



**ST.MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES**

**THE ROLE OF STRATEGIC HUMAN RESOURCE
MANAGEMENT ON ORGANIZATIONAL
EFFECTIVENESS:
THE CASE OF ETHIO TELECOM**

**BY
HAFTU WELDETEKLE**

OCTOBER, 2013

ADDIS ABABA

ETHIOPIA

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**A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY,
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(HRM CONCENTRATION)**

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DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of my advisor *Dr. Worku Mekonnen* (*Asst. Prof*). All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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Name

Signature & Date

ENDORSEMENT

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a university advisor.

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LIST OF ABBREVIATIONS AND ACRONYMS

HPWS: High Performance Work System

HRM: Human Resource Management

HRP: Human Resource Planning

KSAs: Knowledge, Skill and Attitude

OE: Organizational Effectiveness

SHRM: Strategic Human Resource Management

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ABSTRACT

This study examines the role of Strategic Human Resource Practices on Organizational Effectiveness the case of Ethio Telecom. Many authors have maintained that strategic human resource managements directly linked to organizational performance. Effectiveness as a measure of organizational performance has different dimensions in different studies considering the context/sector of organizations'. For the case of this study Organizational Effectiveness is explained in terms of the Balanced Scorecard dimensions. It is to mean that, an organization is effective to the extent the four dimensions are achieved (i.e., Financial growth, Customer satisfaction, Learning & development and Internal Process). Effective human resource management strategy systematically organizes all individual human resource management practices to directly influence employee attitude and behavior in a way that leads business to achieve its effectiveness. This paper develops a conceptual framework that explains the relationship between strategic human resource management and organizational effectiveness. This study uses regression analysis to test the hypotheses in a sample of 121 respondents' and to predict the effect of strategic HRM on the effectiveness of the organization. The results indicate that strategic human resource practices are positively related to each other and with organizational effectiveness (except the placement system has a negative relationship with organizational effectiveness due to some reasons of placing employees in a position which is not related with their KSAs). The strategic HRM is moderately practiced by the organization 70 %. The findings provide evidence that Strategic HRM plays a moderate role for the effectiveness of the organization, 52%. Following the major findings finally, this study discusses strategic implications and highlights future research directions. For example, one the strategic HR Planning Model, Strategic Performance Management process and HRM practices & company strategy linking procedures has been proposed for the organization; and two a program structure improvement directions for the University collage to enable students demonstrate the role Strategic HRM should play in organizational effectiveness.

Key Words: *Human Resource Management, Strategic Human Resource Management, and Organizational Effectiveness.*

CHAPTER-ONE

INTRODUCTION

1.1. Background of the Study

As compared to both science & other business literatures, the modern approach of HR Management called the Strategic Human Resource Management is an infantile discipline. The academic literature on SHRM published in the last 25 years has been written primarily by researchers in the United States. Most were attempting to describe and support U.S. companies' experimentation with new production technology and employment systems to remain globally competitive in the face of enormous technological change, increasing educational levels of the labour force, greater economic volatility, industry deregulation, and increased global competition in the manufacturing sector, particularly from Japan and Germany (Marier, 2012).

As the field of strategic human resource management continues to grow, it has attracted international scholars and researchers. Considering the macro domain of the human resource management discipline, strategic human resource management mainly focuses on firm-level human resource phenomena and the relationship between human resource practices and firm performance (Lepak& Shaw, 2008).

Strategic human resource management research rests on cross-disciplinary foundations from industrial relations, institutional economics, labour economics, human resources, industrial organization economics, organizational theory and strategic management. Although the discipline is still evolving, SHRM researchers draw from one of four dominant theoretical perspectives. The first three perspectives: the **Universalist** perspective, the **Configurational** perspective, and the **Contingency** perspective emerged in the U.S. (Lepak& Shaw, 2008). The fourth perspective, the **Contextual** perspective, was first introduced by scholars outside the United States (Martin-Alcazar, Romero-Fernandez & Gardey, 2005).

Strategic human resource management (SHRM) represents a relatively new transformation in the field of human resource management. SHRM is concerned with the role human resource management systems play in firm performance, particularly focusing on the alignment of human resources as a means of gaining competitive advantage. Organizations are becoming aware that successful human resource policies and practices may increase performance in different areas such as productivity, quality and financial performance (Esra, 2010).

Organizations that desire to be effective are increasingly realizing that the varied factors contributing to the attainment of setting goals and objectives, the human resource is the most critical. Physical assets, such as facilities, products and services or technologies can be cloned or imitated by another organization. Human assets cannot be duplicated and therefore, becomes the competitive advantage that an organization enjoys (Marier, 2012).

The development of any nation, therefore, depends to a very large extent on the caliber, organization and motivation of its human resources. How well an organization performs its mission and accomplishes its goals of program service delivery is of paramount concern. Improving administrative capacity and especially, those aspects dealing with human resource offer the most challenge for improving organizational effectiveness. Strategic Human Resource Management (SHRM) enhances employee productivity and the ability of organizations to achieve their mission (Jules and Holzer, 2001). Integrating the use of human resource practices into the strategic planning process enables an organization to better achieve its goals and objectives.

Many studies (for example, Bowen and Ostroff, 2004; Singh, 2004; Katou and Budhwar, 2006; Dimba and K'Óbonyo, 2009) examining the effect of strategic human resource management practices on organizational performance have been conducted especially in the developed countries. But, most of these studies were actually based on the operations of big private business organizations. How public sector responds

to strategic HRM practices is still an unanswered question in the literature. This study fills the identified gap by evaluating strategic HRM practices in the public sector particularly in Ethio Telecom.

1.2. Statement of the Problem

The performance of organizations has been the focus of intensive research efforts in recent times. How well an organization implements its policies and programs and accomplishes its strategic intent in terms of its mission and vision is of paramount concern. Managers in both private and public organizations are becoming increasingly aware that a critical source of competitive advantage often do not come from indigenous product and services, best public relations strategy, state-of-the-art technology but from having an appropriate system of attracting and managing the organization's human resources (Ayanda and Sani, 2010).

Despite the large amount of literature on strategic HRM produced since the late 1990s, there is very little solid evidence on the ways in which various types of human resource management strategies and practices are shaped in practice in public organizations and how their synergistic effect can impact on organizational effectiveness. The majority of the studies on strategic HRM (mostly US based) focused on the impact of strategic HRM practices on organizational performance of the big business organizations (Ayanda and Sani, 2010).

There is, therefore, a shortage of research on the relationship between strategic HRM practices and organizational effectiveness. Consequently, this is an area ripe for research and the filling of this gap is, therefore, the basic problem that this research work is designed to resolve.

Current researches show that strategic human resource management practices are important for the enhanced corporate performance of private sector organizations (e.g. Katou and Budhwar, 2007; Dimba and K'Óbonyo, 2009), but little has been reported on the effect of these practices on public sector organizations. Results also

obtained that strategic human resource management alignment with overall organizational objectives; line management development, training and development, compensation, career planning system and employee participation are the most important strategic HRM practices that impacted more on organizational effectiveness in the public sector. This paper attempted to cover this gap by examining the role of strategic HRM practices on the effectiveness of one of the public sector telecom service provider in Ethiopia called **Ethio telecom**.

As a continuation of the last five-year plan and after concentrating its efforts on education, health and agriculture, the Ethiopian government has decided to focus on the improvement of telecommunication services, considering them as a key lever in the development of the country. Ethio Telecom, 2010 is born from this ambition of supporting the steady growth of our country. The company wishes to implement state-of-the-art processes, to develop reliable network infrastructure and to provide the best quality of services to its customers. This is the company's mission; this is what drives all ethio telecom actions.

To ensure that ethio telecom runs parallel with top telecom operators, the Ethiopian government has been reached an agreement with one of the world's leader telecommunication companies France Telecom. The agreement was signed in the assumption that it will help Ethio Telecom to improve its management capability through the transfer of world-renowned expertise and skills.

The Ethiopian government has decided to transform the telecommunication infrastructure and services to world class standard, considering them as a key lever to the development of Ethiopia. Thus, ethio telecom is born from this ambition in order to bring about a paradigm shift in the development of the telecom sector to support the steady growth of our country.

To reach on and achieve the above both the sector's (telecom) growth and country development, the company has established with ambitious Vision, Mission, Strategies, Goals and Objectives.

Considering the scope and depth of the company's operation it has structured in to 12 divisions: Residential Marketing, Enterprise Marketing, Marketing Communication, Customer Service, Network, Information System, Finance, Sourcing & Facilities, Process & Quality, Internal Audit, Legal and Human Resource divisions. All these divisions have been designed their business strategies consistent with the corporate strategies. The HR division has also designed in to four departments with the following missions: Draw an HR Strategy based on Company Strategy, Provide to the company the right people at the right place, manage Human Resources, and perform the internal communication.

However, the degree to which the HR division's strategies are aligned with the company's both corporate and business strategies is not visible. The methods, procedures and processes applied are not adequate. Thus, the purpose of the research is designed to address this problem by providing answers to the following research questions.

1.3. Research Questions

The study is designed to provide answers to the following research questions:

- a.** To what extent is strategic HRM practiced by the Organization?
- b.** Is there any relationship between strategic HRM practices and effectiveness of the Organization?
- c.** Does the Organization's strategic approach to HRM experience better performance outcomes?
- d.** How can strategic HRM contribute towards the overall improvement effectiveness of the Organization?

1.4. Objectives of the Study

The general objective of the study is to examine the role of Strategic HRM practices on the Effectiveness of Ethio telecom. The specific objectives of the study are to:

- show the extent to which strategic human resource management is practiced by the organization;
- examine the degree of relationship among the individual strategic human resource management practices;
- show the relationship between individual strategic human resource management practices and organizational effectiveness;

1.5. Research Hypothesis

In order to provide answers to the basic questions raised above, the following hypotheses have been tested in their null (H_0) form:

H₀₁: Strategic HRM is not practiced by the organization (Ethio telecom).

H₀₂: There are no significant interrelationships between the individual strategic HRM sub-systems.

H₀₃: There is no significant relationship between strategic HRM practices and Organizational Effectiveness.

H₀₄: Strategic HRM practices have no significant effect on organizational effectiveness (OE).

1.6. Operational Definition of Terms

Placement System: as a function of Strategic HRM used in this study is operationally defined as a process of recruiting, selecting and assignment of employees in the position which is related with their KSAs.

Organizational Effectiveness: theoretically there is not an agreed and universal definition of organizational effectiveness as a measure of organizational performance. It is a construct that can have different definitions depending on the context, size and industry type of an organization. Hence, for the purpose of this study organizational effectiveness is operationally defined as the ability/ the extent to which an organization is achieving the four Balanced Score Card dimensions such as: Financial growth, Learning & Development, Internal Process and Customer satisfaction.

1.7. Significance of the Study

The research has been conducted in such a way that it has certain significances for practices as well as literature:

- ★ The findings of the study will help the organization to identify areas of potential problems related with the organization's human resource practices: mainly training & development policies, performance management system, career paths, compensation & reward policies and selection procedure which will have a direct or indirect impact on the organization's effectiveness.
- ★ The recommendations which described based on the conclusions of the research findings will help the organization either maintain, improve or totally change the existing HR strategic approach. Besides, the study adds value for the researcher gaining more knowledge regarding the topic and then getting the opportunity to work on strategy formulation, analysis and implementation of the organization and to conduct a research with similar titles in different public sectors.
- ★ The study will help other governmental or nongovernmental organizations as a tool to customize the suggested models in to organizational context to improve their HR related strategic problems.
- ★ The study will help other researchers working in similar/related topics as a reference.

1.8. Delimitation/Scope of the Study

The scope of the study focuses on the management of the organization which includes chief officers, officers and managers who popularized the concept of mission, vision statements and strategies in the organization. Though, the general objective of this study is to examine the role of strategic HRM practices on the effectiveness of Ethio telecom, only management group working in the fundamental areas for strategy are considered. The justification is that chief officers, officers and managers are the engine supposed to drive the organization's business and effectiveness of organizational policies and programs.

Accordingly, the study is delimited to the whole company's geographical location to involve all management group in the company. To collect the required data for analysis questionnaire & interview tools were used. Data were analyzed applying descriptive and inferential analysis using econometric analysis tool (*STATA 2013 v.11*) by specifying a model.

1.9. Organization of the Paper

The paper is organized into five chapters. Chapter one discusses the introductory part which comprises Background of the Study, Statement of the Problem, Research Questions, Objectives of the Study, Hypothesis, Operational definition of Terms, Significance of the Study, Delimitation/Scope of the Study.

The second chapter is the review of related literature which contains the relevant literature compiled as related to the study. The third chapter describes the Methods of the Study, which covers the research design, the population and sampling techniques applied, types of data used and the tools/ instruments adopted to collect the data, the procedure of data collection and methods of data analysis.

The fourth chapter is about the dissemination of the research results/ findings and discussion of those results. And the final chapter is about the conclusion of the research findings and recommendations which aimed at addressing the research questions posed based on the statement of the problem.

CHAPTER-TWO

REVIEW OF RELATED LITERATURE

The review of related literature for Strategic Human Resource Management part encompasses four parts; the Theoretical literature, Organizational effectiveness, Empirical studies, and Conceptual framework of the study.

The first part theoretical literature includes the definitions of strategic related terms, Strategic HRM, features, approaches of SHRM, the nature of SHRM and the practices of Strategic HRM. The second part empirical literature reviews various empirical studies on strategic human resource management and some selected countries' experience on SHRM. The third part, organizational effectiveness states the definition, models, and tools for making an organization to be effective.

The last part illustrates the conceptual framework of the study to demonstrate the relationship between the identified dependent variable organizational effectiveness which elaborated with its indicators and how it could be affected by the independent variables of SHRM practices. In the case of this study, the following SHRM practices are identified as an independent variables; Integration of HRM with Corporate Strategies, Delegation of HR Practices to Managers, Placement System, Training and Development System, Strategic Performance Management System, Strategic Compensation System, Career Planning System, Employee Participation.

2.1 Theoretical Literature

2.1.1 Definitions of terms Related to SHRM

The definition of terms related to the topic is significant in helping readers to easily understand the concepts of these terms; they're interrelated elements, and relationships to each other, implications to circumstances and their impact to each other and other related variables. The following key terms are defined below: Strategy, Strategic Planning, and Strategic Management, HR Planning, HRM and Strategic HRM.

Strategy: It is the formulation of organizational missions, goals, and objectives, as well as action plans for achieving that explicitly recognize the competition and the impact of outside environmental forces. It is the plan for how the organization intends to achieve its goals. The means it will use, the courses of action it will take, and how it will generally operate and compete constitute the organization's strategy (Belcourt and M^cBey, 2009).

Strategic Planning: Strategic planning is the systematic determination of the organizations' goals and objectives and the technique to transform it into plans to achieve them. A *strategic plan* is a tool that provides guidance in fulfilling a mission with maximum efficiency and impact. If it is to be effective and useful, it should articulate specific goals and describe the action steps and resources needed to accomplish them. As a rule, most strategic plans should be reviewed and revamped every three to five years.

Strategic plans are comprehensive documents that cover all aspects of an organization's work, including programs and services, management and operations, fundraising and finances, facilities and governance. Depending on the organization's scope and emphasis, a plan might also describe approaches to enhance marketing, internal and external communications, membership development and administrative systems (Mittenthal, 2002).

Strategic Management: Strategic management consists of the analysis, decisions, and actions an organization undertakes in order to create and sustain competitive advantages. This definition captures two main elements that go to the heart of the field of strategic management. First, the strategic management of an organization entails three ongoing processes: analysis, decisions, and actions.

Second, the essence of strategic management is the study of why some firms outperform others. Thus, managers need to determine how a firm is to compete so that it can obtain advantages that are sustained over a lengthy period of time. That means focusing on two fundamental questions: How should we compete in order to create competitive advantages in the marketplace? (Dess, Gregory G. & et al, 2005)

HR Planning: Human Resources Planning focuses on analyzing an organization's HR needs as the organization's conditions change, and then supplying strategies to help respond proactively to those changes over time. HRP helps ensure that the right numbers of the right kinds of people are available at the right times and in the right places to translate organizational plans into reality (Rothwell and Kazanas, 2003).

HR Management: Human resource management is defined as a strategic and coherent approach to the management of an organization's most valued assets – the people working there, who individually and collectively contribute to the achievement of its objectives.

Strategic HRM: Strategic human resource management (SHRM) is an approach to the development and implementation of HR strategies that are integrated with business strategies and enable the organization to achieve its goals. In essence, strategic HRM is conceptual; it is a general notion of how integration or 'fit' between HR and business strategies is achieved, the benefits of taking a longer-term view of where HR should be going and how to get there, and how coherent and mutually supporting HR strategies should be developed and implemented (Armstrong, 2008).

Strategic HRM is largely about integration and adoption. Its concern is ensuring that: (1) human resources (HR) management is fully integrated with the strategy and the strategic needs of the firm; (2) HR policies cohere both across policy areas and across hierarchies; and (3) HR practices are adjusted, accepted, and used by line managers and employees as part of their everyday work. It is the process by which organizations seek to integrate the human, social, and intellectual capital of their members with the strategic needs of the firm (Greer 2001).

HR Strategy: HR strategies set out what the organization intends to do about its human resource management policies and practices and how they should be integrated with the business strategy and each other. Dyer and Reeves (1995) in Armstrong 2008, they are described by as 'internally consistent bundles of human resource practices', and in the words of Peter Boxall (1996) they provide 'a framework of critical ends and means'.

2.1.2 Strategic Human Resource Management

Strategic human resource management is the process of linking the human resource functions with the strategic objectives of the organization in order to improve performance. It has also been defined as; 'a set of distinct but interrelated practices, policies, and philosophies with the goal of enabling the organization to achieve its strategy. By involving HR in discussions of strategic policies, an organization has a better chance of being effective in the implementation of those policies. The various approaches to linking HRM strategies are the corporate strategy that leads to the HR strategy, the HR competencies that lead to the business strategy, and the interrelationship of the HR strategy and the corporate strategy' (Belcourt and M^cBey 2009).

It is the planned pattern of human resource deployment and activities intended to enable the organization to meet organizational goals and objectives (Noe et al. 2007). In other words, the definition of SHRM cited by the authors shows that it is the degree of participation in core decision-making and partnership undertaken by HRM departments, and the specificity and formality that HRM departments require in planning and implementing, all of that, to ensure that firm human capital contributes to achieving firm's business goals.

2.1.2.1 Background and Concepts of SHRM

Strategic HR management is all about the integration of HR unit practices to corporate strategy. It started its move from the era of person-job-fit characterized by vertical integration, efficiency and productivity, focus in administrative function, division of labor and work standardization. The present and future face of strategic HR management noticeable by knowledge based competition, innovation and change, learning culture, uniqueness, agility and building intellectual capital.

Strategic Human Resource Management implies a managerial orientation that ensures human resources are employed in a manner conducive to the attainment of organizational goals and mission.

The concept of Strategic Human Resource Management evolved in the 1990s with an increase emphasis on a proactive, integrated and value driven approach to human resource management (Schuller, 1992) in (Armstrong 2008).

Strategic HRM focuses on several issues including the fit between human resource management practices and organizational strategic goals, the integration of human resource management in the organizational strategic management, the involvement of human resource function in senior management teams, the development of human resource practices to line managers and taking of strategic approach to employee selection, compensation, performance appraisal and the value that is added to the organizational performance by HRM.

It has also been defined as the pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals (Wright and McMahan, 1999). The latter definition highlights the two important dimensions that distinguish SHRM from traditional HRM. It links HR practices with the strategic management process of the firm vertically and horizontally, it emphasizes that HR practices are integrated and support each other.

The fundamental aim of strategic HRM is to generate a perspective on the way in which critical issues relating to people can be addressed. It enables strategic decisions to be made that have a major and long-term impact on the behavior and success of the organization by ensuring that the organization has the skilled, committed and well motivated employees, which the organization needs to achieve sustained competitive advantage. Its rationale is the advantage of having an agreed and understood basis for developing approaches to people management in the long term by providing a sense of direction in an often turbulent environment (Armstrong, 2006).

2.1.2.2 Perspectives of Strategic HRM

Different academic fields tend to gravitate to specific perspectives. For example, industrial relations and labour economics scholars generally adhere to a Universalist and configuration perspective in explaining how systems of human resource management practices are related to organizational performance. Those from the field of business policy and strategic management generally take a contingency perspective. Scholars in the fields of comparative and international human resources, sociology, and political economics are a disparate group, although they tend to adopt a contextualist perspective. The details on the views of different perspectives are discussed in the next section as follows:

2.1.2.2.1 Universalist Perspective

Delery and Doty (1996) first formally identified the Universalist mode of theorizing in the early strategic human resource literature. As they noted:

'Universalistic arguments are the simplest form of theoretical statement in the SHRM literature because they imply that the relationship between a given independent variable and a dependent variable is universal across the population of organizations. Developing universalistic predictions requires two steps. First, important strategic HR practices must be identified. Second, arguments that relate the individual practices to organizational performance must be presented', (p. 805)

The statement suggests that the relationship between HRM practice and organizational performance occurs, no matter the context in which an organization operates, is what separates this mode of theorizing in SHRM from the others.

2.1.2.2.2 Configurational Perspective

The second SHRM theoretical framework, the Configurational perspective, explains how systems, clusters, or bundles of human resource management practices interact with each other to have synergistic outcomes at the organizational level. As Lepak and Shaw (2008) explained:

Researchers focusing on this perspective have used a variety of terms such as "horizontal fit," "internal fit," "complementarity," or "bundling" (Baird & Mesboulam, 1988; Delery & Doty, 1996; Wright & McMahan, 1992) to emphasize the focus on alignment among multiple HRM practices.

This perspective suggests that a configuration of a set of internally aligned HRM practices will have a much greater ability to explain variation in organizational performance than single HRM practices taken in isolation (Delery, 1998).

2.1.2.2.3 Contingency Perspective

The third SHRM theoretical framework is based on classical contingency theory. The choice of HRM practices and the relationship these practices have with organizational performance depends on external environmental factors as well as on organizational factors, primarily the strategies the organization formulates and deploys to successfully adapt to a changing external environment (Scott, 1995).

2.1.2.2.4 Contextualist Perspective

The fourth SHRM theoretical mode of theorizing is the contextualist perspective. Unlike the other three modes, this perspective encompasses the particularities of geographic and industrial contexts and macroeconomic and social factors such as business systems (Tempel & algenbach, 2007), varieties of capitalism (Edwards & Kuravilla, 2005), historical path dependence, and institutional environments.

International SHRM scholars applying this theoretical framework to identify and describe how these various macro-social factors affect the relationship between HRM practice and organizational performance (Martin-Alcazar et al., 2005). This last theoretical perspective was having limited application in U.S. strategic human resource management scholarship to date.

This paper assumes the resource-based view as its tool of analysis and through its determinants of competitive advantage, supports the configuration perspective's rejection of the universalistic perspective of SHRM by proposing and demonstrating that a

universal typology of HR best-practices offers no competitive advantage to a firm. Instead, it is proposed that firms should take a configurational approach to SHRM and develop an HR system that achieves both horizontal and vertical fit within the firm and fosters sustainable competitive advantage of the firm's human resource capital pool.

2.1.2.3 Features and Principles of Strategic HRM

Based on the concepts and its nature as a departure from the transitional HRM, Strategic HRM has the following features and principles according to Armstrong, (2008);

➤ **Features:**

The main features of strategic human resource management are:

1. As strategic human resource management is closely associated with goal-setting, policy formulation and allocation of resources, it performs at top management levels.
2. Strategic human resource management aims at fulfilling the long-term HR requirements of the organization and, thus, focuses on the expansion of process capabilities (process refers to HR policies and procedures that produce efficiency).
3. It is interrelated with business strategies. For instance, it provides critical inputs to the formulation of business strategy, and specific HR strategies (like recruitment, training and performance appraisal) are in turn shaped by overall business strategies.

➤ **Principles:**

Strategic HRM supplies a perspective on the way in which critical issues or success factors related to people can be addressed and strategic decisions are made that have a major and long-term impact on the behavior and success of the organization. It is not just concerned with 'mirroring current conditions or past practices' (Smith, 1982). As a means of developing integrated HR strategies, strategic HRM is facilitated to the extent to which the following seven principles set out by Ondrack and Nininger (1984) in Armstrong, (2008) are followed:

- ↻ There is an overall purpose and the human resource dimensions of that purpose are evident.
- ↻ A process of developing strategy within the organization exists and is understood, and there is explicit consideration of human resource dimensions.
- ↻ Effective linkages exist on a continuing basis to ensure the integration of human resource considerations with the organizational decision-making process.
- ↻ The office of the chief executive provides the challenge for integrating human resource considerations to meet the needs of the business.
- ↻ The organization of all levels establishes responsibility and accountability for human resource management.
- ↻ Initiatives in the management of human resources are relevant to the needs of the business.
- ↻ It includes the responsibility to identify and interact with the social, political, technological and economic environments in which the organization is and will be doing business.

2.1.2.4 Linking HR Processes to Strategy

An emphasis has to be made here; the central idea of the relationship between an organization's performance and its synergistic HR practices is the strategic linkage in between. Strategic HRM must facilitate the formulation and implementation of corporate and business-level strategies. Senior managers must focus on issues such as: what are the HR implications of adopting a strategy? What are the internal and external constraints and opportunities? Exactly what policies, practices and philosophies contribute to the successful implantation of the strategy?

The basic premise is that every HR policy and practice must directly support the organizations strategy and objectives. This does not happen as frequently as it should. In the worst-case scenario, HR plans are developed as an afterthought and separate from organizational strategy. They are not relevant to the business and are seen as important only by the HR people. No other unites or level is committed to these plans. While it has long been recognized that HR policies and practices must be linked to the firm's overall

strategy, there has been little research that offers prescriptions on exactly how to do this. According to Belcourt and M^cBey (2009), aligning HR strategy with business strategy can be done in one of the following ways:-

- **Corporate Strategy that leads the HR Strategy**

A traditional perspective of HR planning views HRM programs as flowing from corporate strategy. Corporate strategy drives HR strategy. In other words, personnel needs are based on corporate plans. If a firm decides to compete on the basis of offering low-cost products, HR policies and practices must align and be based on lower labour costs. This model assumes that people are more adaptable than strategy and that cause-and-effect relationships are unidirectional.

Given their investment in thousands of employees, larger organizations seem to prefer this approach (making the resources fit the strategy), despite the literature showing the difficulty and time consuming nature of organizational change. Within this approach employees are considered a means to an end, not part of the strategy formulation equation.

- **HR Competencies lead to Business Strategy**

A competing view states that an organization cannot implement a strategy if it does not have the human resource necessary.

- **HR Strategy and Corporate Strategy**

An emerging perspective sees HR strategy as contributing to business-level strategy and vice versa. Increasingly, in large firms senior HR vice- presidents are asked not only to review business plans to ensure consistency with HR strategy, but also to provide input to this strategy based on HR strengths and weakness. In this context, an organization chooses a business strategy, such as being a leader in innovative products, based on its in-house, highly educated, trained employees who have been socialized to value creativity.

➡ **Characteristics of an Effective HRM Strategy**

The purpose of HR strategy is to capitalize on the distinctive competencies of the organization and add value through the effective use of human resource. According to Belcourt and M^cBey (2009), effective HRM strategies include the following External and Internal fit, and a focus on results characteristics. Belcourt and M^cBey (2009) identified, the Fit is an important consideration when designing HR programs. There are two types of important fit. Fitting HR strategy to organizational strategy (external fit), and linking the various HR programs into other functional areas and to each other (internal fit).

External Fit:

HR Programs must align with or fit the overall strategy of the organization. If the business strategy is to differentiate an organization from its competitors based on superior service, then the selection and training programs should be developed to hire and train people in the skills and attitudes necessary to deliver superior service. Fit with other functional strategies is as important as fit with corporate strategies. HR senior management must be included in strategy discussions to be sure this happens.

Internal Fit:

There are two kinds of internal fit; a fit with other functional areas, such as marketing, and a fit among all HR programs. Fit with other functional areas is important. If the marketing department is developing an advertising plan that promises 24 hours access to customer service representatives but the HR plan does not include compensation differentials for shift work, the overall marketing strategy might fail.

As HR programs must fit with other functional areas, they have to be also consistent with each other. That is, selection, training, and appraisal must work together to support a strategy. If the training department decides to teach each employee to use the internet to handle customer service, the staffing department must hire people who either are computer literate or who have the kinds of intelligence that enable them to learn computer skills rapidly. This working together is commonly referred to as bundling HR practices.

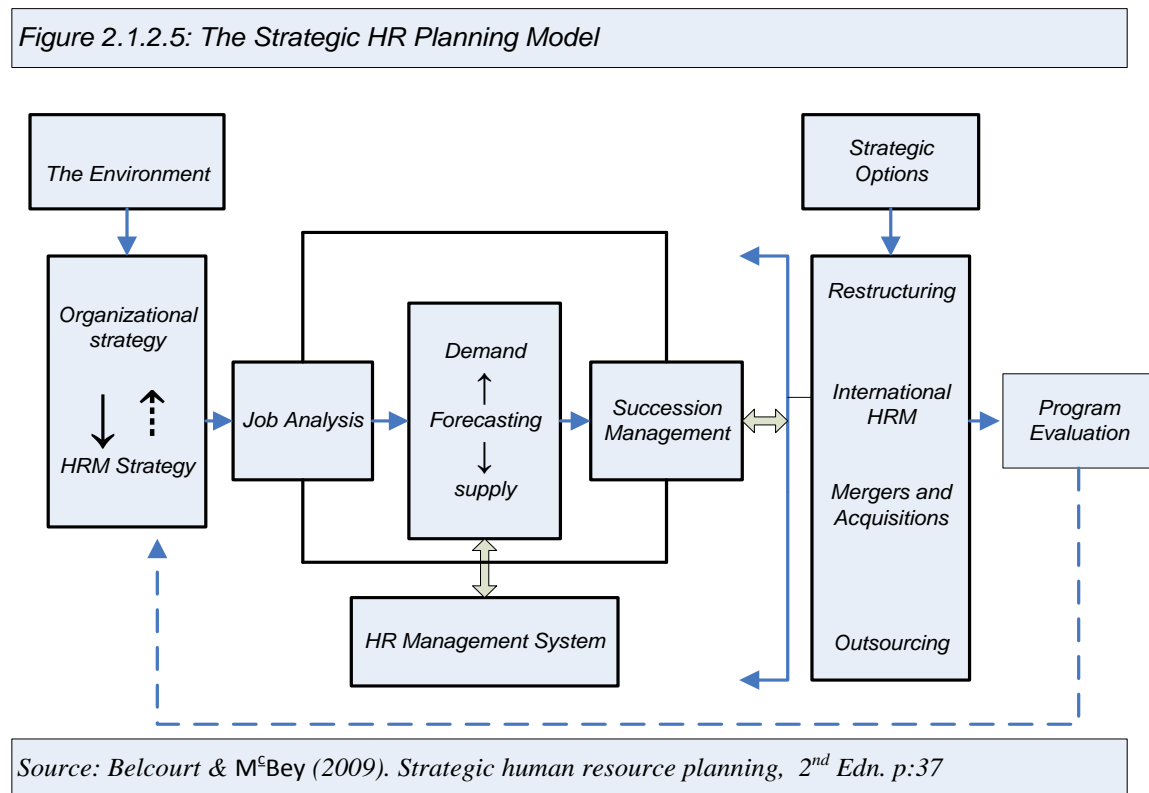
Focus on Result:

The hard work of deciding on strategy is not its formulation but its implementation and the tracking of results. Many HR managers do not have the resources or skills to measure results to see if the goals have been achieved. Unless the strategy contains performance measures – that is, results oriented- it will be difficult to know how successful the strategy was implemented.

2.1.2.5 The Strategic HR Planning Model

The model of Strategic HR Planning emphasizes monitoring, identifying, and analysing, external environment factors; developing a tentative corporate strategy; assessing the strengths and weaknesses of the organization’s human resources; developing strategic plans for each division consistent with the overall view; identifying the HR policies and practices that help to achieve the plans; and measuring the results and making modifications as necessary (Belcourt and M^cBey, 2009).

Figure 2.1.2.5: The Strategic HR Planning Model



The above model begins to monitor, identify and analyse external environmental factors influencing issues for the organization in order to develop strategies. Including in this is those factors that influence an organization's human resource capability. Then having the environmental analysis result a tentative corporate or business strategy will be developed.

After the analysis of the environment the relative strengths and weakness of the organization's human resources will be assessed using forecasting and analysis techniques. Determine the KSAs of an organization and the capacity to learn and change. Identify the competitive advantages of the HR department.

Develop strategic plans for each division that are consistent with the overall strategic thrust and that ensure a fit with related components across functional areas. Identify HR policies and practices that will increase the likelihood of achieving the strategy and implement them.

Aligning HRM programs and policies with organizational goals is the beginning of the strategic HR planning process. Assessing whether these policies and practices were effective is the end of one cycle in the planning process. HR professionals need to know how their programs and policies are doing by measuring results and modify plans as necessary. HR effectiveness can be evaluated using the 5C model: compliance with laws and regulations, Client satisfaction, Culture management to influence employee attitude, Cost control of the labour component of the budget, and the Contribution of HR programs (Belcourt and M^cBey, 2009).

2.1.3 Strategic HRM Functions/Practices

2.1.3.1 Integration of HRM with Corporate Strategies

Integration of HRM refers to the involvement of HRM in the formulation and implementation of organizational strategies and the alignment of HRM with the strategic needs of an organization (Schuler and Jackson, 1999). Buyens and De Vos (1999), argue that in order for HR to be a strategic partner, HR managers should be involved in strategic decision making alongside with other senior

managers, providing greater opportunity to align HR goals, strategies, philosophies and practices with corporate objectives and the implementation of business strategy.

This involvement would include the membership of HR managers in the most senior management teams in the organization. This would provide an opportunity for HRM to represent its concerns and influence business strategy from the outset of decision making. The chances of integration and value creation may be further increased if the senior HR manager and the CEO have an opportunity to establish a relationship. In this role, HR managers need to have knowledge of core markets, competitors, costs, profit indicators and stakeholders to be considered equal business partners (Chaddie, 2001) in (Oladipo and Abdulkadir, 2011). The involvement of a senior HR manager in a firm's senior management team provides an important channel for interactive information flow and communication.

To achieve strategic integration and alignment of HRM with business strategies, a documented HRM strategy would also be useful (Budhwar, 2000; Teo, 2002) as it can make more concrete the role and authority of HR managers in corporate decision making and increase capacity to cope with externalities such as a tight labour market (Cunningham and Deborah, 1995). A documented HRM strategy helps the organization to develop an HRM vision and objectives and to monitor performance.

Some empirical evidence from previous research indicates that the full impact of HR practices on organizational performance occurs when HR practices are strategically congruent and consistent with each other (Khatri, 1999).

2.1.3.2 Delegation of HR Practices to Managers

To make HR managers more available for participation in the strategic decision-making process, Budhwar and Khatri (2001) argued that the responsibility of routine execution and administration of HR practices should be delegated to line managers as they have direct and frequent contact with employees.

However, for the benefit of development to be realized, line managers will need to possess the appropriate skills to execute HR practices competently and effectively to a benchmarked standard advocated by HR managers. This means that the senior HR manager needs to be a strategic partner with line managers, providing training, resources, incentive and a communication channel to ensure these HR practices are carried out in accordance with HRM policy (Teo, 2002).

2.1.3.3 Placement System

Once recruiting efforts in an organization produces a pool of promising job candidates, the organization will select among them to fill available positions. When the organization selects the right individuals for the right jobs, the new hires carry out their work more smoothly and experience fewer performance problems. The results will be greater enjoyment of and engagement in the job (Vance, 2006).

On his finding he suggested that, to enhance engagement and the performance of an organization through selection of employees, identify those candidates who are best-suited to the job and ask them what they know about the role/the job in question and having them provide work samples. Successful candidates feel good about having “passed the test,” and see your company as careful and capable for having selected them. A positive initial impression of an employer encourages growth of long-term commitment (Ibid, 2006).

A rigorous, valid and sophisticated selection system helps in identifying a right candidate with potential to perform. A rigorous selection system generates a sense of elitism, creates high expectations of performance, and signals a message of importance of the people to the organization.

The mismatch between the person and the job can hamper performance levels, whereas a sophisticated selection system can ensure a better fit between the person's abilities and the organization's requirement. Also, the selection has been found to be positively related to firm performance (Oladipo and Abdulkadir, 2011).

2.1.3.4 Training and Development System

Organizations can develop and enhance the quality of the current employees by providing comprehensive training and development. Indeed, research indicates that investments in training employees in problem-solving, teamwork and interpersonal relations result in beneficial firm level outcomes (Barak et al., 1999).

➔ Strategic Human Resource Development

According to Walton (1999), in Armstrong (2008) Strategic human resource development involves introducing, eliminating, modifying, directing and guiding processes in such a way that all individuals and teams are equipped with the skills, knowledge and competencies they require to undertake current and future tasks required by the organization.

Strategic HRD policies are closely associated with that aspect of strategic HRM that is concerned with investing in people and developing the organization's human capital. According to Harrison (2000), strategic HRD is 'development that arises from a clear vision about people's abilities and potential and operates within the overall strategic framework of the businesses. Strategic HRD takes a broad and long-term view about how HRD policies and practices can support the achievement of business strategies. It is business-led and the learning and development strategies that are established as part of the overall strategic HRD approach flow from business strategies and have a positive role in helping to ensure that the business attains its goals in (Armstrong 2008).

Strategic HRD aims to produce a coherent and comprehensive framework for developing people through the creation of a learning culture and the formulation of organizational and individual learning strategies. Its objective is to enhance resource capability in accordance with the belief that a firm's human resources are a major source of competitive advantage. It is therefore about developing the intellectual capital required by the organization as well as ensuring that the right quality of people is available to meet present and future needs (Armstrong, 2006).

2.1.3.5 Performance Management System

Strategies for managing performance exist to develop a high-performance culture and achieve increased organizational effectiveness, better results for individuals and teams, and higher levels of skill, competence, commitment and motivation. Managing performance is a continuing responsibility for managers and team leaders. It is not achieved by a once-a-year performance appraisal meeting. Individual employees are responsible for managing their own performance but may need guidance and support in doing so (Armstrong, 2006).

Managing human resources includes keeping track of how well employees are performing relative to objectives such as job descriptions and goals for a particular position. The process of ensuring that employees' activities and outputs match the organization's goals called performance management. The activities of performance management include specifying the tasks and outcomes of a job that contribute to the organization's success. Then various measures are used to compare the employees' performance over some time period with the desired performance (Steen, Neo, Hollenbeck and et al., 2009).

Performance management is a continuous process of identifying, measuring, and developing the performance of individuals and teams and aligning performance with the strategic goals of an organization. It involves a never-ending process of setting goals and objectives, observing performance, and giving & receiving ongoing coaching and feedback. Performance management requires that managers insure that employees' activities and outputs are congruent with the organization's goals and, consequently, help the organization gain a competitive advantage. Performance management therefore creates a direct link between employee performance and organizational goals and makes the employee's contribution to the organization explicit (Aguinis 2009).

The fundamental aim of performance management system in an organization is for a strategic purpose through linking employee activities with the organization's mission and

goals. They identify results and behaviours needed to carry out strategy, and they maximize the extent to which employees exhibit the desired behaviours and produce the desired results (Ibid).

➡ **The link between Performance Management and Strategic Plan**

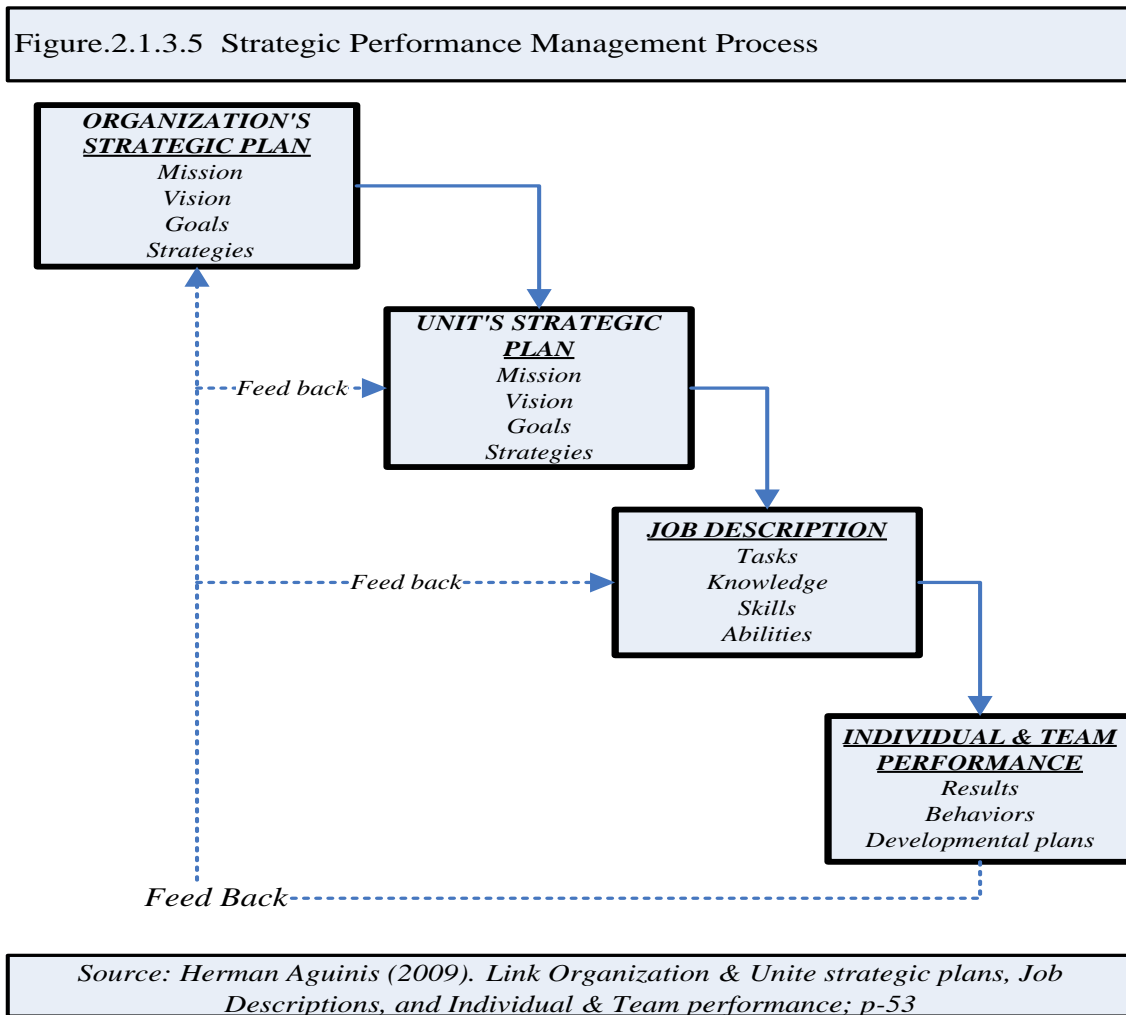
The mere presence of a strategic plan does not guarantee that it will be used effectively as part of the performance management system. Aguinis (2009) explained that, numerous organizations spend thousands of hours creating strategic plans that lead to no tangible actions. Many organizations spend too much time and effort crafting their mission and vision statements without undertaking any concrete follow-up actions. The process then ends up being a huge waste of time and a source of frustration and long lasting cynicism.

Thus, to ensure that strategy cascades down the organization and leads to concrete actions, a conscious effort must be made to link the strategic plan with individual performance. The below figure, provides a useful framework for understanding the relationship between an organization's strategic plan, a unit strategic plan, job descriptions, and individual & team performance.

As soon as the organizational strategies have been defined, senior management proceeds to meet with the department or unit managers, who internally solicit input from all people within their units to create unit-level mission and vision statements, goals, and strategies. A critical issue is to ensure that each unit's or department's mission and vision statements, goals, and strategies are consistent with those at the organizational level.

Job descriptions are then revised to make sure they are consistent with unit and organizational priorities. Finally, the performance management system includes results, behaviours and developmental plans consistent with the organizational and departmental-level priorities as well as the individual job descriptions.

Figure 2.1.3.5: Strategic Performance Management Process



Hence, Performance management systems have a critical role in translating strategy into action. A recent study including 338 organizations in 42 countries found that performance management is the third most important factor affecting the success of a strategic plan. This is particularly true for larger organizations and for organizations that operate in a rapidly changing environment (Aguinis, 2009).

What we can understand from this study is, there is a positive relationship between performance management, strategic planning and organizational performance. The more the integration performance management with the strategic plan of an organization, the more will be a positive contribution to the effectiveness of that organization.

2.1.3.6 Compensation System

One of the critical means by which organizations implement their strategies is to reward employees for performances that are consistent with strategic goals. Reward systems provide the ability to reinforce desired behaviours and serve the traditional functions of attracting and maintaining a qualified workforce (Greer, 2001).

Firms can affect the motivation of employees in several ways. They can use performance-based compensation to provide rewards to employees for achieving the specific goals and objectives of the firm. A substantial body of work has provided evidence that incentive-based compensation has an impact on firm performance (Milkovich and Boudreau, 1998).

2.1.3.7 Career & Succession Planning System

Career management consists of the processes of career planning and management succession. Career planning shapes the progression of individuals within an organization in accordance with assessments of organizational needs, defined employee success profiles, and the performance, potential and preferences of individual members of the enterprise. Management succession planning takes place to ensure that, as far as possible, the organization has the managers it requires to meet future business needs (Armstrong, 2008).

A well-functioning career planning system may also encourage employees to take more responsibility for their own development, including the development of the skills viewed as critical in the company. A well-planned career development system along with internal advancement opportunities based on merit, results in high motivation among employees, which has an impact on firm performance (Milkovich and Boudreau, 1998).

2.1.3.8 Employee Participation

The concept of treating employees as the most important asset of an organization is a fundamental assumption of HRM. As such to facilitating and enhancing greater employee influence and participation is obviously basic to successful HR practice in organizations. Studies have shown that employee participation is positively related to performance, satisfaction, and productivity of an employee and then to the organization (Verma, 1995).

As a result, employee participation in organizations' decision making process can be undertaken in different ways. Some organizations can do through employee Engagement. Employee engagement is a key driver of organizational effectiveness and workforce performance. To give their best every day, employees need to feel they have a stake in the company's success. Employee engagement results in part from understanding the company's direction and the significance of an employee's role in helping the company reach its goals.

2.2. Organizational Effectiveness

Measurement is an issue because a significant portion of the service sectors in the economies of developed nations relies on knowledge and human capital. Managers in these economies recognize that technology ultimately derives from human inventiveness. The challenge becomes to quantify, and more effectively manage, intangible components of the productivity mix (Miller, 2004).

The measurement of organizational performance is therefore, not easy for business organizations with multiple objectives of profitability, employee satisfaction, productivity, growth, social responsibility and ability to adapt to the ever changing environment among other objectives. Although performance has been traditionally conceptualized in terms of financial measures, some scholars have proposed a broader performance construct that incorporates non-financial measures including among others market share, product quality, and company image (Waiganjo, Mukulu and Kahiri, 2012).

Consequently, organizational effectiveness is the concept explaining how effective an organization is in achieving the outcomes the organization intends to produce. It is an abstract concept and basically impossible to measure. Instead of measuring organizational effectiveness, the organization determines proxy measures which will be used to represent effectiveness. Malik, Ghafoor and Naseer (2011), include in their study of measuring organizational effectiveness such things as efficiency of management, performance of employees, core competencies, number of people served, and types and sizes of population segments served and so on.

Hence, for the purpose of this study the researcher uses *Organizational Effectiveness* as a measure of organizational performance which will be expressed through the four Balanced Scorecard (BSC) dimensions such as; Financial growth, Customer satisfaction, Integration of Internal Process and, Learning and Development.

2.2.1 Definitions of Organizational Effectiveness

Organizational Effectiveness (OE) is a systemic and systematic approach to continuously improving an organization's performance, performance capacity and client outcomes. "Systemic" refers to taking into account an entire system or in the case of OE an entire organization; "systematic" refers to taking a step-by-step approach. In simple terms, therefore, OE is a step-by-step approach to continuously improving an entire organization (American Public Human Services Association, 2009).

An effective organization is one that achieves its purpose of meeting the needs of its stakeholders, matching its resources to opportunities, adapting flexibly to environmental changes and creating a culture that promotes commitment, creativity, shared values and mutual trust. The improvement of organizational effectiveness is an overall objective of strategic HRM, which addresses the organization-wide process issues relating to organizational development and transformation, culture management, knowledge management, change management, developing a climate of high commitment and trust, quality management, continuous improvement and customer relations (Armstrong, 2008).

2.2.2 Background and Models of Organizational Effectiveness

➤ Background

Organizational effectiveness has different dimensions. There is no a universal model for organizational effectiveness which is applicable to all organizations. And there are no universally accepted indicators/variables of measuring effectiveness.

From different viewpoints about the nature of organizations, their relevant features and dimensions, and their key effectiveness criteria, multiple models of organizational effectiveness naturally arose. Debates about which approach was best, which model was most predictive, and which criteria were most appropriate to measure were typical of the organizational studies literature in the 1970s and 1980s (Smith and Hitt, 2005:307).

None of the models of effectiveness has emerged as the universalistic model of choice, of course, although the Competing Values Framework is probably considered to be the most comprehensive. Some writers have become so frustrated by the confusion surrounding effectiveness models, in fact, that they recommended a “moratorium on all studies of organizational effectiveness, books on organizational effectiveness, and chapters on organizational effectiveness” (Smith and Hitt, 2005).

In response to this confusion and resistance, the literature in organizational studies and the discussions at the annual Academy of Management meetings provided a series of suggestions for resolving issues and clarifying approaches (Cameron and Whetten, 1983). The primary objective was to clarify the construct and stimulate additional research. Five conclusions emerged from that literature in (Smith and Hitt, 2005):

1. Despite the ambiguity and confusion surrounding it, the construct of organizational effectiveness is central to the organizational sciences and cannot be ignored in theory and research.
2. Because no concept of an organization is comprehensive, no concept of an effective organization is comprehensive. As the metaphor describing an organization changes, so does the definition or the appropriate model of organizational effectiveness.

3. Consensus regarding the best, or sufficient, set of indicators of effectiveness is impossible to obtain. The criteria are based on the values and preferences of individuals, and no specifiable constructs boundaries exist.

4. Different models of effectiveness are useful for research in different circumstances. Their usefulness depends on the purposes and constraints placed on the organizational effectiveness investigation.

5. Organizational effectiveness is mainly a problem-driven construct rather than a theory-driven construct.

Because rigorous effectiveness evaluations are much more complicated than merely using a single, universalistic assessment (e.g., A perceptual judgment of effectiveness) or a single numerical indicator (e.g., Profitability) as a proxy for effectiveness, guidelines were created to assist effectiveness researchers in systematically assessing this construct. These guidelines are in the form of seven questions meant to assist researchers in selecting appropriate effectiveness criteria and to help build a set of comparable effectiveness studies (Cameron and Whetten, 1996).

That is, by carefully and systematically selecting effectiveness criteria, comparisons among definitions and approaches to effectiveness are possible, cumulative findings can emerge, and theoretical propositions can begin to be developed.

These seven guidelines should be taken into account in any assessment of organizational effectiveness. That is, every investigator of effectiveness consciously or unconsciously makes a selection regarding these seven questions, and deliberately articulating which choices are made will greatly enhance the probability of comparative research (Smith and Hitt, 2005).

1. What time frame is being employed?
2. What level of analysis is being used?
3. From whose perspective is effectiveness being judged?
4. On what domain of activity is the effectiveness judgment being focused?
5. What is the purpose for judging effectiveness?
6. What types of data are being used for judgments of effectiveness?
7. What is the referent against which effectiveness is judged?

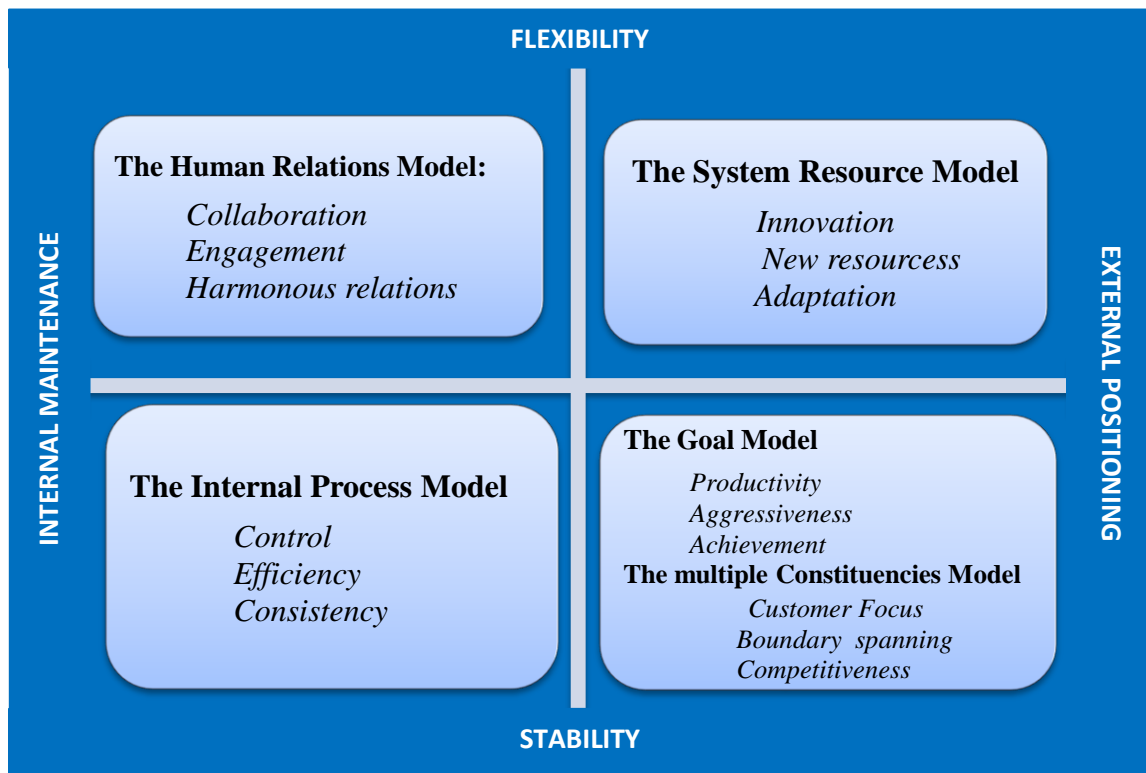
➤ **Models of Organizational Effectiveness**

Different authors' at different times have developed and argued different organizational effectiveness models. Later on five models, in particular, became representative of the best known and most widely used in scientific investigations Smith and Hitt, (2005), identifies the following models;

1. **The goal model** was the most appropriate model of choice i.e. Organizations are effective to the extent to which they accomplish their stated goals.
2. **Resource dependence model**, i. e., Organizations are effective to the extent to which they acquire needed resources.
3. **Internal congruence models**, i.e., Organizations are effective to the extent to which their internal functioning is consistent, efficiently organized, and without strain.
4. **Strategic constituency's model**, i.e., Organizations are effective to the extent to which they satisfy their dominant stakeholders or strategic constituencies.
5. **The human relations model**, arguing that organizations are effective to the extent to which they engage members and provide a collaborative climate.

Finally, they become to develop the competing values framework of organizational effectiveness: An integration of the five well-known models as it can be seen below in the picture.

Figure 2.2.2: The competing values of organizational effectiveness: An integration of the five well-known models



Source: Smith and Hitt, (2005), pp-309

As discussed above in the literatures, different researchers use different performance measures or indicators for different organizations' such performance attributes like profitability, productivity and competitive advantage. However, this study resembles focusing on measuring organizational effectiveness using the collaboration of the above model as a benchmark mainly focusing on (Goal, Human Relations, Internal Process, System Resource, and the Customer Focus models).

Consequently, the researcher extracts from the literature and develops one model to explain that an organization is effective to the extent the four Balanced Score Card (BSC) dimensions are achieved i.e., The **BSC model of organizational effectiveness**. This means that an organization is effective when it achieves its *financial targets* (savings&/or revenue); its *internal processes* are clearly defined, integrated with each other and supported by business system solutions (e.g. Oracle ebs, Enterprise Resource Planning);

when it provides quality of service to meet the expected level of *customer satisfaction*; and its ability to attract and retain *quality & competent manpower*.

Furthermore, the BSC model of organizational effectiveness can be expressed in the following effectiveness indicators. Such as; culture to develop intellectual capital through organizational, team and individual learning, ability to attract and retain quality manpower, relationship between top management and labour union and, the efforts made to satisfy customers, the level of customer satisfaction, quality of services & infrastructure (efficiency). The ability to identify, design, and well integration of Internal work processes, the use of standard business process frameworks and supporting IT systems solutions, the interaction within and/or across sections, departments.

2.2.3 Employee Productivity and Organizational Effectiveness

The effectiveness of an organization and productivity of the workforce within are the interrelated and synchronized elements of the performing organization. That means, as the one becomes to be maintained (OE or employee productivity) the other will have a positive result or an implication that the one has a positive impact on the other. For example, subject to the challenges & practices of the HR functions in an organization, if an employee is well equipped with the necessary knowledge, skills, and attitude (KSAs) for his/her immediate position, it has an implication that he/she will add a positive contribution for his/her team, section, department & division as well as for the organization.

Thus, organizational effectiveness can be achieved depending on the organization's culture, business area, structure, process, systems, level of technology employing, and employee productivity. The productivity of employees in turn is dependent on the organizations HR system. To increase organizational effectiveness, winning companies create sustainable competitive advantage by aligning their talent and business strategies. Mergers or acquisitions, restructurings or shifts in business strategy are examples of fundamental organizational change that create strong demand for processes and systems to bring focus and restore the organization's capability to function effectively.

2.2.4 Strategies for Improving Organizational Effectiveness

Organizational effectiveness capability brings value to organizations by facilitating the integration and alignment of the business strategy with a workable talent management strategy. Organizational effectiveness solutions serve companies build and align the capabilities, processes, attitudes, and talent needed to more effectively implement its chosen strategy.

Strategies for improving organizational effectiveness focus on developing processes that support the achievement of business goals and a positive culture. Armstrong (2006:90) identified the following as areas for developing organizational effectiveness:

- Clearly defined goals and strategies to accomplish them.
- A value system that emphasizes performance, productivity, quality, customer service, teamwork and flexibility.
- Strong visionary leadership from the top.
- A powerful management team.
- A well-motivated, committed, skilled and flexible workforce.
- Effective teamwork throughout the organization.
- Continuous pressure to innovate and grow.
- The ability to respond faster to opportunities and threats.
- The capacity to manage, indeed thrive, on change.
- A sound financial base and good systems for management accounting and cost control.

2.3 Empirical Studies and Experience from Selected Countries

2.3.1 Empirical Studies on Strategic HRM

Coleman, Sharon, et al, (2000) study identified, the experiences of several organizations provide good examples of the integration of strategy and HRM. One such example is provided by experiences of people's Bank, a financial service company headquartered in Bridgeport, Connecticut. During the 2000, the company has made a massive transformation following the changing environment of the banking sector in Bridgeport Connecticut.

As a result of these changes the bank transformed itself into a diversified financial services company with 139 branches and a fully integrated banking services and stock trading presence on the internet. Because of the changes in the bank, the organizational structure was changed to accommodate those changes. Following this change the bank then conducted a study of the type of employees that would be needed with the new strategy's skill and organizational requirements. Major changes were undertaken as a result of the audit. For example the performance appraisal system was revised to emphasize goal-setting by linking individual goal plan accomplishment and rewards with the attainment of the bank's objectives. Further human resource planning was more fully integrated with the strategic planning process through synchronization of its scanning process with the bank's overall environmental scanning process (Coleman, Sharon, et al, 2000).

Niehaus and Price (1988) in Greer (2001) described that, the experiences of the U.S Navy provide another example of the integration of strategy and human resource management. As a result of the linkage, the Navy was able to pursue a proactive strategy that provides lower labour costs. In the Navy's case, its human resource planners analysed the labour cost savings of a strategy involving its civilian employees that would substitute local wage policies for national wage policies. By developing human resource forecasts to determine labour market reactions to these changes, planners could determine whether sufficient labour supplies would be available with the cost saving strategy. In this

example, the planner also examined the impact of the reduction private sector middle management positions and found that higher quality employees could be hired.

McManis, Gerald and Leibman (1988) in Greer (2001) found that, Ingersoll-Rands experiences with one of its divisions also provide a good example of the outcome of a strong linkage between strategy and human resource management. Ingersoll-Rand's rock drilling divisions was experiencing rapid growth and had a shortage of labor. It also needed to train its employees to work with new technology and wanted to control labour costs. The outcome of integrating its human resource capabilities with its strategic planning process was that the company implemented a number of programs, including gain sharing and employee involvement teams. It also had employees participate in decisions on the purchase of new technology and made a major commitment to technological training.

In their comparative study of 137 large manufacturing firms, Budhwar and Boyne (2004) differentiate the HR practices in the public sector and private sector companies in India. Their findings suggest that against the established notion, the gap between the Indian private and public sector HRM practices (structure of HR department, role of HR in corporate change, recruitment and selection, pay and benefits, training and development, employee relations and key HRM strategies) is not very significant but in a few functional areas (compensation, training and development), private-sector firms have adopted a more rational approach than their public sector counterparts.

Green et al., (2006) reported that organizations that vertically aligned and horizontally integrated HR function and practices performed better and produced more committed and satisfied employees who exhibited improved individual and organizational performance.

Dimba and K'Óbonyo (2009) investigated the nature of the effect of SHRM practices on organizational performance. The study sought to determine whether the effect of human

resource management practices on organizational performance is direct or indirect through employee motivation, and whether employee cultural orientations moderate the relationship between strategic human resource practices and employee motivation. Fifty multinational manufacturing companies in Kenya were sampled. One HR manager, 2 line managers and 3 employees from each organization were chosen for the survey. The study adopted the measures developed by Hofstede and Huslid. Using regression analysis, the results indicate that all the variables of SHRM practices, except recruitment and selection were positive and significantly correlated with performance; relationship between SHRM practices and firm motivation did not depend on employee cultural orientations when cultural values were considered; motivation mediated the relationship between SHRM practices and firm performance and motivation affected firm performance.

Bana (2006) reported that within the public service in developing countries most activities of the HR offices go little beyond routine administrative tasks on record keeping, drafting personnel procedures, payroll, and staff welfare.

McCourt and Ramguttu-Wong (2003) studied the applicability of Strategic Human Resource Management (SHRM) in the Mauritian civil service. They revealed that HRM in the civil service was fragmented and the SHRM model was unfamiliar with the service. The study also highlighted myriad pitfalls that hindered the applicability of the SHRM model in Mauritius. These include nontransparent staffing procedures, over centralization of HRM in the service, lack of autonomy in the Public Service Commission, ministries, and line managers in staff management.

In a study conducted by Bana and McCourt (2007) in Tanzania and Uganda, findings indicate that while each country had a vision and a national strategy for economic growth and reduction of poverty, the government ministries, agencies and departments did not have HRM policies which were either derived from or integrated to the macro level policy frameworks. As such, the vertical and horizontal integrations which are essential pre-requisites of the HRM model were acutely missing.

In another study, Gray and Shasky (2007), using multiple regression analysis examined the impact of strategic HRM practices on the performance of State Government agencies. The results show that when organizations employ such personnel practices as internal career ladders, formal training systems, results-oriented performance appraisal, employment security, employee voice and performance-based compensation, they are more able to achieve their organizational goals and objectives.

Okpara and Pamela (2008) examined the extent to which organizations in Nigeria use various HRM practice and the perceived challenges and prospects of these practices. Data were collected from 253 managers in 12 selected companies in 10 cities. Their findings revealed that HRM practices, such as training, recruitment, compensation, performance appraisal and reward systems are still in place and those issues of tribalism, AIDS, training and development and corruption are some of the challenges facing HRM in Nigeria.

Som (2008) sampled 69 Indian companies with a view to examining the impact of innovative SHRM practices on firm performance. Using descriptive statistics and regression analysis, results indicated that innovative recruitment and compensation practices have a significant positive relationship with firm performance. Their results showed that recruitment, the role of the HR department and compensation practices seem to be significantly changing within the Indian firms in the context of Indian economic liberalization. The synergy between innovative HRM practices was not found to be significant in enhancing performance during the liberalization process.

2.3.2 Strategic HRM in the Context of Different Countries

As it was discussed in the background section, although the strategic human resource management theoretical literature has been coming into view in the United States currently it is growing as part of academic stream, research and strategic tool of organizations in different countries. Thus, what will look like the practices of Strategic Human Resource Management in the following countries?

2.3.2.1 The U.S Context

Kaufman (2012), provides a historical perspective on High Performance Work Systems (HPWSs), which he argues date back a hundred years (not 25), but prefaces this historical review with a highly critical assessment of current U.S. based SHRM empirical scholarship. Claiming that many of the problems with U.S. SHRM "arise from overemphasis on knowledge areas and ideas relating to the internal dimension of organizations and management (e.g., Strategy, I-O psychology, organizational behaviour) and too little attention to those relating to the external dimension (e.g., Economics, industrial/employment relations, the macro side of sociology)" , Kaufman gives SHRM research a failing grade. Although the evidence Kaufman provides to support his negative assessment might be highly criticized by others, his call for more actionable research and for applying neoclassical economic frameworks that might "explain the lack of congruence between what the theory predicts and what the data show" offers further cross disciplinary avenues for SHRM scholarship.

While SHRM researchers are well aware of the theoretical and empirical challenges still to be overcome, Kaufman expands the list in a provocative way by asking questions economists would raise about the current distribution of HRM practices across companies.

The current distribution suggests that the average profit- maximizing firm in the United States uses only a few HPWS practices, not the complete system. If using more HPWS practices translates to higher organizational performance, why are firms not maximizing profits? Are these practitioner failures, or is the failure a result of inadequate theory? Are there determinants of choice of HRM practices that have been neglected in the mainstream U.S. based SHRM theories?

2.3.2.2 The German Context

Festing (2011), reviews the literature for divergence, convergence, and crossvergence, and in the German context applies a more advanced contextualist perspective. He describes how Germany's regulatory, corporate governance, capital market, and educational institutions affect how strategic human resource management is practiced. For example, many strategic human resource management practices characteristic of the HPWS (job security, extensive training, and employee participation) are nationally legislated in Germany, and is therefore not strategic differentiators that can be related to variations in firm performance.

Other HPWS practices, such as selective hiring and profit sharing, although not legislated, are widespread and appear to have evolved as effective additional practices. It is interesting to see the diffusion of characteristically U.S. based HRM practices, such as individually based pay for performance and performance management. Thus, despite reviewing the compelling theoretical arguments for divergence of SHRM across national contexts, Festing also shows evidence of directional convergence. (Is this due to the "coercive" influence of US based SHRM research and business school education (an argument she raises and discusses), economic forces, or other factors)?

2.3.2.3 The China Context

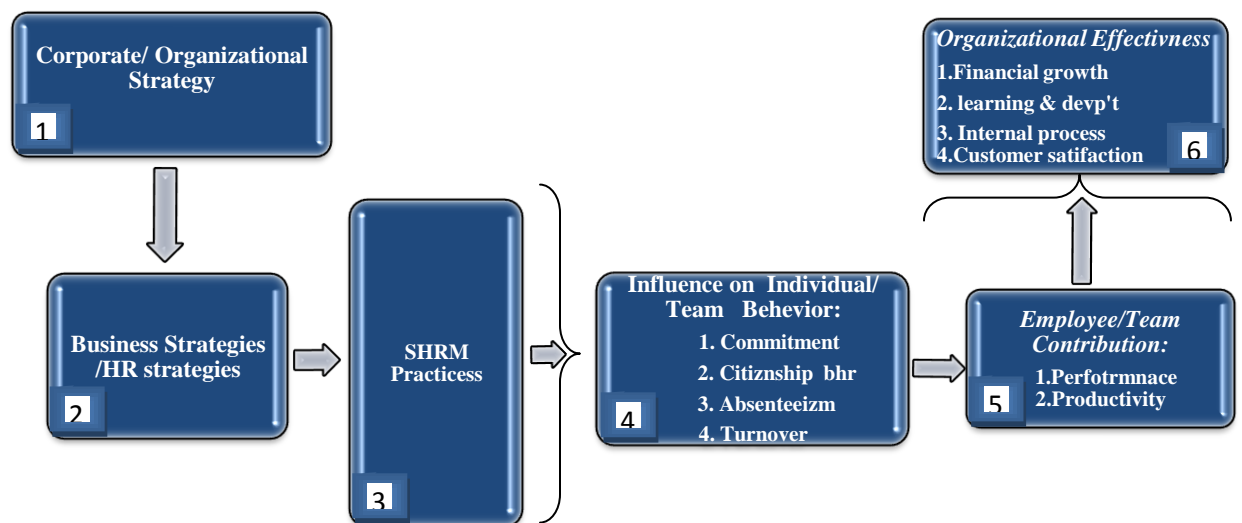
The concept of strategic human resource management is very recent in China. Literature search and found no China-based SHRM articles before 2002. Liang, Marier, and Cui (2010), challenge the applicability of the HPWS Universalist perspective in China, where firms operate in a rapidly expanding and turbulent economic environment and within their own specific historical and cultural heritage. Although the government has a significant influence over business practices, its policy over the past 30 years has been to stimulate and support the development of privately owned businesses.

They propose an alternative to the HPWS that better fits the Chinese context. They also note, given the extraordinary political, social, and economic changes under way in China, the significant opportunities to conduct research on contextual contingencies in strategic human resource management.

2.4 Conceptual Frame Work of the Study

Unlike the traditional HRM, the modern approach to HRM called strategic HRM has a strategic alignment both Vertical linkage with Corporate & business strategy and a horizontal fit with all HR functions of an organization. This strategic linkage has a great influence on employee's behaviour, performance, and productivity. Consequently, the effectiveness of an organization will be dependent on the Practices of SHRM as shown below in the diagram.

Figure 2.4 Conceptual frame work of the study



Source: Own extraction from the theory.

Moreover, the above diagram illustrates the conceptual frame work of the study to portray how strategically integrated (the flow from box-1 to box-2) HRM practices (described in section 2.1.3 (box-3)) have a power to influence individual employees' or team behavior (box-4) which will have an impact on their performance and productivity (box-5). For example, a training & development designed to increase KSAs has a direct and positive impact on employees' behavior to be productive & best performer.

CHAPTER-THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Research Design

The research design constitutes the blue print for the collection, measurement and analysis of data. The nature of this study is descriptive and explanatory studies which involve precise procedure & data source specification, to discover the degree of association/correlation among variables and the aim is to test the hypothesis and answer research questions.

The research method is quantitative and qualitative to draw inferences about relationship of variables from survey data. A deductive approach was applied to draw the research problem, research questions, and hypothesis from the general theories on the research topic.

3.2 Population and Sampling Techniques

For this study the researcher applied a multi-stage sampling technique. In the first stage a certain group has been selected in the population purposefully and in the second stage either simple random or systematic sampling technique were adopted.

Consequently, as it has been mentioned in the delimitation section of the study, this research purposefully focuses on the strategic players of the organization. On the assumption that, management group in an organization has a close, ownership, knowledge and understanding of their company's strategies, goals and objectives than their subordinates. Accordingly, the target population was the management group of the organization which is a combination of 295 higher officials; of which 12 chief officers, 40 Officers and 243 Managers.

As a result, the sample size is determined using Guilford and flruchter (1973) formula for estimating sample size: $Z = \frac{N}{1+\mu^2 N}$

$$1+\mu^2 N$$

Where: Z is sample size, N is the size of the population, μ is alpha = ± 0.05 .

The sample size of this study was calculated to be 121 and a total of 150 questionnaires accompanied by a covering letter were randomly distributed to Chief Officers, Officers and Managers. In addition, 5 HR officers have been interviewed.

3.3 Types of data and Tools of Data Collection

Prior to the distribution of data collection instruments and collecting the reliable data required for the study, a pilot test has been conducted data from 20 observations. The Cronbach Alpha reliability test was conducted for all the measures. Reliabilities were checked and they fall between 0.65 and 0.93. The overall Cronbach alpha of the nine scales used for the pilot test was 0.82. Then after some modifications and standardization such as improving the structure of some indicators and reduction of redundant questions the instrument was distributed to collect the primary data.

To explore the stage and growth of the literature, justify the importance of the research by exploring different similar studies and taking an original data from the study area both primary and secondary data were used. The secondary data have been collected from text books, related journal articles, magazines, periodicals, and thesis papers. Further, Ethio telecom documents such as; Annual performance reports, Strategic planning documents and HR policy and procedure documents were used. The primary data were gathered through field survey using three different tools such as; Questionnaires and Structured interview guides.

3.4 Procedures of Data Collection

To collect the required data from the identified sources the researcher has been relying on the following steps: an orientation of the purpose of the research has been presented to the HR development department of the company. Then, the department has provided a support covering letter attached with data collection tools and considering the arrangement of 12 divisions' (such as, Finance, HR, Marketing & Network etc...) the letter was circulated through internal mail by the HR Capacity Building section Manager.

Supplementary, the researcher has also distributed additional hard copies (questionnaires) as required to respondents. Then face-to-face contact, telephone & e-mail reminder communication tools were used to collect the data.

3.5 Methods of Data Analysis

Descriptive statistics, simple percentage analysis and correlation analysis have been used in analysing the quantitative data and exploratory approach to analyse respondents' opinion and interview results. Further, a regression model was applied to analyse the quantitative data, check the association of variables and predict the dependent variable. The model was used by Ayanda & Sani (2010) to measure organizational effectiveness in the public sector of States in Nigeria. Since it was customizable to the study the researcher utilize it with major modifications of variables and indicators.

3.5.1 Empirical Model Specification

The general model of the study work which is stated as follows:

$$\text{Organizational Effectiveness} = f(\text{strategic HRM practices}) \dots \dots \dots (1)$$

Equation 1 will further expand as follows

$$OE = f\{SHRA, DHRM, PS, PMS, TDS, CS, CSPS, EP\} \dots \dots \dots (2)$$

Where:

OE = Organizational Effectiveness

SHRA= Strategic HRM Alignment with Overall Organizational Objectives

DHR= Delegation of HR practices to Line Managers

PS= Placement System

PMS=Performance Appraisal system,

TDS= Training and Development System

CS = Compensation system.

CSPS = Career planning system.

EP = Employee participation.

This hypothesized model will be quantitatively captured and tested using the following multiple regression model and the parameters will be standardized:

$$OE = \beta_0 + \beta_1 SHRA + \beta_2 DHR + \beta_3 PS + \beta_4 PMS + \beta_5 TDS + \beta_6 CS + \beta_7 CSPS + \beta_8 EP + e \dots \dots \dots (3)$$

Where:

e = Error term i.e. other variables not included in the model.

β_0 = Constant or intercept term.

$\beta_1, \beta_2 \dots \beta_8$ = Parameter estimate associated with the influence of the independent variables on the dependent variables.

3.5.2 Operational Definition of Variables

➤ Dependent Variable

Measuring organizational effectiveness is a broader and more complex concept depending on the size and sector of an organization. To measure organizational effectiveness theorists in different years has developed different models of organizational effectiveness. Among which the Goal Model, Internal Congruence Model, Strategic Constituencies' Model, Resource Dependence Model and Human Relations Model are the most well-known five models of measuring organizational effectiveness (Ken and Armstrong, 2005).

For the purpose of this study organizational effectiveness will therefore measure by extracting a new model called BSC (Balanced Score Card) model; to mean an organization is effective to the extent the four BSC dimensions (Customer satisfaction, Finance, Learning & Development and Internal Process) are achieved.

The new model will take the following existing models as a benchmark (Goal, Human Relations, Internal Process, System Resource, and the Customer Focus models). And taking variables and indicators from each model of the following: Financial growth (revenue/savings & profitability), culture to develop intellectual capital through organizational, team and individual learning, ability to attract and retain quality manpower, relationship between top management and labour union and, the efforts made to satisfy customers, low customer complaint, the level of customer satisfaction, quality of services & infrastructure (efficiency).

The ability to identify, design, and well integration of internal work processes, the use of standard business process frameworks and supporting IT systems solutions, the interaction within and/or across sections, departments.

The integration of the above variables will lead the company to organizational effectiveness indicators like; Financial growth, Internal Process, Learning and Development and Customer satisfaction. These indicators have been rated anonymously by the respondents on a 5-point Likert scales (1 = strongly Disagree; to 5 = strongly Agree) method.

➤ **Independent Variables**

The independent variables (which collectively are a measure of Strategic HRM practices) in this study are: strategic HRM alignment with organizational and business objectives and strategies, line management development in HR practices (delegation of HR practices to managers), placement system (recruitment, selection, placement), performance management system, training and development system, compensation system, career & succession planning system and employee participation. The items are derived from a comprehensive review of the literature on strategic HRM practices that are considered to relate to organizational effectiveness.

'Strategic HRM alignment' with business objectives and strategies is measured by fourteen (14) items, each item rated on a 5-point scale ranging from 1 '*strongly disagree*' to 5 '*strongly agree*'. A sample items are '*ET develops processes and programs to link HR strategies with business strategy, I am expected to develop processes and programs that link HR strategies to business strategy, I make sure that HR strategies are aligned with business strategy, and I work/provide inputs to align HR strategies and my business strategy*'.

The 'Line management development in HR practices' variable is measured by having 8 items and respondents were asked to indicate on a scale of 1 'strongly disagree' to 5 'strongly agree' the proportion of line managers trained in the organization and the skills they gained from the training. A sample items are '*I participate in HR practices training & found that very useful, I get the necessary skills from the training on HR practices, and I believe that these skills are very important to my business area*'.

'Placement (recruitment, selection & appointment) system' is measured by an instrument having 6 items each rated on a 5-point scale. The respondents are asked to indicate on a scale of 1 'strongly disagree' to 5 'strongly agree' the extent to which the employment process is done as per the business priority of the organization. A sample items are *'The recruitment process focuses only on promising candidates and Placement process matches the skills of candidates with competency requirement for positions'*.

'Performance management' is measured through an 8-item scale. The respondents are asked to indicate the extent to which performance management system is designed and implemented to support the achievement of business goals. In other words, they are to indicate on a scale of 1 'strongly disagree' to 5 'strongly agree' their agreement with some performance management systems in the organization. Sample questions are *'your division/department-level goals and strategies are consistent with those at the corporate level, Job descriptions (JDs) are designed consistent with unite and organizational priorities, and Performance management System includes results, behaviours and developmental plans consistent with the unit and organizational-level priorities'*.

'Training and development' variable is measured by an instrument having 8 items, each rated on a 5-point scale. The respondents are asked to indicate on a scale of 1 'strongly disagree to 5 'strongly agree' the extent to which training and development needs in the organization are identified and met. A sample questions are *'Training and development programs are designed to support business objectives and Trainings are offered based on training need analysis translated in to training programs'*.

'Compensation' system is measured through a scale having 7 items. The respondents are asked to indicate on a scale of 1 'strongly disagree to 5 'strongly agree' the extent to which compensation is linked to the performance and qualification of employees in the organization. A sample question is *'in our company salary and other benefits are comparable to what is generally obtainable in the industry'*.

'Career & succession planning' system variable is measured by an instrument having 7 items, each rated on a 5-point scale. The respondents are asked to indicate on a scale of 1 'strongly disagree to 5 'strongly agree' the clarity and usage of career planning system in the organization. A sample questions are *'Employees in their respective job have clear career paths within the organization and Career & Succession Planning are designed to support business goals'*.

'Employee participation' is measured through a 6-item scale. The respondents indicated on a scale of 1 'strongly disagree to 5 'strongly agree' the extent to which superiors allow employees to participate in operations decisions as well as the opportunity given to suggest improvements in the way things are done. A sample questions are *'employees in this company are often asked by their superiors to participate in decisions and employees are encouraged to suggest improvements in the way things are done'*.

CHAPTER-FOUR

RESULTS & DISCUSSION

4.1. Results of the Study

Questionnaire Administration:

From the total questionnaires distributed to 150 managers, officers and chief officers, a total of 130 were returned; 121 completed and usable questionnaires representing a response rate of 100 percent are used for analysis. The remaining 9 questionnaires were rejected due to inadequate data.

Scale Reliability:

To address issues of possible common method variance, the Cronbach Alpha reliability test was conducted for all the measures. Reliabilities were checked and they fall between 0.89 and 0.91, which is satisfactory for study that is exploratory in nature. The overall Cronbach alpha of the nine scales used in this study is 0.90. This indicates the reliability of the scales is reasonably high thus, depicting high internal consistency among the measurement items.

Table 4.1 Reliability Test of Measurement Variables

<i>Item</i>	<i>Obs</i>	<i>Item-Test Correlation</i>	<i>Average Inter-item Correlation</i>	<i>Alpha</i>
<i>1. Integration of HRM (SHRM Alignment)</i>	121	0.7885	0.5217	0.8972
<i>2. Management Dev't in HR practices</i>	121	0.621	0.5627	0.9115
<i>3. Placement System</i>	121	0.768	0.5267	0.899
<i>4. Performance management system</i>	121	0.7698	0.5263	0.8989
<i>5. Training & development</i>	121	0.8442	0.508	0.892
<i>6. Compensation System</i>	121	0.779	0.524	0.898
<i>7. Career & Succession Planning</i>	121	0.764	0.5277	0.8994
<i>8. Employee Participation</i>	121	0.7645	0.5276	0.8993
<i>9. Organizational Effectiveness</i>	121	0.7589	0.5289	0.8998
<i>Test scale</i>			0.5282	0.9097

Source: own computation using Stata 2010 V11.2

4.1.1 Demographic Characteristics of the Respondents

Table 4.1 shows the demographic characteristics of the respondents. The majority of the respondents (77 percent) are between the age group of 25 and 40 years. This implies that respondents in average are young, energetic and they are supposed to be productive. On the other side 88 percent of respondents are male and the remaining 12 percent are female. This implies that the gender composition of the management group is weak as compared to the total population of females in the company.

All of the respondents (100 percent) possess educational qualifications higher than degree and of which about 29 percent are Master's degree holders. 55 percent of the respondents are in the rank of senior manager and above. This is an indication that the respondents are highly ranked employees who should know more about the human resource management practices of their respective companies.

About 55 percent of the respondents have put in at least 5 years of service. About 69 percent of the respondents are more than 30 years old and the majority of them 58 percent are working in the core divisions such as Network, Marketing, Customer service and Information system while the remaining 42 percent are working in the supporting divisions i.e., HR, Finance, Internal Audit, Procurement, Legal and Quality & Process.

In general, the study gives a favorable picture concerning the level of education of the respondents. A substantial proportion of the respondents have at least a first degree. This is an indication that the respondents are composed of highly educated people. The majority of the respondents have put in at least five years of service. This is also an indication that the respondents have actually spent enough time in the service to know how strategic the management of the company is.

Table 4.1.1 Demographic Characteristics of the Respondents (N=121)

Demographic Variables		Frequency	Percentage
Age of Respondents	25-30	38	31
	31-40	56	46
	41-50	22	18
	51-65	5	4
Total		121	100
Sex	Male	106	88
	Female	15	12
Total		121	100
Level of Education	Diploma/Equivalent	00	00
	BA/BSc/BLL Degree	86	71
	Master Degree	35	29
	PhD	00	00
Total		121	100
Work Experience	1-4 years	54	45
	05- 10 years	44	36
	11-15 years	17	14
	16 years & above	6	5
Total		121	100
Job level (Position)	Manager (N-3)	97	80
	Officer (N-2)	14	12
	Chief Officer (N-1)	5	4
	Other (Experts, Specialists, Consultants etc)	5	4
Total		121	100
Working Division	Core Marketing, Customer service Network, Information System	70	58
	Supporting HR, Finance, Internal audit Sourcing & Facilities, Legal, PMO and Quality & Process	51	42
Total		121	100

Source: Survey data from questionnaire, 2013

4.1.2 Extent of Strategic Human Resource Management Practices

Table 4.1.2 presents the descriptive statistics of the variables. The mean score of the strategic HRM alignment with the overall organizational goals and objective is 49.18 out of a possible maximum score of 70, suggesting a moderate (70.26 %) extent of strategic HRM alignment with the overall business objectives.

To assess the tendency of the organization's to delegate human resource practices to line officers, two criteria are used namely, training of non-HR officers (e.g. Accountants), and their awareness and understanding getting those HR practice skills are very important.

Based on the possible maximum score of 40 training provided to line managers in different HR practices such as (Recruitment, Selection, Training & Development, Performance Management, Compensation, Career Management) 24 (60.03%) managers were participated indicating a moderate level of training given to non-personnel officers and they are aware and have clear understanding acquiring these skills as very important to their business level strategies.

On the other side, respondents have been asked an open ended question the reason they agree/dis-agree the company has provided HR practices training to non-HR managers, the majority (67%) of them did not receive any HR practices training. The result implies delegating HR practices to non-HR managers can improve company productivity because if managers have the skills to identify and understand the behaviour, skills, abilities and attitude of their subordinates they are able to place their staff in the position fit to them (job-person-fit), they can easily manage their motivation, performance, promotion, they can suggest for compensate on package improvements based on their staff's performance record (performance based reward). However, the company's focus to delegate/develop HR practices for non-HR managers is limited.

The placement (Employee recruitment, selection & assignment) system records a mean score of 18.07 (60.23%) out of the possible maximum score of 30. The result indicates a moderate fit between the prospective employee's abilities and qualifications and the

organization's requirements. Training and development on the other hand, has a mean score of 23.12 (57.80%) out of a possible maximum score of 40 depicting a moderate level of employees' participation in training and development programs.

The mean score of performance appraisal system is 25.17 (62.23%) out of a possible maximum score of 40. Results reveal that the personnel appraisal system currently being practiced is impressive enough to allow the companies to be able to monitor the development of desired employee attitudes and behaviours through the use of the appraisal mechanism. Compensation system has a mean score of 18.45 (52.71%) out of a possible maximum score of 35 depicting a moderate fit between the perceived compensation system in the organization and the overall policy on compensation of the workers.

The mean scores of career & succession planning system and employee participation are found to be 15.25 (43.58%) and 18.17 (60.57%) out of a possible maximum score of 35 and 30 respectively. The result indicates below average of effective career & succession planning system and moderate employee participation within the organization.

Table 4.1.2 Descriptive Statistics of the Measurement Variables

<i>Measurement Variables</i>	<i>Mean</i>	<i>Std. Dev.</i>	<i>Min</i>	<i>Max</i>
<i>1. Integration of HRM (SHRM Alignment)</i>	3.51	0.66	1.64	4.79
<i>2. Management Dev't in HR practices</i>	3.00	0.74	1.38	5.00
<i>3. Placement System</i>	3.01	0.80	1.00	4.50
<i>4. Performance management system</i>	3.15	0.81	1.00	4.75
<i>5. Training & development</i>	2.89	0.84	1.25	4.88
<i>6. Compensation System</i>	2.64	0.85	1.00	5.00
<i>7. Career & Succession Planning</i>	2.18	0.83	1.00	4.14
<i>8. Employee Participation</i>	3.03	0.80	1.00	4.83
<i>9. Organizational Effectiveness</i>	2.85	0.60	1.42	4.25

Source: own computation using Stata 2010 V11.2

4.1.3 Relationship b/n Strategic HRM Practices and Organizational Effectiveness

As shown in Table 4.1.3, the zero-order correlation between line management development in HR practices and organizational effectiveness is $r = 0.55$. While the placement system has a significant positive relationship with organizational effectiveness with a correlation (r) = 0.50.

Performance appraisal system and Training and development have a significant moderate positive relationship with organizational effectiveness with a correlation (r) of 0.65 and 0.59 respectively. Similarly, compensation system and career & succession planning system also have a significant positive relationship with organizational effectiveness with a correlation (r) of 0.55 and 0.63 respectively. Employee participation is also found to be positively correlated with organizational effectiveness with a correlation (r) of 0.56.

The results also suggest a weak positive relationship between strategic HRM alignment with organizational effectiveness with a correlation (r) of 0.38. The above correlations are all significant at the 0.05 significance level. These results provide preliminary support for hypothesis four.

Table 4.1.3 Correlation Matrix of Measurement Variables

Variables	1	2	3	4	5	6	7	8	9
<i>1. Integration of HRM (SHRM Alignment)</i>	1.00								
<i>2. Management Dev't in HR Practices</i>	0.47*	1.00							
<i>3. Placement System</i>	0.53*	0.52*	1.00						
<i>4. Performance Management System</i>	0.49*	0.50*	0.65*	1.00					
<i>5. Training & Development</i>	0.32*	0.63*	0.58*	0.67*	1.00				
<i>6. Compensation System</i>	0.31*	0.51*	0.55*	0.67*	0.58*	1.00			
<i>7. Carrier & Succession Planning</i>	0.28	0.56*	0.39*	0.61*	0.54*	0.60*	1.00		
<i>8. Employee Participation</i>	0.48*	0.52*	0.56*	0.55*	0.43*	0.47*	0.63*	1.00	
<i>9. Organizational Effectiveness</i>	0.38*	0.55*	0.50*	0.65*	0.59*	0.55*	0.63*	0.56*	1.00

Source: own computation using Stata 2010 V11.2

4.1.4 Relationship among the Individual Strategic HRM Practices

As presented in Table 4.1.3 above, results suggest a significant positive correlation between strategic HRM alignment with the following practices: management development in HR practices, placement system, performance management system, training & development system, compensation system, career & succession planning system and employee participation with correlations (r) of 0.47, 0.53, 0.49, 0.32, 0.31, 0.28 and 0.48 respectively.

It shows a significant positive and moderate relationship with management development in HR practices, placement system, and performance management system. On the other side it has a positive but weak relationship with career & succession planning system, compensation system and training and development. The correlation with career & succession planning system (0.28) is not significant at both of (r) 0.01 and 0.05 level of significance.

Results also show that management development in HR practices has a significant moderate positive relationship with the following practices: placement system, performance management system, training and development system, compensation system, career & succession planning system, and employee participation with correlations (r) of 0.52, 0.50, 0.63, and 0.51, 0.56, 0.52, respectively.

Placement system has a significant moderate positive relationship with the following practices: performance appraisal system, training and development, compensation system, and employee participation with correlations (r) of 0.65, 0.58, 0.55, and 0.56 respectively. It however has a significant weak positive relationship with career & succession planning system a correlation of 0.39.

Results also indicate that the performance management system has a significant strong positive relationship with training & development, compensation system with correlations (r) of 0.67 and 0.67 respectively. It also has a significant moderate positive relationship with career & succession planning and employee participation with a

correlation of 0.61 and 0.55 respectively. Training and development also has a significant moderate positive relationship with compensation system and career & succession planning system with correlations (r) of 0.58 and 0.54, respectively.

Results also show that compensation system has a significant moderate relationship with career & succession planning system with a correlation of 0.60. Career planning system is also found to have a significant moderate positive relationship with employee participation with a correlation (r) of 0.63.

4.1.5 Effect of Strategic HRM Practices on Organizational Effectiveness

As shown in Table 4.1.5, there is a moderately positive relationship between strategic HRM practices and organizational effectiveness with a multiple correlation (R) of 0.55. The adjusted R^2 of 0.52 implies that 52% of the variance in organizational effectiveness is adequately explained by strategic HRM practices used in this study.

The results also show that strategic HRM alignment with overall corporate objectives and management development in HR practices has a positive effect on organizational effectiveness with coefficients of 0.03 and 0.104 respectively. However, the result of the placement system shows that it has a negative (-0.013) effect on organizational effectiveness.

Performance management system and training and development were also found to have a positive effect on organizational effectiveness with coefficients of 0.25 and 0.152 respectively. Compensation system, career planning system and employee participation are also found to have a positive effect on organizational effectiveness with coefficients of 0.05, 0.21 and 0.14 respectively.

The multiple regression equation allows estimating how the pre-defined independent variables predict the dependent variable (Lawrence, 2009:178-79). That means how SHRM practices predict organizational effectiveness in this study. The result shows as follows:

1. Multiple regression equation

$$\text{Predicted OE} = 0.874 + 0.026ihrm + 0.085mgtd - 0.010ps + 0.187pms + 0.109tds + 0.036cs + 0.154cps + 0.107ep + e$$

2. Standardized regression equation

$$\text{Predicted } Oe^* = 0.028ihrm^* + 0.104mgtd^* - 0.014ps^* + 0.250pms^* + 0.152tds^* + 0.051cs^* + 0.211cps^* + 0.141ep^* + e$$

Where Oe^* , $ihrm^*$, etc... Denote these variables in the standard-score form.

Note:

It can be interpreted for example the standardized coefficient on ps ; $b_3^* = -0.014$: predicted organizational effectiveness score decline by 0.014 standard deviations, with each one standard deviation increase in the placement system if other variables and aspects of the regression remain the same.

The F test evaluates the null hypothesis that coefficients on all x variables in the model equal zero (Lawrence, 2009:176). As a result, the F -statistic=17.28 with 8 and 112 degrees of freedom, leads easily to the rejection of the null hypothesis ($P = 0.000$).

For that reason, at the 5 percent level of significance, the F -statistics show that the model is useful in determining if any significant relationship exists between strategic HRM practices and organizational effectiveness.

Table 4.1.5 Regression results on perceived Organizational Effectiveness

Dependent Variable= Organizational Effectiveness	Number of obs	=	121	
	F (8, 112)	=	17.28	
	Prob> F	=	0.0000	
	Beta= Standardized Coefficient of Variables	R-squared	=	0.5525
		Adj R-squared	=	0.5205
Independent Variables	Coef.		Beta	
1. Integration of HRM (SHRM Alignment)	0.0257518		0.0279464	
2. Management Dev't in HR practices	0.0848533		0.1039704	
3. Placement System	-0.010447		-0.0137861	
4. Performance management system	0.1870247		0.2497795	
5. Training & development	0.1090351		0.1521383	
6. Compensation System	0.0362652		0.0506685	
7. Career & Succession Planning	0.1541504		0.2108511	
8. Employee Participation	0.1066309		0.1414971	
_cons	0.8735901		.	

Source: own computation using Stata 2010 V11.2

4.2. Hypothesis Testing

Hypothesis-1: *Strategic HRM is not practiced by the organization (Ethio telecom).*

The results of this study indicate that HRM was integrated into the company's business operations, although such strategic alignment was only at a moderate level. Table 4.1.2 presents the descriptive statistics of the variables, the mean score of the strategic HRM alignment with the overall organizational goals and objective is 49.18 out of a possible maximum score of 70, suggesting a moderate (70.26 %) extent of strategic HRM alignment with the overall business objectives. Hence, the *null hypothesis one is rejected*. This indicates that Strategic HRM is practicing in Ethio Telecom at a moderate level.

Hypothesis-2: *There are no significant interrelationships between the individual strategic HRM sub-systems.*

Table 4.2 shows that except the correlation between *Ihrm* and *Csps* all the strategic HRM sub systems have significantly correlated to each other. This implies that these Strategic HRM functions identified have a significant interrelationship to each other. Hence, *hypothesis 2 is rejected*.

Hypothesis-3: *There is no significant relationship between strategic HRM practices and Organizational Effectiveness.*

As shows in Table 4.2 all strategic HRM practices have positive significant correlation with organizational effectiveness. Hence, *hypothesis 3 is rejected*. This implies that strategic HRM practices have positive significant relationship with organizational effectiveness.

Table 4.2: Person Correlation Coefficient Test of Significance at (r=0.05)

<i>. pwcorr ihrm mgtd ps pms tds cs csps ep oe, sidak sig star(.05)</i>									
	<i>Ihrm</i>	<i>Mgtd</i>	<i>Ps</i>	<i>Pms</i>	<i>Tds</i>	<i>Cs</i>	<i>Csps</i>	<i>Ep</i>	<i>Oe</i>
<i>Ihrm</i>	1.000								
<i>Mgtd</i>	0.4671* 0.000	1.000							
<i>Ps</i>	0.5342* 0.000	0.5172* 0.000	1.000						
<i>Pms</i>	0.4896* 0.000	0.5043* 0.000	0.6549* 0.000	1.000					
<i>Tds</i>	0.3166* 0.0144	0.6310* 0.000	0.5816* 0.000	0.6683* 0.000	1.000				
<i>Cs</i>	0.3133* 0.0167	0.5111* 0.000	0.5477* 0.000	0.6606* 0.000	0.5791* 0.000	1.000			
<i>Csps</i>	0.2764 0.0745	0.5618* 0.000	0.3924* 0.0003	0.6113* 0.000	0.5429* 0.000	0.6031* 0.000	1.000		
<i>Ep</i>	0.4795* 0.000	0.5235* 0.000	0.5551* 0.000	0.5512* 0.000	0.4325* 0.000	0.4721* 0.000	0.6285* 0.000	1.000	
<i>Oe</i>	0.3816* 0.0006	0.5503* 0.000	0.4960* 0.000	0.6489* 0.000	0.5905* 0.000	0.5521* 0.000	0.6263* 0.000	0.5616* 0.000	1.000

Source: own computation using Stata 2010 V11.2

Hypothesis-4: Strategic HRM practices have no significant effect on organizational effectiveness.

The *F* test evaluates the null hypothesis that coefficients on all x variables in the model equal zero (Lawrence, 2009:176). As a result, the F-statistic=17.28 with 8 and 112 degrees of freedom, leads easily to the rejection of the null hypothesis (P = 0.000).

As shown in Table 4.1.5, there is a moderate positive relationship between strategic HRM practices and organizational effectiveness with a multiple correlation (R) of 0.55. The adjusted R² of 0.52 implies that 52% of the variance in organizational effectiveness is adequately explained by strategic HRM practices used in this study. Thus, ***hypothesis- 4 is rejected*** to mean that strategic HRM practices have significant effect on organizational effectiveness.

4.3. Discussion

This discussion section evaluates and interprets the implications of the findings. Thus, an attempt has been made to examine, interpret, qualify the results and draw inferences from them and tried to emphasize theoretical consequences of the results and the validity of the conclusions.

The results of this study indicate that HRM was integrated into the company's business operations, although such strategic alignment was only at a moderate level (70 percent). From the perspective of management committee membership, senior management integration appeared to be satisfactory as the HR division head reports from the interview. That is, average number of the company's management officials (from both cores & supporting divisions) expect the HR division as their strategic partner in decision making and majority of them believe that being a strategic partner determines their success as a management group members. However, the majority of management officials surveyed are not satisfied with the existing HR practices emphasizing on placement, performance management, career & succession planning and they suggest need to improve.

In contrast, the empirical evidence regarding management development in HR practices reflects a mixed story. While line managers believe and understand that acquiring HR skills are very essential to them and the overall business performance, on average the level of training given to line managers to perform these practices is low (30 percent) which indicates that the transfer of HRM knowledge of line managers is somewhat limited. Insufficient training offered to line managers would greatly undermine the capacity of line managers to perform HR activities effectively.

The results also indicate that all the strategic HRM practices tested in this study: strategic HRM alignment, line management development, training and development, compensation system, career planning system and employee participation are all positively related to perceptual measures of effectiveness in the organization. Expectedly,

placement system has a negative effect on organizational effectiveness because some employees were mistakenly misplaced and even though, employees are selected according the business requirement they are not provided with the opportunities to make full use of their skills and abilities.

Overall the model is supported by data and the results suggest that line management development, placement system, regular training and development of personnel, equity based compensation system, continuous performance management system, effective career & succession planning system and a robust employee participation in the organization's decisions and actions are the key strategic HR practices that influence effectiveness of the organization. It therefore, implies that the company should pay more attention to these practices with a view to improving its implementation, not only within the organization but also across the industry (i.e. Telecommunication).

CHAPTER-FIVE

CONCLUSIONS & RECOMMENDATIONS

5.1. Conclusions

The study assesses the relationship between or the role played by the modern HR approach Strategic HRM on organizational effectiveness of Ethio telecom. The term organizational effectiveness is used as a measure of performance in other studies. There is no universally agreed definition and expression of organizational effectiveness. The term effectiveness as a measure of performance used different expressions such as productivity, efficiency, profit, quality, growth, conflict/cohesion, information management & communication, the value of human resource etc., (Hal , 2009).

For the purpose of this study organizational effectiveness is defined by constructing a new model: Balanced Score Card model of organizational effectiveness. This is further explained as an organization is effective to the extent the four BSC dimensions (Customer satisfaction, Financial growth, Learning & development and Internal process) are achieved.

The results obtained from this study indicate that strategic HRM is moderately practiced by the company. And that organizational effectiveness symbolized by the four Balanced Score Card dimensions ; *Customer satisfaction* (the level and attempt to satisfy customers), *Financial growth* (sales & profitability), *Learning and development* (intellectual capital, equipment's, technologies), *Internal process* (organizational structure, scope, definition and integration internal work process, the attempt to support and automate those business process through Enterprise Resource Planning) is reasonably enhanced by seven out of the eight strategic HRM practices tested.

Moreover, an effective HR strategy is characterized by external fit (fitting HR strategy to organizational strategy), internal fit (linking the various HR programs in other functional areas such as, marketing, and a fit among all HR programs or functions) and focus on results (Belcourt & M^eBey, 2009). Results reported that, the separate Strategic HRM

practices also significantly correlated to each other. Indicating that to some extent there is an attempt/ promising initiation to internally integrate those practices with each other and with other business strategies.

The study, to this extent, has provided evidence for the value added by strategic HRM through the integration of HR functions within the organization's key strategies and operations. At the same time, questions need to be asked about the results of moderate levels of involvement in Strategic HRM practices as against high levels reported elsewhere. Can this be simply passed off as problems of new concept, data specification, procedures or even interpretation? Can this result even be attributed to factors other than strategic HRM practices? These are questions that can be resolved under different settings.

However, managers everywhere face the same challenges of tackling complex problems with limited resources, determining priorities, motivating staff, initiating change and demonstrating measurable results. Strategic HRM in concept and practice is about managers standing in the front lines to tackle these challenges to achieve organizational objectives. It should be reminded that people may know everything about line management development but not practice it; people may know the merit of continuous performance management but not run-through it, people may know the intrinsic worth of equitable pay but not implement it, people may know the virtues of employee participation but not apply it. It is therefore, down to commitment as the misplaced relationship.

To achieve employee commitment, the condition of the workplace has to be supportive to lead to and sustain staff motivation and high performance (Stringer, 2002). Certainly, Strategic HRM practices identified in this study should play this role creditably well and to act as facilitator, the organization should consider the benefits of integrating its HR function with its overall strategies and operations.

5.2. Limitations and Future Study

An effort has been made to make this paper fruit full and valuable. However, a lot of challenges have been faced to deliver it. Since the discipline is at infant stage there is not adequate research and literature that discusses in depth specially the relationship between both the independent and dependent variables (i.e. Strategic HRM and organizational effectiveness respectively). Further, it was a challenge to contextualize it due to the absence of similar studies with similar title in the country.

On the other side, as the limitation of this research organizational effectiveness as a measure of organizational performance uses the Balanced Scorecard dimensions as a summed indicator so that it makes the estimation result not quite optimum. Thus, to maximize the estimation result further research is suggested to involve the role Strategic HRM pays for the separate organizational effectiveness indicators used for this study (i.e. SHRM with/for financial growth, customer satisfaction, learning & development and Internal processes).

5.3. Recommendations

After data presentation, analysis, and providing answers to the research questions the researcher provides the following recommendations:-

1. Though there is an attempt to integrate HR practices with business strategies, an effort has to be made to potentially exploit the maximum advantage out of the modern HR concept (i.e. Strategic HRM) through strategic alignment/ integration. Because it enables the company to achieve its strategic goals through the strategically available workforce.
2. The process of the strategic integration of HR with business and corporate strategies shall be followed the following steps; *Linking HR to strategy, Involving in the strategic planning process, and Applying the Strategic HR planning model.*
3. The process of strategic linkage must apply either of the following options; start with corporate/organizational strategy and then create HR strategy, start with HR

competencies and then craft corporate strategies based on these competencies and, doing a combination of both in a form of shared relationship.

4. The Involvement of HR in the company's strategic planning process shall be in the form of:

★ **Membership in the executive team:** to insure that the person responsible for HRM is included in management committee membership;

★ **Review/React linkage:** to ensure that HR managers have the opportunity to review strategic plans before they are implemented. They can then approve or modify them.

★ **Integrative linkage:** to make sure that the interaction between the members of the executive committee and the HR director are frequent, and the HR director is involved in strategic decisions, even when the HR implications are not readily visible.

5. Linkages have to be made at earlier stages. HR director, officers and managers should be supplied with information about employee capabilities, be part of the strategic planning committee, and be documented implications of strategic drives.

6. In order for the organization to potentially introduce the concept of Strategic approach to HRM; one the Strategic HR Planning Model (see Figure-2.1.2.5) has to be applied, and two at least the former name for the following sections must be modified to;

I. **Strategic Placement:** candidates have to be recruited, selected, & appoint in such a way that considering the company's current & future requirements'.

II. **Strategic HR Development:** trainings and developments shall be assessed and prioritized according to the business requirement, designed as a program, delivered and evaluate in the sense that, to support the current competency requirements' and to accumulate future intellectual capital.

III. **Strategic Performance Management**(see Figure-2.1.3.5): performance management systems must be designed to make sure :

⊕ Those business's (division, department and section) goals and strategies are consistent with those at corporate level.

- ✪ Job descriptions (JDs) are designed consistent with unite and organizational priorities.
- ✪ Performance Management System includes results, behaviours and developmental plans consistent with the unit and organizational-level priorities.
- ✪ Performance Management System includes results, behaviours and developmental plans consistent with individual Job Descriptions, and
- ✪ To make sure that employees are well communicated what is expected of them-their goals and accountabilities.
- ✪ To make sure that there is a continuous performance review feedback and follow up.

IV. Strategic Reward & Compensation- to insure that the compensation packages are transparent and consistently applied; Provide a clear link between pay and performance; encourage and recognize high performance; clearly aligned with Ethio telecom's values and business strategy.

7. The involvement of line managers during the implementation of HR practices has to be increased. Consequently, trainings have to be provided to line managers in HR practices to enable them, manage the performance of their subordinates continuously, to mentor, coach, counsel and motivate their successors. It will help managers to engage their employees in planning, implementation, evaluation and decision making process.
8. Finally and most importantly, the following five fundamental questions that need to be asked in formulating HR strategies have been posed by Becker and Huselid (1998) are:
 - ★ *What are the firm's strategic objectives?*
 - ★ *How are these translated into unit objectives?*
 - ★ *What do unit managers consider are the 'performance drivers' of those objectives?*
 - ★ *How do the skills, motivation and structure of the firm's workforce influence these performance drivers?*
 - ★ *How does the HR system influence the skills, motivation and structure of the workforce?*

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APPENDICES:

Appendix-A: Interview Questions

Appendix-B: Questionnaire designed for the study participants

Appendix-A: Interview Questions

This interview question designed for HR Division department heads including the Chief HR officer, to know to what extent their respective department's strategies are aligned with the business and corporate strategies.

1. Are the mission and strategy of the human resource organization designed to match the business strategy of the organization?
2. Does the design of the human resource organization enhance its ability to accomplish its strategy?
3. Are the kinds of people who run the human resource function good choices for the ongoing tasks?
4. How effective is the selection process in ensuring that people are placed in appropriate positions? Explain.
5. How effective is the appraisal process in accurately assessing performance? Explain.
6. How effective are rewards (financial and nonfinancial) in driving performance? Explain.
7. How effective are the training, development, and career planning activities in driving performance? Explain.
8. How effective is the appraisal process in differentiating performance levels for justifying reward allocation decisions? Explain.
9. How effective is the appraisal process in identifying developmental needs of individuals to guide training, development, and career planning? Explain.
10. How effective are the training, development, and career planning activities in preparing people for selection and placement into new positions in the organization? Explain.
11. Overall, how effectively are the five components integrated and mutually supportive? Explain.

Appendix-B: Questionnaire

St.Merry's University School of Graduate Studies Master of Business Administration

Questionnaire to be filled by Ethio telecom Managers/Officers/Chief Officers

Dear Sir/Madam,

You have been selected as a valued and knowledgeable participant in this research project titled *'The Role of Strategic HRM on organizational Effectiveness'*. The aim is to clarify the strategic role that HR division plays towards Ethio telecom's organizational effectiveness. By participating in this research project you will provide valuable information that the researcher will use to determine the current role of the HR division and make valuable recommendations regarding the strategic link between ethio telecom's HR functions with the organizations corporate/ business strategies.

The questionnaires are completely anonymous and confidentiality is assured. For the research to yield valid results, it is important that you answer all the questions as honestly and truthfully as possible. The answers must reflect your own opinion and perception. Please answer all the questions and statements.

Thank you for your willingness to participate in this study. It is greatly appreciated!!!

For any clarification request:

Haftu W/Tekle(0911510393)

SECTION-I: Demographic Information

Please provide me with some information about yourself:

1. Which age brackets are you belong?

25– 30 years 41-50

31 – 40 years 51- 65

2. Sex?

Male Female

3. Your highest level of formal education?

Diploma/equivalent BA/BSc/BLL degree Master's Degree PhD

4. How long have you been working in your current position?

1 – 4 year's 11 – 15 years

5 – 10 years 16 years & above

5. Your current job level?

Manager (N-3) Officer (N-2) Chief Officer (N-1) Other please specify _____

6. Your working division?

7. Marketing, Customer service, Network IS, Quality &Process, PMO

SFD, HR, Finance, Internal Audit Other _____

SECTION-II: Integration of HRM Practices with Corporate Strategy

Listed below are descriptive statements about Strategic Human Resource Management. For each statement, please indicate to which degree you display the behavior described.

Please make a cross (X) mark in the applicable box.

Statements		Strongly Disagree	Moderately Disagree	Slightly Agree	Moderately Agree	Strongly Agree
		1	2	3	4	5
#1. Strategic HRM alignment with organizational objectives		1	2	3	4	5
1	Ethio Telecom (ET) has a clear vision, mission and strategic goals.					
2	Business/division strategies are derived from corporate strategies.					
3	ET develops processes and programs to link HR strategies with business strategy.					
4	I am expected to develop processes and programs that link HR strategies to business strategy.					
5	I make sure that HR strategies are aligned with business strategy.					
6	I work/provide inputs to align HR strategies and my business strategy.					
7	I participate in the process of defining business strategies.					
8	I am an active participant in business planning in my division.					
9	I believe that I am a strategic partner in my organization.					
10	I believe that line managers/officers perceive me as a strategic partner.					
11	My credibility comes from helping to fulfill strategic goals.					
12	Being a strategic partner determines my success as a manager/officer.					
13	ET management group expect me to participate in strategic decisions.					
14	ET management group expect me to contribute to the achievement of business goals.					
#2. Delegation of HR Practices to Line Managers		1	2	3	4	5
1	Ethio telecom has a line management development process in HR practices.					
2	I participate in HR practices training & found that very useful.					
3	I get the necessary skills from the training on HR practices.					
4	I believe that these skills are very important to my business area.					
5	I believe that HR managers/officers are strategic business partners to me.					
6	I understand that those HR practices & my business strategies are aligned.					
7	I believe that this integration has a great impact on strategic goals achievement.					
8	I believe that this integration explicitly has been practicing in Ethio telecom.					

	Statements	Strongly Disagree	Disagree	Slightly Agree	Moderately Agree	Strongly Agree
	#3. Placement (Recruitment, Selection & Placement) System	1	2	3	4	5
1	Employment is done as per the business priority of Ethio telecom.					
2	The recruitment process focuses only on promising candidates.					
3	Placement process matches skills of candidates with competency requirement for positions.					
4	Employees are selected & placed according the business requirement.					
5	Employee's in your respective division feel that their job is worth doing.					
6	Employees are provided with opportunities to make full use of their skills and abilities.					
	#4. Performance Management System(PMS)	1	2	3	4	5
1	Organizational vision, mission, goals and strategies are clearly defined.					
2	My division/dep't-level goals and strategies are consistent with those at corporate level.					
3	Job descriptions (JDs) are designed consistent with unite and organizational priorities.					
4	PMS includes results, behaviors and dev'tal plans consistent with unit and organizational-level priorities.					
5	PMS includes results, behaviors and developmental plans consistent with individual JDs.					
6	Employees know what's expected of them –their goals and accountabilities.					
7	Performance appraisals are used for compensation decisions.					
8	Performance appraisals are used for professional development.					
	#5. Training and Development System	1	2	3	4	5
1	Ethio telecom has a clear training and dev't plan linked with business strategy.					
2	Training and development programs are designed to support business objectives.					
3	Trainings are offered based on training need analysis translated in to training programs.					
4	Formal & related development programs are offered to managers/officers each.					
5	Formal & related training programs are provided to employees.					
6	Training programs are offered to new hires the skills they need to perform their jobs.					
7	Feedbacks are collected after the training delivery.					
8	Feedbacks are analyzed for further improvements.					
	#6. Compensation System	1	2	3	4	5
1	The benefit & compensation packages are designed to support business goals.					
2	Managers are eligible for cash bonuses based on individual performance.					
3	Managers are eligible for cash bonuses based on company-wide productivity/ profitability.					
4	The compensation packages are linked to performance.					
5	The compensation packages are linked to qualification of employees.					
6	Individual & team performance is adequately rewarded.					
7	I am satisfied with the company's flexible benefits programme.					

Statements		Strongly Disagree	Disagree	Slightly Agree	Moderately Agree	Strongly Agree
#7. Career & Succession Planning System		1	2	3	4	5
1	There is a career development system in Ethio telecom.					
2	There is a succession planning system for all critical positions.					
3	Career & Succession Planning are designed to support business goals.					
4	Employees are kept informed about what is required of them to advance.					
5	I have a good understanding of the potential career moves in the company.					
6	Employees in their respective job have clear career paths within the organization.					
7	Employees have more than one potential position they can promoted to.					
#8. Employee Participation		1	2	3	4	5
1	Employees in their job are often asked by their superiors to participate in decisions.					
2	Employees are encouraged to suggest improvements in the way things are done.					
3	Employees are encouraged to play a proactive role in improving the labor-mgt relationship					
4	There is a culture of inclusion that promotes labor-mgt as partner in business success.					
5	There is a climate of trust and teamwork b/n employees & mgt aimed at delivering a typical service to the customer.					
6	Management promotes positive attitudes that result in an engaged, committed and motivated workforce.					

SECTION-III: How Ethio telecom is effective to the extent the four Balanced Scorecard dimensions are achieved.

Please make a cross (X) mark in the applicable box.

#9. Organizational Effectiveness		1	2	3	4	5
Customer Satisfaction						
1	Ethio Telecom makes every effort to satisfy its customers.					
2	Our service quality and infrastructures are adequate.					
3	I believe that ET acquires the maximum expectation level of customer satisfaction.					
Financial Growth						
4	During the last three years ET achieves financial targets (savings and/or revenues).					
Learning & Development						
5	ET encourages employees to learn and develop their competency.					
6	ET promotes to develop intellectual capital through organizational, team and individual learning.					
7	Ethio telecom is accumulated the required resource (knowledge, equipment and technology).					
8	The right quality workforce is available to meet present and future needs.					
Internal processes						
9	Internal work processes are exhaustively identified.					
10	Internal work processes are clearly designed, well integrated and cost effective.					
11	Work processes are supported through ERP system.					
12	The interaction within and/or across sections, departments is smooth.					

Please state why you agree/ disagree in the items above for the following categories respectively?

#1.Integration of HRM with Company Strategies

Agree because, _____

Dis agree because, _____

#2.Line Management training in HR Practices

Agree because, _____

Dis agree because, _____

#3.Placement (Recruitment & Selection) System

Agree because, _____

Dis agree because, _____

#4.Performance Management System

Agree because, _____

Dis agree because , _____

#5.Training and Development System

Agree because, _____

Dis agree because, _____

#6.Compensation System

Agree because, _____

Dis agree because, _____

#7.Career & Succession Planning System

Agree because, _____

Dis agree because, _____

#8.Employee Participation

Agree because, _____

Dis agree because, _____

Finally, how do you evaluate the HR division's overall level of influence to ethio telecoms of strategic support?

1 – Not at all influential

2 – slightly influential

3 – Somewhat influential

4 – Very influential

5 – extremely influential