

The relationship between strategic human resource management and operational performance in BK

Moses Muhinda¹ and Mohammed bogere²

^{1,2} School of Business and Economics, Mount Kenya University,
Kigali, Rwanda

Abstract

BK authorities treats its employees with respect at work; there is a fair formal and written performance appraisal system; appraisal system helps employees to grow and develop their careers; employees are not asked by their supervisors to participate in operations related decision; employees are encouraged to suggest improvements in the way tasks and jobs are done; employees' contributions are not regarded as important and taken in good faith; individual and organizational growth needs are not matched in this organization; employees have freedom to take initiatives with how the job is done; employees are satisfied with the employment security the organization offers; employees' relationship with supervisors is a harmonious one; the Pearson's Correlation Coefficient reveals that there is a strong positive relationship between strategic human resource management and operational performance and represented $r=0.719^{**}$ tested at 0.01 level of significance. It has been established that strategic human resource management greatly affects operational performance.

Keywords: Strategic human resource management, Human resource management, Operational performance of commercial Banks and Organizational Performance

1. Introduction

According to Armstrong (2009), strategic human resource management (SHRM) emphasizes the need for the HR plans and strategies to be formulated within the context of overall organizational strategies and objectives and to be responsive to the changing nature of the organization's external environment. It is an approach, which requires interpretation and adaptation by practitioners to ensure the most suitable fit between HR business strategies and plans. Thus, the overall themes of SHRM are the integration of all HRM functions, adherence to broad organization goals and responsiveness to the external environment (Armstrong, 2009). To improve firm

performance and create firm competitive advantage, firm HR must focus on a new set of priorities. These new priorities are more business, strategic oriented, and less oriented towards traditional HR functions such as staffing, training, appraisal and compensation. Strategic priorities include team-based job designs, flexible workforces, quality improvement practices, employee empowerment and incentive compensation. SHRM was designed to diagnose firm strategic needs and planned talent development, which is required to implement a competitive strategy and achieve operational goals (Huselid, 2005).

Strategic human resource management is more important than other competitive source because these people use other assets in organization, create competitiveness and realize objectives. Thus, organizations must understand the expectations of their workforce in order to achieve the desired operational performance. The realization of the expectations of employees will enable the desired behavior of employees in the organization (Guest, 2002).

2. Review of Literature

Many researchers over the period have identified different SHRM practices by different names. Researchers variously refer to certain sets of SHRM practices as best practices or high performance. Huselid, *et al.*, (2005) argue the most appropriate term is Best HRM practices. However, according to Chandler and McEvoy (2000), one of the lingering questions in HRM research is whether there exists a single set of policies or practices that represents a universally superior approach to managing people Huang (1998) in a comparative research work of SHRM practices amongst American – owned, Taiwan – owned and Japanese – owned firms, examined the strategic level of HRM at 315 Taiwanese organizations. The findings indicated that American-owned firms were observed to engage in strategic human resource management more

repeatedly than Japanese- or Taiwan-owned firms. A positive relationship was furthermore found between the quantity of capital resources accessible to firms and the degree to which they practiced SHRM.

Wan (2002) in a study on strategic human resource management and organizational performance in Singapore examined the relationship between strategic HRM variables and firm performance. In the analysis, the SHRM variables are found to have a positive effect on organizational outcomes, especially with respect to a firm's HR performance job satisfaction, employee productivity and commitment. The findings points to the fact that if key strategic HRM practices are effectively implemented then firms will achieve higher levels of organizational performance. The study findings also show a possibility to the fact that different aspects of performance could be affected by different strategic HRM variables.

Rodwell and Teo (2008) in a study on the influence of strategic HRM and sector on perceived performance in health services organizations examined a variety of management characteristics of for - profit and not -for- profit organizations in the health services industry.

Onyango and Kipchumba (2012) in a study on SHRM practices and performance of Hotels in Kenya examined the relationship among strategic human resource management practices, motivation and organizational performance. The study also sought to establish the degree to which the connection between SHRM practices, employee motivation and firm performance depended on employee cultural values and organizational characteristics.

More recently, Barney (2001) has argued that 'sustained competitive advantage' (emphasis added) is achieved not through an analysis of a firm's external market position but through a careful analysis of its skills and capabilities, characteristics that competitors find themselves unable to imitate. Putting it in terms of a simple SWOT analysis, the resource-based perspective emphasizes the strategic importance of exploiting internal 'strengths' and neutralizing internal 'weaknesses' (Barney, 2001). The resource-based approach exploits the distinctive competencies of a work organization: its resources and capabilities. An organization's resources can be divided into tangible (financial, technological, physical and human) and intangible (brand-name, reputation and know-how) resources. To give rise to a distinctive competency, an organization's resources must be both unique and valuable. By capabilities, we mean the collective skills possessed by the organization to coordinate effectively the resources.

According to strategic management theorists, the distinction between resources and capabilities is critical to understanding what generates a distinctive competency (Hill and Jones, 2001).

3. Materials and Methods

Research design is the arrangement of conditions of collecting and analysing data in manner that aims to combine relevance to the research purpose with economy in procedure (Kothari, 2005). The study used a descriptive research design, in order to analyse phenomena in their natural environment, and collecting data through, for instance, questionnaires, document analysis, and so forth. A descriptive study allows us to describe events or phenomena in the everyday contexts in which they occur. There are a number of advantages in using descriptive studies. First, the examination of the data is most often conducted within the context of its use, that is, within the situation in which the activity takes place. Second, variation in terms of intrinsic, instrumental and collective approaches to case studies allow for both quantitative and qualitative analyses of the data. Third, the detailed qualitative accounts often produced in descriptive studies not only help to explore or describe the data in real-life environment, but also help to explain the complexities of real life situations which may not be captured through experimental or survey research (Zainal, 2007).

The overall target population was 152 staff from different departments at Bank of Kigali Headquarters, including Human resource Managers, Documentation and Archives Managers, Team of procurement Auditors, Logistics officer, and Administration Managers because they are the ones who may provide the useful information to test the hypothesis of this research. As Saunders, Lewis and Thornhill (2003) put it, a population can be defined as the totality of persons or objects with which a study is concerned target population was 152 employees of Bank of Kigali at Headquarters that were distributed across different departments (Bank of Kigali, 2019).

A sample is portion or part of the population of interest. The sample size of this study is 40 respondents. This represents 30% of the accessible population that is generally recommended (Mugenda and Mugenda, 2003).

Category of population	population	Percentage	Sample size
Top and Middle Management	15	30%	5
Human Resource Department	55	30%	16
Finance and Audit	20	30%	6
Marketing/Customer Service	30	30%	9
Technical Department	32	30%	4
Total	152	30%	40

Source: Proportional

4. Results and Discussion

4.1 Socio - demographic characteristics of respondents

This chapter presents information on primary data collected from respondents on strategic human resource management and operational performance of Bank of Kigali. Data were processed and presented in tables using IBM SPSS Statistics 23.

Interpretations given were on processed data collected from the field that sought to establish the impact of strategic human resource management on the performance of banks.

4.1.1 Gender Status

The staff of Bank of Kigali were asked to state their gender and below were their responses.

Table 4.1: Gender status

Gender	Frequency	Percentage (%)
Male	29	72.5
Female	11	27.5
Total	40	100

Source: Researcher (2019)

From Table 4.1, 29 (72.5%) of the respondents were male while the female respondents were 11 (27.5%).

This clearly confirms the fact the rural banking sector is male dominated.

4.1.2 Age

Table 4.2: Age Category of Respondents

Age group	Frequency	Percentage (%)
20-29	12	30
30-39	21	52.5
40-49	3	7.5
50 and above	4	10
Total	40	100

Source: Researcher (2019)

Table 4.2 gives the age range of the employees of Bank of Kigali. The findings indicate that 12 (30.0%) were in the age bracket of 20-29; 21 (52.5%) were aged between 30-39 years; 3 (7.5%) of the respondents were in the age bracket of 40-49 years; and 4 (10.0%) were 50 years and above. This indicates that most of these employees belong to the youthful and mature range of ages. This therefore

means that banks of today prefer having younger and exuberant employees. This could also mean that younger employees may serve as a means of making banks appealing to the youth.

4.1.3 Educational Background

The staff of Bank of Kigali were asked to state their education level and below was their responses

Table 4.3: Education Level

Respondents	Frequency	Percentage (%)
Doctorate	2	5
Master's degree	18	45
Bachelor's degree	11	27.5
Secondary school	9	22.5
Total	40	100

Source: Researcher (2019)

From Table 4.3, the findings indicate that out of a total of 40 respondents 2 (5%) have doctorates;

Master's degree holders are 18 (45%); Bachelor's degree holders are 11 (27.5%); and secondary school

are 9 (22.5%). Giving a majority of the respondents as Master's and Bachelor's degree holders means that employees of the bank are skilled or can be easily trained to handle the changing customer needs.

4.1.4 Duration of Service

The staff of Bank of Kigali were asked to state their duration of service and below was their responses.

Table 4.4: Duration in service

Respondents	Frequency	Percentages (%)
1-2 years	2	5
2-3 years	8	20
3-4 years	13	32.5
4 years and above	17	42.5
Total	40	100

Source: Researcher (2019)

According to Table 4.4, the findings show that, 2 (5%) had been with Bank of Kigali for 1-2 years; 8 (20%) for 2-3 years; 13 (32.5%) for 3-4 years; and 17 (42.5%) for more than 4 years. Majority of respondents being 3 years and above indicates that

the bank has skilled and experienced employees hence its performance.

4.2.0 Strategic human resource management practices used in BK

4.2.1 Selective Staffing

Table 4.5: SHRM encourages proactive rather than reactive behavior

Response	Frequency	Percentages (%)
Strongly Agree	21	52.5
Agree	11	27.5
Not Sure	1	2.5
Disagree	2	5
Strongly Disagree	5	12.5
Total	40	100

Source: Researcher (2019)

Table 4.5 shows that 21 (52.5%) of the respondents strongly agreed; 11 (27.5%) of the respondents agreed; 1 (2.5%) of respondents were not sure; 2 (5%) disagreed; and 5 (12.5%) strongly disagreed with the statement that SHRM encourages proactive

rather than reactive behavior. Majority of the response being on agree and strongly agree shows that SHRM encourages proactive rather than reactive behavior in Bank of Kigali.

Table 4.6: Line managers are involved in the human resources planning process.

Response	Frequency	Percentages (%)
Strongly Agree	21	52.5
Agree	13	32.5
Not Sure	1	2.5
Disagree	2	5
Strongly Disagree	3	7.5
Total	40	100

Source: Researcher (2019)

Table 4.6 shows that 21 (52.5%) of the responses strongly agreed; 13 (32.5%) agreed; 1 (2.5%) were not sure; 2 (5%) disagreed; and 3 (7.5%) strongly disagreed with the statement that line managers are involved in the human resources planning process. Majority of the responses being on agree and strongly agree shows that line managers are involved in the human resources planning process.

Pearson's Correlation Coefficient

Under this objective, the study focused on how effective strategic human resource management impacts on operational performance of commercial banks. This relationship is supported by the Pearson's Correlation Coefficient as shown in Table 4.7

Table 4.7: Strategic human resource management and operational performance

		Strategic human resource management	Operational performance
Strategic human resource management	Pearson correlation sig. (2-tailed)	1	.719**
	N	40	40
Operational Performance	Pearson correlation sig. (2-tailed)	.719**	1
	N	40	.40

****.** Correlation is significant at the 0.01 level (2-tailed)

The Pearson's Correlation Coefficient in Table 4.7 reveals that there is a strong positive relationship between strategic human resource management and operational performance. This is represented by Pearson's Correlation Coefficient of $r=0.719^{**}$ tested at 0.01 level of significance. It was concluded that strategic human resource management greatly affects operational performance.

5. Conclusions

Pearson's Correlation Coefficient reveals that there is a strong positive relationship between strategic human resource management and operational performance. This is represented by Pearson's Correlation Coefficient of $r = 0.719^{**}$ tested at 0.01 level of significance. It was concluded that strategic human resource management greatly affects operational performance.

Acknowledgments

I wish to acknowledge Dr. Mohammed Bogere for his contribution to this work from the beginning up to it's the completion. I need to extend my acknowledgement to the Mount Kenya University, Bank of Kigali authorities for their support and collaborative in term of data collection

Reference

[1] Ahmad, O. and Schroeder. (2003). The Impact HRM Practices on Operational Performance: Recognizing Country and Industry Differences. *Journal of Operations Management*, 2(1), 19-43.

[2] Al-Ahmadi. (2009). Factors Affecting Performance of Hospital Nurses in Riyadh Region, Saudi Arabia. *International Journal of Health Care Quality Assurance*, 22(1), 40 – 54.

[3] Amit, and Shoemaker (2003): Emphasize on the strategic importance of managers.

[4] Anderson, G.E. and Arsenault, N. (2008). *Fundamentals of Education Research*. London: Falmer Press.

[5] Andrade, A. D. (2009). *Interpretive research aiming at theory building: Adopting and adapting*

[6] *the case study design*. The Qualitative Report, 4(3), 42-60.

[7] Apostolou. (2000). *Employee Involvement" Dissemination of Innovation and Knowledge Management Techniques*. Technical University of Crete.

[8] Appelbaum et al.(2000). *Manufacturing Competitive Advantage: The Effects of high performance work systems on plant performance and company outcomes*. New York: Cornell UN Press.

[9] Armstrong. (2006). *A Handbook of Human resource management practice. 10th edition*. Cambridge University Press.

[10] Armstrong. (2009). *A Handbook of Human Resources Management. (11th ed.)*. London: Kogan Page.

[11] Armstrong. (2010). *Essential Human resource Management Practice: A Guide To People Management*. Kogan Page Publishers.

[12] Ballantyne. (2009). 'Managing Customer Services: Human Resource Practices, Quit Rates and Sales Growth'. *Academy of Management Journal*, 4(5), 3-17.

[13] Bamberge and Meshoulam. (2000). *Human Resource Strategy: Formulation, Implementation and Impact*. Sage: Beverly Hills.

[14] Bamberger and Meshoulam . (n.d.). *Human Resource Strategy: Formulation, Implementation, and Impact*, Sage. Beverly Hills: CA.

[15] Becker (2001). *The Human Resource Scorecard: linking People, Strategy and Performance*. Boston: Harvard Business School Press.

[16] Benevene and Cortini. (2010). Human resource strategic management in NPOs: An explorative study on managers' psychosocial training. *Journal of Workplace Learning*, 1(22), 508–521.

- [17] Bob. (2001). Making employees suggestions Count. *Journal of Personnel Management*, 1(7), 20 -41.
- [18] Boselie and Boon. (2005). Commonalities and contradictions in HRM and performance research. *Human Resource Management Journal*, 15(3), 67–94.
- [19] Boxall and Purcell. (2003). *Strategy and Human Resource Management*. London: Macmillan.
- [20] Bratton and Gold. (2007). *Human Resource Management: Theory and Practice. 4th ed.* London: Palgrave.
- [21] Browns (2009) in a study on compensation
- [22] Bryman, A. and Bell, E. (2003). *Business research methods*, Oxford University Press
- [23] Byrne, D. (2002). *Interpreting Quantitative Data*. London: SAGE Publications.
- [24] Carver, R. H. and Nash, J. G. (2009). *Doing Data Analysis with SPSS Version 16*. Boston: a. Cengage Learning.
- [25] Dess and Picken. (2009). *Beyond Productivity: How Leading Companies Achieve Superior Performance By Leveraging Their Human Capital*. New York: American Management Association.
- [26] Dimba and K’Obonyo (2009) in their study wanted to establish whether the effect of human resource management practices on organizational performance
- [27] Drucker, P. (2008). *New Insights into the Link Between HRM Integration and Organizational Performance: The Moderating Role of Influence Distribution Between HRM*.
- [28] Dyer. (2005). *Human Resource Management: Evolving Roles and Responsibilities*. Washington DC: Bureau of National Affairs.
- [29] Dyer, L., and Reeves. (2005). *Human resource strategies and firm performance: What do we know and where do we need to go? Paper presented at the 10th World*. Washington, DC: Congress of the International Industrial Relations Association.
- [30] Ferris (1990) in a study of 2,236 firms from the U.S construction industry addressed the roles played by three important organizational functions and activities on firm performance
- [31] Guest. (2007). Human Resource Management and Industrial Relations. *Journal of Management Studies*, 24 (5), 503-521.
- [32] Guest. (2002). Human Resource Management, Corporate Performance and Employee wellbeing: Building the worker into HRM. *The Journal of Industrial, Relations* 44(3), 335-358.
- [33] Foddy, W. (2004). *Constructing questions for interviews and questionnaires: theory and practice in social research*, CambridgeUniversity Press, the UK
- [34] Hendry and Pettigrew. (2000). Human resource management: An agenda for the 1990s. *International Journal of Human Resource Management*, 1(5), 17-43.
- [35] Hewitt. (2009). The Impact of Human Resource Management Practices on Turnover, Productivity and Corporate Financial Performance. *Performance.Academy of Management Journal* , 3(8), 635–670.
- [36] Holbeche. (2004). *How to make work more meaningful*. Personnel Today, 26.
- [37] Lee and Miller . (2009). *Beyond Productivity: How Leading Companies Achieve Superior Performance By Leveraging Their Human Capital*. New York: American Management Association.
- [38] Marshall C and Rossman, G.B. (2009). *Designing qualitative research* 3rd edition Thousand Oak
- [39] Mason, J. (2002). *Qualitative researching* 2nd edition London SAGE.
- [40] Terpstra and Rozell’s. (2008). *Strategic Management: Formulation, Implementation and Control*. New Delhi: McGraw Hill Education.
- [41] Wan- Jing, C., and Tung. (2005). Relationship between strategic HRM and firm performance: A contingency perspective. *International Journal of Manpower*, 26 (5), 234-359.
- [42] Werbel and DeMarie . (2005). Aligning Strategic HRM and Person-Environment Fit. *Human Resource Review*, 1(5), 247-267.
- [43] Wiese and Buckley. (2002). Theoretical Perspectives for Strategic Human Resource Management. *Journal of Management*, 18(2), 295-320.
- [44] Wright and Snell. (2005). The relationship between HR practices and firm performance: examining causal order. *Personnel Psychology Journal*, 58(2), 409-446.
- [45] Wright (2005). *Toward an integrative view of strategic human resource management*. Human Resource Management Reviewn, 1(8), 203-22