HR transformation should occur.

- **Phase 2: Define the outcomes.** (What are the outcomes of transformation?)

This phase clarifies the expected outcomes from the transformation. What should happen because we invest in HR transformation? Which defines the outcomes of HR transformation as the capabilities of a firm or the intangibles that an investor values.

In focusing on capabilities as outcomes, the HR transformation team should do a capability audit where they identify which capabilities are most critical to their organization's future success given business conditions and business strategy. With those prioritized capabilities, scorecards can be created to track baseline and progress in the critical capabilities. By focusing on both stakeholder and organizational capability outcomes, the result of the HR transformation can be defined and tracked.

- **Phase 3: Redesign HR.** (How do we do HR transformation?)

HR transformation requires change in HR strategy around departments, practices. This phase has three components, each of which is a way of defining what we mean by HR:

The HR function or department may need to be redesigned. HR practices may be transformed to be more effectively or more fully aligned, integrated, and innovative. HR professionals may be upgraded to possess the competencies required to do their work.

The essence of a transformed HR department is the orientation to run the HR department like a business within a business. Any business has both a strategy (what it is trying to do) and a structure (how it organizes people and work to get things done). Both HR strategy and structure can be redesigned to make sure that the HR department responds to business context and delivers value to the organization.

Transforming an HR department requires building an HR organization that reflects both the business organization and the HR strategy. There are three overriding organizational design principles: first, make the HR organization follow the logic and structure of the business

organization. Second, make the HR organization follow the flow of any professional service organization. Third, differentiate between transactional and transformational HR work.

- **Phase 4: Accountability -Engage line managers and others.** (Who should be part of the HR transformation?)

HR transformation requires that many people participate in defining and delivering the transformation. It also requires clarifying the strategy and structure of the HR department, then focusing on enhancing the work of human resources. They identified a road map for transforming HR practices based on two dimensions: Content: (What is the work of HR?) and Process: (How can HR work be improved or reengineered?)

2.1.2 The Resource-Based view of strategic Human Resource Management

Michael Armstrong (2010), on his book Human resource management practice has explained “the resource-based view HRM). This view states that, it is the range of resources in an organization, including its human resources, that produces its unique character and creates competitive advantage.

Resource-based strategy theorists argued that sustained competitive advantage stemmed from the acquisition and effective use of bundles of distinctive resources that competitors cannot imitate. Distinctive resources have four attributes: they must be valuable, rare, imperfectly imitable and non-substitutable. These resources include all the experience, knowledge, judgment, risk-taking propensity and wisdom of individuals associated with a firm. Resource-based strategic HRM can help to develop strategic capability which fit between resources and opportunities, obtaining added value from the effective deployment of resources, and developing managers who can think and plan strategically in the sense that they understand the key strategic issues and ensure that what they do enables the strategic goals of the business to be achieved.

In line with human capital theory, the resource-based view emphasizes that investment in people increases their value to the firm. It proposes that sustainable competitive advantage is attained when the firm has a human resource pool that cannot be imitated or substituted by its rivals.

The strategic goal emerging from the resource-based view will be to ‘create firms which are more intelligent and flexible than their competitors’ by hiring and developing more talented staff and by extending their skills base. Resource-based strategy is therefore concerned with the enhancement of the human or intellectual capital of the firm. The challenge to organizations is to

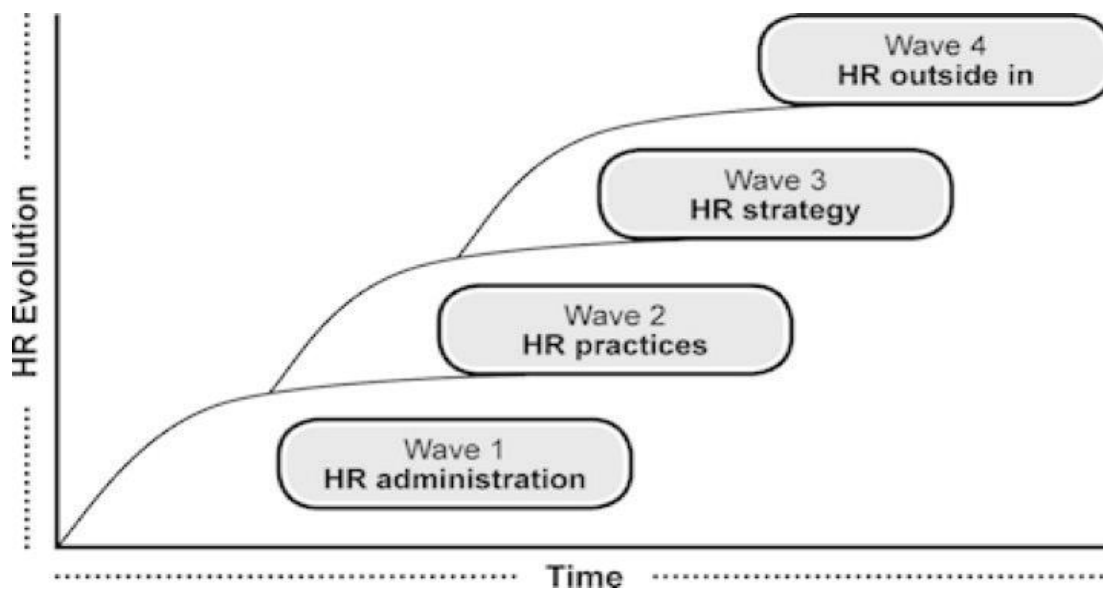
ensure that they have the capability to find, assimilate, compensate and retain the talented individuals they need.

In their work on “The Rise of HR Wisdom from 73 Thought Leaders”, Ulrich et al. (2015) classified the evolution taken place in Human Resource Management works in the following way.

2.1.3 The Evolution of Human Resource Management

In the past half-century or so, the HR profession has evolved through three general waves (see **Figure 1**), and a fourth (highlighted by these essays) is emerging. Each wave follows a similar curve through time, from startup through learning, growth, and then stability. Note that each wave continues today and builds on the previous waves.

Figure 2.2. Evolution of HR Work in Waves



Source; Ulrich et al. (2015)

1. **Wave 1** emphasized the administrative work of HR, where HR personnel focused on terms and conditions of work, delivery of HR services, and regulatory compliance. HR was predominantly what we would describe as an “administrative and transactional utility.” So long as HR consistently and cost-efficiently delivered the basics—employees were paid, pensions were administered, attendance was monitored, and employees were recruited—HR was seen as doing its job (e.g., cost per hire per employee would be a standard for HR).
2. **Wave 2** emphasized the design of innovative HR practices in sourcing, compensation or rewards, learning, communication, and so forth. While each of these HR practice areas innovated in terms of what and how things were done, they also interacted with one

another to provide a consistent approach to HR. HR effectiveness in Wave 2 derives from innovating and integrating HR practices, and HR credibility derives from delivering best practices (e.g., HR innovation and integration would be a standard for HR).

3. **Wave 3** has focused on the connection of individual and integrated HR practices with business success through strategic HR. For the last 15 to 20 years, HR has worked to link its work to the strategy or purposes of a business. In this wave, HR professionals turned strategies into HR priorities to deliver on strategic promises (e.g., implementation of strategy would be a standard for HR).
4. **Wave 4** uses HR practices to derive and respond to external business conditions. This wave is called “HR from the outside in.” Outside-in HR goes beyond strategy to align its work with business contexts and stakeholders.

2.1.4 Evolution of Human Resources Information System (HRIS)

Jhonson et al, (2019) by their study on “The Evolution of the Field of Human Resource Information Systems: Co-Evolution of Technology and HR Processes” have identified the evolution of HRIS and technology by dividing four major categories. The practice of HRIS in each stage has shown below.

2.1.4.1 Mainframe Computing (1940s—Mid-1980s)

For its entire history, the HRM field has been shaped by government regulations and reporting requirements. As organizations grew in size and geographic scope, they faced demands to develop more effective means of recording and storing data on employees and processing functions such as payroll.

During HRIS’s mainframe phase, large organizations began to implement HRIS to automate basic human resource (HR) functions such as payroll and employee recordkeeping in response to government regulations and reporting requirements. Not surprisingly, the use of mainframe computing had a major impact on the HRM field by. Technology helped reduce costs and decrease administrative burdens found in most HR departments and increasing the efficiency of HRM processes (Kavanagh et al., 2015). What is surprising is the lack of academic theory or research that has focused on examining the effectiveness of these new systems. However, some practitioner- oriented research focused on understanding how these new systems influenced HRM processes and how they could be implemented successfully.

2.1.4.2 Client Server & PC-based Applications (Mid-1980s—Mid-1990s)

As indicated the under table, in the 1980s and 1990s, the development of computer networks allowed organizations to capture, store, and manage data in multiple locations, and databases dedicated to HRM began to move to platforms other than mainframes, such as the personal computer. Organizations began setting up local area networks (LANs) to connect their hardware. During this timeframe, organizations began to adopt a client-server approach to delivering business applications. By doing this, organizations were able to distribute computing power and store employee data in multiple locations.

Software vendors began to expand product offerings in the HRM space. Products were no longer confined to core HR systems. Vendors began offering PC and client-server based systems in areas such as applicant tracking, performance appraisal, training and development, and HR planning.

During the 1980s and 1990s, the HRM field continued to undergo remarkable changes. For instance, there was a decline in the industrial relations system and private sector unionization in organizations (Kochan, 1986). There was also a shift from a manufacturing to a service economy, and, in the new economy, organizations viewed employees as being critical to their success.

In summary, the client server systems in the 1980s and 1990s enabled HRM to achieve many of its important goals by providing managers and HR professionals with data for HR planning and key employment decisions. These systems also decreased administrative burdens and made it possible for HR professionals to become strategic partners rather than reactive maintenance-oriented managers. In spite of the widespread use of these new systems, relatively little research in IS or HRM focused on the effectiveness of these new systems.

2.1.4.3 ERP & Web-based Systems (Mid-1990s—2010)

Starting in the mid-1990s, HR departments began to use enterprise resource planning (ERP) or Web based systems to achieve many of their essential goals including recruitment, selection, training, performance management, and compensation. This era was characterized by an explosion of software product offerings and a move to more integrated, Web-enabled enterprise resource planning systems. This was especially true starting in the early 2000s when Web-based

software enabled organizations to centralize all HRM and organizational data so that users could access it through Web browsers at any time or place.

These systems enabled organizations to develop recruiting systems that could be used to attract applicants anywhere in the world and allow them to apply for jobs online through a Web browser.

Vendors typically took two different approaches when offering products: best of breed or an integrated ERP suite.

With the best-of-breed approach, organizations purchased and implemented separate systems for each area of HRM such as a core HR system, a recruitment system, a time and attendance system, and a benefits management system. The advantage of a best-of-breed approach to software implementation in HRM was that organizations could identify and implement the software that most effectively met their needs in each specific area to improve performance.

However, these systems often did not integrate well or allow for seamless data transfer, which forced organizations to often transfer data manually between systems, each software offering came with a separate login and password, which created challenges for employees. Another challenge was that vendors were not likely to upgrade modules on a similar schedule, meaning that the middleware software would need to be continually upgraded to support changes in the various software product offerings.

The other approach organizations used was to purchase an integrated HR ERP as part of a broader organizational-wide ERP or simply one that integrated multiple HR functional areas. Advantages of the ERP approach included simpler software implementations, greater data integration, and easier learning.

Conversely, using an ERP meant that the organization was not going to have the best software in each domain and that it often missed out on functionality available in a best-of-breed solution. In addition, the complexity, scope, and expense of these systems meant that they were available for only the largest organizations.

In summary, during the 1990s to 2010, HR departments began to use ERP or Web-based systems to achieve many of their essential goals including recruitment, selection, training, performance management, and compensation. For example, organizations began to use Web-based recruitment systems to attract applicants and allow them to apply for jobs online. They also began to employ e-learning systems to deliver training to employees, and increase the

flexibility, convenience, and costs associated with traditional training methods. Along with the increased use of Web based systems in industry, there was also an explosion of research on the effectiveness and acceptance of these new systems (Gueutal & Stone, 2005; Kavanagh et al., 2015). It is clear from this research that Web-based systems have increased the efficiency of HR processes and expanded access to job applicants, employees, retirees, and human resource managers.

2.1.4.4 Cloud-based Applications (since 2010)

For the past several years, human resource professionals have been occupied with moving HRIS capabilities to the cloud and its relevance to HRM.

Unlike previous generations of HRIS software, which was installed at the client's location and often customized to fit their needs, cloud computing delivers software to clients as a service. With cloud computing, rather than designing and customizing software to meet each organization's needs, vendors now offer a standard software product to all firms. Although the software is not customizable, each organization can configure it to meet their own specific needs.

Organizations no longer have to purchase and maintain hardware and software but instead access the software over the Web through a Web browser. This can reduce up-front capital expenses such as hardware and software purchases and can reduce the need for internal IT staff because much of the technical responsibilities are outsourced to the cloud vendor. In addition, industry research has shown that those organizations using cloud-based HR software are more likely to use the latest version of that software (Cedar Crestone, 2011) than those using an on-premise deployment approach. The move to cloud-based applications is transforming the delivery of HRIS functionality: over 50 percent of surveyed organizations have indicated that they were planning to move to the cloud (Towers Watson, 2012). This is providing many opportunities for new software vendors to enter into the market and reach both large and small organizations. Small organizations that previously could not afford to deploy HR technology due to the large up-front investment requirements were now able to consider investing in cloud systems due to the reduced cost of ownership. The current leaders in cloud-based ERP include Oracle, Success Factors, and Workday.

Organizations are continuing to adopt social media to support human resources. A recent study of over 400 HR managers in the UK found that over 50 percent of organizations were using, or were planning to use, social media to support hiring decisions and that they were planning to

increase their use over time (Broughton, Foley, Ledermaier, & Cox, 2013). Through cloud, mobile, and social technologies, this fourth generation of technology deployment (e.g., the cloud) has the potential to dramatically impact how organizations use HR technology and how organizations recruit and select employees.

With the global reach of the Web and these new cloud-based systems, organizations are implementing novel ways of delivering HR functionalities.

Table 2.1 Innovations in Technology and the Field of HRM

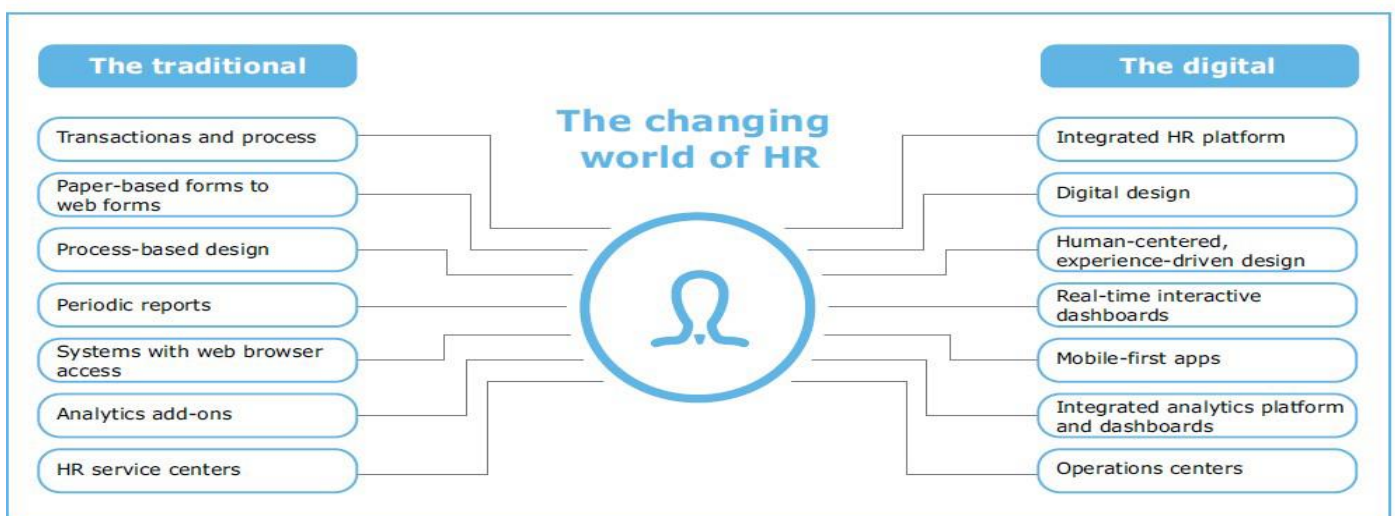
Time frame	Evolution in HRM	Evolution in HR Technology
Prior to 1940	Manual record keeping and payroll	
1940s–1950s	Federal tax regulations introduced	Homegrown payroll systems emerge
	Skill inventories and job classifications needed for government and military	
1960s–1970s	Tracking of administrative costs and turnover	Introduction of IBM/360 & other large-scale systems to support HR and organization functions
	Increased employee reporting due to increased labor costs	Personnel information systems available for mid-size business due to decreasing costs and evolving technology
	Growing HR data needs brings need to streamline eliminate data redundancy	SAP founded and R/2 released: precursor of integrated Enterprise Resource Planning (ERP)
1980s–1990s	Globalization and expansion leads to integration of all systems (accounting, HR, finance, manufacturing)	Emergence of central servers, LANs, client-server computing, & “microcomputers” allow HR data to be accessed on personal workstations
	HR use analysis & HR planning	Decision Support Systems for HR are developed
1990s–2010	Employee empowerment & shifting “ownership” of employee data to employee	Growth of ERP systems for HR (Leading Vendors: PeopleSoft, Lawson, SAP, Oracle)
	Move from internal paper processor to external focused strategic partner	Web-based ERP and upgrades to be Y2K compliant
	Global reach for talent	Implementation of self-service systems
	Offshoring of IT & HR call centers	Emergence of “best-of-breed” systems that focus on a single HR function (e.g., e-learning, e-recruiting, etc.). Leading vendors
	Development of the balanced scorecard to measure HR effectiveness	Metrics to support reporting requirements of balanced scorecard
2010–present	Continued focus on cost containment and effectiveness of HR practices	Implementation of cloud-based software for HR (leading vendors: Success Factors, Workaday)
	Passage of the Patient Protection Affordable Care Act	Big data, metrics & analytics to support HR and manage human capital
		Use of social media in recruitment, selection, and employee relations
		Mobile HRIS: large-systems increasingly being developed for mobile devices

Source; Jhonso et al, (2019)

According to the 2017 Deloitte Human Capital Trend report, the future of business success is at the intersection of digital innovation and human influence. A company cannot just implement new technologies and expect to see positive business outcomes without considering the way work gets done and the expectations of the workforce. Leaders who alter employee mindsets and foster a culture of innovation can create a strong foundation for digital transformation. And, in turn, a digital infrastructure needs to be a vehicle used to measure, monitor, and manage the employee experience.

The rapid pace of technology change has shifted how we behave both as workers and as consumers, which has caused shifts in business operations. Ultimately, HR technology and practices are shifting to mirror new digital capabilities and management strategies, moving away from “tools that automate traditional HR practices, to platforms and apps that make life at work better.

As a business and workforce, we are shifting across a number of spectrums—the diagram below



Source: Deloitte (2017)

2.1.5 Benefits of Digital Human Resource Management

The digital world is changing how we live, work and how business is organized and conducted. E-HR can have an impact on every area of HRM. First, digital HRM can help business leaders and employees shift to a digital mindset, a digital way of managing, organizing, and leading change. Digitalization changes the way employees communicate and interact in the workplace, what they expect from their employer and careers, where work location is and when work is conducted. Since, the evolution of digitalization impacts organizations at many levels, thus it needs development and adaption of new knowledge and new ways of working

Kiesler et al. argued that technology mediates the relationship between “individuals and organizations, and subordinates and supervisors.” Hence, it has also reduced the distance in organizations so that employees can work from home and interact with other across geographical area. Furthermore, Heracleous also emphasizes “the importance of investing in the development of required new skills especially if the change involves new technology and new roles”. Therefore, digital technology will continuously changes how organizations hire, manage and support people.

Besides that, HRM has the opportunity to revolutionize the entire employee experience by transforming HRM processes and systems through digital platforms, apps, and ways of delivering HR services. In addition, application digital HRM consider as green HRM concept which also can contribute to organization environmental performance. Some of previous studies indicate that today’s HR work involves simplifying and improving the employee experience by integrating digital technology.

2.1.5 Focus areas of Digital Human Resource Management

According to Deloitte (2017) and Halid et.al (2019), HR is undergoing rapid and profound change. Once viewed as a support function that delivered employee services, HR is now being asked to help lead the digital transformation sweeping organizations worldwide. This shift is happening rapidly, as HR leaders are being pushed to take on a larger role in helping to drive the organization to “be digital,” not just “do digital.”

The following elements are required to make a transformation in HRM:

1. Digital workforce:

Should answer the question “How organizations drive new management can practices, a culture of innovation and sharing, and a set of talent practices that facilitate a new network-based organization?”

In the millennial era, current generations are considered the digital workforce, they have internet-connected devices and web-based applications and services have always fascinated their everyday lives. By having these employees, the organization needs to be digital in order to engage with digital employee. Therefore, the digital HRM are embedded with mobile apps, design thinking, video, behavioral economics and the use of system analytics.

2. Digital work and task

Should answer the question “How can organizations design a working environment that enables productivity; uses modern communication tools and promotes engagement, wellness, and a sense of purpose?”

The contents of work become digital through usage of technology in work activity and management function. Organizations need to integrate digital elements into work processes and changing routine manual work into digital work. Organizations also need to use digital tools and media to connect and communication with employee.

Work and task in organization also need to organize digitally.

3. Digital HR support management

Should answer the question “How can organizations change the HR function itself to operate in a digital way, use digital tools and apps to deliver solutions, and continuously experiment and innovate?”

This involves planning, implementing and using digital technologies to support HRM activities such as payroll processing, reward and compensation, performance management, training and development and etc.

2.1.6 Characteristics of a Digital Organization

According to Soule et al. (2015), who investigated organizations’ modes of becoming digital and state that the characteristics of a digital organization could be summed up in four critical areas concerning mindset, practices, workforce and resources?

1. **Digital mind set:** an attitude that reflects a broad tendency to initially seek digital solutions, use technology as a tool for advantage, and approach enterprise data in a systematic fashion.
2. **the presence of fundamental behavioural norms** (digitized operations based upon extensive use of data and information exchange; readiness for boundary-crossing collaborative learning, problem solving, the discovery of new insight, and data-driven decisions;
3. **Digital organizations** view their workforce in broad terms, thus, acknowledging the contributions of all when it comes to technology experience, digital skills, and high engagement in digitalization issues; and
4. **Digital tools and data are critical** inputs to the functioning of the digital organization, and the main resources are often real-time customer data, accessibility to integrated data about internal operations, and digital collaborative tools to support communication, collaboration, and rapid feedback within the organization.

2.2 Empirical Literature

Since this research has focused on to assessing organizational readiness to transform HR into digitalization, the researcher has tried to review the findings of previous studies and articles related with the readiness in terms of top management support, availability of resources (technology, skill, fund/budget) HR practitioners' role and organizational culture.

Digital technologies play an increasingly influential role in both the working lives of employees and human resource management (HRM), which is to be affected in multiple ways. Similarly human resource management is also business centric and brings about change by adding value to organizations as a strategic partner, administrative expert and employee champion (Fenech et al, 2019).

The search for competitive advantage that may be brought about by digital transformation strategy researchers increasingly acknowledge human capital, intellectual capital and knowledge as critical components. But Fenech, et al.(2019) by their study which aimed to explore the changing role of human resource management in an era of digital transformation found that, the research shows that whilst digitalization impacts day-to-day HR practices and procedures particularly with the use of human resources information systems there is less emphasis on the role of HR in contributing to the strategy of digitalization.

On the other hand, Anderson (2018) has explained that, the role of digital technology in business and society is rapidly shifting from being a driver of marginal efficiency to an

enabler of fundamental innovation and disruption in many sectors. The economic, societal, and business implications of digitalization are contested and raise serious questions about the wider impact of digital transformation. Digitalization affects all private and public operations, as well as the internal and external workings of any operation.

Mitrofanova et.al (2018), the nature of HR has evolved to a strategic function of an organization. The role of HR leaders in attracting, developing and enabling talent is critical to the success of any business. For this, it was inevitable for the HRM (Human Resources Management) to get transformed into Digital, which radically altered the way the employees and the businesses work.

To show the role of HR leader's role in the digital transformation of HR, Mitrofanova et.al (2018), have recommended that digitalization of HRM should not simply be looked at only a makeover process. HR leaders must be sensitive to the fact that it entails a huge change, and employees must be hand-held throughout this change failing which it is like a broken chain. Let us not forget that Digital HR journey too has its own challenges. It requires a considerable bandwidth of team members and has lot of potential to impact the organization's overall productivity.

Similarly Lei and Jing (2016), has defined the role of HRM, as one of the most important parts of business management, the human resource management plays an essential role in the digital transformation process.

Many searcher has identified that, there are different challenges during transforming HR in to digitalization.

For example Mosca (2020), on her study entitled on "Digitalization of HRM: A study of success factors and consequences in the last decade (2010-2020)" has identified factors that determine the success of the digitalization of HRM into three different categories: technological factor (Application and characteristics in terms of easiness to use, Usefulness, data characteristics & integration), organizational factors (organizational characteristics, Sector characteristics, department size of HR, Business area, Geographic area, capabilities and resources, Budget limitation and financial resources, Lack of awareness of HR systems potential, Capacity to acquire IT skills among HR staff) and people factors (top management support, user acceptance, User Age, education, gender, job experience and Customer Involvement)

Moreover, Shikha Gupta (2018), on his study on “Organizational Barriers to Digital Transformation” conclude that most of digital transformation initiatives fail or are progressing slowly and one major reason for this is organizational barriers to transformations. He has identified several barriers like: Unclear Company Vision and Goal of the Transformation; Top Management, Leaders and their Leadership style; Project group, Organizational setup and Agility; Change and Middle managers lacking expertise; Lack of Rewards and Incentives; Unclear Measurement systems, Lack of HR involvement and a strong Learning culture missing.

Similarly Anderson and Rosenqswit (2018), on their study has internal organizational challenges includes managing and leading digital innovation and transformation processes. Comments from managers centered around seven general areas: leadership challenges; new skills, resources, and internal capabilities; customer orientation and customer oriented work practices; internal organizational structures and responsibilities; internal processes for continuous experimentation and user orientation; internal cultural challenges; and change management challenges.

To the best of my knowledge, the only study about Digital HR Transformation in Ethiopia is conducted by Eyilachew et al. (2017) on “Human Resource Information System (HRIS) implementation readiness in the Ethiopian health sector” which result shows that, HRIS implementation readiness in Ethiopia is very low due to poor logistic and supply, lack of competency, poor stakeholders’ commitment, and shortage of finance were the challenges of HRIS implementation.

To indicate the opportunities and to avoid the barriers or challenges during the process of transforming HR into digitalization, this research has connected to assessing organizational readiness in terms of top management support, availability of resources (technology, skill, fund/budget) HR practitioners’ role and organizational culture.

2.3 Conceptual Frame work

Based on the research objective, research questions and literature review, it is important to assess readiness of organizations for digital HR transformation focusing on the key players and the most important resources. These key players and resources has been listed below as conceptual framework for the better understanding and success of this research.

2.3.1 Top Management support

Top management support is one of the most important factors in determining the success of transforming HR into digitalization process. Digital transformation needs clear understanding, decision and follow-up from the top management of an organization.

2.3.2 Availability of Resource

Before starting to the digital transformation process, it is very important to ensure the availability of resources like technology, skill, budget which can be applicable in the given organization's context.

To ensure successful digital transformation, there is also a need for new human skills and experiences with different digital technologies. When digitalizing, desired employment skills will include technological experience with social and mobile technology, artificial intelligence, big data analytics, internet of things, and more. The ways in which to apply these technology skills will be needed when going digital.

The availability of the above resources may not insure for the success of Digital HR transformation without the availability of fund or budget. Digital investment in the core business is often prioritized, with support functions including HR overlooked by IT teams.

2.3.3 HR leaders' and professionals' Role

The continuous and rapid changes in the external environment of organizations due to digital technologies have increased the importance of HRM, as the effective way to implement business strategy, attain goals, remain competitive, and being flexible. As a result, HR managers and professionals are facing new challenges for performing effectively the old – fashioned activities (administrative roles) as well as to perform new strategic roles that reflect the needs of contemporary organizations. (Alexander, 2019)

Indeed, technology will continue to be a focus of HR and business leaders, but leadership, specifically HR leadership, has become more critical during this era of digital transformation. HR leaders are in a prime position to help move the needle. However, according to the 2017 Deloitte's Human Capital Trends report, only 5% of organizations surveyed feel they have strong digital leadership.

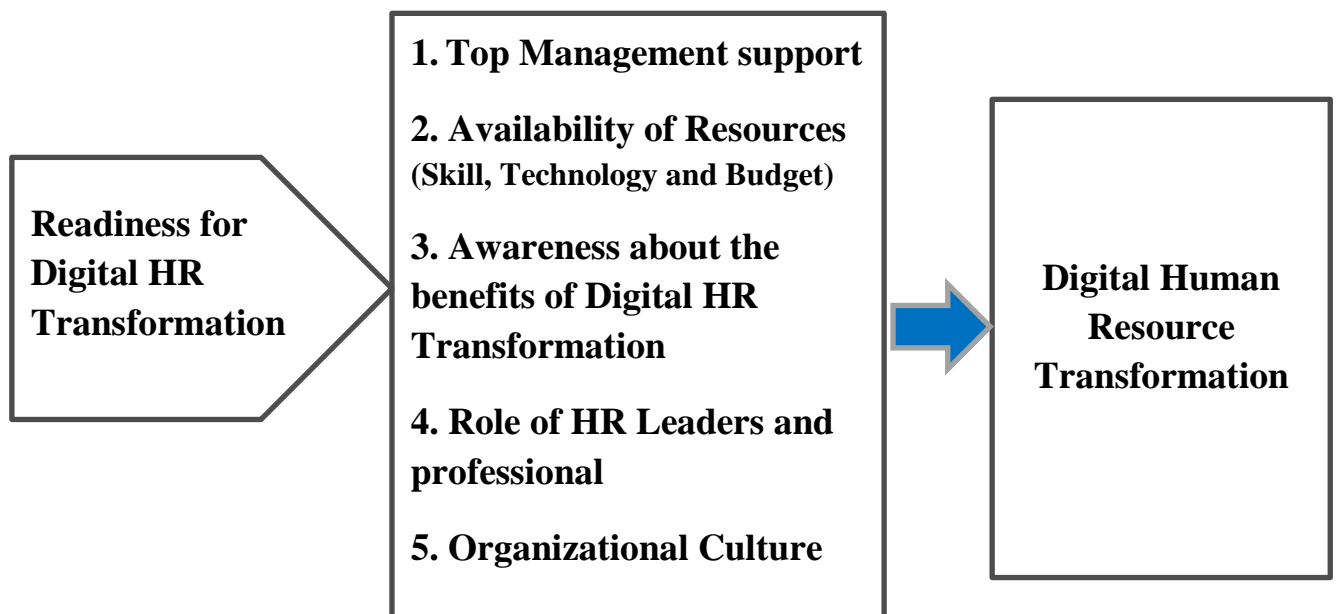
As HR takes responsibility for its own digital transformation, it is also expected to take the lead in enabling the transformation of the rest of the organization. HR leaders have to play a

strategic role in this process by helping employees to adopt a digital mindset, and by hiring future employees who will fit into this new culture

2.3.4 Organizational Culture

Organizational culture plays a very important role at the time of framing the HR policies. Being familiar with the organizational culture (values, beliefs, and practices) will help employees understand organizational events, thereby helping them to get along with the task at hand rather than wasting time trying to figure out what is expected of them (Gupta, 2017)

Figure 2.3: Conceptual framework



Source: own constructed based on literature review

Chapter Three

3. Research Methodologies

This chapter deals about background of the study area, research design, research approach, population and sample size, sampling techniques, data sources & data collection methods, data analysis method, validity & reliability of the study and ethical consideration during the process.

3.1. Background of the study Area

According to the National Bank Ethiopian report, currently there are 2 government owned and 17 private banks, 18 insurance companies, and more than 39 Micro Finance Institutions operating in Ethiopian finance industry. On the other hand, currently in Ethiopia more than 15 private commercial banks are under formation to enter into the banking industry. Four private banks has finalized selling their share and waiting to take a license from National Bank of Ethiopia and to start their operation.

This study has conducted on eight private commercial Banks operating in Ethiopia. The selected Banks are Dashen Bank S.C., Awash Bank S.C., Nib International Bank S.C., Hibret Bank S.C., Bunna International Bank S.C., Zemen Bank S.C., Abay Bank S.C. and Addis International Bank S.C.

3.2 Research Design

To answer the defined research questions and to achieve the objectives of this study, the researcher has used descriptive research design. As it is explained by Creswell (2009), this research design is important when there is few or no earlier research has conducted in the selected research title. This research approach is also selected for this research title because of the problem has not been clearly defined and has no background information and better understand and clarify a problem which indicates the status of HR readiness for digital transformation in Ethiopian private banks.

To portray accurately the characteristics of a particular individual, situation or a group (studies with this object in view are known as descriptive research studies); Descriptive vs. Analytical: Descriptive research includes surveys and fact-finding enquiries of different kinds. The major purpose of descriptive research is description of the state of affairs as it exists at present. In social science and business research we quite often use the term Ex post facto research for descriptive research studies. The main characteristic of this method is that

the researcher has no control over the variables; he can only report what has happened or what is happening. Most ex post facto research projects are used for descriptive studies in which the researcher seeks to measure such items as, for example, frequency of shopping, preferences of people, or similar data. Ex post facto studies also include attempts by researchers to discover causes even when they cannot control the variables. The methods of research utilized in descriptive research are survey methods of all kinds, including comparative and correlational methods. (Kothari, 2004)

A great deal of social research is descriptive. Descriptive researchers use most data – gathering techniques – surveys, field research, and content analysis.

3.3 Research Approach

To achieve the objective of this research the researcher has used mixed research approach to describe the existing practice of readiness to transform HR into digitalization in the study area. It inquiry that combines or associates both qualitative and quantitative forms which involves the use of both approaches in tandem so that the overall strength of a study is greater than either qualitative or quantitative research (Creswell, 2009)

3.4 Population and Sample Size

The total population of the research is 166 employees working in the selected eight private commercial Banks. From the total population 80 employees are selected as target population of this research. The targeted populations are HR Leaders and professionals (who have senior officers and above positions) selected purposively.

Table 3.1: Selected private commercial Banks year of establishment and Number of staffs in HR Department

No.	Bank	Total no. of Employees in HRM Dept	Number of employees in each job category				
			Director s	Managers	Senior Officers	Officers	Total
1	Awash Bank	32	1	3	5	4	12
2	Dashen Bank	23	1	2	7	1	10
3	Hibret Bank	25	1	3	6	2	11
4	Nib Bank	28	1	3	6	2	11
5	Bunna Bank	18	1	2	6	2	10
6	Zemen Bank	14	1	2	4	3	9
7	Abay Bank	16	1	3	5	3	11
8	Addis Bank	10	1	2	2	2	6
	Total	166	8	20	41	19	80

Source: collected data from each Bank

The sample banks have selected based on year of establishment categorizing the banks into three categories; the first group are the oldest banks (which have the age of 25 years and above), the second group (which have the age between 20-24 years) and the third group (which have the age between 10-20 years) and 8 banks have selected using purposive sampling.

The 80 respondents have participated in the study selected from 8 banks depending on of the number of employees working in the HR Department in the selected private banks due to the reason, they are expected to digitalize their practices and to lead digital transformation process in the organizations, impacting matters linked with workforce optimization, talent transformation, up-skilling and re-skilling, training, and resource development.

3.5 Sampling Technique

To get appropriate data from concerned respondents' i.e HR Department leaders, Managers and HR professionals working in the targeted private banks, the researcher used purposive sampling technique.

The reason why the researcher has proposed to use these sample groups and sampling technique purposively is that, these target groups are expected to have better understanding for the selected research title and they will give important data which can answer the proposed research questions and achieve the research objectives.

3.6 Data sources and Method of Data Collection

To collect appropriate and enough data for the effectiveness of this research, the researcher used both primary and secondary sources.

The primary data has collected from the target sample groups through unstructured and semi structured questioners and in-depth interview.

Secondary data has collected through extensive review from different guidelines, manuals, reports from the private banks and academic journals related to the objectives and to enrich the findings of the study.

3.7 Method of Data Analysis

The data which has collected using the above mentioned methods and techniques has analyzed through descriptive analysis method using SPSS version 26 software and descriptive statistics such as means, frequencies, and percentages. The data which has collected through interview which have qualitative nature, has analyzed the thematic

analysis method by grouping questionnaires. Based on the findings conclusions and recommendations are given.

3.8 Validity and Reliability

Validity-validity is the most critical criterion and indicates the degree to which an instrument measures what it is supposed to measure. Validity is also the extent to which differences found with a measuring instrument reflect true differences among those being tested (Kothari, 2004).

Depending on the research problem and objectives of this study, the researcher has used content validity which is concerned with the extent to which a measuring instrument provides adequate coverage of the topic under study in terms of question structure, content and target population.

Reliability- reliability is the extent to which results are consistent over time and an accurate representation of the total population under study is referred to as reliability and if the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable (Golafshani, 2003).

To be reliable of this research the researcher has distributed and collected the questionnaires for the selected target groups working in similar sector and performing within the same department.

The completed questionnaires used to gather important data for the research has assessed internal reliability of these measurement instruments by Cronbach's Alpha. As indicated in the following table, the measurement of enabling factors a good reliability with Cronbach's Alpha value 0.833 which more than 0.7 In general, it can be concluded that the scales of the survey show a good reliability according to the rule of thumb alpha value as discussed.

Table 3.1 --- Reliability test result of the variables

Reliability Statistics			
No.	Variables	Cronbach's Alpha	No. of Items
1	Top Management Support	.857	4
2	Awareness on the benefits of Digital HR	.756	9
3	Availability of Resources	.617	3
4	Role of HR Leaders and Professionals	.700	6
5	Organizational Culture	.641	4
	All Variables	.833	26

Source: own survey result (June, 2021)

Test of Cronbach Alpha test was processed and presented as it is well accepted reliability test tool applied by social researcher (Sekaran, 2006).

In Cronbach's Alpha reliability analysis, the closer to 1.0, the higher the internal consistency reliability of data. To be specific, reliability

- less than 0.6 considered -----poor,
- reliability in the range 0.7 -----acceptable and
- Reliability more than 0.8 ----- good.

After reliability test, descriptive statistics of each variables analyzed using means, standard deviations, frequencies, and percentages.

3.9 Ethical Consideration

Before the distribution of Questionnaires, the research title and objective has informed to the target participant of the study. Hence, consent has requested and obtained from participants in advance to ensure voluntary participation. They have informed that their idea is very valuable for the success of the study and any kind of information received from them will be kept confidential. Questionnaire were completed without writing their name by respondents. Any data in the research have source and will properly acknowledged.

CHAPTER FOUR

4.Data Presentation, Analysis and Interpretation

This chapter describes the analysis of data followed by a discussion of the research findings. Data were analyzed to assess whether the selected private commercial banks in Ethiopia have awareness about Digital Human Resource Transformation and are they ready to the transformation or not. It also includes the data presentation, discussion, analysis and presentation including demographic characteristics of the sample population of the study.

4.1 Response Rate

The researcher has distributed a total of 80 questionnaires to targeted population and has interviewed the concerned HR Leaders in the selected organizations. From the total of 80 questionnaires 69 (86.25%) were collected and qualified response rate was achieved. Even though 11 (13.75) questionnaires are not returned, interview has conducted with 6 HR Leaders and abled to get a detailed information related with the research as indicated in the interview guide.

4.2 Demographic Characteristics of the respondents

As part of the descriptive statistics, a frequency distribution analysis was performed on variables that denote demographical characteristics.

Table 4.1: Demographic Characteristics of Respondent

Demographic characteristics		Frequency (n)	Percent (%)
Gender	Male	47	68.1%
	Female	22	31.9%
	Total	69	100%
Education level	Diploma	1	1.4%
	BA/BSc Degree	32	46.4%
	MA/MSc Degree	36	52.2%
	PhD	-	-
	Total	69	100%
Job Category	Manager	23	33.3%
	Senior Officer	40	58.0%
	Officer	6	8.7%
	Total	69	100%
Service year in the Organization	0-5 years	29	42.0%
	6-9 years	28	40.6%
	10-15 years	9	13.0%
	Above 15 years	3	4.3%
	Total	69	100%

Total experience on HRM:	0-3 Years	17	24.6%
	4-7 years	13	18.8%
	8-10 years	19	27.5%
	Above 10 years	20	29.0%
	Total	69	100%

Source: own survey result (May, 2021)

As indicated in table 4.1, among the target population participated in this study majority or 47 (68.1%) were males and the remaining 22 (31.9%) were females.

Regarding with highest level of education background of the respondents, 36 (52.2%) were second degree (MA/MSc degree) holders followed by 34(46.4%) first degree holders, 1 (1.4%). Diploma holder and there was no respondent who have PhD. This indicates majority of the respondents (98.6%) were first and second degree holders.

The respondents' current job category indicates that, majority 40(58%) are Senior Officers, 23 (33.3%) are Managers and the remaining 6(8.7%) respondents are working at Officer Job categories. 2 HR Directors and 4 representatives of HR department Directors were also interviewed.

The respondents' service year in the Organization also has tried to assess and the survey result shows that, 29 (42%) respondents have worked up to 5years followed by 28 (40.6%) participants who have from 6-9 years' work service in their respective organizations. The remaining 9 (13%) and 3(4.3%) respondents serve their organization from 10-15 years and above 10 years respectively.

The result shows that, majority of the respondents (58%) have more than five years' experience in the selected organizations. As a result the respondents have a good experience in the organization Human Resource practice.

On the other hand, the overall experience on HRM areas of the respondents indicated that, 20 (29%) have above10 years of experience. Similarly, 19 (27.5%) of respondents have the second longer experience working from 8-10 years. The remaining 17 (24.6%) and 13 (18.8%) of respondents have up to 3 years and 4-7 years of HRM experience respectively.

The result indicates that, majority (56.5%) of the respondents more than eight years' experience on human resource management functions which indicate the respondents can identify the current practices and challenges of HRM practice and the necessity of transforming human resource into digitalization.

4.3 Current HRM practice with respect to Digital Human Resource

To get a deeper understanding about the readiness for Digital HR Transformation in private commercial Banks in Ethiopia, the researcher has prepared interview questions and has interviewed 6 interviewees from six different private commercial Banks from the target population. From these interviewees two were Department Director in the HRM Department and the remaining four interviewees were HR Managers leading different divisions in the HRM Departments. The interview has took 20 minutes in average with each interviewees.

The interviewees were selected purposively based on their position in HRM Department with in their respective organization.

The interviewees were asked to explain the current HRM practice with respect to Digitalization. From the six interviewees majority (4) interviewees said that, their organizations are managing their HRM functions in semi-automated system which is developed by internal capacity. Their organizations are using the system to employees' data management and leave management. The remaining two interviewees said their organizations are managing their HRM functions with simple excel and manually.

This shows that, the current HRM practice in the sample private Banks is not supported by technology and needs to be transform into digitalization.

4.4. Current problems they faced due to not digitalizing HRM system

All of the interviewees confirmed that, their organizations are facing different challenges duet to manual and paper based HR Management system. They have mentioned that problems like disintegrated HR function, inefficiency and ineffective, poor HR data management, time taking HR activities (payroll processing, recruitment and selection process, performance management practice etc.)

As per the interviewees' opinion, the selected organizations are found at different level to digitalize their HR Management system and to solve the above mentioned problems they are currently facing and to benefit from digitalized HR System.

Three interviewees have confirmed that their organizations are decided to transform their HR into digitalization. The organizations are preparing requirements, searching venders and other prerequisite activities.

On the other side the remaining three interviewees said that, their organizations plan many times but not yet decided to digitalize their HR management system.

The top management of the organization has decided to develop Digital HR Management system internally by its own experts (Interviewee 4).

4.5 Data Analysis of the study

The researcher has developed a five point Likert scale as an instrument to gather the required data from the participant using mean score and standard deviation. High mean score indicates that high level of agreement by respondent with regard to the constructs of each variable or vice versa. The result of standard deviation (SD) also indicates the degree to which responses varied among respondents. And higher figure of SD shows higher variability of responses.

The assessment basis for mean score of five point Likert scale instrument was determined as suggested by Zaidato1 & Bagheri (2009). To this effect, the mean score below 3.39 was considered as low, the mean score from 3.40 up to 3.79 was considered as moderate and mean score above 3.8 was considered as high for this research. And descriptive statistic results of variables are summarized in the following table:

In the course of descriptive data analysis, averages (mean) and standard deviation were calculated for each construct in the Likert Scales, from Strongly Disagree=1 to Strongly Agree=5. The weighted average categories for each result are interpreted as per the range developed by Alfarra, 2009 as follows: 1.00-1.79 (Strongly Disagree); 1.80-2.59 (Disagree); 2.60-3.39 (Neutral); 3.40-4.19 (Agree), and 4.20-5.00 (Strongly Agree).

4.5.1 Top Management Support

Table 4.2 Analysis of participants' perception on Top Management support and commitment

The top management in your organization:	Mean	Std. Deviation
1. Has clear understanding about the importance of transforming HR into digitalization	3.46	1.335
2. Encourage transforming HR into digitalization	3.51	1.244
3. Can allocate enough budget to buy technology	3.38	1.164
4. Can follow-up the process, give support and evaluate effectiveness of the transformation of HR into digitalization	3.32	1.169
Average mean score	3.41	

Source: own survey (June, 2021)

The respondents were asked to give their opinion about the top management support and commitment in the Digital HR transformation process in their organization using a five level Likert scale.

As it is indicated in table 4.2, the respondents were asked to answer the questions overall mean result (3.41) has given. The result indicates that, the top management of the sample Banks understanding about the importance of transforming HR into Digitalization and encouraging the transformation is found at moderate level with mean value of 3.46 and 3.51 respectively.

Similarly, the respondents result indicates that the top management may allocate budget to buy technology and can follow up, support and evaluate effectiveness of the Digital HR transformation process.

4.5.2 Awareness on the benefits of Digital HR Transformation

Table 4.3: Analysis of participants' perception on Awareness on the benefits of Digital HR Transformation

Transforming HR into Digitalization in the organization can:	Mean	Std. Deviation
1. Reduce cost	4.22	1.083
2. Increase efficiency and effectiveness	4.17	1.188
3. Introduce new skills and new working environment	4.39	.826
4. Introduce new management method	4.19	.791
5. Create a culture of innovation	3.96	1.091
6. Improve job satisfaction	4.06	.938
7. Improves work-life balance	4.04	.992
8. Create new jobs	3.52	1.183
9. Integrate different HR functions	4.64	.685
Average mean score	4.13	

Source: own survey (June, 2021)

To know the awareness level on the benefits of if their organization transform HRM system into in to digitalization, the participants gave their opinion on each perspective as indicated in table 4.3.

The average mean result (Mean=4.13) shows that, the respondent have high level of awareness on the benefits of Digital HR transformation. The most majority of respondents strongly agree that, if the organizations transform their HRM in to digitalization, it can integrate together different HRM functions, introduce new skills & new work environment and reduce cost (with mean value of 4.64, 4.39 and 4.22) respectively as the top three benefits from listed in the table. On the other hand respondents give relatively lower rate on “create new jobs (mean=3.52).

Similarly the researcher has asked interviewees perception about the importance and necessity of transforming HR into Digitalization in the context of their respective

organizations. All of the interviewees gave the same opinion in which transforming HR into Digitalization is very essential to their organization. Majority of the interviewees have mentioned the benefits of Digital HR like: improve the effectiveness and efficiency, reduce cost (in terms of time, finance and labor cost)

Even though the interviewees said that Digital HR transformation is important, they didn't mention other very important benefits of which are supported by empirical literatures. Mitrofanova et al (2019) argued that, digital HR management is not just automation and digitalization of traditional HR management functions, but the redesign of these functions based on new digital business thinking, with a focus on people and work efficiency. It is not just automation and digitalization of traditional HR management functions, but the redesign of these functions based on new digital business thinking, with a focus on people and work efficiency.

4.5.3 Availability of Resources

Table 4.4 Analysis of participants' perception on the Availability of Resource

Resources	Mean	Std. Deviation
1. Availability of Technology which fit the requirement of the bank	3.67	.950
2. Availability of knowledge and skill to adapt the technology	3.62	1.016
3. Availability of budget	3.55	.832
Average mean score	3.61	

Source: Own Survey Result (2021)

As indicated in table 4.4, the participants have asked to indicate the availability of resource (technology, knowledge & skill and budget) in their respective organizations using likert scale (Highly Available, Available, not known, not available and its availability is not important).

The result shows that, the respondents agree availability of technology, skill and budget with average mean value of 3.67, 3.62 and 3.55 respectively in their organization. This indicates in sample private commercial Banks in Ethiopia technology, skill and budget are found at moderate level and will affect the transformation of human resource management into digitalization.

4.5.4 Role of HR Leaders and HR Professionals

Table 4.5: Analysis of participants’ perception on HR Leaders & professionals Role

HR Leaders and HR Professionals role, to play as:	Mean	Std. Deviation
1. Change agent	4.12	.832
2. Human resource integrator	3.68	1.182
3. Technology advocator and utilize digital technologies for HR functions	3.71	1.152
4. Capability builder	3.75	1.43
5. Strategic positioner	3.67	1.221
6. Advocating, adopting and managing the consequences of digital technologies	3.55	1.105
Average mean score	3.74	

Source: survey result (June, 2021)

As indicated in the table 4.5, participants have asked to give their expectations about the role of HR leaders and HR professionals in the process of Digital HR Transformation in the organization from different perspectives

The result shows that, majority of the respondents perceive and strongly agree that, HR leaders and professionals have to be play as a change agent (Mean=4.12), capacity builder (mean=3.75) technology advocator and utilize digital technology for HRM functions (mean=3.71). On the other hand roles like being HR integrator, strategic positioner and advocate, adopting & managing the consequence of technology have lower mean value 3.68, 3.67 and 3.55 respectively. This shows the perception on the role of HR Leaders and HR professionals in the digital transformation of HR in private commercial Banks in Ethiopia is found at moderate level.

The interviewees were also asked their perception on the role of HR Leaders and professionals in the process of transforming HR into Digitalization. All of them gave similar answers by point out the roles like; Assessing the current practice HR management system, identifying gaps, Assessing and identifying best practices in the area, preparing business requirements and actively participate in the process.

Empirical literatures shows that, HR Leaders and HR professionals have a greater role in the transformation process of HR into digitalization. For example Alexander (2019) in his study entitled “HR Managers role in the Digital Era” has identified major role for HR Managers and HR professionals in the digital era like being change agent, capacity builder and technology advocator. The continuous and rapid changes in the external environment

of organizations due to digital technologies have increased the importance of HRM, as the effective way to implement business strategy, attain goals, remain competitive, and being flexible. As a result, HR managers are facing new challenges for performing effectively the old – fashioned activities (administrative roles) as well as to perform new strategic roles that reflect the needs of contemporary organizations.

Alexander (2019), has also argued that, Digital technologies obviously affect HR activities and change the role of HR managers from static to dynamic and strategic. The challenges and opportunities for HR managers are many to increase employee productivity and eventually profitability, by linking effectively digital employees to automated jobs and the new digital forms and organization structure. New HR strategies are needed to fill the digital skills gap, to build loyalty and engagement, managing diversity, enabling work-life integration and retaining the talent pool of digital employees. In order to fulfill successfully their new role HR managers need to act primarily as strategic positioners (need to know the business context and the imposing external factors), as change agents and as technology proponent (need to know how to access, analyze, assess and share information and how to apply new technologies of information). Human resource managers themselves need to acquire digital skills and increase their digital dexterity.

It is expected that, HR Leaders and professionals to initiate, lead and implement the Digital HR transformation process.

While technology plays a critical role in enabling the transformation of HR from personnel management to business execution, technology by itself does not create this change. HR leaders must effectively use this technology to drive more business relevant conversation with line leaders. (Gupta, 2017).

4.5.5 Organizational Culture

Table 4.6: Analysis of participants’ response on Organizational Culture

Your organization’s culture:	Mean	Std. Deviation
1. Is easy to accept changes	3.41	1.116
2. encourage innovation and creativity	3.68	1.078
3. Value new skills	3.99	.776
4. Is technology adapter	3.93	.828
Average mean score	3.75	

Source: Own Survey Result (2021)

Participants have also asked to give their opinion on their organizational culture to transform HR in to digitalization in terms of accepting change, encourage innovation & creativity, giving value for new skill and adapt technology as indicated in table 4.6.

The average mean result (mean=3.75) indicates that, the respondents' organizational culture is found at moderate level to transform its HR in to digitalization. From the given parameters to assess organizational culture, the level of accepting change, encouraging creativity and innovation have the lowest mean result (mean 3.41 and Mean=3.68 respectively) from the other parameters' result and the average mean result.

4.6. Challenges which will face to transform HR into digitalization

The researcher has asked the interviewees the type challenges which will face their organization to transform HR into digitalization. The respondents have answered this question depending on their organization's readiness level to digitalize its HR management system. There answer can be categorized in to two groups.

For those respondents working in organizations which have started the preparation to digitalize the HR Management system, point out the following issues as a challenge: Lack of well-known software suppliers which have experience, data security issue, Lack of enough organizations which have digitalized their HR Management system to share the best practice ,lack of technical skill to adapt the technology and it may require long time, lack of willingness to accept the change are mentioned as major challenge.

On other hand those interviewees working on those organizations which have a plan to develop the system in-house by their own resources have mentioned the following points as a challenge: Less attention and commitment from the top management, Skill gap to develop the system, since the organizations are working manually and simple excel may cause poor data quality to migrate into the new systems and awareness gap are mentioned as a challenge in the digitalization process

CHAPTER FIVE

5. Findings, Conclusions and Recommendations

5.1. Summary of Findings

The general objective of this research is to assess readiness for Digital Human Resource Transformation in Ethiopian private commercial Banks.

In order to use the opportunities and to avoid the barriers or challenges during the process of transforming HR into digitalization, this research has tried to assess organizational readiness in terms of top management support, availability of resources (technology, skill, fund/budget) HR practitioners' role and organizational culture which have an effect on the success of the digital transformation in Ethiopian Private Banks.

To achieve the objective and to answer the research questions, the researcher has developed questionnaires and interview questions for the concerned employees and HR Leaders working in the selected organizations. From the collected questionnaires and interview results, the researcher has identified the following major findings.

- The current practice of HR managements functions is semi-automated and manual in with compared to Digital HR. Due to this reason there are problems like disintegrated HR function, inefficiency and ineffective HR management practice, poor HR data management and most of HR activities are time taking.
- There is a good understanding on the importance of Digital HR transformation and there interest to in the organizations to digitalize their HR Management system
- The top management of the sample organizations understanding about the importance of transforming HR into Digitalization and encouraging the transformation is found at moderate level
- Availability of resources (technology, knowledge &skill and budget) are found at moderate level.
- There is very high expectation from HR leaders and HR professionals' role in the process of Digital HR Transformation in the organization

- Organizational culture (in terms of accepting change, encourage innovation & creativity, giving value for new skill and adapt technology) to transform HR in to digitalization in the sample organizations is found at moderate level.
- Participants in this study also have identified the following issues as a challenge to transform their HRM system into digitalization: Lack of well-known software suppliers which have experience in Ethiopia, data security issue, lack of enough organizations which have digitalized their HR Management system to share the best practice, lack of technical skill by end users to adapt the technology which require long time and lack of willingness to accept.

5.2 Conclusions

As it is mentioned by Nazemian and Ulrich (n.d), a true HR transformation is an integrated, aligned, innovative, and business focused approach to redefining how HR work is done within an organization so that it helps the organization deliver on promises made to customers. The primary reason for transforming HR should be to improve strategic capability of the organization not only to cost reduction.

While technology plays a critical role in enabling the transformation of HR from personnel management to business execution, technology by itself does not create this change. HR leaders must effectively use this technology to drive more business relevant conversation with line leaders. (Gupta, 2017).

The purpose of this research is to assess readiness for Digital Human Resource Transformation in Ethiopian private commercial Banks.

In order to use the opportunities and to avoid challenges during the process of transforming HR into Digitalization, this research has tried to assess organizational readiness in terms of top management support, availability of resources (technology, skill, fund/budget) HR practitioners' role and organizational culture which have an effect on the success of the digital transformation in Ethiopian Private Banks.

In addition to this the researcher has try to include the important points related with the study like; defining the benefits, the reasons why organizations have to transform their human resource in to digitalization, who should actively lead the process, which resources are required and what type challenges will face organizations during the transformation process and other related issues are included in this research.

To enrich the literature and the effectiveness of the study the researcher has reviewed different literatures including journal articles, research papers and visit website. The researcher has also used descriptive research design, sample populations were selected purposively depending on their work unit and experience which was very important to get appropriate data for the study.

As it is shown the descriptive analysis part, from the five variables which were identified as enabling factor for Digital HR Transformation, top management support, resource availability and organizational culture have scored moderate level and the remaining two variables (awareness about the benefits of Digital HR Transformation and awareness about the role of HR leaders) have a better score.

In general, it is possible to conclude that there is not only awareness about the importance but also there is interest to digitalize their HRM system. But it needs quick decision and commitment go to the preparation and implementation phases by taking into consideration its relevancy.

5.3 Recommendations

Based on the objective, the findings and conclusions of the study, the researcher gives the following recommendations for the organization, HR leaders and for HR professional working in the study areas the effective transformation of Human Resource into digitalization in the private commercial Banks in Ethiopia.

- The HR leaders and professionals should proactively assess the importance of HR transformation ,assess other organizations working in the sector and find best practices
- The HR Department has to assess the current HRM practices, strategies, policies and procedure, with regards to digitalization, identify drawbacks and aware the top management how the current practice is affecting performance of the organization in general with a proposed solution
- The HRM department should assess organizational culture (in terms of accepting change, encourage innovation & creativity, giving value for new skill and adapt technology) and take corrective actions (if necessary) with the concerned work units in the organization
- The HR Department should also prepare detailed business requirements and should actively participate in the process

The organization should also buy latest, user friendly technology and can interface with other systems of the organization. HRM department should also create awareness to all stakeholders

and end users about the importance of digital transformation. Every employee in the organization also should improve digital literacy skill which is very important for smooth implementation of the transformation.

5.4 Limitation of the study and Suggestion for further study

As it is mentioned in the above sections, the purpose of this research is to assess the readiness for Digital Human Resource Transformation in selected private commercial Banks in Ethiopia focusing on only five enablers (Top management support and commitment, availability resources (technology, skill and finance), organizational culture and HR leaders practitioners' role . The researcher has also select 8 private commercial Banks from the total of 17 private commercial Banks currently operating in Ethiopia. The target populations participated in this study are also only HR Directors, Manager and HR professionals.

Considering the above mentioned reasons it may be difficult to generalize the research findings. There may be other enabling factors which should be assessed, almost half of the existing private banks are not included in this study and also all participants are selected only from HR Department.

In general, Digital Human Resource Transformation process is relatively very new process in Ethiopian in general and in the banking sector in particular, the researcher recommends other practitioners, scholars, students and also organizations to conduct further research in the area using different models, enabling factors, sample size and sampling techniques which may result different findings.

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Appendix:

ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE

Master's Degree program in Human Resource Management

My name is Melaku Tilahun, a postgraduate student at Addis Ababa University School of Commerce in the field of Human Resource Management. Currently I am conducting a research titled "Assessment the readiness of Digital HR Transformation: A case of Private Banks in Ethiopia".

Interview guide

1. What is your current position in the bank?
2. What does digitalization and digital HR Transformation mean to you?
3. What is the current practice of HRM system in your Bank?
4. Do you believe transforming HR into digitalization is important in your bank? Why?
5. What are the problems your bank is facing due to not digitalizing its HR?
6. Is your bank considering the transformation of its HR into Digitalization? If yes, when will be it? If no what will be the reason?
7. What will your bank benefit from transform its HR into digitalization?
8. What will be the Role of HR leaders and HR Department in the digital transformation process?
9. What will be the challenges to transform HR into digitalization in your Bank?

Thank you for your time and valuable response!

**ADDIS ABABA UNIVERSITY
SCHOOL OF COMMERCE**

Master's Degree program in Human Resource Management

Dear respondents,

My name is Melaku Tilahun, a postgraduate student at Addis Ababa University School of Commerce in the field of Human Resource Management. Currently I am conducting a research titled “**Assessment the readiness for Digital Human Resource Transformation: A case of Private Commercial Banks in Ethiopia**”.

The purpose of this questionnaire is to collect data that is necessary to assess how the organization is ready to transform HR into Digitalization. The study is conducted for academic purpose purely and participation in this study is entirely voluntary. Your genuine, frank, timely response is very essential for the success of the study.

I kindly, request you to complete all parts of the questionnaire as your answers are essential in getting necessary data to meet the research objective.

For further information, you may contact researcher via 0918513317 or melakutilahun79@gmail.com. Thank you in advance for your cooperation.

Part I: Personal Information

Instruction: Please give your response by putting [√] mark or give your response on the blank space.

1. Gender: Male Female

2. Educational qualification (your highest education level)

Diploma BA/BSC Degree MA/MSC Degree PhD

2 .Job Category of your current Position:

Director Manager Senior Officer/expert Officer

4. How long have you been working in the Bank?

0-5 years 6-9 years

10-15 years above 15 years

5. Total experience in year On HRM:

0-3 years 4-7 years

8-10 years above 10 years

Part II: Factors Affecting Digital HR Transformation

Instruction: Please give your response by putting [√] mark or give your response on the blank space.

A: Top Management Support

How well do the following statements describe the top management in your organization?

No	The top management in your organization:	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	Has clear understanding about the importance of transforming HR into digitalization					
2	Encourage transforming HR into digitalization					
3	Can allocate enough budget to buy technology					
4	Can follow-up the process, give support and evaluate effectiveness of the transformation of HR into digitalization					

B: Awareness on the benefits of Digital HR Transformation

Indicate your level of agreement on the benefit to if the organization transform HRM system into digitalization.

No.	Digital HR Transformation in the organization can:	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	Reduce cost					
2	Increase efficiency and effectiveness					
3	Introduce new skills and new working environment					
4	Introduce new management method					
5	Create a culture of innovation					
6	Improve job satisfaction					
7	Improves work-life balance					
8	Create new jobs					
9	Integrate different HR functions					

C: Availability of Resources

If your Bank decides to transform HR into digitalization, indicate the level of availability of the following resource/s.

No.	Resources	Highly available	Available	Not known	Not Available	Its availability is not important
1	Availability of Technology which fit the requirement of the bank					
2	Availability of knowledge and skill to adapt the technology					
3	Availability of budget					

D: Role of HR Leaders

In the process of Digital HR Transformation in the organization, HR Leaders should play key role. What is your perception on the role of HR leaders' role?

No.	HR Leaders role, to play as:	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	Change agent					
2	Human resource integrator					
3	Technology advocator and utilize digital technologies for HR functions					
4	Capability builder					
5	Strategic positioner					
6	Advocating, adopting and managing the consequences of digital technologies					

E: Organizational Culture

Do you believe that your organization has a culture which helps to transform HR into digitalization?

No.	Your organization's culture:	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	Is easy to accept changes					
2	encourage innovation and creativity					
3	Value new skills					
4	Is technology adapter					

Thank you for your time and valuable response!