

HR Professionals' Competencies and Performance in the Banking Sector of Pakistan

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Abstract: This study examines the human resource (HR) professionals' effectiveness through the lens of HR professionals' social competencies (HRPSC) and HR professionals' willingness (HRPW). Impact of HR professionals' social and HR professionals' willingness on HR professionals' effectiveness is measured. The study is undertaken using data drawn from the line managers of the privatized bank of Pakistan. It is hypothesized that all HR professionals' competencies are equally and strongly related to HR professionals' effectiveness which is theoretically associated with organizational performance. The analysis reveals that the HR professionals' social Competencies have a significant high correlation with HR professionals' effectiveness. However, this relationship is stronger for HRPSC than HRPW. It is also concluded that the HR professionals' of the bank are lacking the competencies and hence have a negative impact on their effectiveness in the banking sector of Pakistan.

Key words: HR Professionals' Competencies • Willingness • Bank

INTRODUCTION

In the new era of 21st century, the human resource management (HRM) function is experiencing unprecedented changes. [1] argue that human resources are emerging as one of the key resource within the organizations. Human resource (HR) professionals are people managers and supervisors in support areas of profit making. As such, they are required to have diversified skill-set and mind-set to deal with employees. The study of [2] HR competencies are said to be the set of characteristics contributing to the effectiveness of HR performance that enables an organization to carry out its business strategies in a competitive market. Moreover, he argues that competencies are used in many facets of HRM ranging from individual functions such as recruitment and performance management to organizational strategic planning and design of organizational structure and

culture. Therefore, competencies are the foundation of the modern organizational HR functions. A competency model involving knowledge, skills, capabilities and behaviors which are required to perform a job function more effectively [3].

The objective of the paper is to understand the relationship between HR professionals' competencies and their effectiveness. However, the paper attempts to capture the perception of the employees of the organization about the competencies required to create effectiveness in HR professionals'. Second, the perception of the employees it is expected will further help in pinpointing those competencies which they regard as the most significant and will require immediate attention. The paper has made the choice to seek perception of employees with regard to competencies derived from the latest [4] model and seeks to answer the following questions.

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- What is the nature of the relationship of HR professionals' competencies with HR professionals' effectiveness as perceived by the line manager?
- Which competencies have a more significant relationship with HR professionals' effectiveness?

The choice of the context of this study, the banking sector of Pakistan is significant in view of its past growth and current growth potential. Further, over the past decade the reforms initiated by the State Bank of Pakistan (SBP) have identified the lack of competencies of HR professionals' as an impediment in the face of growth potential of the banking sector. This observation of weakness of the HR professionals' attributes and competencies in Pakistan have also been observed and proposed as an impediment to organizational effectiveness [5]. The paper is structured as follows. First the paper will briefly review the banking sector and its role in economic development as well as identify the implications of HR effectiveness for this sector. Second, the paper will review literature regarding HR professionals' competencies and effectiveness. Thereafter, the theoretical model which forms the basis for testable hypotheses will be presented. Research method, the results and discussion will finally make up the rest of the paper.

Significance of the Study: Banking sector around the world has been faced with the specter of non performing loans (NPLs). One would surmise that the major reason for this would be the lack of appropriate competencies of those who extended such unrecoverable loans. Given that as it may be, the ball finally must stop at the doorstep of HR professionals who are tasked with the hiring, training and developing the officers in the banks and who should be able to maintain, train and develop the personnel keeping in mind the strategic goals and issues confronting the organization. This study, therefore, in utilizing the context of Pakistan serve two purposes. a) Responding to observations that management theory and practice and its impacts may differ from context to context and therefore these need to be assessed across environments to be able to strengthen theory. b) Propose a model of competencies and effectiveness which may be relevant to countries that are contiguous to Pakistan and especially of South Asian Association for Regional Co-operation (SAARC)¹ and Developing-8 (D-8)²

economic blocks. This assertion is based on Pakistan regional contextualization, its similarities and developmental levels with the SAARC and D-8 countries making it a significant context for research.

Banking Sector of Pakistan and Human Resource

Management: Within the service sector the 21st century has claimed the rising role of the financial sector such as insurance and banking [6]. According to Janjua [7] that the failure of a single bank can lead to the failure of the entire economy, because banks play a vital role in shaping up the economy of any country [8]. The core function of banking is to bring financial stability. Furthermore, the banks also provide financial resources necessary for economic development of the country e.g. promote capital formation, investment in new enterprises, promotion of trade and industry, development of agriculture and implementation of monetary policy.

So far, as HRM is considered, it has yet to develop well in the banking sector of Pakistan. In the 10 year strategy paper for the banking sector reforms for example, the [9] mentions that one of the issues and constraints in Pakistan is that bankers consider the lack of competencies of HR professionals' as the major limitation for growth of the financial sector. [10] also points to the fact that HR professionals' in the Pakistani banks can be more effective if they focus on human relations, attitude, feelings and well-being of the employees. While [8] report that HR professionals' are not skillful to develop or perform HR good practices. Due to this the employees are dissatisfied and they are unable to deliver what is expected from them. There is enough scope for banks to improve cost efficiency, which can be acquired by corrective measures to improve their HRM practices, best choice for asset portfolio and reduction in NPLs [11, 12, 13]. The data in Table 1.1 indicates that the NPLs in term of percentage have been growing disproportionately in leading large bank in Pakistan. The issue of NPLs as such has gained increasing attentions in the last few years in Pakistan. The large amount of NPLs in the banking system reflects a highly negative impact on the future growth of the sector. Even though there could be many reasons for NPLs to occur including global downturn, nevertheless, the core of these can still be traced to the banking professionals' who have been hired and trained under the mandate of the HR professionals'.

¹Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka

²Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, Pakistan, Turkey

Thus, while the rising NPLs are hampering the profitability of Pakistani banking sector [14] this problem specifically crops up because of the lack of trained staff in loan disbursement and debt collection. Ahmad [15] emphasizes that the training and development of banking staff is the function of HR professionals' within the respective banking institutions. Through training and development HR professionals' can enhance the capabilities of the employees of their organizations. As has been pointed out there is a strong opinion within the professionals circles that loan officers or debt collectors in the Pakistani banking sector are unskilled in their jobs, which could be attributed to the ineffectiveness of the HR professionals' and consequent increase of NPLs [16, 17].

Literature Review: The function of HRM in the organizations has changed. In the beginning the HRM (personnel management of old) was considered a staff function and entailed the application and implementation of rules and policies [18]. The role of the HR function in firms has changed in parallel with the economic shift from agrarian to manufacturing to services and now to information. Early on HR was considered a staff function, not integral to the firm. Its role was administrative or transactional, its work product often regarded as a commodity. In our transition economy, the observers both inside and outside of organizations, have come to view a firm's workforce as far more valuable. HR's role becomes more central to the organization for it is people who carry out its strategy HR professionals need recognize this change and adapt to it. To enhance HR's organizational contribution, HR professionals not only will need to transform what they do but also how they are perceived. HR professionals' competencies can strengthen the HR practices which ultimately enhance the effectiveness of the HR professionals [19].

HR Professionals' Effectiveness: The notion of managerial effectiveness has been of interest to researchers since the 1960s [20, 21]. The recent theorists, management scholars and practitioners have laid a greater emphasis on the effectiveness of managers and their performance especially in developing countries and economies [22, 23]. HRM effectiveness can be defined in different ways including the use of organization performance metrics such as return on investment (ROI), productivity etc. and these may be used to indicate the effectiveness of the HRM function including employee selection, development and retention [24] or staffing,

human resource development, compensation, safety and health management and lastly employee and labor relations [25]. In other words it can be stated that if HRM functions are successfully and effectively carried out, these will reflect on the effectiveness of both the HR professionals' as well as the organizations. To further this line of argument we can propose that HRM effectiveness can be seen as HRM's contribution to a firm's performance [26]. It is nevertheless observable that HRM being a relatively new and evolving management field in Asia, as compared to the western countries, is as yet under researched in these environments [27]. Further the knowledge, skills and capabilities of HR professionals' who develop and implement HRM practices have also not been thoroughly studied within Asia [28, 5]. However, in their studies they point to the fact that the main obstacle for HR professionals' to perform effectively in the organizations is their lack of competencies.

HR Professionals' Competencies and the Ulrich Model: [29] define competency as the work related personal attributes like knowledge, skills and values that individuals draw upon to do their work well and is focused on the individuals' internal factors. [30] on the other hand, have leveraged these capabilities to the outside in terms of the HR professionals' role in mastering the knowledge of external realities of the current days business world. If we integrate, the internal capabilities of knowledge, the skill to work with this knowledge and the value system to channel this work, with the realities of the external world, the HR professionals' should be able to identify how and where they can add value in the firm. Therefore, HR professionals' will necessarily be required to become active players and partners of business and focus on developing human as well as organizational capabilities that enable an organization to compete now and in the future. [31] argue that competencies identification and its development are important tools of HRM targeted at achieving the strategic goals of the organization. Competencies, i.e. behavior necessary to reach the required level of a HR professionals' performance, in combination with efficient organization management thus become a critical factor of success and subsequently also a source for competitive advantage. In order to be effective then, the manager must possess the characteristics most often associated with the description of effectiveness. However, it needs to be recognized that the competencies are actually associated with the environments structural requirements and these have

been shifting over time. A model [4] suggests this shift over time and provides a broad perspective of the evolution of levels and types of competencies.

When competency models were incorporated into the HR discipline the task of defining the relation between competencies and performance was dominant [32, 33] According to [34] this was certainly true of the most dominant of HR professional competencies model initially developed by Ulrich and his colleagues at the University of Michigan [35]. But over the years the model has undergone numerous updates and revisions (1987, 1992, 1997 and 2002) depicted Figure 1 Source [36].

The recent modification of HR professionals' competencies by [4] and his colleagues suggest six competency domains including Credible Activist (CA), Cultural and Change Steward (CCS), Talent Manager/Organization Designer (TMOD), Strategic Architect, Business Ally and Operational Executor. [4] model is more relevant to the current business environment and is directly related with the HR professionals' in the 21st century. This paper however, uses Ulrich's (2007) model competencies (CA, TMOD and CCS) and includes 'Willingness' as construct to the model. This addition as explained in the next section and will form a major contribution to the development of theory for HR professionals' competencies.

HR Professionals' Willingness: [37] argues that activities and roles can be performed more innovatively if employees are 'Willing' to do so. [38] claims that employee's lack of willingness and motivation to contribute even their knowledge will result in project failures. In keeping with this general line of argument, we can propose that one way for HR department to add value into the organization is, if HR professionals are willing to actively contribute to implement the HRM strategies through their competencies to achieve competitive advantage. Nevertheless, [39] suggest that the 'Willingness' factor has in general, not been emphasized in organization knowledge based work and management activities. This paper as indicated earlier, by incorporating 'Willingness' as a distinct competence in the model, aims to respond to this gap.

Relationship between HR Professionals' Competencies, HR Professionals' Willingness and HR Professionals' Effectiveness: According to [40] the word 'Will' is associated with intrinsic motivation to be effective or not. [41] in his study also found that competencies alone are

not adequate to achieve managerial effectiveness as there is a need of 'willingness' from the employee to follow, which plays a vital role in terms of performance. In the same form according to [42] even HR professionals' have to be 'willing' to obtain competencies if they desire to become highly effective or else projects will fail. [40] argues that the one way a HR department can add value for the organization is, if HR professionals' are willing to actively contribute to HRM strategies implementation.

Theoretical Framework: Based on the above we can predict HR professionals' effectiveness as a self-reinforcing mechanism of interacting dimensions (i.e. competencies and willingness) such that all of the dimensions work in harmony. In this model (Figure 2) the social-based competencies reflect the abilities to manage relationships and interpersonal understanding with employees of the organization. This model also lays out the independent and dependent variables under study.

Data Collection and Analysis: A cross sectional survey method is used for the present study and the questionnaire used draws on the previous researches [40, 4, 27] and is adapted through appropriate modification to align with the Pakistani context which helps establish the ecological validity and reliability of the instrument. The questionnaire is made up of four parts namely; Part I) Personal information of the respondents and background section with 5 items; Part II) The HR professionals' effectiveness as perceived by the line managers contains 11 items; Part III) HR professionals' social competencies and HR professionals' willingness as perceived by the line managers comprise of total 34 items. The questionnaire was distributed using snowballing technique with the respondents being the individual manager (permanent full time) in a large local privatized bank in Pakistan.

The data was subjected to reliability analysis using Cronbach Alpha. The overall Cronbach Alpha for HR professionals' effectiveness is reported at (alpha = 0.935), while the sub constructs of competencies are Credible Activist (alpha = 0.853), Talent Manager/Organization Designer (alpha = 0.889), Culture and Change Steward (alpha = 0.940) and willingness (alpha = 0.942). The generally agreed Cronbach's Alpha is 0.60 as an acceptable reliability coefficient [43]. Therefore, as indicated above the overall Cronbach Alpha of the instrument was 0.985 and the entire scale variables used in the research instrument fall within acceptable limits.

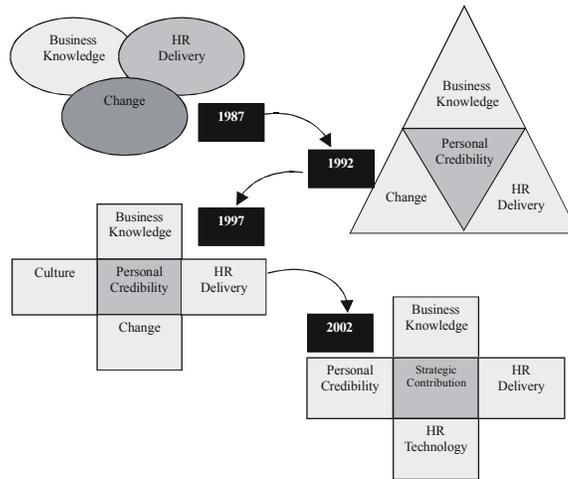


Fig. 1: Models for HR Competencies 1987 to 2002)

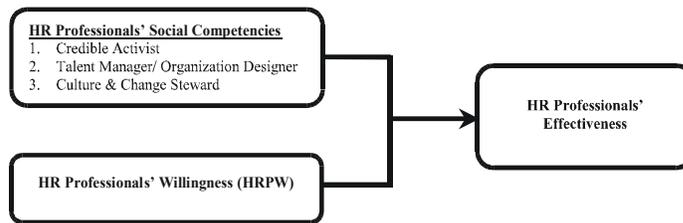


Fig. 2: Proposed Model

Table 1: Non-Performing Loans of Large Private Bank of Pakistan (NPLs in Rupees Billion)

| Years | 2006 | 2007 | 2008 | 2009 | 2010 |
|----------------------|-------|-------|-------|-------|-------|
| Non-Performing Loans | 26.92 | 24.59 | 36.08 | 42.30 | 44.80 |

Source: Economic Bulletin (2011)

Table 2: Profile of the Respondents

| Variables | Category | Frequency | Percentage |
|-------------------------------------|----------------------------|-----------|------------|
| Designation | Branch Manager | 10 | 33.3 |
| | Operations Manager | 12 | 40.0 |
| | Customer Relations Manager | 5 | 16.7 |
| | Credit Manager | 3 | 10.0 |
| Highest Qualification | MS/M. Phil | 3 | 10.0 |
| | Masters | 23 | 76.7 |
| | Bachelor | 4 | 13.3 |
| Age | Less than 30 Years | 4 | 13.3 |
| | 30-40 Years | 8 | 26.7 |
| | 41-50 Years | 7 | 23.3 |
| | More than 50 Years | 11 | 36.7 |
| Years Working in the Banking Sector | 1-3 Years | 2 | 6.7 |
| | 4-6 Years | 2 | 6.7 |
| | 7-10 Years | 6 | 20.0 |
| | 11-15 Years | 4 | 13.3 |
| | More than 15 Years | 16 | 53.3 |
| Gender | Male | 24 | 80.0 |
| | Female | 6 | 20.0 |

Respondents Profile: This section describes the demographics of the respondents who participated in this study. The individual characteristics of the respondents

such as designation, highest qualification, age, years working in the banking sector and gender are presented in Table 2 below.

Table 3: Descriptive Statistics of the Variables

| Constructs | Mean | Standard Deviation |
|--|------|--------------------|
| HR Professionals' Effectiveness (HRPE) | 2.56 | .734 |
| Credible Activist (CA) | 2.89 | .688 |
| Talent Manager /Organization Designer (TMOD) | 2.82 | .623 |
| Culture and Change Steward (CCS) | 2.93 | .650 |
| HR Professionals' Willingness (HRPW) | 2.84 | .874 |

Table 4: Relationship of HRPSC and HRPW with the HRPE

| Variables | HRPE | CA | TMOD | CCS | HRPW |
|-----------------------|-------|--------|--------|--------|--------|
| Dependent Variable | HRPE | 1 | | | |
| Independent Variables | CA | .801** | 1 | | |
| | TMOD | .640** | .730** | 1 | |
| | CCS | .577** | .662** | .749** | 1 |
| | HRPSC | .753** | .894** | .923** | .880** |
| | HRPW | .682** | .675** | .624** | .603** |

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

Most of the respondents (40 %) are Operations Managers, responsible for managing the day to day affairs in their branch, (33 %) are the Branch Managers. Customer Relation Managers as well as Credit Managers accounted for 16.7 % and 10.0 % respectively. With respect to the respondent age, majority that is 36.7 % of the respondents are more than 50 years of age while those between 30 to 40 years of age are 26.7 % and between 41 to 50 and less than 30 years are 23.3 % and 13.3 % respectively. 53.3 % respondents have more than 15 years work experience in the banking sector and 20 % have served for 7 – 10 years while those between 11 to 15 years working experience are 13.3 %. This provides prima faice evidence that most of them are well versed with the practices in their respective branch. Further as far as educational qualifications are concerned, almost 76.7 % of the respondents have a 'Master' degree with the remaining 13.3 % and 10 % hold Bachelor and MS/M. Phil degrees respectively. This reflects that highly educated people participated in this survey. 80 % of the respondents are Male while 20 % are Female respondents showing a good mix of gender contribution in the survey.

Table 3 shows the mean score and indicates the extent of respondent's agreement level with the various competencies constructs. The variables that underline the constructs are measured on a five point Likert scale of 1 - 5, where 1 represents "Strongly Disagree" and 5 "Strongly Agree". In this regard, any mean scores for the constructs that are below the midpoint (3.00) is considered by the respondents to be low and reflects a weakness in that competence. Mean scores between 3.00 to 3.50 can be seen as indication of moderate level of competence and the mean scores above 4.00 to 5.00 can be considered as an

indication of strength in the competence area as perceived by the responding managers.

Table 3 show that the highest mean scores (2.93) is for CCS competency as considered by the respondents. There seems to be a general perception among the respondents that HR professionals' lack in the required competencies (CA, TMOD and CCS). A similar low opinion is prevalent among the respondent regarding the effectiveness of the HR professionals'. This result may be considered surprising given the highly developed financial sector but seems to be in line with prior research, where HR professionals' competencies have been reported to be of low level [44, 10, 23]. The respondents on the other hands seem to also consider that the HR professionals' are 'unwilling' to either learn or apply these competencies to help the organization to effectively implement strategies. HR professionals' score low on both their competencies and their effectiveness in the perceptions of the responding managers, a case can be made that there is a suggestive relationship between HR professionals' effectiveness and HR professionals' competencies. This proposition finds support from [3]. However, this aspect is further explored through correlation analysis, which also forms part of the hypotheses testing framework.

Correlation Analysis: The Table 4 addresses the relationship between HR professionals' social competencies (HRSC) with sub constructs Credible Activist (CA), Talent Manager/Organization Designer (TMOD) and Culture and Change Stewards (CCS) and HR professionals' willingness (HRPW) with HR professionals' effectiveness (HRPE). The hypotheses (H1 – H2) and are analyzed using Pearson Correlation.

As shown in Table 4 HRPSC has a significant correlation at 0.753 ($p < .000$) with the HRPE. Within the sub competencies of HRSC, the CA is the most highly correlated at 0.801 ($p < .000$) with HRPE followed by TMOD at 0.640 ($p < .000$) and CCS at 0.577 ($p < .000$). We also can observe that HRPW is significantly correlated at 0.682 ($p < .000$) with the HRPE.

DISCUSSION

The surveyed managers' of a large privatized Pakistani bank perceive that competencies as defined by HR professionals' social competencies, HR professionals' and HR professionals' willingness have a strong relationship with the HR professionals' effectiveness. In other words they believe that as there is a lack of professionals' competencies the effectiveness of the function of HRM is also weak and not in line with what is expected or what is necessary to create successful organizational performance. The relationship between the effectiveness and the three competencies constructs are also supported by the results of correlation test (Table 4).

When seeking an answer to the research question two, where the question sought to understand, which of the sub constructs of competencies has a stronger relationship with HR professionals' effectiveness, we find that 'Credible Activist' is highly correlated with the HRPE. In other words, if, the HR professionals' are more 'Credible Activists', they will be more effective as professional. This finding is significant, as one would either expect all of the competencies to be valued at the same level in terms of their impact on professional effectiveness as proposed in the literature. However, in the context of a developing economy of South Asia and in view of the argument provided above, 'Credible Activist' being the most significant competency than all others is worth noting. This same proposition has been forwarded by [45] also, who considers 'Credible Activist' as the most important competency in terms of professionals' performance. Nevertheless, this relationship can be easily understood in the cultural context of South Asia, which according to [46] is more 'collectivist'. In a collectivist framework dependence on others is a significant factor for performance. Therefore, HR professionals' who are dependable and are believed to do, what they say will do, will be considered more effective which is also the line taken by [47]. They also suggest that HR professionals' should do what they say they will do. It is important to note that HR professionals who are credible but not activist are admired but will produce little impact on performance. On the other hand,

the HR professionals' who are activist but may not be credible, would not be able to garner enough trust in their abilities to implement required policies but those who are both activist and dependable will be the one with the most effective performance. The HR professionals thus need to focus on commitments in terms of being supportive of the organizational members and their efforts. Moreover, in all regions (US, Latin America, China, Australia and India) the 'Credible Activist' competency is also seen as a positive contributor to bottom line result. Further the latest Human Resource Competency Study (HRCS) in 2012 also reports that 'Credible Activist' is the more demanded competency required of HR Professionals' for their effectiveness [3] thus lending support to the findings of this paper.

CONCLUSION

The finding of this study contributes to the literature on the HR professionals' effectiveness. This study is the first of its kind to be undertaken in the Pakistani privatized banks using competency based model of [48] to understand HR professionals' effectiveness model rather than HR practice based assessment. The study finds that the HR professionals' social competencies and willingness have a highly significant correlation with HR professionals' effectiveness. However, social competencies are more significant in their relationship with HR professionals' effectiveness than the HR professionals' willingness. Within the sub competencies of HR professionals' social competencies the 'Credible Activist' is the most significant and strongly correlated competency with HR professionals' effectiveness. The study also finds the HR professionals' competencies are generally lacking in the banking sector in Pakistan as most of the HR professionals' competencies as well as their effectiveness were found to be below the expectation levels of the line managers. This indicates that the HR professionals' competencies and their effectiveness need to be improved further which will ultimately lead to the better organizational performance.

Future Research: HR professionals' effectiveness as an area of academic research is relatively at early stages in Pakistan. In this ongoing work, this emerging area of research shall be extended by including the other private and public sector banks in Pakistan. The result of this study can be used as a benchmark for other developing countries for instance Bangladesh and Sri Lanka. This would hopefully add significant contribution to conceptual and empirical research in this evolving area.

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