

EVALUATING THE INFLUENCE AND IMPLICATIONS OF STRATEGIC HUMAN RESOURCE MANAGEMENT ON ORGANISATIONAL EFFECTIVENESS OF BANKS IN KURDISTAN REGION OF IRAQ

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ABSTRACT: *This study examines the extent in which Strategic Human Resources Management (SHRM) influences the organisational effectiveness of banks in Kurdistan Regional Government (KRG). The study attempts to identify some of the problems affecting Banks' effectiveness. A total of 93 questionnaires were distributed to one local private bank (Kurdistan Bank), one local public or state-owned bank (Zagros Bank) and one internationally owned bank (Abu Dhabi Bank). Of the above number, 74 questionnaires were successfully retrieved and the results were analysed using SPSS 22. The results from the study showed that most of the variations in organisational effectiveness that are attributed to changes in (SHRM) are observable in the public or state-owned banks. The results also showed that most SHRM practices are insignificant in the context of individual banks but more significant in the context of all banks. Furthermore, it was observed that performance systems have a negative effect on private and internationally owned banks. The conclusion drawn from the study is that the effects of SHRM on organisational effectiveness in the banking sector are the same between the banks. The study is significant as it contributes to the formulation of strategies that will help to attract and retain the right, qualified and skilled employees who can facilitate the performance and success of the banks employees' welfare. The study is one of the few types of research that looks at the implications of Strategic Human Resources on the organisational effectiveness of banks in the Middle East with regards to KRG. It will also form part and parcel of a foundation for establishing a base for conducting future studies*

KEYWORDS: Human Resource Management, Strategic Human Resource Management, Banking sector, KRG, Effectiveness

INTRODUCTION

Organisational effectiveness of banking sector in Kurdistan Regional Government of Iraq

A lot of significant changes have been observed in terms of economic and business sectors and such changes have either led to a downfall or success of many organisations. It is anticipated that business organisations are likely to be affected due to an increase in technological, social, economic and political changes. This can be reinforced by ideas obtained from a study conducted by Becker and Huselid (2006), which showed that organisational effectiveness has been changing a lot as a result of the changes in the economic and business environments.

Organisational effectiveness is one of the key objectives any business enterprise would seek to attain especially firms in the private sector (Lengnick-Hall et al., 2009). This is because it forms a huge base upon which the success of the organisation can be established and future prospects to survive and grow are determined. This is highly important in the banking sector which has been facing a lot of challenges in Kurdistan Regional Government of Iraq (KRG).

Meanwhile, banks around the world especially those in KRG have of late been facing major challenges that are undermining their effectiveness (Delery & Doty, 1996). This has been characterised by a decline in the effectiveness of banks as noted through a decline in internal processes, learning development, customer satisfaction and financial growth (Agarwala, 2008). As a result, banks became restricted in fulfilling their financial intermediation roles. One of the key strategies that have been recommended as a solution that banks can use to deal with problems that affect their organisational effectiveness is strategic human resources (SHR). It is strongly believed that SHR has a huge potential to cause positive changes in organisational effectiveness especially for banks (Okpara & Pamela, 2008). This is based on the belief that SHR makes it possible for organisations such as banks to attract the right, qualified and skilled individuals who are able to perform in a manner that will see both the organisation and themselves benefiting (Schuler & Jackson, 2008).

However, there are challenges in trying to determine how SHR will influence the organisational effectiveness of banks. This is because organisational effectiveness is made up of a lot of components which include internal processes, learning development, customer satisfaction and financial growth (Dimba & K'Obonyo, 2009). This tends to complicate the whole exercise of trying to establish the influence of SHR on organisational effectiveness. This above statement is supported by ideas given by Gray and Shasky (2007, p.18) which contends that a successful evaluation of the implications of SHR on organisational effectiveness requires that all the dimensional aspects of organisational effectiveness be taken into account.

The role of strategic human resources in the banking sector

SHR plays an important part in any organisation, but its role in the banking sector is highly justified. This is because the banking sector is one of the key pillars of any economy as it funds economic projects (Naceur & Ghazounai, 2007). It, therefore, implies that any challenge that threatens the existence and survival of banks will undermine economic growth and development. Such can be noted to be a with banks in KRG which have been facing a lot of challenges. Reports by Blanchard (2009) outlined that the prevailing financial crisis in KRG has undermined banking activities as individuals in KRG now opt to save their money in homes rather than with banks. The ability of banks to deal with such problems, survive on-going challenges, gain a competitive advantage, grow and develop therefore lies in the formulation of strategic goals and policies but this requires the right, skilled and qualified human resources (Waiganjo et al., 2012). This leads to what is known as strategic human resources which is a process of integrating and aligning the needs, vision and goals of the organisation with strategic plans of the organisation (Malik et al., 2011). The role of SHR is, therefore, to ensure that banks have the necessary skilled and qualified human resources that will help them achieve their long-term strategic goals. Weldetkale (2013) established that SHR allows organisations to gain a huge competitive advantage over other competitors in the same industry. Hence, deductions can be made that SHR will help banks in KRG attain a huge competitive advantage. This is important as it comes at a time when economic problems are threatening the viability, growth

and survival of banks in KRG. This study, therefore, seeks to examine the implications of SHR on the organisational effectiveness of banks in KRG.

Brief description of Zagros, Kurdistan and Abu Dhabi Banks

The banking sector is composed of 14 state owned banks and 30 privately owned banks which have branches across the region (Kurdistan Board of Investment (KBI). Ideas have been given that some of the banking challenges that are being experienced in KRG are a result of policy inconsistencies and conflicts (KBI). This is because KRG is presumed to have 2 central banks to manage the KRG economy, the one in Baghdad usually dictates what the others in KRG should be doing. It is worthy to recognise that there is a lack of skilled individuals to drive the banking sector and this possibly explains a great deal as to why SHRM is needed and will play a greater role in turning around the banking situation. However, there has been a notable change in performance and operational capacity between private banks, state owned banks and internationally owned banks in KRG.

Known as one of the leading private banks in the Kurdistan Region, Kurdistan Bank, located in Erbil, having been established in 2005 as a private sector-based bank, with joint-venture ties with banks outside of the region. Regardless of being known to be 'international', in actual fact for the case of this research it comes under a private bank.

Zagros Bank being the second bank is located in Erbil, a local state-owned bank well known for its transactions with the KRG ministries. In recent months, the civil servants' salaries have been distributed by this bank. Abu Dhabi Islamic bank on the other hand is a fully international bank with a branch located in Erbil, the capital of Kurdistan Region with branches located in a several countries across the world. All of these banks have witnessed huge changes in organisational effectiveness. Notable changes have been in terms of organisational effectiveness and there are ideas which link this to SHRM (Malik & Ghafoor, 2011). Hence, there is need to examine how SHRM varies between these three types of banks and how it influences organisational effectiveness.

Research problem

It is highly believed that SHR plays a vital role in organisations as it enhances the ability of an organisation to integrate HRs with the strategic vision and needs of the organisation. (Malik & Ghafoor, 2011; Miller, 2004; Teo, 2002). This suggests that SHR has an ability to identify, hire and develop skilled and qualified human resources which organisations need in order to achieve their targets and goals (Weldetekle, 2013). However, circumstances under which such effects can be said to be true have not yet been clearly defined (Malik et al., 2011). This poses problems on the ability to distinguish the exact situation under which SHR will be effective in influencing OE. Such can be noted to be a study in KRG where most organisations have gone for months without adequately paying their employees. With compensation being regarded as the main resource that makes SHR more effective, it is unclear how SHR will help an organisation such as banks in KRG achieve organisational effectiveness. Moreover, a lot of studies that address the relationship between SHR and OE are based in Western economies such as United States of America and were conducted at a time when economic conditions were relatively stable. Hence, if we are to apply them to economies such as KRG where a lot of economic instabilities are taking place, they might fail to yield accurate deductions. It, therefore, remains unexplored as to how SHR will influence organisation effectiveness of organisations in KRG especially banks. The research fundamental aim is to examine the extent in which SHR influence

organisation effectiveness. Furthermore, the research identifies possible limitations to the issue of the effectiveness of SHR of banks in KR and provide possible SHR solutions that can be used by banks to boost their performance. In addition to the above, the paper through the review of relevant literatures will reduce the gaps that existed within the context of strategic human resource management in an attempt to contribute to the pool of knowledge and wide readership. The questions this research seeks the answers are a) how does SHR influence the organisational effectiveness of banks in KRG? and b) what are the possible SHR strategies that can be used to boost the performance of banks in KRG?

The significant of this paper is in the influence its findings will exercise on bank management in the Kurdistan Region of Iraq. It is anticipated that the findings from the research will also influence and change the policy agenda and action of the Region's Government in the area of financial institutions in an attempt to make a meaningful improvement.

Theoretical Review of Literatures

The concept of strategic human resources management in relation to the Banking Sector

The concept of strategic human resources is composed of two terms, that is, strategy and human resources. Bearing this in mind, it is also important to offer a description of the two terms and how their combination has resulted in major improvements and contribution in the area of human resources management (HRM).

The term 'strategy' refers to a set of procedures that outline the objectives that a business organisation desires to attain in the long run and how organisational resources are to be organised in line with such goals so as to offer the firm a competitive advantage (Hax & Majluf, 1996). It can also be defined as an outline of a course of actions that the business will take in order to improve, and attain set organisational targets and standards (Teece, 2010). The term HRM refers to a set of activities that involve the hiring, developing and firing of employees (Noe et al., 1997). Alternatively, it can be known as the management of human resources (Legge, 1995).

From the above definitions, it can therefore be known that SHR refers to processes that are undertaken by the banks' HR department in acquiring the right, skilled and professionally qualified bank employees and further developing them in a manner that will improve the competitive position of the bank so that they continuously contribute to the success and performance of the bank with a sole aim of achieving set targets and goals (Becker & Huselid, 2006). Armstrong (2008) considers it to be a reflection of the way HR strategies are developed and implemented in a manner that allows the banks to attain its objectives and goals. It can, however, be seen that SHR is about the integration of banking strategies with HRM practices and that HRM strategies are there to offer support to the business so that it achieves its long term goals. In this context, therefore, SHR thus helps to fit and balance the strategic needs of the business with HRM.

SHR has been regarded to be an important element in modern day business world. This is because ideas tend to highlight that banks that are able to strategically incorporate HRM with the strategic needs of the business have a high tendency to perform better (Belcourt & McBey, 2009). What makes it more important is that it considers the need to develop existing HRs and values the importance of having skilled employees in an organisation (Becker & Huselid,

2006). This plays an important part in the development of successful strategies for banks in KRG especially considering the idea that there is a shortage of skilled labour in KRG.

It is worthy to note that SHR strategies assist in formulating and implementing banking plans and thus bank managers must examine how HR practices influence banks' ability to adopt strategies. This includes doing a Strengths Weakness Opportunities and Threats (SWOT) analysis to identify areas that are impacting the linkage between banks' corporate strategies, HR practices and opportunities that the banks stand to gain from exploiting such strategies. An external analysis of the banks' environment also helps in determining how effective the relationship that exists between corporate strategy and HR practices will yield positive changes in banks' organisational effectiveness (Kaufman, 2012). Such therefore provides strong evidence that the relationship or linkages that exist between corporate strategy and HR practices are determined by both internal and external elements.

The relationship between SHR and banks' organisational effectiveness is strongly determined by the strategic SHR planning model. This is because strategic planning is the main activity under which the entire SHR exercises are developed (Liang et al.2010). Belcourt and McBey (2009) established that any possible positive changes in organisational performance require a proper planning process in the formulation of strategic planning. Dimba and K'Obonyo (2009), also showed strong support towards this argument and indicated that SHR planning has an ability to identify external influences that impact organisational performance and develop corporate strategies that are able to transform any organisation. The SHR planning thus asserts that effectiveness in organisational activities requires an analysis of the potential capabilities of the organisation's HRs together with their limitations (Hal, 2009, p.66). As a result, effective SHR strategies can be developed based on how best to acquire new HRs and develop existing HRs to their full potential. This is important in KRG economies where a shortage of skilled HRs are affecting bank performance. Components of the SHR planning can be outlined using figure 1.

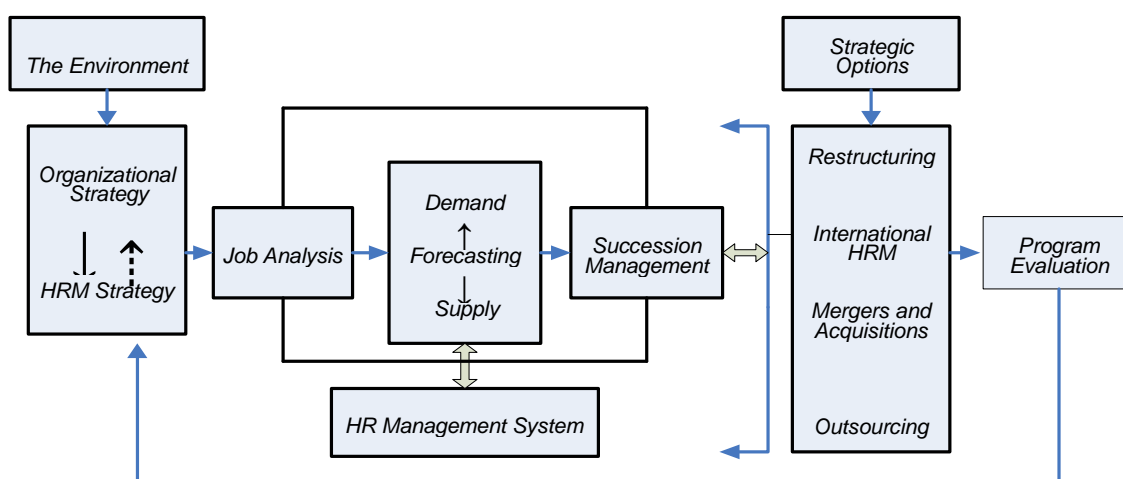


Figure 1: The strategic HR planning model

Source: Weldetkale, H. (2013). The Role of Strategic Human Resource Management on Organizational Effectiveness: The Case of Ethio Telecom (Doctoral Dissertation, St. Mary's University), p.20.

It can be depicted from figure 2.1 that every SHR plan starts with the organisation examining its environment and links it with existing organisational strategies. The next thing is for the organisation to conduct job analysis and forecasting of its human resources needs in line with the available supplies followed by a succession management process which results in the establishment of strategic options which are composed of, restructuring, international HRM, mergers and acquisitions and outsourcing programs.

The ultimate process is to assess whether those activities, practices and policies are effective and this completes the entire planning process. Organisations such as banks always desire to know how well their strategies are contributing towards improving bank performance. Thus, the effectiveness of SHR can be measured using indicators such as financial performance which includes sales growth, revenue inflow, profit maximisation and cost minimisation (Green et al., 2006). But recommendations made by Beycourt and McBey (2009) exhibit that a 5C model can be used to assess the effectiveness of SHR practices and these include: complying with stipulated regulations and laws; clients' satisfaction, controlling costs, culture management, and contributing to HR activities.

SHR application in the banking sector

In this study, the focus is placed on looking at the resource and contingency approaches to SHR. This is because their inclusion will help to understand how internal and external elements help to shape the SHR. Furthermore, they also emphasise the idea that without sufficient resources, it is impossible to effectively implement SHR and boost organisation effectiveness (Weldetekle, 2013).

This theory contends that HRM is capable of offering a competitive advantage to a firm through its human resources (Lado & Wilson, 1994). This is based on the assumption that there are certain human resources skills that are in limited supply, have no direct substitutes and are difficult to replicate (Barney, 1991). Hence, the ability of an organisation to possess such skills allows the firms to exploit opportunities that can give them a huge competitive advantage. It further posits that human resources are more than financial, technical and physical resources but rather they offer organisations a sustained competitive advantage (Lado et al., 1992).

It can also be outlined that this theory recommends that management must be tasked with a responsibility of ensuring that there is an improvement in a firm's competitive advantage. Such is important for banks in KRG which have been facing severe pressure to maintain their competitive advantage by developing sound human knowledge, experience and capital skills (Wright & McMahon, 1992). The lessons that can be drawn from this theory is that the ability of HRM to perform such functions is what determines organisational effectiveness. This led to the definition of SHR effectiveness as the delivery of strategic, technical and high-quality HRM activities (Greer, 2001). This theoretical aspect asserts that the relationship that exists between SHR and OE is determined by the number of resources that an organisation possesses and a list of external factors (Dess et al., 2005). In this case, the banks in KRG will be capable of hiring the rights, skilled and qualified employees if they have more financial resources. Hence, by possessing such resources, banks in KRG will be capable of attaining a huge competitive advantage over other banks in the same region.

The other thing to note with the contingency theory is that it recognises the effects that are posed by the external environment on the effectiveness of SHR and performance of the

organisation (Festing, 2011). Such relates to what has been taking place in KRG as noted by the on-going financial crisis that has seen a reduction in bank liquidity (Kaufman, 2012). In addition, it can thus be said the on-going external challenge banks in KRG are facing tends to affect the effectiveness of SHR in influencing OE. This is because there is a challenge for banks to acquire and source the required financial resources to hire and develop the required HRs. Implications of the contingency theory, therefore, suggest that banks should make sure that they have the required amount of resources to hire the right, skilled and qualified personnel and, develop them in the future to a level whereby they will continuously contribute to the success and growth of the banks. This theory also suggests that the effectiveness of SHR in influencing OE is not only determined by internal activities of the firm but also by external circumstances. Thus, according to this theory, it is therefore important that banks in KRG come up with effective SHR measures that will be able to deal with external challenges. Such will help in the success and growth of banks in KRG which results in improvement in their ability to fulfil the financial intermediation obligations.

SHR functions in the banking sector

SHR is vital to any organisation and its vitality lies in the functions that it plays. The notable element that can be seen with SHR is that it bridges a gap between formulating and implementing strategies (Chaddie, 2001). Oladipo and Abdulkadir (2011), posit that SHR realigns the needs of the organisation with its corporate strategies. This is because it brings together all three management levels into one combined function which makes it easy to realign organisational strategies with SHR practices (Teo, 2002). The study carried out by Budhwar (2000), highlighted that bringing together all the management functions allows issues and concerns affecting the organisation to be brought out to the attention of the organisation. This creates more room for productive interactions and communication of strategic information. Insights provided by Daley (2012) also showed that it is important to have all SHR practices documented. Similar observations were also made by Teece (2010) which contend that documenting SHR reinforces the importance of lines of authority. On the other hand, Becker and Huselid (2006) believe that documenting the SHR exercise helps to clarify the vision of the organisation and improves its ability to monitor performance.

Performance management in the banking sector

SHR also performs an important performance management function in banks which helps to enhance banks' effectiveness. According to Armstrong (2006), SHR allows organisations to develop a high-performance culture that enhances banks' effectiveness. Failure by banks to manage performance has adverse effects on banking effectiveness. According to Malik and Ghafoor (2011), SHR helps to motivate employees and boost their commitment to the promotion of employee commitment and boosting their motivation levels. It can be noted that it is impossible for banks to attain high performance levels without sufficient commitment and motivation levels. SHR is thus used to identify issues that impair employee commitment and motivation levels.

Due to the fact that bank managers are responsible for managing the performance of the bank, SHR, therefore, allows bank managers to strategically manage HRs in a way that will boost banks' performance levels (Dimba & K'Obonyo, 2009). But Festing (2011) contend that employee performance management responsibilities are in the hands of the employees. This puts a separation between bank employee performance and bank performance and a distinction between bank manager's responsibilities and bank employee obligations. SHR, however, seeks

to ensure that bank employees are not only performing in relation to their job description but according to the given goals and vision of the bank.

Steen et al. (2009) established that performance management is an on-going exercise and that management must constantly identify, measure and develop individual and team performance in relation to the vision of the organisation. Aguinis (2009) also posits that performance management must not end but rather must continuously include goal setting, monitoring and evaluation of strategies and organisational performance, collecting feedback and using that feedback to formulate refined and effective SHR strategies that can warrant improvements in organisational performance. In addition, Greer (2001) hinted that SHR also ensures that there is a congruency between employee activities and productivity with the vision of the organisation so as to offer the firm a huge competitive advantage.

Having a strategic HR banking plan does not always offer a guarantee that it will be used in an effective way that will improve the performance of the bank. It is therefore important to ensure that SHR strategies in banks be implemented and put into practice as noted by Schuler and Jackson (1999), who established that most organisations only formulate strategies but lack an ability to put them into action. SHR is, therefore, a tool that is used to put formulated banking plans into practice. It is through feedbacks that strategic bank performance is analysed and managed. This is often conducted in the form of a process as highlighted in figure 2 below.

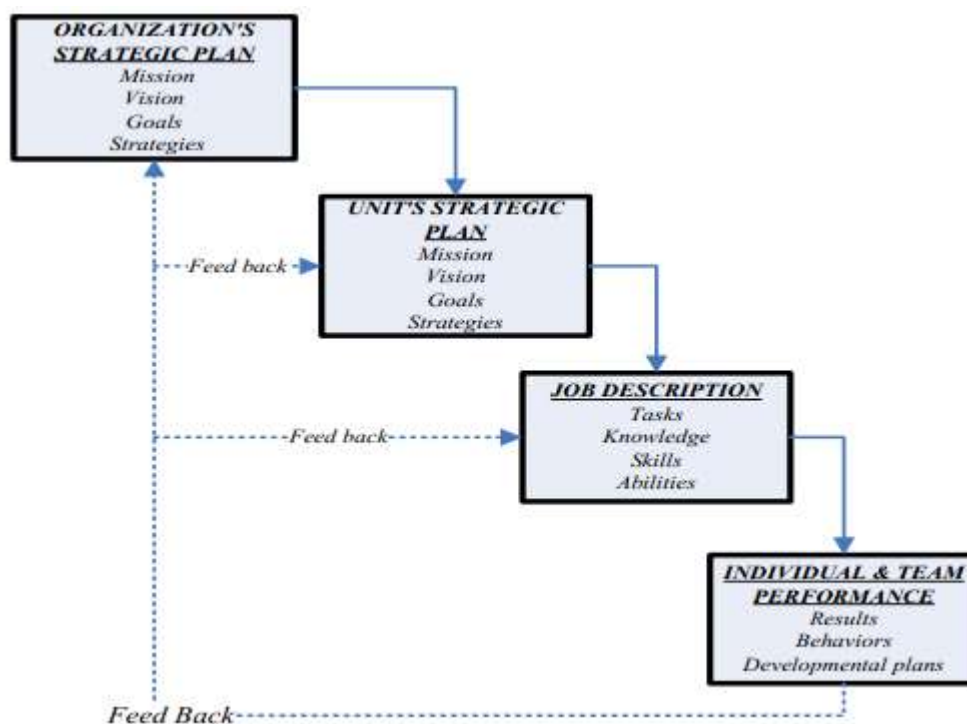


Figure 2: Strategic performance management process¹⁴

Source: Weldetekle, H. (2013). The Role of Strategic Human Resource Management on Organizational Effectiveness: The Case of Ethio Telecom (Doctoral Dissertation, St. Mary's University), p.27.

Organisational effectiveness in the context of banks in KRG

Organisational effectiveness (OE) can be defined as the systematic and systemic measure of an organisation's capacity to performance better, gain a competitive advantage and attain given

organisational standards (Daley, 2012). Banks' organisational effectiveness can thus be defined as the ability of the bank to satisfy the needs of its stakeholders (Dimba&K'Obonyo, 2009). Others have defined it based on the ability of the bank to create a positive banking culture among bank employees that can deal with banking and external challenges (Som, 2008). SHR strives to improve the performance of the bank by integrating HR activities with the strategic vision of the bank. This is made possible by its ability to cover a wider number of banking areas such as banks' customer relations, quality management, motivation, change management, knowledge management culture and transformation and organisational development (Schuler & Jackson, 2008).

Banks' organisational effectiveness has been generally restricted to financial measures but it is more than just a financial indicator (Darwish, 2009). Collins and Clark (2003), established that OE includes several indicators such as company image, product quality, market share and customer satisfaction. Waiganjo et al. (2012), considered it to be covering things such as sizes and population of segments served by the organisation, number of people served, core competence, employee performance and efficiency management. OE can, therefore, be known to be a process and of measuring how effective the bank is in meeting given standards and dealing with challenges that affect its performance and long-run survival. In this study, banking effectiveness was taken to mean bank performance and hence the balanced scorecard was used to provide a measure of organisational performance. Four performance indicators of the balanced scorecard were obtained from the study by Wright and McHana (1992) and these are learning and development, internal process, customer satisfaction and financial growth.

It is important to note that there are several OE models and this implies that there is no common OE model that can be considered to be effective for all the banks. This also follows ideas which have shown that there is a lack in consensus about which indicators should be used to measure OE (Dimba & K'Obonyo, 2009). It, however, became apparent that any OE model is based on the internal and external features of the organisational and what it hopes to achieve in the long run (Smith & Hitt, 2005). However, Waiganjo et al. (2012) place a huge favour on the use of the Competing Values Framework. Nevertheless, a lot of studies have been carried out towards addressing the ambiguity of OE and this has led to the development of five notable deductions about OE as espoused from the study by Weldetekle (2013) as follows:

- I. OE is not a theoretical construct but rather a problem solving the motivated exercise.
- II. There are different OE models and their usefulness depends on the context in which they are applied in relation to the prevailing constraints and what the bank strives to achieve.
- III. There will never be a common agreement about a combination of indicators of OE and hence there is no limit to what a bank can achieve considerbeing the criteria for assessing OE.
- IV. There is no comprehensive OE concept.
- V. OE is central to theoretical and empirical studies and hence plays an important role in the development of future studies, implying that it cannot be ignored even in modern day banking activities.

Due to the existence of differences on the exact measures of OE, propositions have pointed out that profitability is the suitable indicator of OE (Daley, 2012). This is important because any differences in OE indicators may lead to different conclusions being made about OE and hence it is important that researchers agree on OE indicators for comparisons reasons. Weldetekle

(2013) proposed that seven steps should be followed when conducting an assessment of OE and these are;

- I. Determining the time frame to be put into consideration.
- II. Determining the method of analysis that is going to be used to assess OE.
- III. Determining the perspective from which OE will be determined.
- IV. Examining the domain on which the OE exercise will be centred on.
- V. Determine the purpose of the OE evaluation and assessment exercise.
- VI. Determine which type of data is compatible with the OE evaluation and assessment exercise.
- VII. Determining the foundation upon which the OE evaluation and assessment exercise will be based on.

Meanwhile, there are five different types of OE models that can be used to provide a description of what constitutes OE as briefly epitomised below:

- I. **The human relations model:** Places focus on the idea that OE is reflective of the capabilities of banks' management to create a conducive working environment and how well they engage, organise and motivate their employees towards achieving strategic goals of the bank (Malik et al., 2011). According to this model, effective organisations are therefore those organisations that can highly engage all its employees when pursuing its goals.
- II. **Strategic constituency model:** Measures OE based on the ability and extent of the bank to meet the needs, expectations of its strategic constituencies or stakeholders (Boxall & Purcell, 2000). Thus, satisfying a huge constituency and more stakeholders are, therefore, a strong indication of an effective bank.
- III. **Internal congruency model:** Posits that OE should be determined by examining how well a bank maintains an efficient internal system that is consistent with its goals and vision without experiencing restrictions or limitations (Dimba & K'Obonyo, 2009). A more effective bank in this regard is, therefore, one that has efficient and consistent internal systems.
- IV. **Resource dependency model:** Looks at the resource acquiring capabilities of the bank. Hence, it considers that an effective bank is the one that is capable of acquiring all the resources that it needs (Gray & Shasky, 2007). Implications can, therefore, be made that if a bank is capable of acquiring all the resources it needs, then it is more effective.
- V. **The goal model:** Which asserts that OE is reflected by the ability of the bank to achieve stated goals (Festing, 2011, p.48). Deductions can, therefore, be made that by achieving stipulated goals, a bank is considered to be effective.

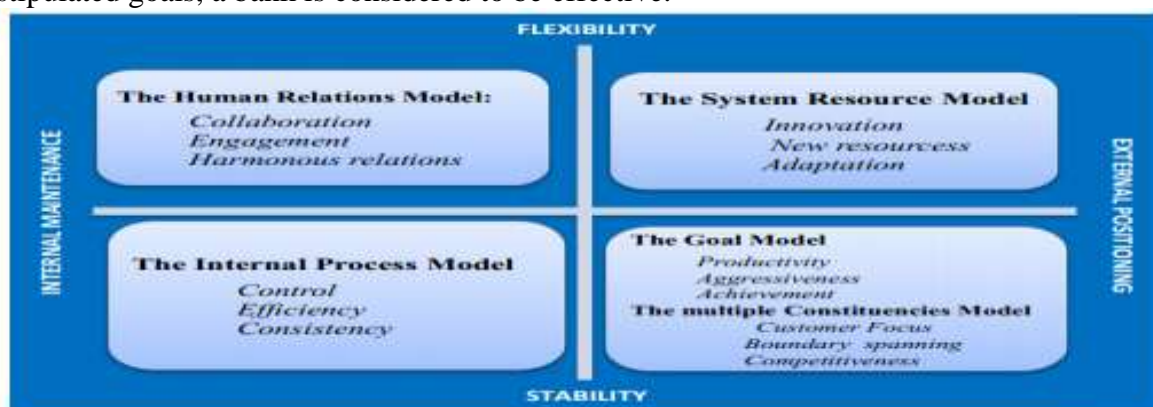


Figure 3: OE models

Source: Weldetekle, H. (2013, p.34). The Role of Strategic Human Resource Management on Organizational Effectiveness: The Case of Ethio Telecom (Doctoral Dissertation, St. Mary's University), p.34.

Figure 3 provides an overview of OE models. The above models are highly applicable to SHR and hence a combination of these models will be used to provide support to the obtained empirical results. It is from these models that deductions and comparisons will be made and gaps are identified.

In this study, it can be noted that banks' organisational effectiveness and bank employee productivity are closely related and the relationship between these two variables is usually unilateral *ceteris paribus* (Cameron & Whetten, 1983). This implies that an increase in either one of them will result in an improvement in the other variable. For instance, if SHR results in further development of bank employees' knowledge, understanding and skills which boosts their commitment and motivation levels, positive changes in bank performance are undeniable. This results in an increase in bank employee productivity. On the other hand, a highly performing bank can be well equipped and financed to invest in the training and development of its employees. In this study, the relationship between bank employee productivity and bank performance is positive but runs from bank performance to bank employee productivity. Thus, in order for banks to attain a huge competitive advantage, they need to devise effective and strategic HR practices. However, bank employee productivity is determined by numerous factors most of which are influenced by HRM strategies of the bank (Hal, 2009). It also requires that existing corporate strategies be aligned with the bank's HRs talent. This must be augmented by structural changes in the bank which may also include mergers and acquisitions (Liang et al., 2010).

It is highly believed and supported that OE adds value to corporations as it facilitates the alignment and integration of corporate strategies with existing organisational skills and talents (Rothwell, 2003). Developing strategies that will help boost OE will, therefore, help banks to enhance bank employee potential, positively change their attitude and develop their talents in a manner that supports the attainment of given long run bank strategies (Som, 2008). Armstrong (2006), made an outline of some of the strategies that can be used to improve OE as follows:

- **Having well-clarified banking goals and strategies.** The idea is based on the argument that most banks are not effective because their goals and strategies are vague and poorly defined (Chen & Huang, 2009). This makes it difficult to strategically link HRM with strategic management (SHR), (Lengnick-Hall et al., 2009). Malik et al. (2011), posits that poorly defined goals and strategic affect employees' commitment towards the organisation. Hence, it is important that banks must ensure that their goals and strategies are properly and clearly defined.
- **Possessing a bank value system:** It is argued that most organisations tend to lack a value system (Collins & Clark, 2003) but ideas given by Becker and Huselid (2006), showed that some organisations they do have value systems but the problem is that their value systems do not emphasise important things. It is therefore recommended that in order to enhance banks' OE, banks must have value systems that emphasise the importance of things like flexibility, teamwork, customer service, quality, productivity and bank performance.
- **Having a visionary leadership:** Lack of a visionary leader is one of the key issues that limit OE. (Agarwala, 2008) therefore suggests that banks must have leaders with a vision and a capacity to materialise that vision.
- **Motivating the labour force:** Motivation still remains an important element in acquiring and retaining a skilled bank workforce (Schuler & Jackson, 2008). According to Smith and Hitt (2005), it is easy in most circumstances easy to improve banks' OE when bank

employees are highly motivated. Hence, training and development programmes, as well as incentives and compensating schemes, are some of the key instruments that can be used to maintain a motivated bank workforce.

- **Promoting teamwork:** It can be noted that OE involves a combination and synergy of all organisational activities (Wright & McHana, 1992). Hence, no individual banking department or bankworker can individually enhance the effectiveness of the bank but rather requires combined efforts of other bankworkers and departments. Improvements in banks' OE, therefore, require that there be teamwork amongst bank employees.
- **Responding fast to threats and opportunities:** Failure to improve OE is sometimes blamed on the lack of the bank to quickly respond to changes in the environment (Armstrong, 2008). It is such changes which bring either opportunities or challenges to the organisation. Banks' OE, therefore, requires that banks quickly tap into available opportunities before competitors' increase (Collins & Clark, 2003) and deal with emerging problems before they badly affect the bank (Daley, 2012).
- **Manage change:** Change has always been noted to be inevitable and this implies that banks must be well equipped to handle foreseeable changes in the banking and economic environment (Chen & Huang, 2009). Such strongly applies to KRG where a lot of economic changes are taking place.
- **Have sound resources:** OE requires that banks possess the necessary resources. Studies have shown that most organisations struggle to improve their operational effectiveness due to limited resources (Becker & Huselid, 2006; Chen & Huang, 2009; Lengnick-Hall et al., 2009). Recommendations can thus be made that potential banks' stakeholders and shareholders who can assist the organisation with the required resources to improve OE be identified.

The impact of SHR in the banking sector

When it comes to the importance of SHR in the banking sector, it is apparent to note labour is a service that is offered by employees to the bank. It is therefore important for banks to manage its employees so that it can operate effectively in the desired manner (Richard & Johnson, 2001). Studies have been conducted to determine the notable challenges that affect banks and the findings showed that the major problems that banks face are risks and employee-related issues (Yeo, 2003). Thus, how banks approach risk and employee-related matters determine how successful they will be. It is worthy to note that efforts to manage risk are difficult without employees who are qualified and skilled to come up with strategies to come with effective measures to handle risks.

Banking activities are people related and can be termed '*people's business*', it is impossible to separate banking activities from human resources management or customer management (Rogers and Wright, 1998). It can also be noted that the reason why bank customers chose and continue to bank with a particular bank is that of strategies that are implemented by its employees (Ismael and Bidmseshgipour, 2010). Banks rely on the skills and competencies of its management, and employees to devise strategies that distinguish the bank from other banks in terms of competitiveness. Bank employees and management are also responsible for branding exercises, niche identification and focusing strategies, growth and expansion strategies. Hence strategically placing and managing its human resources becomes a key element and pillar of the banks' survival and success prospects.

Banks that do not have skilled and qualified human resources that are able to come up with effective strategies that can counter competitive pressure and counter-attacks, as well as threats

posed by the economic environment, will find it difficult to survive (Huang, 2001). SHR, therefore, becomes a mechanism that banks use to steer the bank towards the desired survival and performance objective. More so, innovative measures are usually developed and put into practice by employees and thus by strategically managing their human resources, banks will be capable of positioning themselves towards increased capacity to come up with more innovative production processes, products and services. It also to note that skilled resources are in short supply and this calls for measures to strategically manage existing HRs (Yeo, 2003). SHR, therefore, becomes a move to retain qualified employees, develop and train workers and possibly lure more trained and skilled bank professionals.

Implications of SHR on bank performance

The implications of SHR on bank performance lies in the idea that SHR allows the banks to achieve its objectives (Noe et al., 2007). SHR plays an important role in banks core decision-making activities which are undertaken by the HR department. SHR thus offers a platform upon which bank competitive strategies and core competencies will be established and put into action. It is therefore difficult to spate or neglect the role of SHR in organisational performance (Altaawneh, 2010).

Labour costs are among the key challenges that undermine bank performance with banking labour costs being assumed to be gobbling more than 30% of the total costs incurred by banks (Boxall, 2000). It becomes an instrumental approach for the HR department to strategically manage the banks' HRs so as to minimise costs and maximise revenue.

Ideas given by Stalk (1992), showed that the influence of SHR on bank performance can be noted from its ability to result in counter moves that are targeted and dealing with competitive pressure and attacks. SHR is also considered to be a strategic response to bank market demands by the public (Boxall & Purcell, 2000). Hence, SHR, in this study, will result in the bank coming up with products and services that are tailored made to meet the public's needs or demands leading to their satisfaction and an increase in market share and revenue inflow. Insights provided by Appelbaum et al., (2000) outlined that SHR results in monetary and non-monetary performance benefits. Non-monetary benefits occur when mental and psychological benefits such as moral and ideas are established which contributes towards problem solving, growth and success while monetary benefits refer to changes in financial performance as a result of a decrease in costs or a reduction in costs (Darwish, 2009). Both monetary and non-monetary benefits can also have a direct and indirect effect on bank performance.

Implications of SHR on organisation performance have also been established to be in four different forms (Cusi et al., 2011). SHR has a direct positive effect on job satisfaction through the introduction of training and development, job rotation and performance appraisal programmes. Highly satisfied employees are more committed to helping the bank achieve its financial goals and targets. Moreover, SHR has a strong ability to deal with employee stress which has a tendency to reduce employee productivity and commitment (Darwish, 2009). Hence, by dealing with employee stress, SHR will have a direct effect on employee productivity and commitment to the banks' vision. Thus, causing positive contribution towards improvement in bank performance. On the other hand, high absenteeism can also be reduced by using SHR (Gurbuz & Mert, 2011). When bank absenteeism is high, bank performance will be low. SHR, therefore, helps to identify problems affecting bank employees which cause them

to be absent from performing banking obligations. The other effect of SHR on bank performance is through the reduction in bank employee turnover.

SHR also results in the formulation and implementation of effective bank training and development which are meant to educate bank employees and ensure that they remain competent towards contributing towards improving bank performance (Huang, 2001). Educated and trained bank employees are more capable of developing sound strategic solutions that will help turnaround the bank's fortunes.

Contributions made by SHR towards improving bank performance are in most cases through the enhancement of employee commitment and motivation. SHR is used to design motivational programmes which help to instil a sense of commitment in bank employees towards improving bank performance. Resultantly, well committed and motivated bank employees will work hard to ensure that there are positive changes in banking efficiency and effectiveness. All this has a positive contribution towards improving bank performance. Hence, it can be concluded that SHR has a positive effect on bank performance.

Challenges undermining the effectiveness of SHR in KRG banks

It is important to note that the effectiveness of any strategy just like SHR requires that there be no challenge that undermines the effectiveness of that strategy. This can be supported by ideas given by Rothwell and Kazanas (2003) which enforces the idea that most corporate strategies fail to yield the desired results because of a series of challenges. This implies that if banks in KRG are to successfully implement SHR strategies, then they need to deal with challenges that undermine the effectiveness of SHR. This section, therefore, seeks to outline some of the strategies that are undermining the effectiveness of that SHR strategy.

One of the key challenges that are undermining the effectiveness of that SHR strategy in KRG's banking sector is the current on-going financial crisis. A financial crisis can be noted to be a situation which occurs when banking assets lose value accompanied by bank panics and recession (Ivashina&Scharfstein,2010). The notable financial crisis being experienced in KRG is characterised by a shortage of cash which has resulted in many organisations going for several months without getting adequate pay. Reports by Ehsan Mamakani (2016) showed that most employees have gone for more than four months without getting adequate pay. It is imperative to note that a successful SHR strategy requires that banks possess the required funds (financial resources) to adopt and implement successful SHR strategies. Moreover, an effective SHR strategy requires that workers be satisfied with doing their jobs and fulfilling their banking responsibilities (Ayanda&Sani, 2010). When bank workers are not satisfied with their jobs or motivated to fulfil their obligations, then efforts to promote the effectiveness of SHR strategies will be met with resistance. This is because findings made by Maslow show, that employees work to get money so as to satisfy their basic needs. Hence, failure by banks to pay bank employees imposes difficulties in bank employees to meet and satisfy those basic needs and wants. Hence, bank employees are dissuaded from positively contributing towards the success of the bank. The following questions can, therefore, be asked;

- Will the lack of banks' ability to compensate bank workers not result in bank employee dissatisfaction?
- Will bank employees remain motivated towards helping banks to achieve their goals despite having challenges in getting adequate wages and salaries?
- How will bank employees respond to the banks' SHR efforts and strategies?

- What strategies are available for banks to use during this period of time when they cannot access the required funds to adequately compensate their employees?

The other challenges that may undermine the effectiveness of SHR strategies are the lack of skills. KRG has been established to be lacking qualified and skilled employees who cannot turnaround both business and economic fortunes (Barak et al., 1999). Though banks may desire to adopt and implement SHR strategies, they may lack access and possession of the right individuals who have the required knowledge to implement successful and effective SHR strategies.

Bad economic policies by the KRG government are some of the key challenges that may undermine the effectiveness of SHR strategies. This is because most of the policies introduced by the government have not been in support of the banking sector's growth and development. This can be evidenced by reports made by Shaw (2005) which showed that a lot of economic policies made by the KRG government have not been able to bring the desired outcomes because of lack of goal congruence. Incongruent goals have a tendency to undermine banks efforts to institute new measures and strategies such as SHR strategies (Lepak & Shaw, 2008). Evidence also points out that consumers in KRG are no longer willing to save their funds with banks because of the fear to lose their deposits (Natali, 2010). This follows insights which showed that most bank customers in KRG lost their deposits after the financial crisis wreaked havoc in early 2008 (Natali, 2005). This undermines banks' ability to institute SHR strategies be it to lure deposits and use them to fund SHR strategies.

It is also important to note corruption is another important element to reckon with. The KRG government has been accused of corruption and investors are sometimes reluctant to invest in nations such as KRG where corruption levels are high (Kaufman, 2012). This affects banks' ability to raise adequate funding to institute and implement effective SHR strategies.

One can also reckon that the political situation in KRG has stopped many investors and skilled employees from coming to KRG. As a result, this limits the ability of banks not only to raise funds but also to recruit qualified and skilled bank employees who can come up with effective SHR strategies.

RESEARCH METHODOLOGY

Research design

The study applied a survey approach that was carried out on three banks all of which are based in Erbil, KRG. That is, Zagros bank (public bank), Kurdistan Bank (private bank) and Abu Dhabi Bank (international Bank). Hence, it involves the use of primary data through the distribution of questionnaires. The analysis of the collected data was done using quantitative methods that include the estimation of organisational effectiveness regression model. The collected data was analysed using Statistical Package for Social Sciences (SPSS) 23.

We used an Ordinary Least Squares (OLS) regression model since it allows the determination of the size and magnitude and effect of the independent variables (SHR practices) on the dependent variable (OE), (Thomas, 2003). The idea behind an OLS model is that changes in one variable will have either a negative or positive effect on another variable and such effect can also be significant or insignificant (Menard, 2018). In addition, the OLS model is based on a set of assumptions but, such assumptions are however beyond the scope of this study and hence will not be addressed.

Based on the above model, it can thus be established that OE is a function of SHR practices and this is expressed as follows:

$$OE = F(\text{SHR practices}) \dots\dots\dots (1).$$

These SHR practices have been established to be;

SHR practices = [(Employment participation, training and development systems (**EPTDS**), career and succession (**CAS**), compensation system (**CS**), performance management system (**PMS**), placement systems (**PS**), and SHR alignment and development (**SHRA**)] (2).

Substituting expression (2) into equation (1) results in the following expression;

$$OE = F(\text{EPTD, CAS, CS, PMS, PS, SHRA}) \dots\dots\dots (3).$$

When we include regression analysis concepts of coefficients which will be denoted by betas (β_1 to β_7) and an error term expressed by μ , we can obtain a regression model as shown by equation (4) which is known as the regression model

$$OE = \beta_0 + \beta_1\text{EPTD} + \beta_2\text{CAS} + \beta_3\text{CS} + \beta_4\text{PMS} + \beta_5\text{PS} + \beta_6\text{SHRA} + \mu \dots\dots\dots (4)$$

Answers to the research questions and strategic implications on banks are based on the results obtained from this model. This also includes testing the following null hypotheses which are derived from the estimated model;

- **H₁:** SHR alignment and development has no significant effect on organisational effectiveness.
- **H₂:** Placement systems have no significant effect on organisational effectiveness.
- **H₃:** Performance management system has no significant effect on organisational effectiveness.
- **H₄:** Employment participation, training and development have no significant effect on organisational effectiveness.
- **H₅:** Compensation system has no significant effect on organisational effectiveness.
- **H₆:** Career and succession have no significant effect on organisational effectiveness.

Population and sampling techniques

It is currently estimated that an average bank in Erbil has around 40 employees per branch working in various departments. As a result, a total of 120 employees from one state bank (Zagros Bank), one local private bank (Kurdistan Bank) and one international private bank (Abu Dhabi Bank) were subject of the study. This implies that the population size in this study is 120 respondents as shown in table 3.1 below.

Table 1: Description of the study population³³

Type of the bank	Name of the bank	Number of employees	Number of questionnaires	Retrieved questionnaires
Public bank	Zagros bank	40	31	19
Local private bank	Kurdistan Bank	40	31	27
International private bank	Abu Dhabi Bank	40	31	28
TOTAL		120	93	74
RESPONSE RATE				79.59%

Employing sample size determination formula by Mugenda (1999) results in a sample size that offers a close reflection of the population. Hence, this formula was adopted in this study because it allows the study to draw deductions and conclusions that closely resemble the actual banking population. The formula is given as follows:

$$S = \frac{P}{1 + P(MOE^2)} \dots\dots\dots (5)$$

Where the sample size is denoted by S , population size by P and the margin of error by MOE which is given as 0.05. Substituting the MOE and the population size in expression (5) gives the following;

$$S = \frac{120}{1 + 120(0.05^2)} \dots\dots\dots (6)$$

Which results in a figure of 92.31 and hence a sample size of 93 respondents was used in this study which implied that 93 questionnaires were given to the 3 types of banks that are based in Erbil, KRG. The distribution of the questionnaires is denoted in table 3.1.

Research instrument

The research instrument (questionnaire) that was used in this study was adapted from the study conducted by Weldetekle (2013) which covers the role of SHR towards enhancing organisational effectiveness. This questionnaire was used for this study because it covers a significant number of SHR practices which have been established to be career and succession, compensation system, training and development, performance management system, placement systems, development and SHR alignment.

The questionnaire is in two sections in which the initial section deals with the demographic elements while the second section covers the information about SHR and its integration in banks. A five-point Likert Scale was also used to determine whether the employees strongly disagree (1), disagree (2), slightly agree (3), moderately agree (4), and strongly agree (5) about the implications of SHR on organisational effectiveness.

DATA ANALYSIS AND DISCUSSIONS OF FINDINGS AND RESULTS

Out of the 93 questionnaires that were distributed to the 3 banks, a total of 74 questionnaires were retrieved. This accounts for a response rate of 79.59%. Recommendations that will be made from this study are thus based on the analysis made from this response rate.

Demographic analysis of the bank's employees

Table 2: Demographic analysis of the bank's employees

Variable	Description	Responses	Percentage
Gender	Male	40	54.1%
	Female	34	45.9%
	Total	74	100%
Age group	25-30 years	24	32.4%
	31-35 years	21	28.4%
	36-40 years	22	29.7%
	41 years and above	7	9.5%
	Total	74	100%
Educational qualification	Diploma/equivalent	9	12.2%
	BA/BSc/BLL degree	23	31.1%
	Master's degree	42	56.8%
	Total	74	100%

Work experience	1-5 years	17	23.0%
	6-10 years	47	63.5%
	11-15 years	10	13.5%
	Total	74	100%

54.1% of the employees were female employees while the rest were male employees. Of these 74 employees, it can be seen that a huge number of these employees were in between the age group of 25-30 years and they accounted for 32.4% of the total number of bank employees who participated in this study. 56.8% of the employees were in possession of Master's degrees as opposed to 31.1% who were in possession of bachelor's degrees. 63.5% of the employees had a work experience of 6-10 years while the least experienced employees have been working for the banks for 11-15 years and accounted for 13.5% of the total number of employees who participated in the survey.

Examination of the bank employees job-related elements

The study based its focus on the examination of Zagros Bank, Kurdistan Bank and Abu Dhabi Bank that are based in Erbil, KRG. From the 74 responses that were obtained 28 employees were employed by the internationally owned bank, while 27 and 17 employees were working for the private commercial bank and public or state-owned bank respectively.

Figure 4: Number of employees by bank type

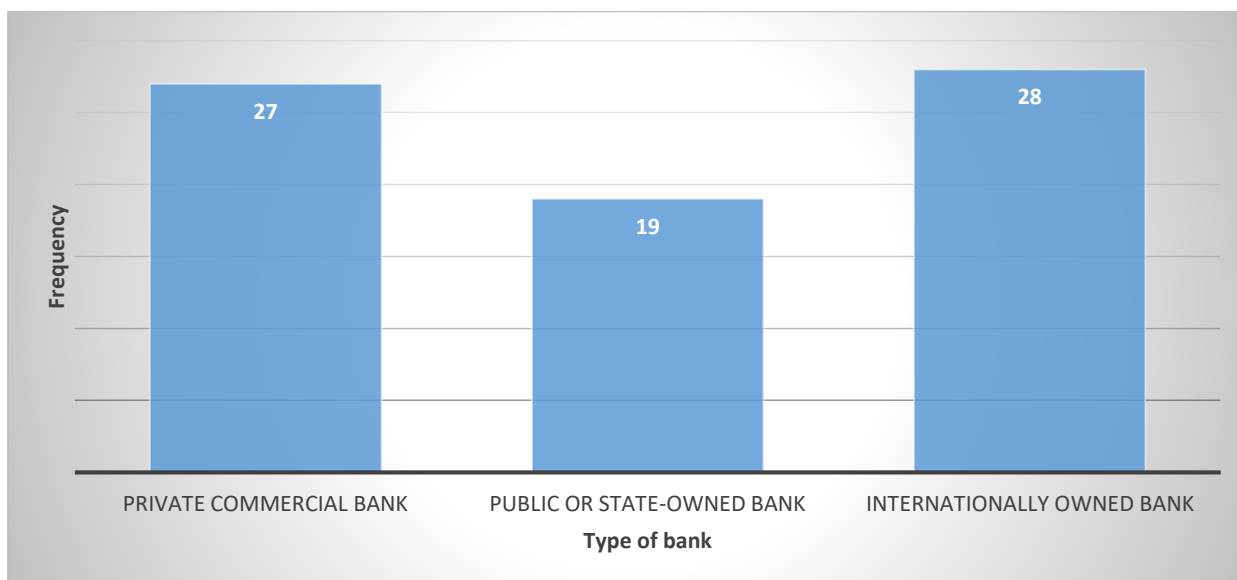
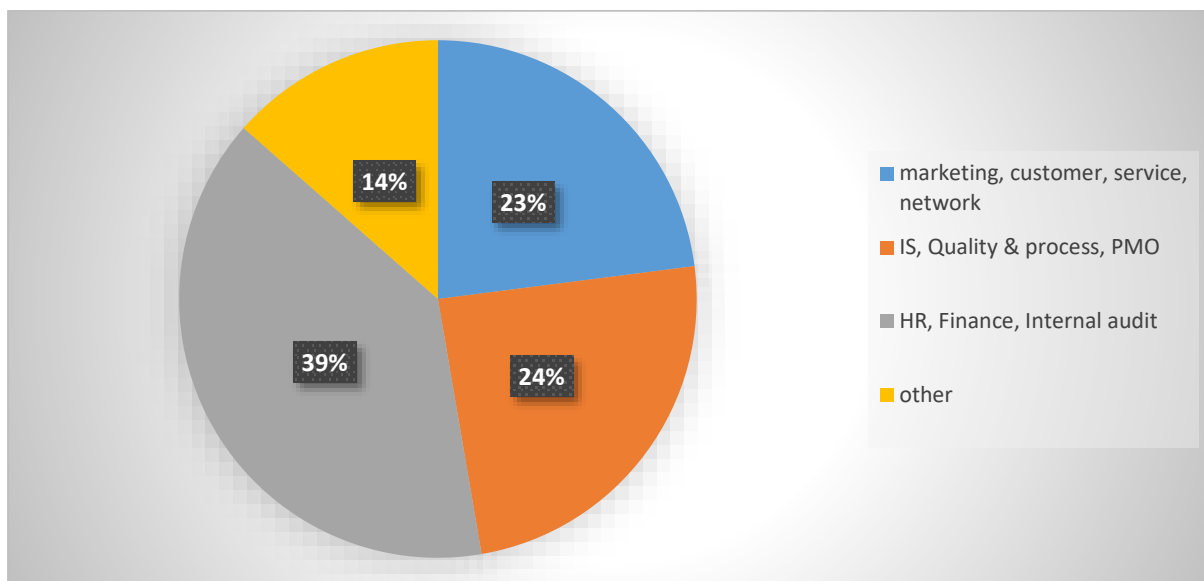


Figure 5: Job levels of the bank employees

Figure 5, denotes that 28 employees hold managerial positions in their respective banks, 4 chief officers, 16 officer's positions and 26 are holding other positions. A significant number of these employees (39%) are employed in the HR, finance and internal audit departments while 24%, 23% and 14% are employed in the IS, quality and process; marketing, customer, service network and other departments in the banks respectively as shown by figure 4.3.



Regression coefficient

Regression analysis was used to determine the nature of the effect of SHRM on OE as well as its significance. This was done in relation to bank type and all the 3 banks from which participants were drawn from.

Table 3: Regression coefficient

	Kurdistan Bank		Zagros bank		Abu Dhabi Bank		All banks	
	Coeff.	Std. error	Coeff.	Std. error	Coeff.	Std. error	Coeff.	Std. error
C	0.278	0.627	0.622	0.080***	0.533	0.319	0.611	0.022**
EP	0.004	0.977	0.020	0.842	-0.183	0.210	-0.655	0.391
CAS	0.047	0.761	0.674	0.000*	0.232	0.171	0.139	0.066***
CS	-0.103	0.452	0.078	0.391	0.061	0.680	-0.025	0.705
PMS	0.455	0.011**	-0.009	0.922	0.279	0.123	0.333	0.000*
PS	-0.014	0.921	0.200	0.076***	-0.058	0.678	-0.127	0.045**
SHRDA	0.513	0.000*	-0.252	0.011**	0.493	0.001*	0.532	0.000*

* Significant at 0.01, ** significant at 0.05, *** significant at 0.10

Regression analysis depicted above shows that EP, CAS, PMS and SHRDA have positive effects on OE of 0.004, 0.047, 0.455 and 0.513 respectively. This entails that improvements in these practices by 1% will have positive implications on OE of 0.4%, 45.5%, 4.7% and 51.3% respectively. This is in line with the findings made by Ismael and Bidmseshgipour (2010), which suggests that banks are more capable of dealing with risks and organising their employees in an effective manner that yields a competitive advantage over their competitors. The banks will then be strongly capable of engaging in branding exercises, niche identification and focusing strategies, growth and expansion strategies. On the other hand, improvements in CS and PS by 1% will have adverse effects on OE of 10.3% and 1.4% respectively. Possible

suggestions can possibly be due to the idea that compliance and performance systems are characterised by a lot of limitations which are affecting the effectiveness of such systems.

SHRDA and PMS can be seen to be exerting a negative effect on the organisational effectiveness of 0.009 and 0.252 respectively. It implies that improvements in SHRDA and PMS will have negative effects on the organisational effectiveness of 0.9% and 25.2% respectively. This possibly suggests that there are challenges that are undermining the effectiveness of SHRM in influencing OE as noted by Rothwell and Kazanas (2003). Among such challenges is the on-going financial crisis which is threatening the viability of banks in KRG and possibly their ability to effect notable SHRM practices.

For the Abu Dhabi Bank, negative implications of SHRM management on OE 0.183 and 0.058 can be observed to exist between OE and EP, and OE and PS respectively while the rest are positive. The negative effects as noted are being caused by challenges and this can be reinforced by findings made by Ayanda and Sani (2010) and Ehsan (2016) which suggests that the existence of limitations such as inability to pay workers' salaries affects their motivation, job satisfaction and ability to comply and participate in SRHM practices. The positive effects hence can be said to be as a result of increased employee job satisfaction, motivation and participation in SRHM practices.

When it comes to all the banks, it can be noted that CAS, PMS and SHRDA have positive effects on OE of 0.139, 0.333 and 0.532 respectively. Which denotes that an improvement in these practices by 1% will result in an increase in organisational effectiveness by 13.9%, 33.3%, and 53.2% respectively. This is in line with ideas given by Huang (2001) and this possibly because SHR results in the formulation and implementation of effective bank training and development which are meant to educate bank employees and ensure that they remain competent towards contributing towards improving bank performance. Moreover, HRM allows a better organisation and use of the bank's HR in a manner that yields efficiency and effectiveness. However, EP, CS and PS can be seen to be having negative effects on OE of 0.655, 0.025 and 0.127 respectively, which entails that OE will decline by 65.5%, 2.5% and 12.7% respectively following a percentage improvement in these two practices. This possibly suggests an element of opportunity cost, diseconomies of scale, ineffectiveness and inefficiency that is setting in and hence causing OE to fall.

It is also from the OLS results that the established hypotheses were tested and the results are presented in table 4.

Table 4: Hypothesis test results

	Hypothesis	Test method	p-value	Decision
1	There is no significant variation in OE that is attributed to changes in Employee participation, training and development	OLS	0.391	Accept
2	There is no significant variation in OE that is attributed to changes in Career and succession	OLS	0.066	Accept*
3	There is no significant variation in OE that is attributed to changes in compensation system	OLS	0.705	Accept
4	There is no significant variation in OE that is attributed to changes in Performance management system	OLS	0.000	Reject
5	There is no significant variation in OE that is attributed to changes in Placement systems	OLS	0.045	Reject
6	There is no significant variation in OE that is attributed to changes in SHR development and alignment	OLS	0.000	Reject

* Decision is to accept the null hypothesis when the p-value is less than 0.05 but in reality, the variable is said to be significant when compared at 0.10 significance level

Based on the established results, it can therefore be accepted and concluded that compensation system, placement systems and SHR development and alignment have a tendency to cause significant changes in organisational effectiveness as compared to employee participation, training and development, career and succession and compensation system whose effects on organisational effectiveness are insignificant. The Summary of regression model estimations can be stated as follows;

Summary of regression model estimations

$OE_{PVTB} = 0.278 + 0.004EP + 0.047CAS - 0.103CS + 0.455PMS - 0.014PS + 0.513SHRA$

$OE_{PLB} = 0.622 + 0.020EP + 0.674CAS + 0.078CS - 0.009PMS + 0.200PS - 0.252SHRA$

$OE_{IB} = 0.533 + 0.183EP + 0.232CAS + 0.061CS + 0.279PMS - 0.058PS + 0.493SHRA$

$OE_{AB} = 0.611 - 0.0655EP + 0.139CAS - 0.025CS + 0.333PMS - 0.127PS - 0.532SHRA$

Note well PVTB, PLB, IB and AB represents private bank (Kurdistan Bank), public bank (Zagros bank), internationally owned bank (Abu Dhabi Bank) and all banks respectively.

Correlation coefficient tests

Spearman correlation coefficient test was used to determine the nature of correlation that exists between the model variables. It can be noted that all SHRM practices are positively correlated with OE for Kurdistan Bank. The correlation between placement systems (PS) and compensation systems (CS), PS and strategic human resources development and alignment (SHRA), PS and OE are however insignificant with coefficients of 0.191, 0.115 and 0.076 respectively. The correlations can also be said to be weak as well. The correlation between PS and SHRDA, and PS and OE are 0.115 and 0.076 respectively and both are insignificantly weak.

Correlations for the local public bank can be noted to be positive between the other variables except between PS and SHRDA, and PS and OE are -0.263 and 0.263 respectively and both are insignificantly weak. The correlation between SHRDA and OE is significantly positive and strong with a coefficient of 0.922.

Table 5: Correlation coefficient tests

Correlation coefficients - Kurdistan Bank							
	<i>EP</i>	<i>CAS</i>	<i>CS</i>	<i>PMS</i>	<i>PS</i>	<i>SHRDA</i>	<i>OE</i>
EP	1						
CAS	0.519**	1					
CS	0.621**	0.516**	1				
PMS	0.580**	0.609**	0.492*	1			
PS	0.276*	0.232*	0.191	0.280*	1		
SHRDA	0.487**	0.315**	0.460**	0.566**	0.115	1	
OE	0.470**	0.491**	0.456**	0.705**	0.076	0.824**	1
Correlation coefficients –Zagros bank							
	<i>EP</i>	<i>CAS</i>	<i>CS</i>	<i>PMS</i>	<i>PS</i>	<i>SHRDA</i>	<i>OE</i>
EP	1						
CAS	0.267	1					
CS	0.410	0.533*	1				
PMS	0.532*	0.359	0.387	1			
PS	0.384	0.368	0.279	0.376	1		
SHRDA	0.397	0.158	0.203	0.427	-0.263	1	
OE	0.368	0.180	0.242	0.472*	-0.263	0.922**	1
Correlation coefficients –Abu Dhabi bank							
	<i>EP</i>	<i>CAS</i>	<i>CS</i>	<i>PMS</i>	<i>PS</i>	<i>SHRDA</i>	<i>OE</i>
EP	1						
CAS	0.465*	1					
CS	0.539**	0.532**	1				
PMS	0.443*	0.650**	0.305	1			
PS	0.251	-0.017	0.226	0.187	1		
SHRDA	0.361	0.265	0.356	0.624**	0.220	1	
OE	0.323	0.538**	0.403*	0.756**	0.125	0.799**	1
Correlation coefficients - all banks							
	<i>EP</i>	<i>CAS</i>	<i>CS</i>	<i>PMS</i>		<i>SHRDA</i>	<i>OE</i>
EP	1						
CAS	0.519**	1					
CS	0.621**	0.516**	1				
PMS	0.580**	0.609**	0.492*	1			
PS	0.276*	0.232*	0.191	0.280*	1		
SHRDA	0.487**	0.315**	0.460**	0.566**	0.115	1	
OE	0.470**	0.491**	0.456**	0.705**	0.076	0.824**	1

** Significant at 0.01; * significant at 0.05

For the Abu Dhabi Bank, the only negative correlation that exists is between PS and CAS with a value of -0.017 which is insignificantly weak. The rest are positively correlated with each other. But strong positive correlations can be said to exist between SHRDA and PMS, PMS and OE, and SHRDA and OE of 0.624, 0.756 and 0.799 respectively.

But the striking observation is that a lot of SHRM practices tend to be strongly, significantly and positively correlated with each other when examined in total for all the banks. Which implies that SHRM has significant implications on OE when examined in relation to the entire banking sector and not in relation to an individual bank. The only insignificant correlations are between PS and CS, PS and SHRDA, and PS and OE are 0.191, 0.115 and 0.076 respectively and both are insignificantly weak.

Model test

The validity of the estimated model can be determined using ANOVA test which provides an indication of the significance of the model.

Table 6: ANOVA test results

ANOVA TEST RESULTS -KURDISTAN BANK					
	Sum of Squares	df	Mean Square	F	Sig.
Regression	10.554	6	1.759	9.267	0.0000*
Residual	3.797	20	0.190		
Total	14.351	26			
ANOVA TEST RESULTS -ZAGROS BANK					
Regression	5.817	6	0.970	26.548	0.000*
Residual	0.438	12	0.037		
Total	6.256	18			
ANOVA TEST RESULTS FOR ABU DHABI BANK					
Regression	9.668	6	1.611	12.263	0.000*
Residual	2.759	21	0.131		
Total	12.428	27			
ANOVA TEST RESULTS FOR ALL BANKS					
Regression	25.139	6	4.190	43.419	0.000*
Residual	6.465	67	0.096		
Total	31.604	73			

From table 6, it can be noted that all the F-statistics are significant at 1% which implies that the models do not have outliers and are normally distributed.

Reliability test

Cronbach's alpha was used to determine the internal consistency of the variables. From the above table, it can be noted that all the variables have high alpha values that are above 84% which signifies that they have a high potential to offer reliable explanations. This can also be supported by the findings which can be made which show that the overall model has an alpha value of 87.1%.

Table 7: Reliability tests for all banks

Variable		Cronbach's alpha
1	SHRM development and alignment	0.846
2	Placement System	0.891
3	Employee participation, training and Development System	0.841
4	Compensation System	0.851
5	Career and Succession Planning System	0.847
6	Performance Management System	0.829
7	Organizational Effectiveness	0.858
Overall model alpha		0.871

Conclusions can, therefore, be made that both the model and its variables are in a strong position to offer reliable explanations about the implications of SHRM on the OE of banks in KRG.

The influence of bank type on organisation effectiveness

The emphasis here is to determine if organisational effectiveness varies with the type of bank under study that is between private banks, public banks and internationally owned banks. This was achieved using independent t-test. It can thus be concluded that there is no significant variation in organisational effectiveness across the various types of banks.

Table 8: The influence of bank type on organisation effectiveness

Bank	Very Low Extent	Low Extent	Medium	High Extent	Very High Extent
Zagros bank	3	2	4	11	7
Kurdistan Bank	0	3	6	3	7
Abu Dhabi Bank	1	3	6	9	9

$$\chi^2 = 7.697, df = 8, sig. = 0.464,$$

Based on the established results, we can thus accept the null hypothesis that there is no significant variation in organisation effectiveness across the various types of banks. This is because the obtained chi-square value (χ^2) of 7.697 is insignificant at 0.05.

Major challenges that undermine the effectiveness of SHR in KRG's banks

The study also sought to establish some of the major challenges that undermine the effectiveness of SHR in KRG's banks. The obtained findings were organised in the form of the clustered bar graph as shown in figure 5. Based on the established findings, it can be noted that lack of qualified, the political situation in KRG and skilled employees and the financial crisis are affecting the effectiveness of SHRM in KRG's banking sector. This is because 63, 60 and 54 respectively bank employees showed strong support of such arguments as opposed to 11, 14 and 20 respectively who differed with such arguments.

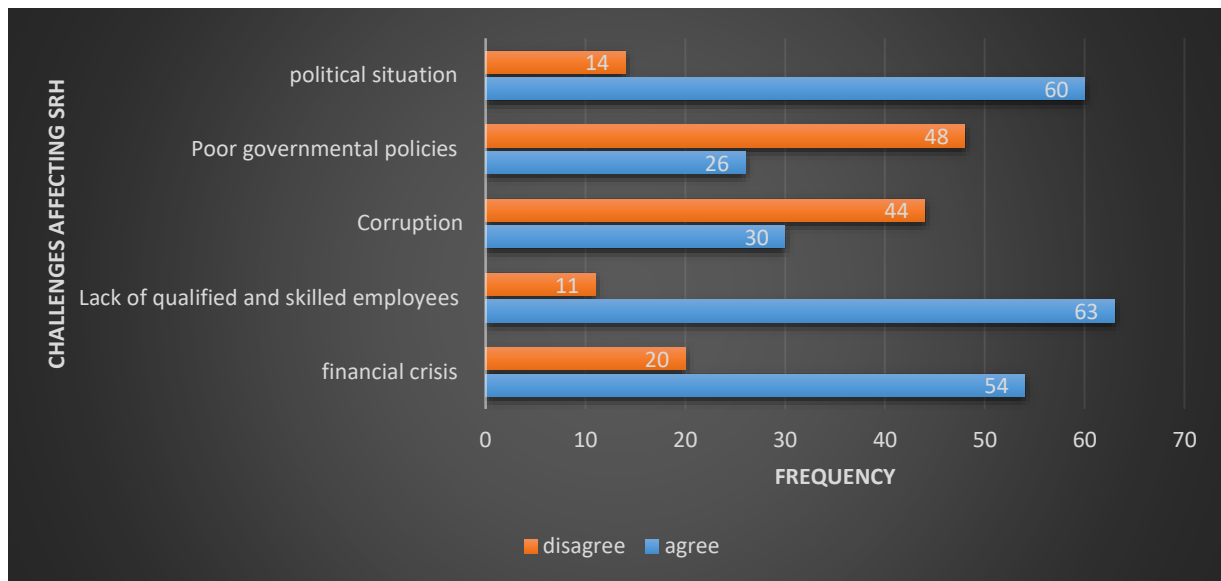


Figure 5: Major challenges that undermine the effectiveness of SHR in KRG's banks

DISCUSSIONS OF RESULTS

The upshot from the findings suggest that the banking sector in KRG lacks qualified and skilled employees who are capable of devising and implementing effective SHRM strategies. In addition, the unstable political situation makes it hard for skilled personnel who are endowed with effective SHRM strategies to come and work KRG banks. Moreover, the financial crisis relatively makes it hard for banks in KRG to recruit qualified and skilled SHRM strategies employees and possibly develop existing staff to levels where they can effectively grasp SHRM strategies and implement them.

Based on the established findings, it was established that much of the variations in organisational effectiveness that are attributed to changes in SHRM are observable in the public or state-owned bank. This implies that SHRM has a lot of implications in public or state-owned banks. This can possibly be as a result of the idea that state-owned banks are not profit oriented and hence the use of SHRM is limited. Hence, the introduction of SHRM will have significant huge effects on the banks' effectiveness as improvements in efficiency and effectiveness in the use of the bank's resources results in tremendous changes in the bank's competitiveness and operational capacity. Thus, conclusions can be made that the introduction and use of SHR in KRG will have huge effects on public or state-owned banks.

The obtained results also showed that most SHRM practices not are insignificant when looked at in the context of individual banks but become more significant when analysed in the context of all banks. This, therefore, implies that SHRM has significant implications on OE when examined in relation to the entire banking sector and not in relation to an individual bank. Hence, it can be concluded that in overall, SHRM has huge significant effects on the entire banking sector.

Performance systems can be noted to have negative effects in private and internationally owned banks. This is possibly be attributed to the idea that private and internationally owned banks require huge sources of funds to acquire, train or develop and retain qualified and skilled HR personnel who are well endowed with the skills and capabilities to institute effective SHRM

practices. Hence, additional expenditure spent towards improving performance systems will have adverse effects on the extent to which banks will be able to acquire and utilise skilled HRs that can implement effective SHRM practices.

The established results also showed that there is no significant variation in organisation effectiveness across the various types of banks. Which leads to the conclusions that the effects of SHRM on organisational effectiveness in the banking sector are the same between banks. However, what may differ is that some banks may benefit more from SHRM as compared to others.

When it comes to the issues of challenges affecting the effectiveness of SHR practices in KRG banks, it was noted that lack of qualified, the political situation in KRG and skilled employees and the financial crisis are affecting the effectiveness of SHRM in KRG's banking sector.

The implications of this research emanate from the fact that the banks' performance correlates to a congenial SHR which undoubtedly allows the banks to achieve its objectives. Strategy as a plan that spans over a certain period goes through a process of organisational analysis leading to formulation, implementation and evaluation. In this context, therefore, SHR plays an important role in banks' core decision-making activities which are undertaken by the HR department. SHR thus offers a platform upon which bank competitive strategies and core competencies will be established and put into action. It is therefore difficult to spate or neglect the role of SHR in organisational performance (Altaawneh, 2010). The consequences of inappropriate policy and practices will be tremendous for banks in Kurdistan Region of Iraq.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The main emphasis of this study was to examine how SHRM influences the organisational effectiveness of banks in KRG and identify possible limitations that are affecting the effectiveness of SHR of banks in KRG. Conclusions will thus be made that the banking sector in KRG lacks qualified and skilled employees who are capable of devising and implementing effective SHRM strategies. We can also infer that the unconducive political situation makes it hard for skilled personnel who are endowed with effective SHRM strategies to come and work in KRG banks. The financial crisis relatively makes it hard for banks in KRG to recruit qualified and skilled SHRM strategies employees and possibly develop existing staff to levels where they can effectively grasp SHRM strategies and implement them. Furthermore, we can categorically state here that:

- There is no significant variation in organisation effectiveness across the various types of banks suggesting that banks in KRG are operating at some level which is relatively almost similar to each due to the financial crisis or bad economic situation affecting the banking sector.
- Employment participation, compensation system and placement systems have a negative effect on the effectiveness of the entire banking sector.
- Career and Succession, Performance Management System and Strategic Human Resources Development and Alignment have a positive effect on the effectiveness of the entire banking sector.
- Coupled with the political situation and financial crisis in KRG, there is a dearth of qualified, and skilled employees that are contributing to ineffectiveness of SHRM in KRG's banking sector.

Recommendations

Based on the findings, the following respective recommendations should be implemented to enhance effectiveness and efficiency within the KRG banking sector;

To the bank managers

- Banks are strongly encouraged to devote resources towards acquiring skilled and qualified individuals who can effectively come up and implement sound SHR practices.
- Proper performance management systems need to be devised so as to effectively measure, evaluate and improve bank performance.
- Sound incentives, remuneration and compensation systems that can continually motivate and encourage bank employees to work hard and participate towards the successful implementation and use of SHR in banks through improved job satisfaction.
- Public banks' managers are required to introduce or possibly boost and enhance the use of SHRM practices by training and developing more employees and encouraging employee participation.

To monetary authorities

- Monetary authorities such as Central Banks are strongly encouraged to come up with financial packages that will bail out banks facing financial problems.
- Regulations can be introduced to aid banking operations and make the operational environment conducive to dealing with the economic and financial crisis.
- The government is strongly encouraged to undertake activities and institute measures that will help promote ethical behaviour within the banking sector by eradicating corrupt activities. This will help boost public confidence in the banking sector and promote good ethical conduct by banks.
- The government is also encouraged to come up with effective political measures that can ease the political situation so as to allow and make it safe for skilled individuals to come to KRG and work in KRG's banks.

Corporate and national measures to promote SHR effectiveness in KRG banks

With all these challenges that are mentioned in the above section, it becomes imperative that banks in KRG are facing a series of challenges that are undermining the effectiveness of SHR strategy. It is therefore important that strategies be implemented to institute sound and effective SHR strategies. One of the key banking strategies that banks can use is to introduce non-financial incentives that can help to keep bank employees satisfied from executing their obligations. This can be supported by findings made by Armstrong (2006, p.66) which asserts that non-financial incentives can be used in a place where corporations are facing challenges to secure funds to pay employees.

Efforts must also be made by the government to ensure that workers are continually motivated all the time. Such efforts may include introducing motivational programmes such as training and development, job appraisal, job rotation etc. this will also help banks to retain and possibly lure qualified and skilled employees who can institute sound SHR strategies (Dyer & Reeves, 1995).

Banks in KRRG must put efforts to attain high levels of financial development and innovation either by introducing new products and services that will help to raise additional income

(Kaufman, 2012). Such income-generating products and services will help banks to raise funds to support SHR strategies.

The government of KRG is also required to come up with economic and banking strategies that will help to support banks to achieve their goals. Governmental support will also help to promote banks efforts to grow and develop financially. This can include the government of KRG coming up with sound monetary policy, fiscal policy and financial development policies that are congruent to each other (Lepak& Shaw, 2008).

There is also need to ensure that the economic environment in KRG remains conducive for investors to come and invest in the region and that it remains safe for qualified and skilled workers to come and work (Smith &Hitt, 2005). This will help towards securing both investors and qualified and skilled employees towards supporting the implementation of effective SHR strategies.

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Descriptive statistics

Table 4.2: Descriptive statistics for SHRM development and alignment, placement system and employee participation, training and development system

SHRM development and alignment	Mean	Std. Dev.
<i>The bank has well defined strategic goals, mission statement and vision</i>	3.14	1.242
<i>The bank's corporate strategies make it easy to formulate departmental strategies.</i>	3.72	1.176
<i>The bank's business strategies strongly link with its programs and processes.</i>	3.95	1.133
<i>As manager or employee of the bank, am expected to come up with strategies that link with the bank's SHR strategies.</i>	3.91	1.284
<i>It is my duty to ensure that business strategies are aligned with HR strategies.</i>	3.38	1.056
<i>My duty is to offer support to the bank's HR strategies.</i>	3.72	1.176
<i>The bank allows me to participate in the SHR strategy formulation process.</i>	3.82	0.897
Placement System		
<i>Employment is done according to the business priority of the bank.</i>	3.61	1.004
<i>Skilled and qualified bank employees are selected from the recruitment process.</i>	3.47	1.173
<i>Placement process matches skills of candidates with competency requirements of bank positions.</i>	3.45	1.112
<i>Bank employees are selected according to the needs, challenges and goals of the bank.</i>	3.70	1.131
<i>Bank employees have a strong feeling that working for the bank is motivating.</i>	3.50	1.150
<i>Opportunities are availed to employees so they can fully utilise their skills.</i>	3.51	1.063
<i>The bank's values and mission are clearly understood by all bank employees.</i>	3.69	1.109
Employee participation, training and Development System		
<i>The bank's business strategy is connected to training and development plans.</i>	3.66	1.101
<i>In order to achieve business objectives, set, the bank ensures that training and development programs are in place.</i>	3.22	1.101
<i>Analysis of the bank is conducted in order to determine which trainings are needed.</i>	3.46	1.173
<i>Bank managers are rendered special training programs.</i>	3.36	1.095
<i>Bank employees are offered special training programs.</i>	3.08	1.095

<i>New bank employees are always offered special training all the time.</i>	3.61	1.004
<i>A bank survey is always conducted after training sessions.</i>	3.99	0.929

Table 4.3: Descriptive statistics for compensation, career and succession planning and performance management systems

Compensation System	Mean	Std. Dev.
<i>The bank's goals are well aligned with compensation packages offered by the bank.</i>	3.26	1.167
<i>Bank supervisors are well-awarded bonuses based on individual contribution.</i>	3.35	1.287
<i>Bank supervisors are awarded bonuses according to the profitability of the company</i>	3.27	1.185
<i>All benefit packages are based on bank performance.</i>	3.38	1.279
<i>Bank employees' qualification is a determinant of benefit packages offered by the bank.</i>	3.23	1.188
<i>Huge rewards are also given to teamwork contribution.</i>	3.41	1.134
<i>I am content with the corporation's flexible reimbursements programme.</i>	3.35	1.052
Career and Succession Planning System		
<i>The bank has good career development programmes.</i>	2.93	1.186
<i>Critical SHR positions have a succession plan in place.</i>	3.18	1.175
<i>Succession plans made by the SHR department offer strong support towards achieving business goals of the bank.</i>	3.32	1.273
<i>Personnel is always well informed in advance of what might happen in the bank.</i>	3.05	1.097
<i>I work under the prospective career plan of the banks' HR department.</i>	2.93	1.064
<i>Personnel in their particular jobs have goals for their career with the bank.</i>	3.23	1.105
<i>Personnel within the bank have a number of positions they can attain.</i>	3.30	1.190
Performance Management System		
<i>The bank's values and mission are clearly understood by all bank employees.</i>	3.24	1.154
<i>My personal goals are in line with the bank's goals</i>	2.64	1.001
<i>Organisational priorities are in line with the job descriptions outlined for each bank employee.</i>	2.92	1.258
<i>Performance management system plans are consistent with unit and organizational level priorities.</i>	2.34	1.138
<i>Performance management system plans are consistent with individual's job description.</i>	2.66	1.101
<i>Each bank employee at the bank takes accountability for their job</i>	2.77	1.105
<i>Appraisals on performance are done in order to award bank employees</i>	3.38	1.056