The strategic role of the HR function in the banking sector of Pakistan: Analysis of evidence and influencing factors

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Abstract

This thesis analyses empirical evidence of the state of the HR function and the presence of the strategic role of the HR function in the banking sector of Pakistan. The focus of analysis is on key components of the HR function that influence its role orientation, namely the patterns of devolution of HR responsibilities, the structure of the HR function and the skill-set of HR personnel. The extant literature on HRM and the role of the HR function is for the most part contextualized within Anglo-Saxon countries and as a consequence insufficiently highlights the idiosyncratic and embedded factors which influence the role and strategic direction of the HR function in developing countries. Also, while the literature suggests that different stakeholders are likely to report divergent views regarding the role of the HR function, few studies provide a thorough examination of this issue. To address these gaps in the literature, a qualitative case-study approach was adopted and interviews were conducted with 85 HR, senior and line managers in eight case-study banks. The data analysis largely fails to identify a significant presence of the strategic role of the HR function across the sample banks. It also indicates a generally low level of devolution of HR activities to line management, which has impeded the ability of HR managers to devote more time and resources to strategic initiatives. Even where devolution has occurred, it has not enabled the HR function to enhance its strategic contribution. The evidence also suggests that where organisations implemented structural changes to their HR function ostensibly, to enhance the strategic orientation, this did not result in meaningful outcomes and, moreover, the lack of requisite business acumen among HR personnel appears to have impeded their strategic contribution. In the context of Pakistan, these findings emerged because the HR function was in an early stage of development, the strategic HR role required a skill-set which had just begun to emerge and the underpinned reasons for changes in the structure were to attain better operational efficiency. Further, in the domestic case-study banks, the function faced challenges of an out-dated skill-set of incumbent employees and the ensuing legacy effects. These results suggest that in order to study the presence of a strategic role orientation, a broader analytical framework is required that both incorporates multiple elements within the HR function – especially its structure, extent of devolution of HR activities and skill-set of personnel – and responds to the multiple and conflicting perspectives of different stakeholders in a complex and fast-changing industry environment.
Declaration

No portion of the work referred to in the thesis has been submitted in support of an application for another degree or qualification of this or any other university or other institute of learning.

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Dedication

This thesis is dedicated to my mother for her countless prayers, to my wife for her unflinching support and understanding and to my children, Salaar, Eman and Shehryar for keeping me motivated throughout these years.
Acknowledgement

I am grateful to Almighty Allah for His countless blessings and for the strength He gave me to accomplish this overwhelming task. I would like to acknowledge the complete encouragement and support of my advisor, Prof. Damian Grimshaw in the accomplishment of this task. His invaluable feedback and direction guided me throughout these years and it was most instrumental in the completion of this thesis. I would also like to express my gratitude for his patience, especially in ignoring the delays at my end in meeting the submission deadlines to which I think I gave an entirely new meaning. Sincere thanks are also due to Prof. Mick Marchington for his knowledgeable feedback which was vital in developing a clear focus. I would also like to thank Dr. Ashfaque H. Khan, for his instrumental role in facilitating access to the case-study banks explored which would otherwise have been impossible. A final note of thanks is also due to my employer (National University of Sciences and Technology) for sponsoring my studies.
Chapter 1: Introduction

1.0. Introduction

A significant body of literature that has investigated the HR function in recent years suggests that it is undergoing major changes that have resulted in the emergence of new HR roles, including a strategic HR role (eg. Lengnick-Hall et al., 2009; Wright, 2008; Caldwell, 2008; Jamrog and Overholt, 2004). The role of the HR function is of consequence as it indicates the contribution made by the HR department to the organisation. In this connection, various studies emphasise that in recent times its significance has been associated with the alignment of HRM policies and practices to the overall strategic goals of the organisation (Truss 2008; Wright 2008; Dany et al., 2008; McCracken and Heaton 2012). The presence of a strategic role is conceptualised in various role typologies that distinguish between strategic and operational components (Truss, 2009). However, the notion of, and empirical evidence for, a strategic role of the HR function is widely contested. Because it is defined in a diversity of ways in the literature (Brandl and Pohler, 2010), it is perhaps no surprise that no single, unified set of dimensions is employed to examine its presence within organisations. Also, because previous studies on the HR function generally examine a limited number of indicators of what may be said to constitute a strategic HR role, typically in isolation of the wider organisational context (Truss et al., 2002; Truss, 2008; Tamkin et al., 2006; Brandl and Pohler, 2010; Caldwell, 2003), there would appear to be a need for further research that seeks to integrate multiple indicators of the evidence of the presence (or otherwise) of a strategic HR role and extends the analysis to a wider consideration of the organisational pressures for change, identifying the possible enabling and hindering conditions.

As with many areas of research in human resource management, the significance of country context is fundamental to the interpretation of HR role typologies (eg. Lengnick-Hall et al., 2009; Warner, 2011). While several groundbreaking studies in the Asian region exist, as Budhwar (2004) argues, these studies tend to have been undertaken in the relatively advanced countries in the region, such as Singapore, Hong Kong and Taiwan, leaving a great deal of unexplored territory in less developed, emerging economy countries. An important motivation for this thesis was therefore the aim to contribute to our knowledge of HRM in the country context of Pakistan,
with a specific focus on the HR function and its role in the banking sector. In its research design, this PhD research project also sought to respond to a dearth of focus in studies of the HR function on the divergent perspectives and interests held by multiple stakeholders (Hope-Hailey et al., 2005); this methodological gap is addressed in this research by incorporating the views of both HR and line managers.

Furthermore, the literature also highlights the influence of the variation in the level and form of devolution of HR activities to line managers; devolution or lack thereof can either facilitate or impede the function from performing a strategic role. Devolution may be considered a strategy to improve the HR-line relationship given the assumption that the transfer of operational work to line managers will provide more opportunities for HR managers to perform the strategic role (Kulik and Perry, 2008; Brandl et al., 2009; Delmotte and Sels, 2008). Thus, devolution has been debated at length in the HR literature, in relation to its positive contribution to improve and develop a strategic HR-line relationship and hence a strategic focus of the HR function (Kulik and Perry, 2008; Kulik and Bainbridge, 2006; Larsen and Brewster, 2003; Whittaker and Marchington, 2003; Cunningham and Hyman, 1999; Currie and Procter, 2001). However, the traditional definition of devolution has been criticised due to its generally limited scope, which does not include a broader examination of the reallocation of HR activities across multiple dimensions of power that include decision making, financial and expertise power (Cascon-Pereira et al., 2005).

Similar to devolution, the literature on the HR function also accords significance to the influence of the HR structure and skill-set of HR employees on the role performed by the function. According to Lawler III and Mohrman (2003), the importance of HR structures lies in the fact that they are contributors to organisational profitability. Thus, they posit that the HR function needs to be designed in such a way that it carries out administrative as well as the strategic partner role. Also, Purcell (2003) states that the HR function is being renewed and restructured in organisations in order to gradually affirm a strategic role, indicating that the structural configuration can influence the role orientation of the function. Further studies show that in order to fulfil the vital and challenging responsibilities of the HR function, HR professionals need to have the relevant strategic skills or core competencies that integrate business strategy with people management practices (Inyang 2010; Ulrich and Brockbank 2005; Ramlall 2006). Thus, in an effort to draw a clearer understanding of the
complex yet inter-linked elements of the HR function that shape the role it performs, this PhD research seeks to integrate evidence of the presence (or otherwise) of a strategic HR role with evidence of the influencing factors in order to bridge this gap in the existing literature.

1.1. Objectives and rationale for the study

The objective of this research is to study the state of the HR function in the banking sector of Pakistan which fits the general description of an emerging economy. In general, relative to the developed economies such as the USA and the UK, the HR function can be characterised to be in the initial stages of its development in the Pakistani banks investigated. More specifically, we aim to examine the role performed by the HR function in the case-study banks in an attempt to identify the presence and character of a strategic HR role. This involves the interrogation of how and why certain factors like devolution, the HR structure and the skill-set of HR personnel can influence the role performed by the HR function.

The rationale for this research is rooted in certain gaps that emerge from a review of extant literature. One major gap relates to the need for an extensive study to explore the HR function (Guest, 2011; Kraaijenbrink et al., 2010; Paauwe, 2009; Boswell, 2006) and to interpret the HR roles in the context of Pakistan. Research on the HR function and its role is primarily conducted in the USA and European settings (developed economies), despite its significance and far-reaching implications for organisations in other regions of the world. To the best of our knowledge, the context of Pakistan (a developing country) remains under-researched. The few studies on HRM in Pakistan are restricted to broader HRM themes, such as the type of HR practices employed in organisations (Khilji 1999a; 1999b; 2001) and the modes of convergence or divergence among these practices (Khilji 2002), but none specifically focuses on the HR function and its role. Hence, we examine this phenomenon in the setting of Pakistan in order to contribute new knowledge to the literature on international HRM.

The rationale for selecting the banking sector lies in the significant transformation it underwent in Pakistan from the late 1990s till the first decade of the 21st century. This transformation resulted in considerable changes within the HR function which
provides a strong rationale for this selection to conduct the study. Rapid growth of the sector, fuelled by the entry of new banks post-deregulation and privatisation, increased competition and these drivers compelled the banks to initiate major reforms. One important element of the reforms initiative was the desire to revamp the HR departments in the banks which led to changes in the structure, practices and activities of the HR function. This background of a potentially radical, transformative change led us to choose the banking sector as a subject of our inquiry. The intent was to examine whether and if the HR function had adopted a new strategic role in the dispensation of its activities and how its structure, skill-set and relationship with line managers may have influenced its role.

1.2. Organisation of the thesis

This thesis is divided into eight chapters. Chapter one introduces the topic and its significance, the rationale and the objectives of the research, and provides a framework for the remainder of this research. Chapter two presents an analytical review of the literature that focuses on the main themes of this research which include the status of the HR function and its role, devolution which underpins the HR-line relationship, the HR structure, the HR skill-set and the literature on international HRM. For this purpose, indicators which provide evidence of a strategic role are reviewed. In addition, the literature on devolution is examined to uncover the contrasting perspectives of multiple stakeholders and to highlight the conflicts and tensions which emerge in this relationship. Moreover, extant research on the structure of the HR function and its skill-set is reviewed to identify the developments in the structural configurations of the function and emerging requirements related to the skill-set of HR employees.

Chapter three presents an overview of the context of Pakistan and the dynamics of the banking sector; it highlights that there is limited research on HRM in Pakistan. Chapter four outlines the philosophical grounding for this research and provides the rationale for employing a qualitative, case study methodology to analyse the eight case-study banks through the use of an in-depth interview technique. The next three chapters, five, six and seven present the data and analyse the findings related to each of the three major themes of our research. Since this research focuses on the HR function from the perspective of its role orientation, we first study the nature of the
role performed by the HR function and then extend the study to include the influence of the structure of the HR function for example, to understand how and why the role has shaped into its current form. Chapter five examines the state of the HR function and its role in the case-study banks; it highlights no significant presence of an HR function dispensing a strategic role but reports evidence of a shift towards performing somewhat of a strategic role.

Chapter 6 examines the contested and contrasted phenomenon of devolution and the resultant divergent perspectives of HR and line managers; it also identifies the challenges that beset the HR-line relationship. The findings indicate a low degree of devolution of HR activities to line managers and emphasise that largely the decision making aspect, not implementation, was devolved. Consequently, the HR managers were unable to create time to undertake strategic initiatives. Chapter 7 examines the structure of the HR function, the skill-set of the HR employees and the perception of the line managers related to the skill-set of HR employees to explore their influence (or lack thereof) on the role adopted by the HR function in the case-study banks examined. The findings highlight that the HR function has restructured over a period of time and in addition to the intent to contribute in strategic decision making, the reduction of costs and improvement in service delivery to the line were the key underlying considerations behind the structural changes. Further, evidence indicated that the skill-set was generally, inadequate and primarily the business knowledge and strategic orientation of HR employees was weak. Finally, Chapter 8 presents a discussion of the major findings of this research as they contribute to the existing literature; it highlights the limitations and the ensuing implications of these findings for future research and concludes the thesis.
Chapter 2: Literature review

2.0. Introduction
The primary aim of this research is to examine the current state of the HR function in eight case-study banks, in Pakistan, with a focus on the nature of orientation of the role performed, loosely described as strategic as opposed to operational. In addition, our research aims to explore and understand the influence (if any), of other HR elements, including the extent and nature of devolution, the HR structure and the skill-set of HR employees, on the role adopted by the HR function. As such the objective in this chapter is to provide a critical review, systemisation and analysis of the literature that informs our understanding of the HR function, its role, and the influencing factors that shape the role performed by the function.

The literature on HRM spans across several decades and explores disparate, themes and issues. According to Truss (2009), this literature, in the last 20 years has generated much discussion on the role of the HR function because of its checkered history. An underlying cause of the debates lies in the fact that the personnel function has seldom acquired security, independence, stability, status or credibility among its management peers (Legge, 1995; Torrington, 1998; Truss, 2008; Caldwell, 2003) and has thus existed in a state of flux. Moreover, according to Morley et al., (2006), the contemporary nature of the HR function is not particularly acknowledged, perhaps due to constraints such as HR legacy systems, constant changes and questions on the contribution or value addition. Additionally, in the South Asian countries and especially Pakistan, research on HRM is quite thin, compared with that in the western context. But, the research that exists highlights that organisations in the South Asian countries are still in the initial stages of learning (participative HRM) from foreign companies, while tending to maintain their respective national cultures and autocratic traditions (Miah and Bird, 2007). Thus, by implication, a study of the HR function with a focus on its role is a significant topic for research in the context of Pakistan.

This chapter establishes the foundation on which our inquiry and analysis will be conducted and it is divided into seven sections. Section one charts the evolution and scope of the modern HR function by exploring the changing and evolving nature of
the HR function. Section two reviews the typologies of HR roles that have been developed over a period of time and assesses empirical research that highlights the drivers for change in the HR role and the indicators which aid in identifying a strategic HR role. This section thus informs our approach to the research question of whether or not the HR function in the organisations studied, is performing what can be termed as a strategic role.

Sections three, four and five, review the literature on devolution, the HR structure and the HR skill-set to investigate how each elements influences the role adopted by the HR function. This body of literature informs our analysis related to the question of why and how these elements influence the role of the HR function (if at all). Section six provides the essential contextual backdrop for this study by examining the limited extant literature that is available on HRM, in the setting of Pakistan and other Asian countries. Finally, section seven concludes this chapter, by summarising the key issues from which our research questions are derived and identifying theoretical and methodological gaps in the literature which provide a rationale for conducting this research. This final section also presents a theoretical framework to define the key components and boundaries of this research.

2.1. Evolution of the HR function

In this section, we review the literature on the development / evolution of the HR function and the changes it has undergone through the centuries, as highlighted by numerous researchers, including Jamrog and Overholt (2004) and Lengnick-Hall et al., (2009). This will provide a context for our study which seeks to explore the current status of the HR function and more specifically its role in the case-study banks examined in Pakistan.

The human resource management (HRM) function began to develop and replace the practice of personnel management after World War II; it has its roots in the corporate sector of North America, and is today deeply embedded in the fabric of management theory and practice (Rowley and Warner, 2007). The development of the HR function was encapsulated by Price (2004, p. 31) as follows:

“HRM is an amalgam of description, prescription and logic deduction. It is a philosophy of people management based on the belief that human resources
are uniquely important to sustained business success and is aimed at recruiting capable, committed and flexible people, managing and rewarding their performance and developing key competencies. Regardless of the rationale or the nature of its practice, HRM has become a common label for various forms and functions of people management. However, and particularly at practitioner level, relabeling does not necessarily mean that either the approach or the content has changed..... The diverse interpretations of HRM are apparent when we compare practices in different countries and organisations.”

HRM evolved in response to the need for maximizing the utilization of resources (Guest, 2011; Sun and Pan, 2011; Khandekar and Sharma, 2005; Becker and Huselid, 1998; Pfeffer, 1998) and as a consequence of economic developments and industrialisation (Jamrog and Overholt, 2004). The industrial revolution significantly changed the working conditions and the social patterns of the time (Ivancevich and Glueck, 1989) and led to job specialisation and division of labour (Cascio, 1992). In 1911, Fredrick W. Taylor capitalised on the concept of division of labour and his scientific management movement emphasised the importance of accurate hiring, training and incentivizing to improve employee productivity. Towards the end of the 19th century, most organisations began involving themselves in industrial welfare activity (Eilbirt, 1959) which involved dealing with labour related issues by improving social and work conditions through hiring welfare secretaries. These changes led to the development of the first personnel department between 1900s and 1920s (Jamrog and Overholt, 2004). Table 2.1 below, compiled from a review of literature traces the evolution of the HR function during the last century.

Post World War I, due to the shortage of skilled labour, high turnover and strained labour relations, businesses felt the need for a scientific personnel management function that would support the firm’s finance, production and sales departments and would manage employee relations and related problems (Purcell, 2003). Additionally, post World War II, the role of human resources (HR) focused on employee relations due to rising unionism, new laws on affirmative action and collective bargaining and occupational safety (Jacoby and Saguchi, 2002; Walker, 1999). Thus, the personnel
function developed from a welfare activity in select factories to a core activity in all organisations regardless of their size (Watson, 1977).

**Table 2.1: Evolution of the HR function over the last century**

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<td>- Industrial productivity</td>
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<td>- Scientific management</td>
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<td>- Personnel management</td>
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<td></td>
<td>- Increasing labour supply</td>
</tr>
<tr>
<td></td>
<td>- Providing support to finance, production and sales</td>
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<td></td>
<td>- Managing employee relation</td>
</tr>
<tr>
<td>Post WW2</td>
<td>HR function focused on</td>
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<tr>
<td></td>
<td>- Collection bargaining and unionism</td>
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<td></td>
<td>- Affirmative action</td>
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<td></td>
<td>- Occupational safety</td>
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<tr>
<td></td>
<td>- Becoming core activity instead of support</td>
</tr>
<tr>
<td>1950’s – 1970’s</td>
<td>HR function focused on</td>
</tr>
<tr>
<td></td>
<td>- Moving from personnel management to human resource management</td>
</tr>
<tr>
<td></td>
<td>- Administrative and transactional activities</td>
</tr>
<tr>
<td></td>
<td>- Supporting corporate objectives</td>
</tr>
<tr>
<td>1980’s – 2000’s</td>
<td>HR function focused on</td>
</tr>
<tr>
<td></td>
<td>- Becoming proactive, integrated and business oriented</td>
</tr>
<tr>
<td></td>
<td>- Changing orientation from operational to strategic</td>
</tr>
<tr>
<td></td>
<td>- Creating competitive advantage</td>
</tr>
<tr>
<td></td>
<td>- Horizontal and vertical fit</td>
</tr>
</tbody>
</table>

*Source: Compiled by author, based on a review of literature.*

Further, towards the latter half of the last century, personnel management evolved into Human Resource Management (HRM) (Sparrow and Hiltrop, 1994), which may be
defined as the systematic approach towards managing a firm’s workforce, encompassing an array of practices to organise, motivate and develop human capital. HRM has also been defined as a formal system for the management of people within the organisations which requires that transactional and administrative HR activities be carried out effectively (Burack and Smith, 1982), in order to influence the achievement of corporate objectives (Inyang, 2010). Much research has been dedicated to the debate of whether HRM as a function is strategic in nature. This debate has discussed whether the function is strategic in itself (Kazmi and Ahmad, 2002), is made strategic by the intent of achieving strategic competitive advantage by linking HRM practices to strategy (Huselid, 1995; Youndt et al., 1996; Delery and Doty, 1996), or is subject to organisational commitment in terms of resources and funding (Tichy et al., 1982).

Our study of models and perspectives in the following section illustrates their linkage with firm performance. In the process of creating this linkage with performance, the HR function begins to develop a focus that is essentially strategic in nature. The literature presents a wide range of perspectives related to the direct linkage strategic HRM practices have firm performance (e.g. Razouk, 2011; Wright & Boswell, 2002; Delery and Shaw, 2001; Delery and Doty, 1996; Huselid & Becker, 1996; Huselid, 1995). Further, research has established that strategic HRM practices affect organisations across different levels, such as: the individual level (Guthrie et al., 2009; Wright et al., 2003; Applebaum et al., 2000); the business unit level (Ngo et al., 2008; MacDuffie, 1995); at the organisational level (Youndt and Snell, 2004; West et al. 2002); as well as the financial impact of such practices (Akhtar et al., 2008; Collins and Smith, 2006; Huselid, 1995). Macky and Boxall (2008) have also examined the relationship between HRM practices and employee attitudes with a focus on the role of high performance work systems (HPWSs). They posit that HR practices complimentary to such systems produce an additive, positive relationship with the employee work attitudes of job satisfaction, trust in management, psychological identification with their organisations, and intention to remain employed with their organisations.

A strategic HR function is defined diversely in literature (Pohlar, 2010). Wright and McMahan (1992) and Lundy (1994) emphasise on elements of HR planning, Hendry
and Pettigrew (1990; 1992) stress on the role of organisational change management, while Guest (1987), Lengnick-Hall and Lengnick-Hall (1990), Ulrich (1987), Boxall (1999) and Brand and Bax (2002) highlight HR policies as a tool for business strategy. A consensus among authors such as Guest (1987) and Schuler (1992) is that SHRM is largely concerned with integration of HRM into the business strategy and the adaptation of HRM at all levels of the organisation. Boxall (1996) explains that strategic HRM is the interface between HRM and strategic management.

Additionally, our review of literature highlighted some drivers which led to changes in the HR function and HR practices; the drivers included the need for efficiency, global service provision, information exchange, core business processes and localization of decision-making (Brewster et al., 2005). In addition, three enablers of HR affordability, central HR philosophy and HR excellence and knowledge transfer were also identified that were also found to place new expectations and pressures on HRM practitioners. Lundy (1994) also highlighted that in response to globalization and pressures for competitiveness, the management of human resources transitioned from routine personnel management towards an integrated functional practice of HRM, with a strategic process, starting with the chief executives and line managers.

Thus, through this evolution of the HR function emerged the notion of HR’s strategic role orientation, shaped by the very development of the function itself. This orientation has been best characterized by the transition HRM has seen from its administrative beginnings, towards a focus on company operations and finally towards being an essential element of corporate strategy. The focus of this evolution has invariably been linked with a firm’s performance as well.

Further, as companies continue to expand globally, HRM practices have adopted a global context, with evidence of growing research in international settings (Harzing and Pinnington, 2011; Sparrow, 2009; Schuler and Jackson, 2005; Briscoe and Schuler, 2004). A study on how these changes manifested among Japanese and South Asian countries showed that the latter are in the initial stages of learning (participative HRM) from foreign companies, while tending to maintain their respective national cultures and autocratic traditions (Miah and Bird, 2007). Thus, with the growing use of HRM across the globe, it is important to bear in mind that little can be generalized
in the context of HRM’s application. Research has revealed cultural differences in seemingly similar cultural clusters. Egri et al. (2011), demonstrated how managers and professionals in the Anglo cluster of Australia, Canada, New Zealand, South Africa, United Kingdom and United States varied across dimensions such as openness to change, conservation, self-enhancement and self-transcendence. The study demonstrated how multilevel analyses are required to fully capture the essence of value differences even among countries perceived to be widely similar. Also, Warner (2011) showcased that HRM needed to have adequate underpinnings of the social reality it existed in, in order to be successful.

According to Ferris et al. (1995), with an increase in globally operated companies, issues like managing a diversified workforce, recognition of human resources as a competitive advantage and widespread restructuring and downsizing emerged which increased the importance of the strategic role of the HR Function in the late 1970s. As early as the early 1980s, Prewitt (1982) and Mahoney and Deckop (1986), reported that the perception of the function began to transition from being passive, reactive, risk averse and not business-oriented to being proactive, with an integrated view. Wei (2006) highlights that the HR function realised how pivotal it was to reposition itself within organisations, to achieve corporate goals and to become a source of competitive advantage. The result was an enhanced role for the HR function, with a widening scope, leading to the emergence of a strategic HR role. The strategic HR function supports the inclusion of HR’s input in strategy formulation and implementation and considers that HR needs to have a long-term view of the HR policy. Further, this role advocates a vertical link with the strategic management process of the organisation (Lengnick-Hall and Lengnick-Hall, 1988), a horizontal link between the various HR practices (Wright and Snell, 1991; Wright and McMahan, 1992), and an external link with other organisational and environmental factors (Baird and Meshoulam, 1988, Jackson and Schuler, 1995). The preceding discussion highlights that HRM can be studied, explored and examined from multiple perspectives and with the use of different models and theoretical approaches.

2.1.1. Models and theoretical perspectives on HRM

In this section we review the literature related to the various models and theoretical perspectives on HRM, to reflect on the different approaches that can be adopted in
studies of HRM. Our review highlighted that there is no all-encompassing model that may be applied. For example, a study elaborating on the Asia-Pacific HRM model emphasised that while HRM and industrial relations (IR) systems in the region largely seemed heterogeneous, they possessed both commonalities and diversity. In particular, (Warner, 2000) described how the model adopted common measures in response to broader economic trends such as globalization (soft convergence), while also tailoring the model to fit customized needs (soft divergence). Indeed, studies into the way HRM is applied in a borderless economy have been vigilant of the trend of convergence / best practice / universalism, finding it too naive to encapsulate HRM’s reality (Rowley, 1997).

Thus, with the development of HRM came the development of hard and soft conceptualisations of the practice; the former viewing people as quantitative economic factors whose expense must be controlled (Legge, 1995) and the latter viewing people in human terms, focusing on development and satisfaction. Truss (1999) posits that soft and hard models of HRM are diametrically opposed along a number of dimensions, Armstrong (2000) states that the two concepts cannot be distinguished in precise terms and Ster and Koster (2007) concurs that the concepts are plagued with inconsistencies and ambiguities.

According to Kandula (2003), from these concepts emerged specific models for HRM, prominent among these were the Harvard model (Beer, 1985) representing the soft version and the Michigan model (Tichy et al., 1982; Fombrun et al., 1984) representing the hard version. Hendry and Pettigrew (1990) noted that both the concepts have been debated extensively in the British context which is evidenced in the model of HRM formulated by Guest (1987). He drew on both the hard and soft dimensions in his model on HRM; strategic integration is referenced to the hard model and commitment is associated with the soft HRM model. However, according to Truss et al., (1999), the problem with incorporating both interpretations is that each rests on a different set of underlying assumptions and both are found in organisations. This implies that factors such as internal and external contexts shape the mix (Ibid., 1999).
In addition, the field of SHRM has increasingly exhibited the use of sophisticated methodological and theoretical practices. The complexity of the field emerges from triple issues of contentious terminology, a variety in the theoretical approaches and the differing units of analysis. This ambiguity has been addressed by delineating the research on HRM in distinct ontological traditions or theoretical perspectives. The following section reports these perspectives on HRM in order to combine and crystallize varied points of view.

An extensive review of literature leads us to believe that a significant part of the HRM literature is based on five leading perspectives or approaches. We identified the universalistic perspective, the contingency perspective, the resource based view and the configurational and contextual approach. Martin-Alcazar et al. (2005), highlight that each of these modes of theorizing represents different approaches to the same research question as each emphasises a specific dimension of the reality of HRM. These perspectives are helpful in understanding the strategic nature of HRM, how the function has developed to reach the position where it is today. Also, they provide a rich explanation to the phenomenon of HRM, building a contextualized and multifaceted picture of the link between HRM and organizational performance.

The simplest approach to studies on human resource management is the universalistic perspective, often termed the best practices approach. The basic assumption of this perspective is that a linear relationship exists between the variables which can be applied to the entire population (Delery and Doty, 1996). The approach posits that a set of best practices in human resources can be identified which have the ability to improve organisational performance and are generalizable (Becker and Gerhart, 1996; Armstrong, 2009). However, critics contend that every industry has its own management practices which form the core competencies on which they compete and thus, universal best practices cannot be generalized for all organizations. Another criticism is the fact that no consideration has been given to the cost a firm must bear in order to adopt a set of best practices (Marchington and Grugulis, 2000). It is important to note that little certainty exists regarding the HR practices which are more important or vital for a firm’s success than others, as well as under which circumstances they are most potent (Patterson et al., 2007). Authors have varied in the outcomes of their research regarding best practices for HRM (Hesketh and Fleetwood,
Moving from the simplistic universalistic approach, researchers expanded on the internal relationship between HR policies and practices and suggested certain configurational characteristics which can impact organisational performance. The configurational perspective emphasises these characteristics, internal to the HRM function (Martin-Alcazar et al., 2005), also known as bundling. The approach involves combining different HR practices into configurations (MacDuffie, 1995). Further, Huselid (1995) investigated the link between high performance HR practices and organisational performance and reported that organisational structure and skills as well as employee motivation can be configured to achieve higher productivity and financial performance. Researchers like Marchington and Grugulis (2000) have criticized the configurational approach because it is highlighted that some best practices may contradict and undermine other practices and research shows little inclination by organisations to adopt consistent bundles of practices (Truss et al., 1997).

Further, the link between HRM and business strategy is best explained by the contingency perspective or best fit approach which states that HR policies must be consistent with other aspects of a company’s business realities to be effective (Delery and Doty 1996). The three primary contingent aspects / factors include organisation strategy, organisational variables and environmental factors. Here, organisational strategy entails the fit of HR practices with the overall business strategy (Fombrun et al., 1984) and organisational variables include, size, technology, structure (Jackson et al., 1989; Jackson and Schuler, 1995) and internal political relationships (Pfeffer and Langdon, 1988; Balkin and Bannister, 1993). The environmental factors include the external factors such as competitive and technological landscape and economic and labour market situation. The contingency approach is criticized for the lack of prescription, rendering it ineffective to practitioners and the concept of ‘fit’ itself is rigid and inflexible and does not establish a clear link with organisational performance (Lengnick-Hall and Lengnick-Hall, 1990). Further, it is not clear as to which contextual aspects are most crucial for, or relevant to the HR function with (Boxall and Purcell, 2008; Marchington and Wilkinson, 2008).
Moreover, the contextual perspective argues that HRM influences and is influenced by, both the external operating environment of the firm, as well as the internal organisational context in which managerial decisions are made (Brewster, 1999). This perspective integrates the HR function with the macro-social environment or supra-system in which it interacts and focuses on the nature of the human resources, level of analysis and the actors employed in this organisational function. Strategic HRM has gained popularity with regards to the link between HRM and organisational performance (Paauwe, 2009; Delery and Doty, 1996; Guest, 1997; Boselie et al., 2001); this is the cornerstone of the Resource Based View (RBV). The RBV approach states that the resources of the firm, including human resources, develop a unique character of that firm, thus creating a competitive advantage (Armstrong, 2009; Delery and Shaw, 2001). Ibid., (2001) add that HRM practices have the most direct influence on the human capital of a firm, and that the complex nature of the HRM systems / practice can enhance the inimitability of the system.

However, in order for a firm’s resource to become a sustainable competitive advantage, it must be valuable, rare, imperfectly imitable and non-substitutable. As resources and capabilities are of primary concern in strategy formulation and a major source of the firm’s profitability, the key to strategy formulation lies in understanding the link between resources, capabilities, competitive advantage and profitability. Nevertheless, the applicability of RBV has been criticized on many accounts. Boxall and Purcell (2008) claim that despite the approach’s claim, the value of resources is determined by external and not internal factors, arguing that the competitive advantage of human resources is determined by changes in the environment and not on the directions of internal management. Priem and Butler (2001) have noted that RBV is unable to address matters of causal ambiguity. In addition, the precise nature of resources that lead to competitive advantage cannot be recognized and configured, making it difficult to test empirically. The discourse above highlights the complexity in studies of HRM and indicates that a holistic framework needs to be adopted in research on HRM. In this research, we adopt a framework that will integrate some of the disparate factors, in an attempt to develop a richer understanding of role of the HR function and the influencers which provide answers as to why and how the role was shaped. In the following section, we critically examine the notion of the role of the HR function.
2.2. Role of the HR function: typologies reviewed

Our research aims to explore the state of the HR function and whether it performs a strategic role or otherwise, in the case-study banks examined in Pakistan. In order to arrive at a conclusive understanding that transcends the trappings of prescriptive idealism, we review the various roles performed (through the role typologies) by the HR function. This will aid us in identifying the influence of the stages of development of the HR function, on its role. The central theme of the debate on role typologies in our research revolves around uncovering the different roles an HR function can enact and what type of activities and focus of the HR function indicates the presence of a particular role.

One of the most noteworthy developments to have influenced the role of the HR function in recent times is the notion that people management policies and practices employed by an organisation should be linked to the overall strategic goals of the organisation (Truss, 2008; Wright, 2008; Dany et al., 2008). A similar conclusion was drawn by McCracken and Heaton (2012) who studied a single organisation in the energy sector that had restructured itself along the Human Resource Business Partner model. Additionally, prescriptive research has pointed to the necessity of the HR department to enhance its strategic contribution by becoming a strategic partner (Ulrich, 1997) and this strategic role is considered more desirable when compared to traditional administrative HR roles in empirical research as well (Truss et al., 2002). Thus, many recent studies have attempted to investigate the role HR plays within an organization (e.g. McCracken & Heaton, 2010; Lengnick-Hall et al., 2009; Wright, 2008; Caldwell, 2008, 2001)

Ulrich and Brockbank (2005) define a role as the work that must be done, yielding identity to its performer, in terms of value added to the organisation. Various role typologies have emerged in the last two decades and while earlier typologies were simplistic and focused on tasks performed, the more recent ones acknowledge the significance of context in the interpretation of these role typologies (Lengnick-Hall et al., 2009). This study explored the development of strategic human resource management, tracing it over the course of 30 years of the development of the function to arrive at its current state (as of publication date). The findings of this study were
based on the studies conducted on HRM and related fields over the last 30 years (as of publication date).

Further, during the course of the last two decades, a wide range of scholars (Legge, 1995; Ulrich, 1997; Beer, 1997; Lawler and Mohrman, 2003; Teo, 2002; Zhu et al., 2012; Ulrich and Brockbank, 2005) have suggested that the role of HR function should be upgraded in response to growing competitive pressures (Bowen et al., 2002). This envisioned ramping-up is in line with the view that the HR function will move away from daily operational work, ergo having more time to make a strategic contribution to an organization (Truss, 2008; Teo and Crawford, 2005; Caldwell, 2003; Torrington, 1998; Schuler, 1992). In the same vein however, authors also caution against the dangers of eroding traditional HRM operational roles in the wake of greater focus of strategy (Teo and Crawford, 2005; Torrington et al., 2005; Kessler, 1995). Torrington et al. (2005) capture the essence of this point by suggesting there is a risk of HR professionals to retreat to the strategic bunker to think great thoughts and discuss the shape of the world with like-minded people consuming endless cups of coffee.

Broadly speaking, the role typologies differentiate between the function’s operational and strategic roles (Truss, 2009), where the traditional, administrative role is considered routine and reactive with a focus on implementation of HR policies (Ulrich, 1998; Truss et al., 2002; Marchington and Wilkinson, 2005). Caldwell (2001) and Boxall and Purcell (2003) extend the administrative role to include employee welfare activities. Conversely, the strategic role is defined as having a focus on long-term implications of activities such as integrated HR strategies, involvement in strategic decision making and management of organisational change. It is defined diversely in literature by the hierarchical position of the HR department (Truss et al., 1997), the participation of the senior HR managers in the strategy planning process (Golden and Ramanujam, 1985), the discussion of strategic HR matters at a senior level (Storey, 1992) and the proactive approach of the function.

The role of personnel professionals has undergone major changes over a period of time to finally take its current shape (Jamrog and Overholt, 2004); the evolutionary process of the HR roles is apparent from table 2.2 below.
Table 2.2: The evolution and changing roles of the HR function

<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Operational Roles</th>
<th>Strategic Roles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legge (1978)</td>
<td>Conformist Innovator</td>
<td>Deviant Innovator</td>
</tr>
<tr>
<td></td>
<td>Problem Solver</td>
<td></td>
</tr>
<tr>
<td>Tyson and Fell (1986)</td>
<td>Clerk of Works</td>
<td>Architect</td>
</tr>
<tr>
<td></td>
<td>Contracts Manager</td>
<td></td>
</tr>
<tr>
<td>Storey (1992)</td>
<td>Regulators</td>
<td>Advisors</td>
</tr>
<tr>
<td></td>
<td>Handmaidens</td>
<td>Change Makers</td>
</tr>
<tr>
<td>Ulrich (1997)</td>
<td>Administrative Expert</td>
<td>Change Agent</td>
</tr>
<tr>
<td></td>
<td>Employee Champion</td>
<td>Strategic Partner</td>
</tr>
<tr>
<td>Caldwell (2001)</td>
<td>Adaptor</td>
<td>Synergist</td>
</tr>
<tr>
<td></td>
<td>Consultant</td>
<td>Champion</td>
</tr>
</tbody>
</table>

Source: Truss et al., 2012, (page 68)

Legge (1978) presented one of the first analyses in this regard by distinguishing between two roles, that of the conformist innovator and the deviant innovator. The former attempts to adjust their means to achieve the organisation’s end (Armstrong, 2009) and endeavours to relate work with the organisation’s dominant values to satisfy the senior management (Marchington and Wilkinson, 2005). The latter attempts to change the means / end relationship (Armstrong, 2009) through a different set of values and gains credibility and support for the ideas driven by social values rather than strict economic criteria (Ibid., 2005).

Tyson and Fell (1986) posited another analysis of HR roles by identifying three roles in their typology, using a construction management metaphor (Truss et al., 2002); differentiating between roles on a one-dimensional scale of least to most strategic on the basis of level of discretion, long term focus and integration between business and HR strategy. They proposed the roles of clerks of work, contracts manager and architect. The clerks of work being an administrative role focused on work of transactional nature such as employment and day-to-day administration, the contracts manager performed the industrial relation maintenance role while the architect was the most strategic because of its business orientation and strategic awareness in the design of the employment relationships.
However, the most frequently quoted typology is that of Storey (1992), which was presented at the cusp of the function’s transition from personnel management to HRM. This typology had empirical foundations, was prescriptive in nature, and differentiated between roles on a two-dimensional scale; intervention vs. non-intervention and strategy vs. tactics. The four roles identified were advisor, handmaiden, regulator and changemaker (Caldwell, 2003; Armstrong, 2009). The advisors were engaged in a facilitating role and acted as internal consultants to line managers by providing expertise and advice; the handmaiden (also called Service Providers) was a tactical/non-interventionary that provided services to the line managers on demand. The regulators were interventionists who were involved in the tactical task of formulating and monitoring employee rules and they were deemed managers of discontent. Lastly, the changemaker role was strategic and interventionist in nature and focused on business realities, employee commitment and motivation. Though important, Storey’s roles were seen as generic (Caldwell, 2003), being too simple to capture the true experiences of an organisation (Wilkinson and Marchington, 1994) and the complicated nature of the HR roles.

Further, in 1997, Ulrich presented his HR role typology based on work in leading US organisations; he proposed that in order to create and deliver value, HR professionals have to perform four roles simultaneously, that include the employee champion, administrative expert, change agent and strategic partner. Ulrich defined the roles on two axes - strategy vs. operations and processes vs. people. The strategic partner is responsible to align HR strategy with the business strategy, identify HR priorities and meeting customer needs. The administrative expert is responsible for increasing operational efficiency by reengineering the HR function and work processes and an employee champion is concerned with the day-to-day employee needs to maximize employee commitment and competence (Torrington et al., 2008; Ulrich, 1997; Caldwell, 2003). Additionally, the change agent role closely resembles Storey’s changemaker, and involves transformational work and cultural change.

According to the three researchers, HR effectiveness can be achieved only when business needs are fulfilled; thus, HR must deliver both administrative and strategic roles as involvement at the strategic level is possible only if HR has achieved operational excellence. Also, according to Boxall and Purcell, (2008), Colakoglu et
al., (2006) and Hope-Hailey et al., (2005), despite the fact that Ulrich’s (1997) role typology takes into account the multiplicity and complexity of the HR roles and highlights the paradox of combining different roles, it does not consider the diverging perspectives and/or interests of the multiple stakeholders. In recent years this typology has been re-imagined by Ulrich and Brockbank (2005) to centre on an HR leader, characterized by the roles of Human Capital Developer, Strategic Partner (overlap of both Strategic Partner and Change Agent), Employee Advocate and Functional Expert.

The imaginings of role typologies have not been without critique. While the notion of the HR function playing the role of a valued business partner (Ulrich 1998) has generated much interest (Pritchard, 2010; Brown et al., 2004), it has also drawn a great deal of critique (Sparrow et al., 2010; Francis & Keegan, 2006). Marchington and Wilkinson (2008) have noted, the idealism of prescriptive literature, among which Ulrich’s (1997) work is paramount, has been in circulation long enough to allow for more independent evaluation of whether or not they improve the HR contribution and have the power or the influence to have a major impact on business performance. Hird et al. (2010) found the implementation of Ulrich’s prescribed HR delivery model to be only partially successful. Their study found that the causes for this ranged from implementing off-the-shelf HR structures (with no plan in place for its use); fragmentation of such structures (by not considering boundaries between the model’s components); little development of new skills-sets required to run the model; no consideration given to the skill-set and understanding of line management in the process; and finally, no consideration to the gap created when human resource business partners (HRBPs) transition to executive work, with centres of expertise (COE) moving to advisory work. Hird et al. (2010) have further suggested that while Ulrich’s work is influential to the HR profession, attributing each and every recent development in the field to Ulrich would be erroneous and Caldwell (2003) suggests that Ulrich’s prescriptive vision may promise more than HR professionals can ever really deliver.

Another criticism of prescriptive literature has been the notion of HR becoming too strategic to the detriment of actual employee-related matters. Francis and Keegan (2006) have noted this shrinking of the employee champion role, as HR professionals
are encouraged to aspire for the role of strategic or business partner. They note that this trend is not always welcomed by the individuals concerned, suggesting that HR practitioners have lost contact with more humane aspects of their work. Keegan and Francis (2010) have further refined this thought with a discussion on the discursive dominance of HR business partnership. They argue that organisational pressures (cost reduction, greater competition and higher degrees of alignment with business strategy) have caused HR professionals to lose touch with employees. In this respect, HR’s role has been described as an inherently conflictual one (Hope Hailey, 2005; Francis and Keegan, 2006), where HR simultaneously attempts to serve both management and employees, potentially resulting in deteriorated interaction between employees and HR as practitioners.

A review of the related literature above highlights the presence of multiple roles that may be expected of the HR function and points to the varying perspectives introduced by different researchers. This in our view, and more pertinent pointed out in literature, creates significant tensions and ambiguities for both HR departments and practitioners who are attempting to enact or dispense these roles.

2.2.1. Ambiguities, conflicts and tensions in the HR roles

Research has acknowledged the ongoing tensions and ambiguities emanating from the multiple roles expected from the HR function while dealing with competing expectations from different stakeholders. These demands range from the rights of employees to the expectations of employers and to the set of professional norms expected of the function (Truss, 2008; Caldwell, 2003; Legge, 1995; Barnett et al., 1996). This section elaborates on the phenomenon of role ambiguity and tension faced by the HR function.

According to Morley et al., (2006), the contemporary nature of the HR function is not particularly acknowledged, perhaps due to constraints such as HR legacy systems, the function being harried by change and being questioned over its contribution in a challenging business environment. Further, Ulrich and Brockbank (2005), highlight the use of different terms to describe an HR professional, for example, coach, enabler, advocate, change agent, initiative leader, employee champion and business partner, to name a few. Moreover, the exhortations of integrating HR strategy with
organisational strategy have exposed HR professionals to a new set of roles, challenges and expectations (Caldwell, 2003) which have enhanced the role, complexity and potential contribution of the department.

According to Hope-Hailey et al., (1997), these ambiguities combined with the relatively low status held by HR professionals in organisations have resulted in HR assuming a chameleon-like appearance; the function must then address the contextual factors that dictate different HR function roles and HR practices. Caldwell (2003) that this is probably because the HR function keeps reinventing its roles in an effort to meet the changing demands which has influenced the professional self image of the function. The consistent struggle undertaken by the HR department to eliminate concerns of ‘powerlessness’ or marginality in the management decision-making processes and to gain acceptance as key organisational players (Legge, 1978; Guest and King, 2004), tends to promote its business-driven, long-term strategic roles, by default. As a consequence, both exigencies of role change for the personnel professionals as an occupational status group and disregard for the HRM operational activities, particularly people management concerns, have created issues of legitimacy for the function (Kochan, 2004; 2007). This has resulted in the function being in a state of constant crisis of confidence (Torrington, 1998; Legge, 1978) and the development of a focus on the achievement of business-related outcomes, ahead of employee concerns (Peccei, 2004; Kochan, 2007; Legge, 2005; Thompson, 2003).

Moreover, Truss (2008) and Caldwell (2003) pointed that some of the challenges confronting the HR function included the issue of powerlessness in decision making processes at the strategic level, an inability of HR to maintain or defend the boundaries of their specialist expertise, the lack of clarity in the business outcomes and contribution and tensions in sustaining mutability of the function, in the face of opposing interests of the management and employees. Further, he indicates the existence of convoluted overlaps between new and old role types, with no clarity on the limits of role change, while also noting how the volatile process of role change itself is downplayed. In addition, typologies such as Storey’s posit self-contained roles, leaving practitioners to decide a major or minor role. These must be considered even more carefully given the context of greater organisational complexity and the impact these complexities have had on role changes themselves.
Also, Francis and Keegan (2006) and Martin (2005) posit that HRM is moving away from routine administration towards business partnership which is the prescribed direction given by Ulrich (1997). However, they highlight that this can lead to extreme alienation of employees from both HRM and management, which has implications for employee well-being. Thus, as posited by Peccei (2004), a strong emphasis on the strategic business partner role has downplayed the importance of the employee champion role, with the former representing a one-sided focus on organisational outcomes at the expense of the employees (Grant and Shields, 2002).

Hence, our review of literature leads us to agree with Caldwell (2003) who notes that, personnel roles and the process of role change are much more complex than either existing empirical research or prescriptive models suggest. This is because the literature debates not only the range of roles performed by the HR function, but also disputes over the multiplicity or simultaneousness of these roles. We may deduce then that, the HR roles have grown and evolved into a wider set of responsibilities, lending to greater confusion on the part of practitioners regarding the actual role expected of them. Our review reveals that the context and agency of the HR function are important considerations in determining the tensions faced by the function. To conclude, as Tamkin et al. (2006) have noted, academic debates in the HRM spectrum have an unhelpful tradition of navel-gazing and worrying about its place in the firmament. Therefore, we should perhaps expect a degree of ambiguity and uncertainty in the HR function’s role in light of its ongoing development (Truss et al., 2012).

2.2.2. Indicators and evidence of a strategic role of the HR function
Having reviewed the various roles that may be performed by the HR function, in this section, we review the literature on evidence of a strategic role because our study attempts to narrow the methodological gaps that exist in literature regarding the approach to study the HR function and its strategic role, in a holistic manner. We propose the gap to be covered by integrating and synthesizing various indicators of a strategic role which have been discussed extensively, but quite independently in extant literature. In other words, we will attempt to study these indicators in a holistic manner, in an applied context, to yield a complete perspective.
Prior to analysing the literature on the indicators of a strategic HR role, we define the strategic role as it has been defined by Truss (2008) and operationalised in this research. Truss (2008) perhaps best approached the question of what evidence constitutes the presence of a strategic HR role and the responsibilities that are associated with an operational role in a study conducted in the UK public sector. They found that new and more strategic roles of the HR function have yet to replace the traditional approaches to the function, but they have instead been grafted onto the existing structure, giving rise to hybrid variations of the function. The strategic HR role focuses on activities that will have long-term implications, such as the development of integrated HR strategies, involvement in organisational strategic decision-making, and managing organisational change. The operational or administrative role of HR is regarded as routine, reactive and tactical, with tasks related to the implementation of HR policies, and employee facing roles. The evidence of such a role would include a focus on processing paperwork, providing information in response to requests, lack of involvement in key groups and lack of HR strategy, especially one linked in with organisational needs.

Additionally, prescriptive literature (Ulrich and Beatty 2001; Ulrich, 1997; Ulrich and Brockbank, 2005) largely converges on a shared understanding that a shift to the strategic role is desirable, if not essential, for the HR function. However, empirical literature (Caldwell, 2003; Truss et al., 2002; Guest and King, 2004; Tamkin et al., 2008) finds that the role actually enacted by the HR function in most cases is reactive and administrative. Our purpose here is not to classify or pass judgment on the HR function’s dispensation of either an administrative or strategic role, rather we simply endeavour to outline the ground reality as it stands. That said, Truss et al. (2012) citing other researchers state that most recent research has suggested that HR has not become more strategic, with administrative work continuing to dominate the agenda of HR functions (Marchington and Wilkinson, 2008; Tamkin et al., 2008; Guest and King, 2004; Caldwell, 2003). Further, a consensus developed among researchers is that a strategic HR function entails the involvement of the function in the development of both the organisational strategy and the HRM strategy (Boxall and Purcell, 2003; Kelly and Gennard, 2007).
Indicators for studying the presence of a strategic role identified by Truss (2008) include the involvement of HR directors in key decision-making groups, structuring of the HR department with the explicit aim of partnering with line managers, involvement of mid-level HR managers in strategizing at the business unit level and efforts to develop long-term and organisationally integrated HR strategies and policies. Table 2.3 presents an overview of the evidence or indicators of HR’s strategic role, as highlighted by various authors which are explained in the following paragraphs. Other indicators of the presence of a strategic role include the direct reporting channel to the CEO (Budhwar, 2000; Lawler, 1995; Golden and Ramanujam, 1985) and the CEO’s support for the HR department, enabling it to perform a more strategic role (Truss, 2009; Brandl and Pohler, 2010; Mullins, 2005). The findings of Brandl and Pohlar (2010) are based on a qualitative study regarding the perception of five CEOs in Austria that attempted to evaluate the concerns of CEOs related to their HR function and the conditions that affect its strategic role.

Further, advocates of the contingency perspective argue that the HR function is constrained by the context it operates in, which affects the range of options it may avail (Bach and Della Rocca, 2000; Kessler et al., 2000) and Barnett et al. (1996) suggest that the local shaping factors (cultural norms for example) also influence the adoption of a strategic HR role. Also, according to Harris (2002) and Guest and King (2004), organisational factors like commonly-held beliefs and the dominant logic related to allocation of resources can impede or facilitate the strategic contribution. Moreover, Guest and King (2004) and CIPD (2006; 2007) point to the competence or calibre of the HR employees as a major factor in the function’s strategic contribution, suggesting that lack thereof can be an impediment in the adoption of a strategic HR role.
Table 2.3: Indicators / evidence of a strategic role of the HR Function

<table>
<thead>
<tr>
<th>Evidence / Indicator of Strategic Role</th>
<th>Author(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strong interpersonal skills of the HR head</td>
<td>Stiles (2001); Budhwar (2000)</td>
</tr>
<tr>
<td>Political influence of the HR head with top and line management</td>
<td>Sheehan (2003); Storey (2001)</td>
</tr>
<tr>
<td>Informal network of the HR head with the CEO</td>
<td>Sparrow and Marchington (1998)</td>
</tr>
<tr>
<td>Broad industry career background of HR managers</td>
<td>Sheehan (2003); Sparrow and Marchington (1998)</td>
</tr>
<tr>
<td>Personality of the HR head</td>
<td>Beer (1997); Ulrich (1997); Truss (2008)</td>
</tr>
<tr>
<td>HR-Line relationship</td>
<td>Hall and Torrington (1998)</td>
</tr>
<tr>
<td>Competence / skill-set of HR function</td>
<td>Truss et. al. (2002)</td>
</tr>
<tr>
<td>Focus on transformational activities</td>
<td>Truss (2009); Guest and King (2004)</td>
</tr>
<tr>
<td>Proactive approach of HR function</td>
<td>Lepak et. al. (2005); Ulrich (1996)</td>
</tr>
<tr>
<td>Strategic competencies of HR function</td>
<td>Ulrich (1997); Tyson (1995)</td>
</tr>
<tr>
<td>Role of business partner / change agent</td>
<td>Dyer (1999)</td>
</tr>
<tr>
<td>Integrative linkage between HR strategy and business strategy</td>
<td>Ulrich (1997); Brockbank (1999)</td>
</tr>
<tr>
<td>Direct reporting channel with CEO</td>
<td>Buyens and Ans De Vos (2001); Azmi (2011); Collings an Wood (2009); Golden and Ramanujam (1985)</td>
</tr>
<tr>
<td>Presence of HR head in management committees</td>
<td>Budhwar (2001); Lawler (1995)</td>
</tr>
<tr>
<td>Support of senior management</td>
<td>Kelly and Gennard (2007)</td>
</tr>
<tr>
<td>Presence of HR head in BOD</td>
<td>Budhwar (2000)</td>
</tr>
<tr>
<td>Organisational culture</td>
<td>Torrington et. al. (2008); Hope-Hailey et. al. (1997); Sheehan (2003)</td>
</tr>
</tbody>
</table>

Source: Compiled by author after a review of related literature

2.2.2.1. Membership on the board of directors and management committees

According to Truss et al., (2002), the HR department’s role is a function of the expectations and perceptions of the senior executives, line managers and the other organisational actors. This finding is based on a study that investigated the strategic role that HR directors are exhorted to play in their organisations, by comparing and contrasting interview data from two contrasting organisations over a period of seven years. Further, Torrington et al., (2008) and Stiles (2001) highlight that building a relationship with the CEO is important for seeking an appointment to the board of directors and management committees and Sheehan (2003) and Budhwar (2000) state that this relationship can be instrumental in attaining the support required for
implementing changes. According to Budhwar (2000), HRM will fail to be a part of the strategic decision making process without the support of the CEO; this plays a major role in the integration of HR with the strategic initiatives of the organisation. Additionally, Truss et al. (2002), state that a shared meaning of HR integration within organisations plays a vital role in the successful delivery of HRM; on the contrary, organisations where top line managers expect HR to operate more administratively than strategically, less strategic integration takes place.

Kelly and Gennard (2000) state that membership on the board of directors and management committees is important because there is an implicit assumption in the literature that strategic decision making is carried out at this forum. This is because board level representation helps develop internally consistent and strategically focused HRM policies and practices (Sheehan, 2003; Kessler et al., 2000). Truss (2009), Hope-Hailey et al., (1997) and Hall and Torrington (1998) also highlight the inclusion and presence of senior HR managers in key-decision making bodies as an indicator of a strategic HR role. Ibid. (2000) posit that if the HR function has little or no presence on these forums, then it has a limited role to play in the formulation of organisation strategy, implying that the function is automatically excluded from long-term decision making for the company and is limited only to implementation of decisions. Thus, the more, senior HR directors are able to influence the strategic decision-making process, the more likely it is that an effective HRM policy design will be achieved.

Kelly and Gennard (2007) propose three ways in which HR directors can become part of the BoD. These include first, a vertical pathway, where the HR director assumes a junior HR position at the start of his/her career and progresses to positions of increased responsibility. These are the HR generalists, who develop a wider understanding of the business as members of management committees. The second is a vertical and horizontal pathway where HR directors possess well-rounded training in all aspects of HR and other firm functions. The third route is the parachute pathway, where an HR director has no previous HR experience but is given a seat on the board due to strong interpersonal and communication skills. Further, they propose that membership on the main board is not crucial for HR’s involvement in strategy formulation as the board is normally involved in the approval of the strategic decision, whereas the actual formulation of the strategy occurs at the Chief Executive Officer.
Group level (CEOG). This group of senior executives makes key decisions as an organisation attempts to deal with the problems that it faces in its internal and external environment.

2.2.2.2. Profile of the HR Head and support of the CEO

Researchers like Iqbal et al., (2011) and Altarawneh (2009) urge that future studies in HRM need to focus on the role of modern-day HR directors in driving competitive advantage within firms. A review of the literature highlights that the support from top management and other stakeholders in the organisation has a significant impact on the political role adopted by the HR managers (Sheehan, 2003). According to Gennard and Kelly (1998), it is important for the HR function to be well established within the corridors of power in an organisation to aid HR managers in influencing key stakeholders like line managers (Storey, 2001; Purcell, 2001) in decision making, during complex negotiations. Thus, we infer that if HR managers have the required perception, their political clout increases and their decisions are taken seriously within the organisation.

Hall and Torrington (1998) posit that the personality of the HR director influences the extent of strategic integration of HRM; influential HR directors can increase the visibility and credibility of the department which can focus on interventions that enable the adoption of a strategic role in the long term (Truss et al., 2002). In line with this, a direct and formal reporting channel between the HR function and the CEO can also help in achieving HR’s integration in strategic decision making (Budhwar, 2000; Lawler, 1995; Golden and Ramanujam, 1985) and the informal network that is developed between the HR director and the CEO is also important in this context (Sparrow and Marchington, 1998; Hope-Hailey et al., 1997, Kelly and Gennard, 2007). Based on a research of 49 organisations in Scotland (interviews with HR, finance and marketing directors), which focused on studying the locus of strategic decision making, Ibid. (2007) found that even if HR directors are not given a seat on the board or represented at the Chief Executive Officer Group (CEOG), they could still wield influence via informal channels. Also, an informal network can win HR directors invitations to attend CEOG level meetings, allowing for input on functional issues. Tregaskis et al. (2005), also emphasise the importance of HR’s network building in the upward influence on strategy formulation in a company.
Further, the HR Head needs to demonstrate certain competencies to become eligible for representation on the board (Hall and Torrington, 1998), a role which requires an understanding of the connection between business requirements and the needs of the HR function (Sheehan, 2003; Brockbank and Ulrich, 2003; Ulrich and Brockbank, 2005). Aligned with this view, studies by Ulrich (1997), Sheehan (2003) and Truss (2008), highlight that a broader career background of the HR Head may provide the requisite business acumen to enable the HR managers to become a part of the strategic decision making process and to bolster their credibility. Furthermore, Sheehan (2003), highlights that HR professionals need to expand their experience in other functions of the organisation to have a wider knowledge of the business which aids in the performance of the business partner role. This implies that a broader career background of the HR directors is vital for performing in some newly emerging roles. Also, it suggests that HR professionals must understand the company’s business and industry dynamics, including how firms are integrated (integrated value chain), how they create value (value proposition) and the influence of labour dynamics (Boselie and Paauwe, 2004). Additionally, Kelly and Gennard (2000) contend that HR generalists are more likely to attain board level positions, as their willingness to acquire wider business awareness allows them to use this knowledge in developing HR strategies and policies.

Further, Truss (2009), based on a qualitative which attempted to theorize the indicators that may enable or constrain the development of a strategic role in six UK organisations found out that even if senior HR managers possess professional qualifications but have HR staff that perform clerical administrative work, the department as a whole lacks the competence to provide strategic input. They add that in organisations where the HR director held the post for a short period of time, the department was fragmented and the function had a low profile.

2.2.2.3. Nature of HR interventions

Another strategic indicator discussed in literature is the nature of HR interventions (proactive vs. reactive, short-term vs. long-term and transactional vs. transformational). Traditionally, the function was found to be reactive with a focus on operational or administrative matters; thus it lacked a strategic approach (Tyson, 1995). However, Ulrich (1997) prescribed a proactive role for the HR function which
was supported with caution by empirical studies (Truss, 2009) as well. As a result, HRM began to use the term proactive as a criterion for successful HRM delivery (Brockbank, 1999).

Brockbank (1999) proposes that the function can be reactive or proactive at both operational as well at strategic levels, thus distinguishing between both approaches; arguing that being proactive in a strategic way leads to very different activities than being proactive at operational level. Operationally reactive HR focuses on implementing the basics and meeting demands, whereas, operationally proactive means that the HR function improves the design and delivery of HR policies. HR is considered to be reactive in terms of strategic input when it is involved in the execution of tactics that derive strategies and becomes proactive when it adds to the development of strategic alternatives, thereby adding value to the organisation. Another factor that is considered an indicator of the strategic orientation of HRM is the transformational orientation of the department. According to Ulrich (1997), the HR department has a dominant orientation that affects the types of activities it undertakes. A transactional orientation covers day-to-day activities, whereas transformational activities are more long-term, and strategic in focus (Lepak et al., 2005).

2.2.2.4. Alignment with organisational strategy and participation in strategy formulation

The link between HR strategy and business strategy is also an indicator highlighted in the literature. Truss (2009) encapsulates this point by linking the involvement of HR managers in the decision making process at the business-unit level with the strategic objectives of the organisation. Truss (2008), Lemmergaard (2009) and Buyens and Ans De Vos (2001) state that to add value, the HR function needs to assume a strategic role by involving itself in the strategic processes which Inyang (2010) and Sheehan (2003) state can integrate the HR function with the organisational strategy. This brings us to the question of how the HR function relates to business strategy, which has been much debated in the literature that reveals a variety of interrelationships between HRM and organisational strategy (Buyens and Ans De Vos, 2001). Golden and Ramanujam (1985) identified four types of linkages between HRM and strategy; their model was used in later studies by Azmi (2011), Khatri and Budhwar (2002) and
Teo (2000) who explored the link between strategic HRM and organisational performance and decision making.

The linkages identified by Golden and Ramanujam (1985), represent the four levels of HRM integration in the strategic decision making process. The integrative strategy formulation approach entails that the HR function is an inherent part of all business decisions and its opinion is given due consideration in the decision making process (Caldwell, 2010). If the HR function is opposed to an option / scenario, the senior management also becomes reluctant to proceed without HR’s consent. At the next level, the HR function which is included in strategy formulation at the development or discussion stage is termed as having a two-way formulation process. In such a scenario, the HR function provides its feedback on business strategy, which may or may not be adhered to, but HR is not involved at the outset. This feedback may be requested either at the strategy development stage where HR has a higher impact or at the strategy discussion phase where HR has a lower impact. Further, an HR function that is only involved during the implementation phase of the strategy formulation has participation limited to that of a one-way strategy formulation option, which means that HR does not offer feedback in the formulation process and only implements the directives. The administrative linkage highlights the administrative nature of the HRM function where HR provides no strategic input and is involved only in administration.

In stark contrast to the discussion above, research in the 1980s and 1990s (Tyson and Fell, 1986; Storey, 1992; Sisson, 1994; Tyson, 1995) demonstrates that HR personnel have little influence in strategic business decisions. More recent studies such as Caldwell (2004) and Guest and King (2004) have also concluded that the HR function plays a limited strategic role in terms of business decision making. Based on interviews with C-level officers in 48 organisations, Guest and King (2004) concluded that there was no clear evidence that the emergence of HRM had delivered an opportunity for the HR professionals to enter the inner sanctum of strategic decision making.

Western contributions to the literature have typically focused on integrating HRM into the business and corporate level strategies. As a result, HR tends to be more
embedded in the business strategy rather than downstream or reactive activity (Gautam and Davis, 2007). This integration focuses on making HR more strategic and highlights a strategic approach to people management, viewing people as a source of competitive advantage and signalling a change in the direction and emphasis from routine aspects of HR work. It is argued that via this integration, employees will be managed more effectively and organisational performance will improve. Golden and Ramanujam (1985) have noted that a lack of this integration is increasingly acknowledged as a major source of implementation failures.

Thus, through a review of the literature on the indicators of a strategic HR role of the HR department, we conclude that HRM can be more strategic (involved in the strategic decision making of the organisation) if senior HR personnel are represented on the Board of Directors (BOD) and if the HR Head possesses a wide-ranged business acumen and a direct reporting channel with the CEO. A strategic role is also possible if the function is more proactive and focused on transformational activities and if HR strategy is aligned with the organisational strategy. Further, of interest for our research is also to build an understanding of how and why, the HR function performs the role that it does in the case-study banks for which an examination of the factors that can influence the role adopted is necessary.

2.3. Devolution and the strategic HR role

In this section we review the literature on the devolution of HR practices from HR to line managers which is the first of the three influencers that are explored in this research. We especially focus on the rationale for devolution, the perceptions of HR and line managers, the distribution of HR practices and the issues and implications for the HR-line relationship.

Devolution has been debated at length in the HR literature and has been found to improve and develop a strategic HR-line relationship (Mayhofer et al., 2011; Kulik and Perry, 2008; Kulik and Bainbridge, 2006; Larsen and Brewster, 2003; Whittaker and Marchington, 2003; Conway and Monks, 2010; Cunningham and Hyman, 1999; Currie and Procter, 2001). Further, almost every functional manager in today’s world is at the forefront of people management (Kulik, 2004), especially at the operational level. The responsibility for people management does not solely reside with the HR
function (Keegan and Francis, 2010; Dany et al., 2008; Purcell and Hutchinson, 2007); line managers have a key role to play in dispensing HR responsibilities, implementation of HR practices (Sanders and Frenkel, 2011; Keegan et al., 2011).

The notion of devolution has been considered a desirable output (Cascon-Pereira et al., 2005), with importance placed on greater line management involvement in HR related issues (Budhwar, 2000; Currie and Procter, 2001). Kulik and Perry (2008) suggest that devolution is a strategy to improve the HR-line relationship; the underlying assumption is that devolution of operational HR activities to line managers provides more time to HR professionals to add strategic value to the organisation and to improve its credibility in the eyes of key stakeholders. It is pertinent to note that while literature suggests that HR specialists are keen to shift their traditional roles towards more strategic ones (Delmotte and Sels, 2008; Kulik and Bainbridge, 2006; MacNeil, 2003), Renwick (2003) concludes that the notion of obtaining a strategic role while shifting away from an operational one, is a false one. This is because it is not necessary that the time spared from devolving operational activities to line managers will be utilized for strategic interventions.

The rationale for devolution includes the development of a more strategic approach towards HR (Delmotte and Sels, 2008), the effectiveness of the proximity line managers have with employees (Purcell and Hutchinson, 2007), the control of costs associated with the HR function (Kulik and Bainbridge, 2006; Renwick, 2003; Budhwar, 2000) and the sharing of people-related matters by line managers (Keegan and Francis, 2010; Lepak et al., 2005; Renwick, 2000). Kulik and Bainbridge (2006) and Renwick (2003) suggest that organisations devolve HR activities to the line in lieu of outsourcing those HR functions to a third party. Additionally, in light of constant cost cutting in today’s economy, devolution is considered a means for reducing the headcount of HR personnel in organisations ((Kulik and Bainbridge, 2006; Larsen and Brewster, 2003).

2.3.1. Devolution: A means for the strategic HR role
Devolution has been defined as the degree to which HR practices involve and give responsibility to line managers rather than personnel specialists for implementing HR activities (Brewster and Larsen, 1992; Larsen and Brewster, 2003; Renwick, 2003;
Currie and Proctor, 2001). Cascon-Pereira et al. (2005) criticize the traditional definition of devolution claiming it to be limited in scope and present a four dimensional description of the concept. This emphasises the examination of the reallocation of HR activities in context of the related decision making power, financial power and expertise power, required to carry out these tasks. Also, Conway and Monks (2010) found that HR managers were devolving HR activities but they were retaining control of information systems and were emerging as regulators of the HR activities. They examined the impact of organisational restructuring, on the devolution of HRM to middle managers in the Irish health services, through interviews with a cross-section of 48 HR and line managers in one area.

According to Sheehan (2003), devolution of HRM responsibilities to the line managers is an important factor that influences the strategic role of the HR function. This partnership can create benefits for both the HR and the line managers as they contribute to solve business problems (Gennard and Kelly, 1997). Devolution stresses that managing people and delivering HR activities must be owned by the line rather than the HR professionals; the HR function may still retain certain areas like industrial relations, pay and benefits, organisational health and safety and recruitment and selection while line managers can take more responsibility for workforce expansion and reduction (Hope-Hailey et al., 1997).

Further, the notion of devolution envisages two contrary implications for the profession of HRM - optimistic hypothesis and pessimistic hypothesis. The optimists highlight that as a result of devolution the HR function will be freed to concentrate on performing strategic HR activities (Hutchinson, 1995; Tyson and Fell, 1986) and will become a proactive contributor in the organisation (Fonda and Rowland, 1995; Kelly and Gennard, 1997). Also, the limited competence of line managers in dealing with devolved personnel matters will ensure a continuing organisational presence for personnel specialists, which will not only result in their survival but will allow the function to thrive because of its strategic role. The pessimistic hypothesis indicates that devolution makes the HR function’s contribution to business success even more difficult to determine because of the fragmented, deconstructed and specialized organisation of work (Cunningham and Hayman, 1997; Tyson and Fell, 1995) which
will lead to the dilution of the status of HR and its diminished legitimacy (Kulik and Perry, 2008).

Additionally, according to Hall and Torrington (1998), devolution has a direct effect on the roles performed by the HR function and the line managers, and in order to comprehend the process of devolution, it is very important to understand the role of HRM experts in the organisation. According to Tamkin et al. (1997) of all the role changes for HR, the strategic role has been one of the most marked; in part, the shift stems from devolution of HR responsibilities to line managers (Sisson and Storey, 2000; Renwick, 2000; Budhwar, 2000). Through devolution, line managers take over the enactment of various HR activities while HR practitioners facilitate them by transforming their roles from doers to internal consultants. Thus, Kulik and Perry (2008), state that devolution of HR activities is one possible opportunity for an HR unit’s transformation. Their study exploring the effects of devolution on the HR function’s construed image found a positive effect on the function’s image of itself when it was involved in business unit operations and the strategy formulation process.

2.3.2. Devolution: Implications and issues for the HR-line relationship
This section reviews empirical studies that report the conflicting and ingrained perceptions of both HR and line managers. More specifically, we highlight the contrasting notions held by researchers on devolution and the distinct issues that challenge the effort to devolve HR practices to line managers. In doing so, we hope to highlight the influence of devolution on the activities performed by the HR function which determines the role performed by the function.

Our review of the literature on devolution revealed that many researchers strongly support the move towards devolution while an almost equal number suggest a guarded approach. Further, the phenomenon of devolution is marred by the differing perceptions of both HR and line managers. In addition, Guest and Conway (2011) and Guthrie et al., (2011).have suggested that in order to gauge the effectiveness of HR, one must solicit feedback from key customers such as line managers, officers and non-managerial staff. Mitsuhashi et al., (2000) and Wright et al., (2001) found that line managers and the HR managers had different perceptions of the effectiveness of HR work. HR professionals were generally more positive about the effectiveness of HR
roles, HR services and HR contribution than their line counter parts. The authors suggest four possible reasons for the differing perspectives of both stakeholders. The reasons include the inability of the HR function to deliver the services expected of them, the traditional line-staff conflict, the failure of line managers to implement well designed HR systems and the lack of involvement of line managers in HR activities.

In the perspective of HR managers, devolution is beneficial for line managers because it improves their involvement in the organisation and gives them more ownership (Kulik and Bainbridge, 2006). HR managers also perceive that devolution will give them time to concentrate upon strategic activities (Hutchinson, 1995; Tyson and Fell, 1986) and align HR systems and processes with the corporate objectives (McGuire et al., 2008). In particular, Gennard and Kelly (1997) purport that the HR function will be able to make significant, proactive contributions to organisational endeavours through enhancing the capabilities of line managers and raising staff commitment. Hence, the HR managers see devolution as a means to be involved in strategic level contribution. Further, literature cautions that the more the HR function seeks legitimacy from the senior layers of an organisation, the less its role is valued by employees of the firm, and that serving line managers so greatly, may undermine their focus on long-term value creation in lieu of short-term actions.

Further, HR managers perceive line managers to be incompetent, lacking the necessary expertise to take on the HR activities effectively (Ibid., 2006), and Truss and Katz (2002) highlight that significant differences exist between line managers in terms of their management styles, level of specialized HR skills and professionalism that is required to carry out HR activities. The capability of line managers to learn HR work effectively and to use this knowledge fairly and consistently when treating employees has also been questioned in extant research. Hence, as stated by Larsen and Brewster (2003), the issues of line manager’s include the lack of their desire, capacity, ability and training to undertake HR activities. Also, according to Conway and Monks (2010), Currie and Proctor (2001), Renwick (2000), line managers quite often resist the uptake of HR responsibilities and fail to observe the benefits of change. Conversely, in the perspective of line managers, the effectiveness of the HR function is underpinned in the involvement of its executives in strategic initiatives for which they need to perform as strategic business partners (Kulik and Perry, 2008; Sanders
and Frenkel, 2011; Dany et al., 2008; Keegan et al., 2011). Also studies have shown that line managers often identify themselves with short-term job objectives which proves to be a major impediment for devolution, as their priority tends to be the achievement of their business goals (Watson and Maxwell, 2007; Maxwell and Watson, 2006; Gibb, 2003; Harrison, 2002). According to McGovern (1999), even when performance objectives include line manager’s personnel responsibilities, few consider successful implementation of these, to be an important or very important factor. Whittaker and Marchington (2003) in their study noted that line managers felt great difficulty in maintaining the softer people skills in the face of meeting hard targets.

Additionally, line managers perceive that devolution is a means used by the HR function to increase their workload (Conway and Monks, 2010; McConville and Holden, 1999) and that HR designs policies that are interesting in theory but are difficult to implement effectively (Whittaker and Marchington, 2003). One of the major criticisms of HR is that HR managers do not understand the real business of the organisation and that they apply policies that are in conflict with the business goals (Kulik and Perry, 2008), which compels line managers to push their agenda (Cascon-Pereira et al., 2005; Budhwar, 2000). Also, according to Qadeer et al., (2011) line managers perceive that the assistance required from HR in performing people management activities is lacking which discourages them to accept the devolution of HR activities. Harris (2001) highlight that the extent to which line managers are forced to uptake the responsibilities in HRM in a climate of fear and mistrust driven by HR, also affects devolution. Further, there is also evidence that suggests that HR may not be fully prepared for the role it is aspiring towards as a result of devolution. Rasmussen et al. (2010) suggest that HR will no longer be a do’er, but will adopt a role more akin to an advisor, with practitioners having to focus on more long-term strategic issues (Hailey et al., 2005).

2.3.3. The distribution of HR practices: Advantages and dis-advantages

In this section we review the literature on the distribution of HR responsibilities and the resulting advantages / dis-advantages from of devolution. Our review of literature on the distribution of HR practices highlights that the boundary between the
responsibilities of HR and line managers, with regards to the activities each needs to perform, are sketchy. According to Purcell and Hutchinson (2007) and Brandl et al., (2009), in recent times line managers have been encouraged to take on greater responsibility for the HR activities; this is evident from the enhanced role of line managers in HRM, over the last twenty years in UK and other developed countries. Purcell and Hutchinson’s research which emphasised on the role of front line managers in HR practices was conducted on 12 organisations in the UK. As a result, there are only few areas in which the HR function is now the sole decision maker. In the following paragraphs empirical studies identifying the distribution of HR activities across the HR-line divide are reviewed which will enable us to determine the nature and degree of devolution across distinct HR practices.

According to Maxwell and Watson (2006), and the results from the IRS survey (1995), the major responsibility of HR activities resides with the HR department more than with line managers, but in many cases it is shared. Involvement of HR specialists tends to remain highest in policy formulation where the issues of consistency and specialist expertise are most important and it tends to be lowest when line managers are responsible for putting plans into effect (Keegan & Francis, 2010; Lepak et al., 2005; Whittaker and Marchington, 2003). Line managers are most heavily involved in motivation and morale of their staff (Watson and Maxwell. 2007), team briefings and communication, health and safety (MacNeil, 2003), identifying training needs, employee selection and performance appraisal (Nehles et al., 2006). Additionally, Hutchinson and Purcell (2007) and Kulik and Perry (2008), posit that line management’s involvement is the greatest in conducting performance appraisals, agreeing to personnel development plans and planning training and development needs of the staff with some responsibility for induction. Further, according to Larsen and Brewster (2003) and Budhwar (2000) there are many HR activities that are shared between the HR and line managers which include pay and benefits, recruitment and selection, training and development, health and safety and workforce expansion and reduction. Furthermore, Kulik and Bainbridge (2006) highlight that HR is dominant in managing trade unions, handling employee relations and owning the promotion process.
However, (Kulik and Bainbridge (2006) identify that there are certain hot potatoes in the HR activities that neither the HR nor the line managers are willing to take up. These hot potatoes include worker compensation, leadership development, succession and career planning, coaching and performance management. Both parties want to relinquish their responsibilities as these HR practices are difficult to perform operationally. However, Kim (2002) and Lin and Li (2004) posit that these HR practices are major drivers of the long-term organisational health and profitability and thus, both the parties should work together to find the most effective sharing of these activities.

Further, according to Bond and Wise (2003), Renwick (2003) and Whittaker and Marchington (2003) there are both positives and negative consequences of devolution. Some of the significant advantages of devolution are customized decisions to suit local circumstances, potential cost savings, increased awareness of people management issues throughout the organisation, better change management and the HR practitioners’ ability to pursue a more strategic role. Additionally, Budhwar (2003) proposes that devolution allows the HR issues and problems to be solved at lower hierarchical levels which creates more responsible line managers and increased efficiency.

The disadvantages associated with devolution as synthesized from various studies include the following: line managers view HR responsibilities as secondary to their immediate business goals (Perry and Kulik, 2008; Cunningham and Hyman, 1999; Whittaker and Marchington, 2003; Renwick, 2003; Harris et al., 2002) and thus devote less attention and time to HR issues. Further, Bond and Wise (2003) suggest that this short range focus may lead to a fragmented, inconsistent and less effective people management / HR function. Buyens and Ans De Vos (2001) and McGovern et al., (1997) add that there is also reluctance of some line managers in taking on these new roles which they perceive as the job of the HR function. Additionally, the devolution to the line managers puts added pressure on them for carrying out people management activities which places a burden on their responsibility to meet short-term business objectives like profit targets (Cunningham and Hyman, 1999; Hutchinson and Wood, 1995). This is particularly true if organisations have flat, de-layered structures which
results in a wide span of control which makes it difficult for line managers to spare time for people management activities.

Given the discussion above, on the varying perceptions of both stakeholders related to devolution, we suggest that there is growing consensus on the need for both stakeholders to work in partnership. In a study on 527 companies based in Hong Kong, Chen et al. (2011) found that HR managers were eager for interdepartmental collaboration when working on strategy-related matters. However, some researchers consider this talk of working in partnership as simple rhetoric (Renwick, 2000), noting that no clear practical framework exists for these partnerships (Currie and Procter, 2001). Hence, our review of literature on devolution highlights that beyond the ambiguity in the distribution of HR practices, the divergent perceptions of HR and line managers and the challenges confronted in employing devolution, there are related implications of the structure of the HR function which may / can influence the extent of devolution. According to Gibb (2003), these implications can stem from the size of the HR function and its workforce, the power dynamics between the two stakeholders and the approach (centralisation vs. decentralisation) adopted to structure the activities of the HR function.

2.4. Structure of the HR function

In this section we uncover the recent trends on the structure of the HR function, in extant literature. This is the second element we seek to explore in our research to understand its influence on the role performed by the HR function. We focus on two key debates in literature. Firstly, we comment on the degree of centralisation in HR structures by reporting empirical studies pointing towards the trend of decentralisation across the globe. Secondly, the generalist versus specialist debate is discussed in detail, with a focus on the role of strategic business partner, shared service and centre of expertise.

According to a study by Lawler III and Mohrman (2003), on what it means for the HR function to play the role of a strategic partner, and whether HR is more effective in such a role (in US organisations), the importance of HR structures lies in the fact that they are contributors to organisational profitability. They posit that the HR function needs to be designed in such a way that it carries out administrative as well as the
strategic partner role. Further, Purcell (2003), state that the HR function is being renewed and restructured in organisations to gradually affirm a strategic role. Additionally, the rapidly changing nature of organisations has a considerable impact on how the HR function is structured and the range of skills possessed by HR personnel. These changes include the use of information technology, increase in knowledge workers, changing business environment and increasing structural complexity of organisations (Lawler III and Mohrman, 2003). They add that the structure and transmission of HR activities need to be considered by the HR function specifically, if the purpose is to develop a strategic role orientation.

Further, our review of literature identified several drivers that pressurize the HR function to change. According to Schuler and Jackson (2007) globalization is not the only factor that caused the change in the orientation of the HR function; some other drivers include tough competition which leads to the concept of HRM as a means to achieve competitive advantage. In response, organisations adopt different HR structures to cope with the changing environment. Harvey et al. (2000) identify a firm’s ability to deal with the increasing headquarter / subsidiary complexity efficiently and effectively as a driver of structural changes. Additionally, Lepak et al. (1998) identify the performance of multiple HR roles as a driver for structural change and state that the HR department is expected to perform mainly four tasks. They include acting as a strategic business partner, providing more flexibility in the HR practices and policies, cutting costs and efficiency in the delivery of services.

Ulrich et al. (2008) suggest that in line with creating value for an organisation, the HR function needs to operate as a business within a business; examining the function’s value-adding potential with respect to its structure. The study was conducted primarily in North America with references made to India, China, Germany and Eastern Europe and was based on survey results reported in other studies; for example, a survey of 800 senior HR professionals in Germany. The study posits that the function can deliver value on two premises. First, the HR organisation needs to be structurally

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aligned with the organisation structure of the business. Second, given the diversified and allied business models prevalent in organisations, HR’s structure of delivery should incorporate five areas of response, namely: service centres, corporate HR, centres of expertise, embedded HR, and operational HR. Further, the authors suggest certain steps to successfully implement this structure like diagnosing and aligning HR strategy with the business-level strategy and differentiating between transactional and transformational work.

A long standing debate in the literature is on the degree of centralisation in the HR structure. According to Caldwell (2003), Drucker (1991) and Lorenz (1993), HR activities centralised at Corporate HR address issues of control, consistency and lack of experienced / skilled HR Staff (especially when few in number) but can also result in distancing HR from customer needs because of the strict adherence to rules of control and efficiency. According to Selden (2010), a centralised HR structure has the benefits of lower organisational and transaction costs, rapid transfer of knowledge and marginalisation of corruption that is caused by a politicised environment. But the main disadvantage of a centralised HR structure is that the regional needs and cultural sensitivities are not looked upon and the standard HR practices are followed which limits the global operations. Conversely, the decentralised HR structure provides high customization and flexibility, especially in the case of global organisations (Ibid., 2010). Apart from the knowledge of the local pool of candidates, the decentralised HR structure helps to hire the right people for the right job but with customization offered by the decentralised HR structure, costs become high and inconsistency occurs (Selden, 2010). Also Ulrich et al., (2008) posit that decentralisation carries the inherent weakness of specialists being unable to perform as generalists due to insufficient training.

A key debate in extant literature centres on the need and utility of generalist and specialists in the HR structure. Caldwell (2003) posits that restructuring of the HR function due to concerns of cost, value and service delivery, forces discrete HR functions to be sub-divided into specialist and generalist/consulting tasks. In addition, research conducted by CIPD (2006; 2007) highlights that the HR function in small and less complex organisations is comprised of integrated HR teams in which generalists perform a full range of tasks, providing support for all kind of HR activities.
Conversely, the HR function in large and more complex organisations adopts a more specialist focus based on specific work areas such as training and development, recruitment and selection, reward and compensation or employee grade or group such as managers and non-managers.

One of most discussed structures addressing the specialist / generalist debate is that prescribed by Ulrich (1997), which proposes the adoption of the HR shared services, centre of expertise and the business partner elements. This structure is widely cited as the three-legged-stool model which is considered more suitable for large organisations that are more complex and have a greater degree of specialization (CIPD, 2007). This structure is a combination of administrative working manifested in the shared services centre, strategic contribution vested in the relationship managers who work as business partners and specialist focus provided by the embedded HR experts in particular HR areas of expertise. The model is elaborated in the paragraphs below.

Related to the business partners, Ulrich and Brockbank (2005) emphasise that they work with the line managers to help them reach their goals, through effective strategy formulation and execution which aids in developing a better understanding between the HR and the business units. The term Business Partner is used interchangeably with strategic partner (Francis and Keegan, 2006) and this role is defined as the understanding by the HR professionals of how HR fits with and supports the organisation’s mission, strategy and processes. The multiple dimensions of a strategic business partner role include the business expert, change agent, knowledge manager and consultant. Further, Ibid. (2005) indicate that the HR function is facing a dilemma of either continuing its specialist role or take on a business partner role. The latter requires repositioning of the department and performing new roles along with gaining acceptance of the line managers.

Developing the position of business partners involves establishing senior HR managers, often referred to as generalists, in most of the key business units of the organisation. This generalist role of HR acts as an interface between the HR function and the business units. Caldwell (2008) posit that business partners are appointed at departmental and/or regional level to perform operational tasks with a local line-business focus but in doing so, no single model is followed. Hence, several configurations of the business partner role are suggested in literature.
Pickard (2004) and Ulrich and Brockbank (2005), the HR strategic partner employs their knowledge of business, change, consulting and learning to their relationships with line managers. They provide consultancy to line managers through strategy formulation and execution, which aids them in reaching their goals. Reilly and Williams (2006), add that in order to perform the business partner role, the HR professionals must have business knowledge, professional capability, HR expertise and generic management skills.

Further, Kochan (2004) and Lemmergaard (2009) state that although the strategic role is a reflection of the changing realities, but merely changing the structure of the HR function may not be enough to make it a strategic partner. Albert (2003) conducted a survey and compared the result with their previous survey of 1995 and 1998 to find the trends in the adoption of the business partner role. The results indicated that the greatest contribution of HR occurred when HR played a strategic business partner role that fully involved itself in both the formulation and implementation of strategy. Cleland et al. (2000) have claimed that the role of the business strategist would inevitably be expected from the HR function in future.

Related to the element of HR shared services, Armstrong (2009) and Ulrich (1995) state that they are responsible for transactional/administrative work which includes, recruitment, administration, pension and benefits administration, payroll and absence monitoring and discipline and absenteeism. Ulrich et al., (2008) highlight that the shared service centres emerged in the late 1990s as HR leaders realized that administrative tasks are more efficiently performed in a centralised, standardized way. They identify the achievement of a greater degree of structural flexibility to respond to business change as the strategic reason for setting up HR shared services. There is also a trend towards taking over the entire HR function from other client firms to deliver complete outsourcing of HR services. This trend is being observed especially among large firms. Proponents of reconfiguring the HR structure with the addition of HR shared services centre believe that it brings the benefit of integrating a total solution approach to problems; through recentralisation of the HR function (one stop shop). Thus, according to Cooke (2006), Torrington et al., (2011), Farndale et al., (2009) and Redman et al., (2007), setting up an HR shared services centre often
involves restructuring the HR function which sometimes leads to downsizing of the HR workforce, reorganizing their work, and relocating their workplace.

Boglind et al. (2011) in their work on shared services argued that the essential driver for shared services is improved productivity because the right number of people are employed, work processes are reengineered and better services are delivered through technology. The introduction of shared services for the HR department offers not only cost savings and greater efficiency but also provides the HR function with an opportunity to focus on more strategic issues. This gives HR the freedom to engage in activities that may maximize the return on human capital investment. Roebuck (2008) states that the credibility of HR is based on the delivery of the core transactional HR services and hence shared services must perform these at a high-quality level.

Further, our review of literature highlighted that challenges may occur in the implementation of regional or multinational approaches towards shared services, with varying factors like demographics, culture, language, infrastructure, consistency in programs/ processes and availability of expertise, which need to be catered for in the model. The major challenges to implementing shared services (or its drawbacks) are a major loss of control, budgetary concerns, technological problems and possible disruption in work patterns.

Related to the centre of expertise which specialises in providing high level advice and service on the HR activities, the literature reviewed highlighted that the most common HR activities performed at the centre were associated with training and development, recruitment, reward, and employee relations (CIPD, 2007). The centre provides support to both the business partners in terms of expertise in specialized areas of resourcing, employee relations and rewards and it acts as a reference point to those working in the shared services centre. Also, depending on the size of the enterprise, centres of expertise may operate as a specialized consulting firm inside the organisation, or they may be corporate wide or regional or country-based (Ulrich et al., 2008).
2.5. The skill-set of HR personnel

In this section, we conduct a review of literature related to the skill-set of the HR personnel which forms the third influencing factor in our research on the role of the HR function. HRM has increasingly been recognized as a threshold competency for managers. This finding relates to a 2012 publication by the Bangladesh Bank which posits that the increasing significance of HRM was one of the factors that led to many reform initiatives in the banking sector. It highlights that the Central Bank of Bangladesh made special efforts to introduce Advanced Certificate Courses on HRMS, which were imparted to 75 officials\(^2\), to enhance their skill-set. Further, according to Inyang (2010), Ulrich and Brockbank (2005) and Ramlall (2006), in order to fulfil the vital and challenging responsibilities of the HR function, HR professionals need to have the relevant strategic skills or core competencies that integrate business strategy with people management practices. The following paragraphs achieve a two-fold objective. Firstly we present prescriptive competency models that are proposed by researchers as frameworks for the HR function to build its skill-set. Secondly, we report distinct skills that are considered essential for the HR personnel in order to become strategic business partners.

Lawler III and Mohrman (2003) posit that HR managers must have competencies that espouse business and strategic orientation so they can perform activities related to strategy development and they can contribute to organisational design and change management. Competency has been defined by Ismail and Long (2009) as a personnel related concept referring to a set of behavioural dimensions of one’s effective performance at work. In general, competency is defined as an underlying characteristic of an employee (motive, trait, skill, aspect of one’s self image, social role, or a body of knowledge) which results in superior performance. Additionally, the changing HR personnel role has altered the jobs of HR professionals, as well as the expectations of the tasks HR needs to perform. Thus, HR personnel need to either develop, or acquire the requisite knowledge, skills and experience to assume a new range of roles in order to operate in a sensitive, political and highly competitive business market while demonstrating added value (Tamkin et al., 2006).

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\(^{2}\) Bangladesh Bank (Central Bank of Bangladesh) Recent Reform Initiatives (2012)
Our review of literature indicated the development of multiple competency models over the years, one of which was introduced by Ulrich et al. (1995) at the University of Michigan. The initial model was based on universal-generic ambitions, but over the years the model has undergone significant changes (Caldwell, 2008) because it was characterized by definitional disputes, analytical inconsistencies and the performance impacts of specific competencies had proven to be shifting and elusive (Becker et al., 2001). This model is cited as the Michigan HR Competency Research which includes five main competencies namely, strategic contribution, personal credibility, HR delivery, business knowledge and HR technology.

Further, our review highlighted that based on the multiple roles performed by the HR function (HR leader, senior business / unit generalist, HR specialist / experts at the centre of expertise), different HR competencies become critical. Some key competencies emerging from extant literature (Brockbank and Ulrich, 2003; Ulrich and Brockbank, 2005; Tamkin et al., 2006; Caldwell, 2003; 2008; Boselie and Paauwe, 2004)) include business knowledge, customer orientation, effective communication, credibility and integrity, systematic perspective and negotiation and conflict resolution skills. Business knowledge is the capacity to understand competitive issues impacting the business like market, products, technology, processes and to understand how a business can create profit and add value. Thus, HR professionals must understand their organisation’s industry as well as the company’s business. Boselie and Paauwe (2004) define business knowledge to include an understanding of how firms are integrated (value chain) and how they create value (value proposition).

Customer orientation is the ability of viewing issues from the perspective of the customer while effective communication is the ability to provide both verbal and written information clearly, consistently and persuasively. Credibility and integrity is the capability to walk what you talk, act with integrity in all business transactions, honour personal commitments and achieve results. The systematic perspective is the ability to view problems and issues in the context of the bigger picture and to understand the interrelationships among subcomponents. Lastly, negotiation and conflict resolution skills are the capacity to reach agreements and consensus in spite of different goals and priorities.
Inyang (2010) also compiled a list of competencies that an HR professional needs to possess to perform in the role of a strategic business partner; they need to have global operating skills that allow them to understand globalization along with issues of diversity. Business and finance savvy skills are also essential as they aid in understanding the financial reports, business goals and other support functions. Critical thinking skills which contribute in strategy, vision and formulation gain them creditability and HR professionals should be sound in information communication technology (ICT), which is cited as a factor of sustained competitive advantage. This is because the ability of the HR professional to apply technology can improve the firm’s efficiency and effectiveness. Additionally, deep knowledge of HR policies and processes, commitment to change and the ability to diagnose the effectiveness of the organisation to take corrective actions are also essential competencies. However, despite the prescriptive utility of these frameworks, Caldwell (2008) posits that competency models have been perceived to be effective in the selection of business partners but not in their development.

2.6. HRM in Pakistan, Asia and other developing countries

As this study is grounded in the context of Pakistan and relates to the state and role orientation of the HR function, we review the literature on international HRM (IHRM) to provide a background to the study. Dowling et al. (2008) define IHRM as involving the same activities as domestic HRM but across national boundaries and with greater complexity due to diversity in national cultures and types of employees. Also, Bjorkman et al. (2012) define IHRM more broadly to include the management of people in alliances and joint ventures, the role of HRM in MNEs / MNCs and the global configuration of the HR function. The culture of Pakistan is characterised by researchers as centred on groups (Lyon, 1993), with large power distances between social elites and non-elites; where status is of primary concern with a collectivist orientation (Khilji, 2001). It is concluded that this authoritarian pattern is largely reflected in companies and the social dynamics prevailing within them. In the case of large public sector organisations, HR-related decisions are made by committees composed of government nominees (Klein, 1992) that flow top-down, with little to no room for disobedience. However, from 1990s onwards, government-led privatization
sought to revamp these organisations, notorious for their political culture, low performance and weak people management policies (Mirza, 1995).

It is argued that this liberalization of the economy sparked an ongoing change in the Pakistani management perspectives (Khilji, 2002), and brought in a new value system to the way business was done. This value system is underpinned in the American-style management syllabi, work culture and so forth (Khilji, 2003). It is argued that as a result of these changes, the Pakistani corporate sector became more receptive to the new paradigms of human resource management. Ibid. (2003) also find that companies recognize the need to develop the new culture in order to remain competitive. Additionally, post deregulation in Pakistan (since 2000), the emergence of starkly diverging values in the labour force emerged with regards to their expectation of HRM delivery (Khilji, 2004). The study shows two distinct values to have emerged; those rooted in tradition (national values) and those reflective of a modern market-driven economy (work-related values). The study concluded that the younger cluster of employees surveyed experienced a transition in their value system towards work related values. The implication for HRM then is, to design and deliver revamped HRM practices to organisations that are becoming increasingly sophisticated in their expectations of the function itself, placing an implicit demand on senior management to make the fulfilment of these expectations a prerequisite to deriving greater HR satisfaction and commitment.

Further, a study by Khilji et al. (2010), analysing the use of impression management strategies amongst Pakistanis, Indians and Israelis, found that Pakistanis are more prone to employ these impression management strategies than their counterparts. Using the Scheffe multiple comparison analysis, the results showed that Pakistanis relied more heavily on relationship-focused strategies as opposed to job-focused ones, and displayed far more initiative in doing so. Furthermore, Pakistan’s government acknowledges the fact that recent labour market trends tend to emphasise the need for human resource development (HRD), in order to mitigate the vulnerabilities faced by the labour force. Government rhetoric also addressed the need to create full and productive employment and decent work for all3, as a spill over of the current

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economic situation that has further widened the gap between the working-rich and working-poor.

Much study has also been undertaken globally, to examine the relationship between HRM and organisational performance. A study of this interconnection in Pakistan (Khilji and Wang, 2006) aimed to illustrate how human resource satisfaction (HRS) serves as a mitigating factor in employee turnover. It highlights that HRS had a negative influence on turnover intention, with age, gender, organisation type and organisational performance all serving as moderators. The study also noted that a stronger HRS-turnover relationship existed among younger employees.

Further, As Locke and Thelen (1995) posit that the degree and direction of influence of culture bound factors on HRM varies from region to region. Pakistan and India share a long history prior to their independence in 1947 due to which their social and cultural set up bears much resemblance. To cover for the lack in availability of relevant published literature in the context of Pakistan, studies conducted in other Asian countries are reviewed; they will serve as a good starting point for our research. Budhwar (2004) posit that the existing literature on Asia generally focuses on other advanced countries in the region such as Singapore, Hong Kong and Taiwan while ignoring to a large extent, other emerging economies in the region.

India and Pakistan have seen massive deregulation of the economy during the 1990’s and thereafter (Khilji, 2000; Budhwar, 2003), with clear implications for the HRM function in general and HR practices in particular (Ibid., 2000; Budhwar, 2003). Some of the changes that have taken place include the replacement of a life time employment contract introduction of PRP compensation and a greater structured approach to HRM (Budhwar and Khatri, 2001). Similarly, Budhwar (2000) highlights that liberalization, change in economic policies and the competition which comes as a consequence of increased operations of overseas firms in India, places immense pressures on the personnel function in domestic (Indian) organisations that face demands to prepare and develop employee skills, efficiency and effectiveness. This has also resulted in the creation of an HRD ministry in the central government, the setting up of HRD departments in organisations and academic institutions and the development of professional institutions which offer training and development
programs for enhancing employee skills (Budhwar, 2003; Yadapadithaya, 2000). However, this change in the personnel function has not been able to evade the influence of social factors (including personal relationships and contacts) and politics which is a part of the Indian culture (Amba-Rao et al., 2000). This indicates that the development of the HR function and the significance associated with it grew as a consequence of changing government policies and practices but that legacy issues may be the reason for lack of development of a strategic HR function role.

Similarly, a study by Mamman et al., (2007, p. 2009), investigated ‘one of the most neglected issues ….. is whether HRM models are being practiced in developing countries?’ It was conducted on local, foreign and joint venture companies in Sri Lanka and highlighted that the HR function was not given high importance in the strategy formulation process and this finding was common amongst the different categories of companies examined. This was because traditionally, in developing countries the HR function was not considered in high regard. Also, the HR managers felt their representation on the board was only symbolic but the simple fact that they are involved is an improvement over the past. Additionally, Rees and Johari (2010) assessed the extent to which the HRM function was perceived by senior managers to have contributed to the strategic change agenda in one banking institution in Malaysia. Their results highlighted that despite the enhanced presence of the HR function in strategic issues, there was a clear understanding that the function had yet to develop a business understanding and it was too focused on the operational aspects. Further, there was a feeling that the major issues for the HR function were credibility and independence and that the HR managers needed to display leadership, bravery and boldness in their interactions (p.525).

Also, Zhu et al., (2012) found that external pressures were the common impetus for changes in HRM practices. This study on China illustrates the effects of competitive pressures that caused the country to evolve from paternalistic socialism to market socialism, even among state-owned enterprises which had extensive legacy systems. Moreover, a parallel view holds that HRM has developed globally keeping in view the unique differences in operating environments. For instance, it is argued that HRM in Europe developed on different lines than the US, owing to unique European features such as more limited individualism and a greater role of the state (Brewster, 2007). A
study on the Spanish banking sector (Peña & Villasalero, 2010), illustrated that despite the universalistic pressures on the sector to adopt certain predictable HR practices, firms benefitted instead from linking their HRM systems with their unique business strategies.

Additionally, in a 1998 study on HRD issues in Russian banks (Ardichvili and Gasparishvili, 2001) found that greater importance was placed on selection and recruitment than on organisational development, training and development and career planning which indicates a lack of focus on long-term and strategic HR practices. Moreover, in India, a report on Public Sector Banks⁴ (PSB) concluded that in the wake of liberalization, the PSBs made many strides to becoming viable global players, yet they suffered a severe handicap in the form of human capital deficit which indicates that the HR function was in the initial stages of its development. Specifically, employee compensation, skill-sets, skewed age profile, restrictive deployment and performance management systems were said to adversely affect PSBs market competitiveness. Other HRM issues identified in the report included, improving productivity and the performance culture, building talent management practices, building succession for key critical and leadership positions, developing ownership, accountability, professionalisation and institutional mechanisms for sustained human capital management and transforming the HR function from legacy driven HR to developmental HR. In our analysis this highlights that where the HR function is in an early stage of development, the focus of activities is predominantly on the core HR practices with little attention to the practices and processes that are long-term and transformational in nature.

Another related and perhaps appropriate context for the study is that of the Middle East region which bears religious similarities. Studies by Ali (2004) and Robertson et al, (2001) posit that religious semblance can influence and impact the development of HR system. The studies are also relevant because like Pakistan, HR systems are still being structured in these countries, as is the case in most developing countries (Debrah and Budhwar, 2004; Budhwar and Mellahi, 2007). An analysis of studies in the context of various countries like Oman, Saudi Arabia, Iran and Egypt shows that

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⁴ Report of the Indian ‘Committee on HR Issues of Public Sector Banks’ (June 2010)
research in the area of HR is very scarce in the region and studies that have been conducted are exploratory in nature. Thus, they aim to study the development of the HR systems broadly, rather than focus on specific HR practices. This can be attributed to the lack of resources for research, problems in data gathering and cultural limitations (Al-Hamadi et al., 2007).

Evidence from studies conducted in various Middle Eastern nations shows some influence of religion on HR practices in general, but in the case of compensation there is considerable variation between countries. Namazie and Frame (2007) studied 14 organisations in the public and private sector of Iran and found varying practices and strategies being implemented there. Moreover, there is also a difference between the practices of MNCs and private Iranian firms. By law all firms, be they foreign or local must conform to the Iranian labour laws and it was noted that local organisations had gradually started to structure their HR systems taking a lead from the success of MNCs operating in Iran. Similarly, an investigation into the Egyptian HRM practices by Leat and El-Kot (2007), showed the influence of religious, contextual and institutional variables in the way the HR function operated and the policies / practices it designed. The investigation was undertaken on a sample of 58 Egyptian companies. Further, it revealed that due to the influence of western management practices which encourage masculinity and individualism, and introduce the concept of employee productivity, there was a shift in the HRM practices in Egypt which gave preference to performance over seniority / experience.

2.7. Conclusion
This research aims to examine the current state of the HR function in the case-study organisations in Pakistan with a specific focus on the role performed by the HR function. The research is conducted within the framework of the indicators which provide evidence of the presence of a strategic role (or otherwise) of the HR function and the factors that influence (impede / facilitate) the adoption of a strategic role. These factors / elements include devolution, the structure of the HR function and the skill-set of HR personnel. To position the research in the context of Pakistan, county and sector specific factors which include the corporate culture, socio-economic demographics and political situation (see chapter 3) are also factored into the research. The research questions that are informed by this literature include:
1. What is the current state of the HR function in the banking sector of Pakistan and to what extent, if at all, is it performing what can be termed a strategic role?

2. How has the devolution (if at all) of particular HR responsibilities to line managers, influenced the HR function’s intent to attain a strategic role orientation?

3. How have the characteristics of the HR structure and the HR skill-set influenced the strategic role orientation of the HR function?

The primary objective of the literature review was to study the HR function and the evidence of the presence of a strategic HR role by focusing on the evolution of the HR function, the emerging HR roles (role typologies) and the indicators which provide evidence of the presence of HR roles. Additionally, we analysed relevant literature on devolution, structure of the HR function and skill-set of HR personnel, which enabled us to identify the inherent but indistinct linkages between these factors / elements and the role orientation of the HR function. The following paragraphs elaborate and identify the essential ideas, key debates and theoretical gaps that emerged from this review.

Further, we aim to contribute to the body of HR knowledge by adopting an empirical approach that delineates between applied realities and prescriptive literature on the issues of presence of a strategic role of the HR function. In the course of this assessment, we are aware of the thin line that exists between the evidence we seek, the indicators we identify and the influencers we study. It is pertinent to mention that the literature itself has yet to clearly demarcate these potentially overlapping elements, as was evident from our review. Hence, this research seeks to examine the evidence of the presence of the indicators themselves and it also examines the influencing factors to assess why and how these factors can impede or facilitate the attainment of a strategic HR role. This study is important for two reasons. First, it integrates the indicators / evidence of the presence (or otherwise) of a strategic HR role and the influencing factors to bridge this gap in existing literature. This is consistent with the calls from authors in recent times to focus on a more comprehensive model to capture the complexity and dynamics at play between strategy and HRM (Guest, 2011; Kraaijenbrink et al., 2010; Paauwe, 2009; Boswell, 2006). Second, this thesis attempts to contribute to and extend existing literature from an international perspective by
including the state of the HR function in organisations operating in Pakistan, an area that is under-researched, thus far.

The concept of a strategic role of the HR function is ambiguous and contested in literature which leads to debates on the existence, utility and implications of this role. Studies reviewed highlighted contrasting opinions on the strategic role of the HR function. On the one hand, authors suggest that a strategic role of the HR function is desirable and aspired, but on the other hand, evidence of presence of a strategic role is partial and inconclusive. Additionally, there is a disagreement on what constitutes as conclusive evidence of a strategic role. However, a range of factors have been cited as evidence of a strategic role including a seat on the Board of Directors, representation on management committees, career background of the HR Head, direct reporting relationship with the CEO, proactive and long-term HR initiatives, alignment of HR strategy with organisational strategy and participation of the HR function in strategy formulation. Despite the multiplicity of the factors cited, extant literature appears to lack in some ways, on a coherent and integrated study in which the analysis of several factors is integrated. Thus, the need to conduct a wide ranging and comprehensive study, capturing all the dimensions reviewed in the study of literature in this chapter is quite evident. We attempt to address this theoretical gap in our research by assimilating the disparate factors in one study, with the aim to capture a holistic and comprehensive understanding of multiple, yet interlinked indicators that can provide evidence of the presence of a strategic HR role (or otherwise).

Further, to develop an understanding of how and why the HR function adopts particular roles, we reviewed the literature on devolution which revealed the issues and conflicts that either impede or facilitate the adoption of a strategic HR role. Firstly, we analysed that devolution is interpreted in a diverse and often conflicting manner by the HR and line management which moderated the assumptions of strategic value of the HR function. Secondly, there is contradictory evidence in extant literature on the efficacy of devolution as a factor that can influence the strategic HR role. Thirdly, distinct HR practices exhibit various levels of devolution across the HR-line relationship based on multiple dimensions of devolution like decision making, implementation and the financial and expertise power. Also, in order to address the theoretical debate on the conflicts confronting the process of devolution, we examined
the reasons that underpin such conflicts and thus either impede or facilitate the process of devolution.

The investigation into the prescriptive and empirical literature on the structure and skill-set of the HR function revealed certain tensions. Firstly, despite the prescription of a division in the specialist and generalist responsibilities of HR, empirical literature is inconclusive on the benefits that can be derived from such a structure. Secondly, the role of the business partner is considered by certain authors as the future of the HR function, yet how it contributes strategic value is still being debated in empirical research without much conclusive evidence. Some researchers have pointed to the problems that are created due to the institution of such a role. Thirdly, the range of skills for HR personnel identified in literature is quite extensive and appears to lack a causal link with the strategic HR role. By addressing these tensions in our research, we attempt to evaluate the influence of the HR structure and skill-set of HR personnel on the role adopted by the HR function.

Hence, this review of literature informs our research in the following ways. Firstly, in line with our research agenda, we developed a preliminary understanding of the subject understudy. Not only did we identify the themes, debates, antecedents and implications of the strategic HR role to be performed by the function, we highlighted the empirical trends as reported in literature. Secondly, the gaps within theoretical and empirical literature were identified. Finally, by conducting a multi-faceted review on the evolution of the HR function, the indicators which provide evidence of a strategic role, the influencing factors and their contribution towards impeding or facilitating the adoption of a strategic role by the HR function and HRM in Pakistan, we developed a comprehensive and integrated framework for our research. It is hoped that this integrated approach to researching the HR function and its role will add to the debates in international HRM on the state of the HR function and its role in Pakistan, more specifically the case-study organisations (see figure 2.1).
Figure 2.1: Theoretical framework

Country context

Strategic indicators
HR Head profile, CEO support, HR’s initiatives, HR’s alignment with strategy, HR’s involvement in strategy formulation

The HR function and its role

Banking sector

Organisational contingencies

Devolution  HR Structure  HR skill-set

Influencing factors
Chapter 3: Context of Study: The banking sector in Pakistan

3.0. Introduction
In this chapter we attempt to contextualize our study of HRM in the banking sector which is embedded in the labour market dynamics and the economic, socio-cultural and political fabric of Pakistan. This will enable us to highlight the influence of the country and sector specific factors on the state of the HR function and the role performed by it in the case-study banks.

This chapter is divided into six sections. The first three sections attempt to capture the country specific information while the later sections sketch the dynamics of the banking sector. Section one briefly highlights the demographic statistics of Pakistan and describes the current economic position through an analysis of various economic indicators. Section two discusses the labour statistics and focuses on the initiatives taken at the government level to enhance the literacy rate and to produce a skilled and professional labour force. Section three elaborates on the socio-cultural factors that have led to the creation and development of a distinctive corporate culture in Pakistan. Section four introduces the banking sector of Pakistan through a description of the various stages of its development and section five highlights the role and influence of the banking regulator (State Bank of Pakistan, SBP) in introducing and monitoring the reforms. The last section evaluates the character of privatization reforms on the banking sector with a focus on the implications for the employees and the Human Resource Function in particular, which is followed by the conclusion.

3.1. Country business profile
Pakistan has witnessed cyclical highs and lows over the years in its economic development and political conditions which include security issues (last 10 years) because of the war on terror being fought in neighbouring Afghanistan. The political environment of the country is dominated and affected by the corrupt and powerful elite politicians in the absence of strong institutions which has acted as a catalyst in destabilizing the economic and social conditions.
Due to its strategic geographical placement, at the crossroads of major trade corridors, Pakistan can gain access to international trade which can aid it in becoming a strong economic power. It shares its borders with India, China, Iran and Afghanistan and touches the Arabian seaport as well. Pakistan consists of four provinces namely Punjab, Sindh, Balochistan and Khyber Pakhtunkhawa, along with the disputed territory of Kashmir. Pakistan is a multi-cultural country with various ethnic groups that include Punjabi (44.68%), Pashtun (15.42%), Sindhi (14.1%), Saraiki (8.38%), Muhajir (7.57%), Baluchi (3.57%) and others (6.28%)\(^5\). Muslims constitute 96.4 percent of the population while the remaining 3.6 percent people are mostly Hindus or Christians. Additionally, the political process in Pakistan was derailed by long periods of military dictatorship (four times in its history of 65 years) which resulted in the destabilization of its economic policies. The last two dictators ruled the country from 1977 to 1988 and from 1999 to 2008.

A review of the economic conditions in Pakistan shows that the economy was dominated by the agricultural sector in the past but over the last few years the services and manufacturing sectors have grown significantly and were a source of development for the economy (Alam, 2010). An examination of other significant economic indicators reveals that the official unemployment rate over the past five years has averaged at six percent but this should not be considered as a good indicator of unemployment as a significant number of people included in this percentage are engaged in the informal sector. Also investment as a share of the GDP was high, up until 2005 due to many fiscal adjustments and privatization of the telecommunication, banking and energy sectors.

To fully understand the economic situation in Pakistan view briefly review the major economic indicators and their trends including GDP per capita income, foreign direct investment (FDI) and inflation. The source for the tables and figures below and their related trend information are multiple Economic Surveys published by the Ministry of Finance in Pakistan\(^6\).

\(^5\) CIA World Factbook
The GDP of Pakistan showed significant growth from 2002 to 2005 (figure 3.1) due to the stable political and economic policies in addition to the good output from the services sector, especially the financial sector. However, a sudden decline in the following years is attributed to the rising energy prices along with the economic problems caused in the past, by the 2005 earthquake which took its toll on the rescue and rebuilding efforts. Despite these problems, growth in the service and industrial sectors (specifically construction) between the years 2005-2007 helped in maintaining some degree of growth (Alam, 2010). The continuous reduction in the growth rate from 2007 onwards until 2009 is attributed to the law and order situation, power outages and the consequent loss of working hours. The decline of exports, the expensive war on terror and the rise in oil and commodity prices during the years 2008 and 2009 worsened the economic conditions further. From then on until 2012, the role of the agricultural sector and the service sector (figure 3.2 and Table 3.1) helped to improve the GDP rate in the country.

Figure 3.2: Contribution of different sectors to the GDP of Pakistan (%)

Source: Pakistan Economic Survey 2011-2012
Table 3.1: Sectoral contribution to the GDP growth (%), 1999-2012

<table>
<thead>
<tr>
<th>Commodity Producing Sector</th>
<th>1999-00</th>
<th>2004-05</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
<th>2011-12 P</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Agriculture</td>
<td>49.3</td>
<td>48.7</td>
<td>47.1</td>
<td>47.6</td>
<td>46.7</td>
<td>46.46</td>
</tr>
<tr>
<td>- Major Crops</td>
<td>25.9</td>
<td>22.4</td>
<td>21.8</td>
<td>21.2</td>
<td>20.9</td>
<td>21.1</td>
</tr>
<tr>
<td>- Minor Crops</td>
<td>9.6</td>
<td>8.4</td>
<td>7.3</td>
<td>6.9</td>
<td>6.5</td>
<td>6.71</td>
</tr>
<tr>
<td>- Livestock</td>
<td>3.5</td>
<td>2.7</td>
<td>2.5</td>
<td>2.2</td>
<td>2.1</td>
<td>2.13</td>
</tr>
<tr>
<td>- Fishing</td>
<td>11.7</td>
<td>10.6</td>
<td>11.3</td>
<td>11.4</td>
<td>11.5</td>
<td>11.61</td>
</tr>
<tr>
<td>- Forestry</td>
<td>0.4</td>
<td>0.3</td>
<td>0.4</td>
<td>0.4</td>
<td>0.2</td>
<td>0.24</td>
</tr>
<tr>
<td><strong>Industrial Sector</strong></td>
<td>23.3</td>
<td>26.3</td>
<td>25.3</td>
<td>26.4</td>
<td>25.8</td>
<td>25.49</td>
</tr>
<tr>
<td>2. Mining &amp; Quarrying</td>
<td>2.3</td>
<td>2.7</td>
<td>2.5</td>
<td>2.5</td>
<td>2.4</td>
<td>2.49</td>
</tr>
<tr>
<td>3. Manufacturing</td>
<td>14.7</td>
<td>18.3</td>
<td>18.2</td>
<td>18.6</td>
<td>18.7</td>
<td>18.65</td>
</tr>
<tr>
<td>- Large Scale</td>
<td>9.5</td>
<td>12.9</td>
<td>12.1</td>
<td>12.3</td>
<td>12.1</td>
<td>11.90</td>
</tr>
<tr>
<td>- Small Scale</td>
<td>5.2</td>
<td>4.1</td>
<td>4.7</td>
<td>4.9</td>
<td>5.1</td>
<td>6.74</td>
</tr>
<tr>
<td>4. Construction</td>
<td>2.8</td>
<td>2.1</td>
<td>2.1</td>
<td>2.6</td>
<td>2.5</td>
<td>2.15</td>
</tr>
<tr>
<td>5. Electricity &amp; Gas Distribution</td>
<td>3.9</td>
<td>3.2</td>
<td>2.5</td>
<td>2.8</td>
<td>2.2</td>
<td>1.9</td>
</tr>
<tr>
<td><strong>Services Sector</strong></td>
<td>20.7</td>
<td>51.3</td>
<td>52.9</td>
<td>52.4</td>
<td>53.3</td>
<td>53.54</td>
</tr>
<tr>
<td>7. Wholesale and Retail Trade</td>
<td>17.5</td>
<td>18.7</td>
<td>16.8</td>
<td>17.0</td>
<td>17.2</td>
<td>17.12</td>
</tr>
<tr>
<td>8. Finance and Insurance</td>
<td>3.7</td>
<td>4.0</td>
<td>5.7</td>
<td>4.9</td>
<td>4.5</td>
<td>4.79</td>
</tr>
<tr>
<td>9. Ownership of Dwellings</td>
<td>3.1</td>
<td>2.9</td>
<td>2.8</td>
<td>2.7</td>
<td>2.7</td>
<td>2.72</td>
</tr>
<tr>
<td>10. Public Adm. &amp; Defence</td>
<td>6.2</td>
<td>5.9</td>
<td>6.1</td>
<td>6.0</td>
<td>6.6</td>
<td>6.62</td>
</tr>
<tr>
<td>11. Other Services</td>
<td>9.0</td>
<td>9.5</td>
<td>11.3</td>
<td>11.8</td>
<td>12.3</td>
<td>12.65</td>
</tr>
<tr>
<td>12. GDP (Constant Factor Cost)</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Pakistan Economic Survey 2011-2012

Additionally, the tensions in the political arena are still translating into the low economic growth rate but some efforts to improve the structural deficiencies such as those related to human resource development, privatization of state-owned enterprises and legislation related to taxation helped Pakistan in 2011-2012 to recover somewhat from the otherwise deepened economic crisis (Economic Survey, 2012). It should be noted that some of the issues confronting Pakistan on the economic front are a direct result of the global economic crisis which include the rise in international oil prices, the financial crisis and the higher costs of doing business.

Figure 3.3: Per capita income ($) of Pakistan

Source: Pakistan Economic Survey 2011-2012
The second economic indicator, the per capita income\(^7\) (see figure 3.3) showed a positive growth trend with an increase from USD 724 in 2004-05 to USD 1,372 in 2011-12. This increase is attributed to the rise in real GDP growth, worker remittances and a somewhat stable exchange rate. The third economic indicator, Foreign Direct Investment (FDI) is stated to be a key factor in the improvement of economic conditions, especially in developing countries (Hussain and Kimuli, 2012). However, countries with a stable economic environment, availability of skills and a well-structured financial sector are found to attract more FDI than others. In Pakistan’s case, FDI has steadily decreased from 2007 onwards (see table 3.2), and Pakistan’s telecommunication sector appears to be the most significant recipient of FDI in-flows with the financial sector close behind in second position. This is because of the extensive liberalization and privatization in these sectors (Khan and Khan, 2011). The overall decrease in FDI is attributed to a number of factors which include the global economic crisis, lack of a stable infrastructure (especially in the energy sector) and the overall political instability in the country.

**Table 3.2: FDI inflows in Pakistan ($ millions)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Greenfield Investment</th>
<th>Privatisation Proceeds</th>
<th>Total FDI</th>
<th>Private Portfolio Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001-02</td>
<td>357.00</td>
<td>128.00</td>
<td>485.00</td>
<td>-10.00</td>
</tr>
<tr>
<td>2002-03</td>
<td>622.00</td>
<td>176.00</td>
<td>798.00</td>
<td>22.00</td>
</tr>
<tr>
<td>2003-04</td>
<td>750.00</td>
<td>199.00</td>
<td>949.00</td>
<td>-28.00</td>
</tr>
<tr>
<td>2004-05</td>
<td>1,161.00</td>
<td>363.00</td>
<td>1,524.00</td>
<td>153.00</td>
</tr>
<tr>
<td>2005-06</td>
<td>1,981.00</td>
<td>1,540.00</td>
<td>3,521.00</td>
<td>351.00</td>
</tr>
<tr>
<td>2006-07</td>
<td>4,873.20</td>
<td>266.40</td>
<td>5,139.60</td>
<td>1,820.00</td>
</tr>
<tr>
<td>2007-08</td>
<td>5,276.60</td>
<td>133.20</td>
<td>5,409.80</td>
<td>19.30</td>
</tr>
<tr>
<td>2008-09</td>
<td>3,719.90</td>
<td>0.00</td>
<td>3,719.90</td>
<td>-510.30</td>
</tr>
<tr>
<td>2009-10</td>
<td>2,150.80</td>
<td>0.00</td>
<td>2,150.80</td>
<td>587.90</td>
</tr>
<tr>
<td>2010-11</td>
<td>1,634.8</td>
<td>0.00</td>
<td>1,634.8</td>
<td>344.5</td>
</tr>
<tr>
<td>2011-12</td>
<td>812.6</td>
<td>0.00</td>
<td>812.6</td>
<td>(46.9)</td>
</tr>
<tr>
<td>2012-13 Jul-Jan.)</td>
<td>525.1</td>
<td>0.00</td>
<td>525.1</td>
<td>137.1</td>
</tr>
<tr>
<td>Total</td>
<td>23,864.0</td>
<td>2,805.60</td>
<td>26,669.6</td>
<td>2,759.4</td>
</tr>
</tbody>
</table>

*Source: Board of Investment – Government of Pakistan*

\(^7\)Measured as Gross National Product at market price in dollar term divided by the country’s population
The fourth indicator, inflation, is critical in assessing the economic conditions in Pakistan as it consistently registered an increase from 2008 onwards. Many developing economies inclusive of Pakistan witnessed a gradual increase in the commodity prices. In Pakistan, high food prices were a result of the staggering inflation which is measured through an analysis of the Consumer Price Index (CPI). Some reasons leading to inflation include the floods in 2010 which resulted in a disruption in the supply side of the economy, causing high inflation. Moreover, high international fuel costs and a rise in the international food prices coupled with the falling value of the Pakistan currency, in the international markets significantly contributed to the upward inflationary trend between 2007 and 2010. Inflation has been climbing from 7.7% in 2007 to more than 13% in 2011. By the end of 2012, the inflation rate was around 12% and while income inequality is somewhat high, poverty has declined.

As can be seen from the statistics below (table 3.3), Pakistan was able to curb the inflationary trend in 2010 through its strict monetary policy; also the latest economic survey of Pakistan (2012) forecasts that inflation might decelerate to some extent due to better output in the agrarian market and the streamlining of the supply chain factors. At a global level, steps are being taken to lower commodity prices but the implications for Pakistan will only be positive if it strengthens its output, attracts valuable investments and cooperates with other nations at a regional level to cater for the growing population of the country.
Table 3.3: Core inflation in Pakistan

<table>
<thead>
<tr>
<th>Year</th>
<th>General (Base year: 2000-01 = 100)</th>
<th>Food</th>
<th>Non-</th>
<th>Core</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991-92</td>
<td>10.58</td>
<td>10.64</td>
<td>10.52</td>
<td>10.52</td>
</tr>
<tr>
<td>1992-93</td>
<td>9.83</td>
<td>11.74</td>
<td>7.81</td>
<td>7.5</td>
</tr>
<tr>
<td>1993-94</td>
<td>11.27</td>
<td>11.34</td>
<td>11.22</td>
<td>10.9</td>
</tr>
<tr>
<td>1994-95</td>
<td>13.02</td>
<td>16.67</td>
<td>10.17</td>
<td>10.7</td>
</tr>
<tr>
<td>1995-96</td>
<td>10.79</td>
<td>10.13</td>
<td>11.34</td>
<td>10.9</td>
</tr>
<tr>
<td>1996-97</td>
<td>11.80</td>
<td>11.89</td>
<td>11.73</td>
<td>11.4</td>
</tr>
<tr>
<td>1997-98</td>
<td>7.81</td>
<td>7.65</td>
<td>7.94</td>
<td>7.5</td>
</tr>
<tr>
<td>1998-99</td>
<td>5.74</td>
<td>5.90</td>
<td>5.61</td>
<td>4.5</td>
</tr>
<tr>
<td>1999-00</td>
<td>3.58</td>
<td>2.23</td>
<td>4.69</td>
<td>3.5</td>
</tr>
<tr>
<td>2000-01</td>
<td>4.41</td>
<td>3.56</td>
<td>5.09</td>
<td>4.2</td>
</tr>
<tr>
<td>2001-02</td>
<td>3.54</td>
<td>2.44</td>
<td>4.28</td>
<td>2.0</td>
</tr>
<tr>
<td>2002-03</td>
<td>3.10</td>
<td>2.89</td>
<td>3.24</td>
<td>2.5</td>
</tr>
<tr>
<td>2003-04</td>
<td>4.57</td>
<td>6.01</td>
<td>3.62</td>
<td>3.8</td>
</tr>
<tr>
<td>2004-05</td>
<td>9.28</td>
<td>12.48</td>
<td>7.10</td>
<td>6.8</td>
</tr>
<tr>
<td>2005-06</td>
<td>7.92</td>
<td>6.92</td>
<td>8.63</td>
<td>7.5</td>
</tr>
<tr>
<td>2006-07</td>
<td>7.77</td>
<td>10.28</td>
<td>6.02</td>
<td>5.9</td>
</tr>
<tr>
<td>2007-08</td>
<td>12.00</td>
<td>17.65</td>
<td>7.90</td>
<td>8.4</td>
</tr>
<tr>
<td>2008-09</td>
<td>20.77</td>
<td>23.70</td>
<td>18.45</td>
<td>17.6</td>
</tr>
<tr>
<td>2009-10</td>
<td>11.73</td>
<td>12.47</td>
<td>11.12</td>
<td>11.0</td>
</tr>
<tr>
<td>2010-11</td>
<td>13.92</td>
<td>17.95</td>
<td>10.53</td>
<td>9.7</td>
</tr>
</tbody>
</table>

Note: (I) CPI 1990-91 base year services converted into base year 2000-01

Source: Economic Survey of Pakistan 2012

3.2. Labour market conditions

In this section we highlight the labour market conditions prevailing in Pakistan with a focus on the total population, its bifurcation into employed/unemployed and further within the employed category, skilled and unskilled workers. We also identify the initiatives undertaken at the macro level by the government and other agencies to increase the literacy rate. This discussion is important because it indicates the increased emphasis on developing an educated and skilled workforce. According to the Economic Survey of Pakistan (2012) the population of Pakistan conditions increased to 180.7 million in 2012, with a growth rate of 2.03 percent.
Table 3.4: Employment trend in the civilian labour force (Million)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour force</td>
<td>50.05</td>
<td>50.33</td>
<td>51.78</td>
<td>53.72</td>
<td>56.33</td>
<td>57.24</td>
</tr>
<tr>
<td>Employed</td>
<td>46.95</td>
<td>47.65</td>
<td>49.09</td>
<td>50.79</td>
<td>53.21</td>
<td>53.84</td>
</tr>
<tr>
<td>Unemployed</td>
<td>3.1</td>
<td>2.68</td>
<td>2.69</td>
<td>2.93</td>
<td>3.12</td>
<td>3.40</td>
</tr>
</tbody>
</table>

Source: Economic Survey of Pakistan 2012

Of the 180 million population, the total formal registered labour force consists of 57.2 million people, of whom 53.84 million people (see table 3.4) are employed and 3.4 million are unemployed with a total unemployment rate of 5.9%. The agriculture/forestry/ hunting and fishing sectors generate the most employment in the country and are closely followed by the manufacturing sector. The former cluster of sectors and community/social and personal services sectors are the two areas where the participation of female workers is higher than male workers (see table 3.5).

Table 3.5: Employment trend by industry (%)

<table>
<thead>
<tr>
<th>Major Industry Divisions</th>
<th>2008-09</th>
<th></th>
<th></th>
<th>2009-10</th>
<th></th>
<th></th>
<th>2010-11</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Male</td>
<td>Female</td>
<td>Total</td>
<td>Male</td>
<td>Female</td>
<td>Total</td>
<td>Male</td>
</tr>
<tr>
<td>Agriculture/ forestry/ hunting &amp; fishing</td>
<td>45.1</td>
<td>37.3</td>
<td>74.0</td>
<td>45.0</td>
<td>36.6</td>
<td>74.9</td>
<td>45.1</td>
<td>36.2</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>13.0</td>
<td>13.3</td>
<td>11.9</td>
<td>13.2</td>
<td>13.9</td>
<td>11.0</td>
<td>13.7</td>
<td>14.5</td>
</tr>
<tr>
<td>Construction</td>
<td>6.6</td>
<td>8.3</td>
<td>0.4</td>
<td>6.7</td>
<td>8.5</td>
<td>0.3</td>
<td>7.0</td>
<td>8.9</td>
</tr>
<tr>
<td>Wholesale &amp; retail trade</td>
<td>16.5</td>
<td>20.5</td>
<td>1.6</td>
<td>16.3</td>
<td>20.2</td>
<td>2.1</td>
<td>16.2</td>
<td>20.4</td>
</tr>
<tr>
<td>Transport/ storage &amp; communication</td>
<td>5.2</td>
<td>6.6</td>
<td>0.2</td>
<td>5.2</td>
<td>6.6</td>
<td>0.3</td>
<td>5.1</td>
<td>6.6</td>
</tr>
<tr>
<td>Community/social &amp; personal service</td>
<td>11.2</td>
<td>11.1</td>
<td>11.6</td>
<td>11.2</td>
<td>11.2</td>
<td>11.2</td>
<td>10.8</td>
<td>10.8</td>
</tr>
<tr>
<td>Others</td>
<td>2.4</td>
<td>2.9</td>
<td>0.3</td>
<td>2.4</td>
<td>3.0</td>
<td>0.2</td>
<td>2.1</td>
<td>2.6</td>
</tr>
</tbody>
</table>

Source: Economic Survey of Pakistan 2012

Further according to the Economic Survey of Pakistan (2012) the country exports a large percentage of its skilled and unskilled labour force to other countries such as the UAE, Europe and Canada. The statistics show that approximately 1.6 million workers are registered for overseas employment and almost 45% of these
are unskilled labourers while the remaining are either highly skilled or skilled. Overseas employment is considered as a reason for the brain-drain Pakistan is experiencing since many highly skilled workers pursue opportunities abroad. According to Sajjad (2011), in order to battle this intellectual brain drain, Pakistan introduced policies to attract these professionals back into the country. Examples are policies of the Higher Education Commission of Pakistan (HEC), to hire foreign faculty members (Pakistan origin), to introduce new and innovative ideas; also, research networks were established to invite expatriates as consultants, to train the faculty.

Table 3.6: Literacy rate in Pakistan (%)

<table>
<thead>
<tr>
<th>Province/Area</th>
<th>2008-09</th>
<th>2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td>Pakistan</td>
<td>69</td>
<td>45</td>
</tr>
<tr>
<td>Rural</td>
<td>63</td>
<td>33</td>
</tr>
<tr>
<td>Urban</td>
<td>81</td>
<td>67</td>
</tr>
<tr>
<td>Punjab</td>
<td>69</td>
<td>50</td>
</tr>
<tr>
<td>Rural</td>
<td>63</td>
<td>39</td>
</tr>
<tr>
<td>Urban</td>
<td>82</td>
<td>71</td>
</tr>
<tr>
<td>Sindh</td>
<td>71</td>
<td>45</td>
</tr>
<tr>
<td>Rural</td>
<td>61</td>
<td>22</td>
</tr>
<tr>
<td>Urban</td>
<td>81</td>
<td>65</td>
</tr>
<tr>
<td>KPK</td>
<td>69</td>
<td>31</td>
</tr>
<tr>
<td>Rural</td>
<td>67</td>
<td>27</td>
</tr>
<tr>
<td>Urban</td>
<td>76</td>
<td>48</td>
</tr>
<tr>
<td>Balochistan</td>
<td>62</td>
<td>23</td>
</tr>
<tr>
<td>Rural</td>
<td>57</td>
<td>16</td>
</tr>
<tr>
<td>Urban</td>
<td>78</td>
<td>47</td>
</tr>
</tbody>
</table>

Source: Economic Survey of Pakistan 2012

The literacy rate in the country is currently 58% (see table 3.6) with Urban areas ahead of the rural areas. The urban literacy rate is 74% compared to 49% in the rural areas. Additionally, the gender literacy gap is wider in the rural areas where only 35% females are educated as compared to 63% of the male population. In the urban areas the difference in male and female literacy is 14%, with the male population being more literate. Moreover, the 2009 National Education Policy set an ambitious target of attaining an 86% literacy rate by the end of 2015 but the primary obstacles are low literacy areas in rural Sindh, Baluchistan and Khyber
Pakhtunkhawa. The policy intends to upscale the ongoing programmes which are focusing on increasing literacy in adults and non-formal education to achieve the universal primary education objectives by reducing the dropout rate. Further, the HEC is focusing on increasing the higher education rate in the country by sponsoring a large number of Pakistanis to obtain education in highly reputed foreign universities in all major disciplines like computing, basic sciences, social sciences, engineering and business management. A number of scholarship programmes have been initiated for this purpose and a strong focus is placed on increasing the number of PhDs in the country. Table 3.7 shows the statistics of individuals who have proceeded abroad through HEC programmes.

Table 3.7: Scholarships provided over the years

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Scholarships Awarded</th>
<th>Scholars Proceeded</th>
<th>Scholars Completed Studies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post-Doctoral Fellowship Programmes</td>
<td>500</td>
<td>477</td>
<td>449</td>
</tr>
<tr>
<td>1000 Cuban Scholarships for Studies in General Comprehensive Medicine</td>
<td>604</td>
<td>604</td>
<td>N/A</td>
</tr>
<tr>
<td>US needs based Scholarship Programme for Pakistani University Students</td>
<td>901</td>
<td>901</td>
<td>659</td>
</tr>
<tr>
<td>MS / M. Phil leading to PhD Scholarships for teachers of Weaker Universities</td>
<td>21</td>
<td>21</td>
<td>1</td>
</tr>
<tr>
<td>MS leading to PhD Faculty Development Programme of UEST/UETs Universities</td>
<td>189</td>
<td>117</td>
<td>2</td>
</tr>
<tr>
<td>Overseas scholarship scheme for PhD in selected fields Phase - I</td>
<td>19</td>
<td>19</td>
<td>383</td>
</tr>
<tr>
<td>Overseas Scholarships Phase-II</td>
<td>1439</td>
<td>1200</td>
<td>132</td>
</tr>
<tr>
<td>Fulbright Scholarship Programme</td>
<td>233</td>
<td>233</td>
<td>24</td>
</tr>
</tbody>
</table>

Source: Economic Survey of Pakistan 2012

3.3 The national and corporate culture as an indicator of the socio-cultural conditions

In this section, we discuss the factors which define and influence the socio-cultural conditions of Pakistan. The four provinces of Pakistan, each harbour distinct subcultures based on their history and cultural evolution. The key languages spoken in Pakistan are Urdu (national language), Punjabi, Saraiki, Pashto, Baluchi, Hindko, Sindhi, English and Kashmiri (Government of Pakistan, 2013a). English is the official language which is used in offices, schools and universities as the medium of communication. A study of the socio-cultural factors reveals that Pakistan has a close knit family structure with the senior males being the head of the household and the family providing the basic support system for individuals. The importance
of keeping face is very high and respect for one’s religious and cultural traditions is also high. There is a strong dependency on the male head of the family who is expected to be the breadwinner of the family (Khilji, 2003). Women are traditionally expected to be the home-makers but a considerable percentage of the Pakistan female population is now engaged in the employed labour force because of the growing inflation and expenses. A strong kinship culture is dominant in the society because of the prevailing collectivist culture and a high power distance which often promotes nepotism (Islam, 2004).

Further, the corporate culture and the way HRM is organised plays an important role in understanding how business is conducted in a particular country. Multinational corporations (MNCs) play an important role in shaping the organisational culture (Khilji, 2003); this holds true not just for Pakistan but MNCs can affect the way businesses are conducted in any developing country, according to Reiter and Steensma (2010) and Caves (1996). MNC’s bring in FDI, expertise, technology and new employment opportunities for the host country which can improve the economic environment. Pakistan’s FDI is directly linked, among other macro/micro economic factors to the quality of the human capital in the country (Hakro and Ghumro, 2011).

The corporate culture of Pakistan has emerged out of a combination of bureaucracy and formalisation, stemming from its cultural, religious and political outlook and extensive deregulation and privatization in the 1990s. Deregulation and privatization have played a major role in the restructuring of business divisions of companies especially in the private sector to come at par with the new styles of people-management in the 21st century. However, HRM in Pakistan is still in the development phase according to Khilji (2004) and generally, the corporate culture is formal with strict hierarchies in most companies and a high degree of centralised processes, especially those related to HRM. There are usually rigid procedures/processes related to strategy formulation and importance of seniority and experience is high. Authority figures are respected and titles are important where power is concentrated among the top few people in the hierarchy (Islam, 2004).
Khilji (2003) and Qureshi (1994) suggest that senior management develops and applies HRM practices without consulting the employees as the corporate culture is quite assertive and competitive where authority figures are highly respected. Khilji attributes this behaviour to the elitist culture present in companies where those in power are protected. Thus, there is a high power distance which is supported by Harris et.al (2003) which highlights that, in Hofstede’s (1991) cultural dimensions, Pakistan is high on power distance and uncertainty avoidance and medium in masculinity. While significant power distance also exists in other countries of the world like Singapore, Malaysia, Philippines, and Thailand (Torrington and Huat, 1994), in Pakistan, power distance is most apparent in the gap between middle and lower management and the top management. This power distance and masculinity also create communication gaps within the hierarchies that sometimes result in distrust amongst managers and employees. Further, there is a lack of motivation for senior employees to train new employees and overall, the implementation of merit based recruitment (preference to referrals) and training strategies is ineffective (Irshad and Toor, 2008).

3.4. The banking sector of Pakistan

This section explores the banking sector in Pakistan to provide a contextual understanding of the environment, the reforms and the policies under which the banks are currently operating in Pakistan. The banking sector around the globe has been characterized in recent decades by widespread regulatory, technological and competitive shifts. These shifts have largely been a juxtaposition of large-scale deregulation coupled with increased scrutiny and monitoring of other aspects of banking operations.

In Pakistan, the financial sector has contributed to the economic well-being of the country since the country’s inception in 1947 (Zaidi, 2005). The sector includes commercial banks, specialized banks (Islamic banks, investment banks and agriculture banks), national saving schemes, insurance companies, stock exchanges, leasing companies, development finance institutions, corporate brokerage houses and microfinance institutions. From amongst these sub-sectors, the banking sector, on which our research focuses, currently performs three main functions which include the mobilization of savings, the facilitation of a payment
system and the allocation of funds to stakeholders. According to the World Economic Forum report (2009), banks in Pakistan constitute for 95% of the financial sector and the country is ranked 48 in financial stability and 46 in banking soundness and health from amongst 55 countries included as the unit of analysis in this report.

The recent history of Pakistan’s banking sector can be divided into three distinct evolutionary stages, namely pre-nationalization (1947-1974), nationalization (1974-1991) and privatization and deregulation (1991 onwards). Each stage presented different challenges for the development of the banks in both financial and management terms. After its independence in 1947, the first issue the State Bank faced was the creation of the national banking system for which it recommended the institution of a banking institution to serve as an agency to the State Bank. This resulted in the establishment of the National Bank of Pakistan under an ordinance in November 1949; this bank became sufficiently strong by 1952 to take over the agency function previously performed by the Imperial Bank of India. Further, in 1962, a comprehensive banking law was formulated to guide the development of the banking industry and to ensure that the interest of the depositors was guarded.

In the early 1970s, under a second stage of nationalization, fourteen domestic commercial banks were consolidated into five banks which were all put under government ownership. Subsequently, a Pakistan Banking Counsel (PBC) was established to monitor the nationalized banks and the State Bank of Pakistan continued in the role of the regulator. Some objectives of the nationalized banks were to distribute credit fairly, direct lending to certain developing sectors, improve efficiency of the banking sector and abolish mal-practices (Nawab et al. 2010). However, it became clear by the end of the 1980s that the banking sector was failing to achieve these objectives and instead the banks were catering only to the needs of the government organisations. Further, the nationalization period witnessed an increase rather than a reduction in the mal-practices due to intervention by the political and industrial elite in the society. As a consequence, the small and medium enterprises, the housing sector and the agricultural sector were ignored and individuals in the middle class and the low income group had
limited access to credit. The flow of credit was directed to meet the credit requirements of the 21 influential industrial and feudal families, who had by then started to dominate the economic activity in Pakistan (Baig, 2000)

The state owned banking sector faced many problems as it was protected from competition, had budgetary constraints and suffered from significant political influence. These problems included over branching, high administration costs, poor customer service, over-staffing, poorly trained human resource, under-capitalization, small product range and a huge portfolio of nonperforming loans (NPL) because of a low recovery rate (Akhtar, 2007). In addition, the banking industry was taxed at a high rate of 58% compared while the rest of the corporate sector that paid 35% taxes only. These problems resulted in increased operational costs for the banks and reduced their efficiency, thereby negatively affecting the returns. According to the World Bank (1996), the banking sector in Pakistan with approximately 50 customers per employee, was overly-staffed compared with any other county. In the scenario described above, an economic reform programme was launched by the Government of Pakistan under which the Nationalization Act was amended and the ownership of the banks started shifting from the public to the private sector. Starting in 1991, a policy of deregulation and privatisation was implemented. According to Khan (2007) this policy was aimed at enhancing the performance and strengthening the position of the banking sector.

In Pakistan, banks were privatized for two reasons: (i) to improve the efficiency of the banking sector and; (ii) to meet the requirements for funding by The World Bank and the International Monetary Fund (IMF) (Nawab et al., 2010). They add that the aims of privatization included improvement in the operations, allocation of resources due to greater competition, reduction in the political influence which had introduced inefficiencies and strengthening of the weak corporate governance structures.

The privatization of the banks was managed through different mechanisms; Muslim Commercial Bank was sold to the National Group for a price of Rs. 838.8 million and as part of the agreement the first 26% of shares were sold to MCB management and 25% of the shares were floated to the public. Unlike MCB,
Allied Bank was not bought by a strategic partner but was instead sold to the management by offering employee stock ownership plans. In September 1991, about 26% of shares were sold to ABL employees and in August 1993 another 25% shares were sold to ABL management. In parallel with the privatization policy, the government also started deregulation of the banking sector due to which ten new banks were given licenses to start their operations in 1991 (Baig, 2000).

In addition, to ensure smooth transition of the public sector banks to the private sector, professional bankers from the private sector and foreign banks (within Pakistan and abroad) were appointed to restructure the banks and to prepare the ground work for privatizing the. The Banking Companies Ordinance (1962) and the State Bank of Pakistan Act (1956) were reinstated to restore the powers of the central bank that strengthened its control and supervision of the banks and ensured the development of corporate governance frameworks for the banks. After the introduction of the reforms, banks were allowed to lend to small private enterprises and to introduce new segments, products and services like consumer banking and mortgage financing (Hussain, 2005).

Moreover, to make the privatization policy successful, the Government of Pakistan in the late 1990’s injected Rs. 56 billion into the public sector banks and closed over 2000 unbanked branches (Ibid., 2005). These branches were located in far flung rural areas and essentially existed only on paper. By the end of 2002 the banking sector had completely transformed (refer to table 3.8). The share of the private sector banks increased to 45.5 % and that of the public sector fell to 41.3 % from 92.2 % in 1990. The share of the public sector banks in the deposit base of the banking system also reduced to 43.5%. This pace of transfer of ownership from the public to the private, in the banking sector is almost unparalleled across Asia Pacific and probably globally (Merrill Lynch, 2006). By June 2010 the banking sector comprised of 47 commercial banks which included seven foreign banks, 26 local private banks, four public sector commercial banks, four specialized banks and six Islamic banks. These banks had a total of 9,087 branches throughout Pakistan.
Table 3.8: Dynamics of the banking sector in Pakistan

<table>
<thead>
<tr>
<th></th>
<th>Number</th>
<th>Amount in Rs. (billions)</th>
<th>Share in percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public</td>
<td>7</td>
<td>5</td>
<td>392.3</td>
</tr>
<tr>
<td>Private</td>
<td>16</td>
<td></td>
<td>968.3</td>
</tr>
<tr>
<td>Foreign</td>
<td>17</td>
<td>17</td>
<td>33.4</td>
</tr>
<tr>
<td>Total</td>
<td>24</td>
<td>38</td>
<td>425.6</td>
</tr>
<tr>
<td><strong>Deposits</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public</td>
<td>7</td>
<td>5</td>
<td>329.7</td>
</tr>
<tr>
<td>Private</td>
<td>16</td>
<td></td>
<td>754.2</td>
</tr>
<tr>
<td>Foreign</td>
<td>17</td>
<td>17</td>
<td>24.9</td>
</tr>
<tr>
<td>Total</td>
<td>24</td>
<td>38</td>
<td>354.6</td>
</tr>
</tbody>
</table>


3.5. The role of the State Bank of Pakistan during the privatization stage

Here we discuss the initiatives undertaken by the State Bank of Pakistan to strengthen the operational and management capacity of the banking sector. The initiatives broadly fall under three categories, namely operational reforms, management reforms and regulatory reforms. Wide-ranging reforms were introduced by the SBP to ease the process of privatization in the banking sector and as a first step it focused on restructuring the banking operations and deregulating the sector (Akhtar, 2007). As a consequence of the deregulation policy, in 1990 the SBP reduced the barriers for entry of new banks and issued a large number of licenses which allowed foreign banks to establish local subsidiaries while keeping a strategic holding of 49% shares. The SBP also made compulsory an investment of USD 5 billion for foreign banks to initiate their operations and they were allowed to fully own their subsidiaries. As highlighted in chapter two, the foreign banks had far reaching implications for the domestic banks in terms of the HR policies, procedures / processes and systems.

In the category of operational reforms, the SBP removed the ceilings and floors on the interest rate and abolished the concessional lending schemes from which the elite feudal and ‘21 influential’ families had benefitted in the nationalization era.
According to Akhtar (2007) and Hussain (2005), for the facilitation of debt recovery, the State Bank of Pakistan in collaboration with the Government of Pakistan established the Committee for Revival of Sick Industrial Units (CRSIU) and the Corporate and Industrial Restructuring Corporation (CIRC).

Further, to expand the reach of the banking sector to the under privileged / under represented sectors and segments of the society, the SBP took measures to encourage microfinance banking and Islamic banking. The SBP supported the microfinance ordinance 2001 and provided strict regulation and legal framework for the microfinance banks. Till now the SBP has allowed operations of six microfinance banks and has supported Islamic banking by allowing five Islamic banks to operate as specialized banks. This led to an opportunity for the commercial banks to diversify into new product markets like Islamic banking and to target low income depositors and small investors / entrepreneurs.

Further, a detailed set of guidelines on risk management were issued by the SBP to provide guidelines to banks in securing themselves from risks; these guidelines aid in identifying, measuring, monitoring and controlling risks (SBP, 2007; Akhtar, 2007). To enhance operational efficiency, the SBP introduced technology into the banking operations which optimized the performance of the banks. The technological initiatives included putting the Credit Bureau online and providing an e-solution to reconciling the gross settlement in real time (RTGS), establishing a shared ATM network and e-clearing house and the introduction of online automated branches to collect utility bills, payments and remittances which reduced both time and cost for the customers and the banks.

In the category of management reforms, for effective liberalization, the SBP introduced a comprehensive regulation and best management practices guide which was consistent with international standards. It also created a criterion through which it instituted professional management in the banks and monitored the appointment of board members. Moreover, for enhancing management efficiency of the banks, the SBP initiated a four step plan which included the establishment of a management team, induction of board of directors, appointment of external auditors and appointment of supervisors by the banking regulator (SBP Review,
Further, to increase the transparency in the banks, the SBP ensured that the code of ethics and other corporate governance reforms was followed in accordance with the International Accounting Standards and it directed banks to release financial statements to the public on a quarterly and half yearly basis.

In the category of regulatory reforms, the Committee for Revival of Sick Industrial Units (CRSIU) and the Corporate and Industrial Restructuring Corporation (CIRC) were formed to regulate the recovery of non-performing loans; as a consequence debt amounting to Rs. 15.1 billion was recovered. In addition, a cell of the National Accountability Bureau (NAB) was established in the SBP to process the cases of wilful defaulters. Also, banking courts were established for speedy disposal of bank default cases, the SBP passed an anti-money laundering law and introduced a new corporate bankruptcy law (Akhtar, 2007). Moreover, the SBP has started banking surveillance to keep a strict check on the banks and for the first time in the history of Pakistan the banking license of one of the commercial banks which was found in violation of the prudential regulations and norms was cancelled after following due process (SBP, 2010).

3.5. Character of privatization in the banking sector

To assess how the banking sector may have altered its development, we highlight the effects of the initiatives undertaken during the privatization era, in this section. Extant research suggests that the positive effects of privatization such as efficiency, competition and improved processes emerge over the long-term. Hence Khalid (2006) states that it would be erroneous to conclude that privatization did not add any value in the case of Pakistan. Further, empirical research by Burki and Ahmad (2010; 2011) shows that in the long-run, through effective corporate governance mechanisms privatization can indeed add value to the banking sector in Pakistan.

Under the reforms, five public sector banks launched their voluntary separation schemes and approximately 21,996 bank employees were released under these schemes, between 1997 and 2003 (Khan et al., 2011). The overstaffing in branches, over the years was due to the pressure placed by the ruling political and feudal elite who got their own people hired in the banks. In return, these individuals patronized them (politicians and feudal), by sanctioning their loans; this
resulted in the non-performing loans (defaulters) that affected the profitability of the public sector banks (Ibid., 2011). Thus, to rationalize the cost structure of these banks 814 non-performing bank branches were closed in the first phase and then from 2001 to 2003 another 1,122 branches were closed.

These reforms transformed the banking sector into an effective and competitive one; according to a World Bank report, the banking sector in Pakistan is given second rating in performance amongst South Asian Countries. Further, according to (Saleem, 2009), Pakistan’s banking sector has remained remarkably strong and resilient, despite facing pressures emanating from weakening macroeconomic environment since the late 2007. Fitch Ratings (Ibid., 2009) describe that the Pakistani banking system has gradually evolved from a weak state-owned system to a healthier and active private sector driven system over the last decade. However, in 2008 due to the overall decline in the economy and growth rate of the country, the banking sector witnessed a slowdown in its growth rate and in October 2008, the deposits fell to Rs. 3.67 trillion.

A total of 12 mergers between various banks took place between 2000 and 2005 and a total of 40 mergers have taken place till now (Hussain, 2005). The SBP facilitated the merger and acquisition of small struggling and sick banks and many foreign banks, for financial stability. This led to a change in the banking sector as the number of private banks increased and the number of state owned and foreign banks reduced. According to Khan et al. (2011) these mergers and acquisitions aided banks to meet the requirement of minimum paid up capital but they lead to downsizing causing low employee motivation levels.

In the last decade (2000-2010) the banking activities expanded in four major sectors. These include corporate, small to medium enterprises (SMEs), agriculture and consumer banking (SBP, 2011). This review reports that the support provided to SMEs was due to their contribution to employment generation, poverty alleviation, GDP growth and their success rate in other developed countries. A Small and Medium Enterprise (SME) Bank was established to develop new products and programmes for loans and new credit appraisal and documentation techniques. Additionally, agriculture is an integral part of Pakistan’s economy as it
contributes approximately 66% of the total earnings of the rural population and around 60% of Pakistan’s exports. This sector constitutes 21% of the GDP and 43.4% of the total employment generation (Burki and Ahmed, 2011). Initially, only specialized banks like the Zarai Taraqiati Bank were catering to the agricultural sector but realizing the importance of this sector SBP authorized 14 domestic, commercial banks to deal in the agricultural loans. Consumer Banking was as segment in which the banks had not penetrated in the past but to benefit from the increasing purchasing power of the population till 2008, the commercial banks started expanding in this sector (SBP, 2010). This resulted in more people having access to consumer items on instalment basis. Further, the banking sector continued to introduce new products and services to expand their product range; foreign banks were able to become a significant player in this sector because of the advantages from their global presence, use of superior technology and experience (Merrill Lynch, 2006).

3.6.1. Effects of privatization on the human resource management function and practices
In this section we specifically focus on the effects of privatization on the HR function and its related activities, in the banking sector of Pakistan. The discussion brings into focus issues such as employment opportunities, the emergence of an educated workforce, the inclusion of foreign experienced employees in senior management positions, the role of the newly introduced HR practices like recruitment and retention for example and the challenges introduced by technology. Where possible, examples of privatization and its affect on HRM in other Asian countries like India and Bangladesh are also integrated in the discussion. In Pakistan, post-privatization, the performance of the local banks was overshadowed by the foreign banks; the weak performance of these domestic banks was a result of the outdated systems and the inefficient resource allocation over the past decades of nationalization (Burki and Niazi, 2009).

Related to the issue of job opportunities / employment, the effects of privatization on employees appears to have rarely been given due recognition in empirical research which predominantly focuses on those implications of privatization which relate to efficiency and profitability. This can be attributed to the fact that it is very
difficult to measure the effects of privatization on employees (Galal, 1994) as the related evidence is yet unclear. The impact on labour can be measured quantitatively using measures such as the number of employee layoffs, number of new jobs, amount of salary given and qualitatively using measures like working conditions. There have been concerns in the past that privatization leads to a reduction in the employment figures but many studies have proven otherwise. According to Galal (1994), in most cases workers usually get the net welfare gains as even the laid off workers are protected through social security programmes. Additionally, Boubakri and Cosset (1998) suggest that there has been a record increase in the employment, up to 10% in 57% of the privatization cases and Megginson et al., (1994) contend that two thirds of the companies examined (61 companies in 18 countries) increased employment by 6% after privatization. On the other hand, evidence exists of huge layoffs and decrease in employment due to privatization, at least initially. Nonetheless almost always, privatization eventually leads to development and growth, new job opportunities and increased productivity.

In Pakistan, the government took measures to cushion the effect of privatization on employees and in 1991 it signed an agreement with the All Pakistan State Enterprise Workers Action Committee to safeguard the interest of the workers (Khan et al., 2012). However, there was initially a large impact on the labour because the state owned enterprises were usually overstaffed, with some employees hired in contravention of the HR practices; they were given high salary packages and benefits. After privatization, banks took measures to establish HR departments on modern lines and hired qualified employees but their HR departments faced many challenges to remove the overstuffed employees (SBP, 2006) while trying to balance the effects on employee motivation.

Later, (in 2007) with the on-set of the global financial crisis and political unrest in the country, the banking sector became stagnant and economic growth declined; to contain costs in this environment, the large banks trimmed their workforce to lower their operational cost. For example, one public sector bank brought the average number of employees per branch down from 9.8 to 8.8 in 2009 and another decreased it 12.5 from 16.7. However, the private domestic banks and foreign
banks that were following a growth strategy and were not overstaffed, raised the employees per branch, hired new employees and opened new branches and their business focus shifted from urban to rural areas.

On the issue of an educated workforce, the sudden increase in qualified professionals in the industry was a consequence of the educational reforms which took place in Pakistan between 2000 and 2010 (Khan et al., 2012). In 2001, the education budget was increased for the first time and this continued to rise until 2008. New universities and colleges were issued charters and the Higher Education Commission of Pakistan (HEC) was created. Incentives were provided to the private education sector which resulted in an increase in the number of universities and colleges in different areas, especially in the fields of engineering, medicine, chartered accountancy and business management.

Further, post-privatization a new category of employees entered the workforce. They were Pakistani origin workers who had spent a large period of their career working abroad (Hussain, 2007). Many new banks were sometimes forced to hire complete management teams from other banks at double salaries and they pursued experienced and dynamic individuals aggressively, to join their banks. Because of the higher salaries, experienced bankers from foreign banks returned to Pakistan at senior positions. Eventually the new and more educated workforce led to the changes in the way the HR departments worked and the responsibilities they were given to perform. One of the major changes in the HR processes after privatization was the implementation of a merit based system for recruitment. This area was previously neglected due to bureaucratic procedures and political intervention.

Furthermore, as a result of privatization and deregulation, the number of banks increased and due to the competition employee retention became one of the biggest challenges for HR departments of the banks. Additionally, according to Bhatti and Qureshi (2007), effective HRM practices are one of the most compelling factors that determine employee retention and satisfaction, especially in the Telecommunication, Oil and Gas and Banking sectors of Pakistan. Khilji and Wang (2006), Khalid, (2006) and Khan et al., 2012 support this view and state that the most powerful indicator of good employee performance in the banking sector
of Pakistan were the emerging effective HRM systems that built an environment of trust, support and commitment for the employees, through good leadership, merit based systems and fair policies. They add that many banks in Pakistan, regardless of their ownership, implement quite similar HRM policies that are considered the best practices implemented in the west. However, even the presence of these policies did not ensure organisational success because there was a significant difference between the intended best HRM practices and the actual applied HRM practices in the banking sector. Moreover, growing intra-group conflicts among the employees in different commercial banks in Pakistan (post-privatization) appear to be affecting organisational performance (Afzal, et.al, 2009). The conflicts emerged as a consequence of the newly inducted employee workgroups (foreign bankers, young and more educated employees) at various hierarchical levels in the banks. The incumbent employees who had been working in the sector for decades viewed the new comers as threat to their survival and progress.

Also, with new technology and increased global competition, the banking faced the challenge of integrating technology into HR processes and systems which had by then become a necessity for developing and implementing HR practices. The inadequate attention on introducing technology oriented products, services or processes can be attributed to the labour force which was not trained and experienced enough to handle the transition (Anon, n.d.) towards increased market pressures including competition, consumer satisfaction and innovation. In the past, due to the slow technological growth, especially post-liberalization of the banking sector, there were inefficiencies in the sector (Rizvi and Khan, 2002) related to the adoption of new technological processes to facilitate the use of internet banking (Khan, 2007).

We look at the experience of privatization in the banking sector of India and Bangladesh to substantiate the findings emerging from the literature reviewed in the context of Pakistan’s banking sector. In the Indian banking industry, which witnessed similar challenges, greater success of the private and foreign banks as compared to the public and old private banks occurred due to the high profit per employee ratio. Other factors included the increased use of technology in banking operations and better salary packages; these factors enabled the banks to offer
better products / services and to attract talented employees (Uppal, 2011). Additionally, faced with the common challenge of growth in technology applications, employers and unions in India that had experienced less favourable relations in the past, mutually focused on building HR systems to promote organisational commitment and improve performance (Mankidy, 1996; Sathye, 2005). In the case of the Bangladesh banking industry, the privatization initiative not only led to attracting the right people with the relevant qualifications but it also strengthened the HR practices and systems to inculcate a culture of learning and growth, to train employees for the changing market conditions (Rehman, 2012).

3.7. Conclusion
In conclusion, a review of literature specific to Pakistan highlights some important aspects related to this research. Firstly, the statistics presented emphasise that if institutions are strengthened and corruption is controlled, there is a potential for Pakistan to grow as an emerging economy. This is because it has a population of 180 million which provides a large consumer market for organisations and it has the resources to attract foreign investment. The economic situation assessed showed that till 2006-2007 the major economic indicators illustrated a positive trend, there was a shift towards the service sector from the traditional agricultural sector and structural deficiencies were improved through privatization, legislative acts and investment in human resource development. Further, extensive liberalisation and privatization in the telecom and banking sector resulted in increased FDI in these two sectors despite an overall decline in the rate of FDI. In the years subsequent to 2006-2007, the unemployment rate increased steadily while the economic indicators started to decline. However, the education sector continued to show improved performance with many schemes launched for the return of educated Pakistanis abroad and other schemes providing the public at large, with scholarships (after due process) for higher studies, across major disciplines in foreign countries. In a similar attempt the sectors that were being privatized and deregulated tried to attract educated Pakistani professionals working abroad.

Just as was witnessed in China and other developing countries, including India, the MNCs played an important role in defining the emerging corporate culture in
Pakistan. Studies on outcomes of privatization in India found that increased competition (post-deregulation and privatization) led to the adoption of modern management philosophies and modern HR practices (systems). In general, the modern corporate culture in Pakistan appears to be emerging from a history of bureaucratic and formalised management processes that rely on strict hierarchy, centralised HR processes, rules and regulations and encourage seniority and experience. This history stems from the cultural / religious outlook of the society and a cultural norm of high power distance. Further, the HR function appeared to be in the developing stages in Pakistan with senior managers developing HR policies and a lack of incentive for them to develop the young employees.

Related to the banking sector in particular, the discussion in this chapter highlights three distinct stages in its evolution. In the pre-nationalization stage, the state banking regulator (SBP) and the big five banks were established but in the nationalization stage, they were placed under the public ownership, on the pretext of operational inefficiencies, lack of security for depositors and inequitable distribution of public wealth. However, after the initial one to two years, there was evidence of an increase in mal-practices due to interventions by the elite politicians and industrialists, overstaffing of the bank branches, poorly trained HR, ignored customer services and the flow of credit to few specific segments of society.

In the post-privatization stage, there was an increase in the share of foreign and private banks while the public sector banks witnessed a decreased market share from 92.2 percent to approximated 45 percent. Additionally, the SBP introduced reforms in the operational management and regulatory sphere due to which competition increased, many mergers took place and technology was introduced in the banks that resulted in the opening up of new markets and product segments. Further, corporate governance frameworks were introduced, appointment of BoD and management committees was made transparent, banking courts were established and independent audit committees were introduced.

In the area of HR reforms, HR departments were established in the domestic banks on modern lines, merit hiring practices were introduced and the adoption of best HR practices that were quite similar across the banking sector occurred. There was
however, a gap evident in the intended and actual HR practices. There was also an emergence of different employee categories in the domestic banks primarily, that included young, professionally qualified employees and professional bankers who returned from foreign banks and countries to work in Pakistan. However, this resulted in intra-group conflict between incumbents and new hired employees in the long established public sector banks where employees had been employed for decades. The two challenges that confronted the HR departments at the on-set included downsizing in the privatized banks that were overstaffed due to non-merit hiring and the introduction of technology in most domestic banks in the sector because of the out dated skill-set of employees. Similar lessons from privatization and deregulation in the banking sectors of India and Bangladesh (in the same region as Pakistan) also emerged from a review of the relevant literature.

Thus, it would appear from the above that there was a strategic need for policies of privatization and deregulation in the banking sector of Pakistan but the resulting structural and operational changes brought with them many operational and human resource management challenges that continue to confront the banks. However, the rapid growth of technology at the turn of the century, along with political and economic instability in the country and an apparent incongruence between applied and intended best HRM practices coupled with international and domestic competitive market pressure present challenges for the banks.
4.0. Research background

The research was designed to understand the HR function and the evidence for the presence and extent of a strategic role performed by the HR function in the case-study banks in Pakistan. Furthermore, it sought to examine the influence of devolution, HR structure and HR skill-set on the strategic orientation of the HR function by interrogating data collected from a sample of eight case-study banks. We consider in particular, the evidence which indicates the presence of a strategic role that is diversely defined in literature (Brandl and Pohler, 2010), through certain dimensions considered as the indicators of a strategic HR role. Also of interest is the level of the devolution of HR activities to line management which is premised on a priori information, to influence the strategic orientation of the HR function’s role (Brandl et al., 2009; McGuire et al., 2008; Renwick, 2003). In a similar vein the HR function’s structure and the skill-set of the HR employees is examined to identify their influence in shaping the role of the function.

The objective of this chapter is to discuss the methodology adopted to collect, analyze and report data in this research. A predominantly qualitative approach was employed, involving the design of a case-study methodology and the undertaking of 85 semi-structured interviews with HR Managers, senior managers, line managers as well as industry experts, in order to provide multiple perspectives and to cater for the variation in views of different stakeholders. This chapter is divided into eight sections; the first four sections discuss the rationale for the study, the research design, philosophical orientation and the case-study methodology adopted for conducting the research. The remaining four sections describe the use of the interview technique, the measures adopted to assess qualitative research, the ethical considerations and the techniques used for data analysis.

4.1. Rationale for study and research questions

Truss et al. (2002) emphasise the need for an extensive study for the interpretation of HR roles in the context of other internal and external factors which shape these changes. Research on the HR function’s role orientation has so far been conducted
primarily in the U.S. and European settings (developed economies). However, in the case of Pakistan, no study which comprehensively investigates the HR roles or the orientation of the HR function, in the context of the internal and external factors that influence the role HR adopts, has been conducted thus far. Hence, this gap in literature makes the topic an interesting choice to study and the context of Pakistan a contribution to existing research on HRM. To the best of our knowledge only a few studies have been conducted in the general area of HRM in Pakistan (Khilji, 2012; Khilji et al., 2010) and none specifically focuses on the strategic nature of the HR Function’s role orientation. Rather, previous research on HRM in Pakistan focuses on the type of HR practices being employed (Khilji, 1999;2001) and the modes of convergence and/or divergence for these HR practices in the global context (Khilji, 2002).

The rationale for selecting the banking industry to conduct the study lies in the significant transformation it underwent between the mid 1990s and late 2000 which resulted in significant changes in the HR function as well. Banking was considered to be one of the most dynamic and growing sectors in Pakistan because of the combined effect of a comparatively stable political environment and improved economic conditions between 2000 and 2008. For the banking sector this meant a rapid growth, entry of new banks due to the deregulation policy and an increased level of competition with privatization of the big nationalized banks. Consequently, the banks embarked on a reforms agenda in general which included massive restructuring in organisation design and the implementation of the new policies. These policy changes also impacted the HR department of the banks that introduced considerable changes which included new HR policies and practices. We examine a sample of eight case-study banks operating in Pakistan in order to draw a direct comparison and identify the similarities and differences in the current state of the HR function and the extent of its adoption of a strategic role orientation. The research aims to answer the following questions:

1. What is the current state of the HR function in the banking sector of Pakistan and to what extent, if at all, is it performing what can be termed a strategic role?
2. How has the devolution of particular HR responsibilities to line managers (if at all), influenced the HR function’s intent to attain a strategic role orientation?
3. How have the characteristics of the HR structure and the HR skill-set influenced the strategic role orientation of the HR function?

4.2. Research design strategy

The choice of a certain research methodology has profound implications for any research. There is a great demand, especially in the field of management sciences for research which builds knowledge of a phenomenon within a contextually rich environment (Schell, 1992) which is what we attempt to do in our study. According to Saunders et al. (2007) there are two types of research strategy namely quantitative and qualitative research. The link between theory and research can be developed by reasoning it through the inductive or deductive approach. In the deductive approach a valid conclusion is drawn by following logical steps but in the inductive approach different cases are studied leading to generalized results (Sekaran, 2009). Quantitative research is deductive in nature and focuses on testing a particular theory while qualitative research is inductive in nature and leads to theory generation (Teddlie and Tashakkori, 2009). The deductive nature implies that the researcher on the basis of known knowledge of a particular domain infers a hypothesis that is then subjected to empirical analysis (Bryman, 2001, p. 8). The hypothesis is then translated into researchable entities which dictate the form of data that should be gathered; hence the sequence of steps is well defined.

Conversely, the inductive approach illustrates theory as the outcome rather than the starting point of the research and involves the establishing of general propositions based on observed facts while allowing for the findings to emerge from the recurrent and dominant themes in the data. In our research the lack of much published data limited the availability of any theoretical framework or empirical findings in the context of the role of the HR Function in Pakistan and the factors that influence this which justifies a greater reliance on the inductive approach. The adoption of this approach aligns with the use of the inductive approach suggested by Bryman (2001) in the cases where wealth of previous knowledge in the form of literature is inadequate. However, an element of the deductive approach also exists in our research because the key themes and variables used in developing the questionnaire were identified from extant literature of the HR Function in the Anglo-Saxon context. Predetermined categories were developed which represented various themes and sub themes prior to
the interviews; these were derived from questionnaires in extant literature which is an example of the incorporation of the approach of deductiveness. A combination of both the approaches conforms to the position adopted by Saunder et al. (2007, p. 489) who state that ‘while you may commence either an inductive or deductive approach, in practice your research is likely to combine elements of both’ (p.489). Also Bryman (2004) and Ghauri and Gronhaug (2005, p.16) suggest that both the deductive and inductive approach may be considered mutually inclusive because no research can purely be grounded in either of the choices. Comprehensive and rich data was generated through primary and secondary sources from the eight case-study banks.

This particular research is primarily qualitative in nature. Broadly defined, the qualitative research strategy usually emphasises words rather than quantification in the collection and analysis of data (Bryman, 2004) because researchers are searching for understanding and extrapolation to similar situations. Quantitative researchers on the other hand seek cause and effect relationships, prediction, and generalization of findings (Hoepfl, 1997). Since the objective of this research is to understand the extent of the strategic role orientation of the HR Function and how the HR structure, HR skill-set and the relationship of HR with line managers influences the orientation of the Function, the qualitative approach appeared more appropriate. Further, Yin (2003), also propose the adoption of the qualitative research strategy when the aim of a study is to understand phenomenon rather than to investigate cause-effect relationships. Also, the qualitative strategy was chosen because it allows for enhanced understanding of the phenomenon under study by incorporating multiple stakeholder views through in-depth interviews. In this research the views of the participants which include the perceptions of HR, senior and line managers directed our understanding of the current state of the HR Function and its role orientation (operational or strategic). Further, Silverman (2000) posits that qualitative research methods are soft, flexible, subjective, political and grounded. Aligned with this position, we contend that to explore the how questions a flexible approach was required and in addition the subjective and political nature of the qualitative approach benefitted our aim to highlight the nuances, tensions and conflicts between the banks examined and the different stakeholders interviewed.
Further, qualitative research studies are usually rich with details, offer intriguing insights through the participant’s experiences of the world and hence result in thick and rich descriptions (Stake, 1995; Bryman and Bell, 2003; Eisenhardt, 1989). These benefits of the qualitative approach underline our selection for the following reasons: (i) since the phenomenon under study is of contemporary nature and on which not much theoretical or published data is not available, the past experiences of the participants narrow the historical gap related to the developments in the three main thematic areas explored (HR role, structure and skill-set and devolution and HR-line relationship); (ii) the qualitative approach allows for obtaining the finer details which aid in providing the context for the study; this approach enables the ability of replicating the data in different contexts and situations and facilitates the use of the case-study method that allows for obtaining contextualized data.

The qualitative design was operationalized in our study by collection of data through the semi-structured interview technique. This technique allows for obtaining large amounts of data which is beneficial in developing thick descriptions and is essential for exploring contemporary issues in under researched contexts. In this case the contemporary issue was the extent of the strategic orientation of the HR Function and the context was a developing, Asian country (Pakistan) where very few studies on HRM have been conducted previously. The qualitative approach complements our aim to develop a deeper understanding of the complex phenomenon which involves the study of the current state of the HR Function in the banking sector of Pakistan, the extent of its strategic orientation and the role of the HR structure, skill-set and devolution of HR responsibilities to line management (which defines the HR-line relationship). Further, the definition of the strategic role of the HR Function is beset by contested and contrasted perceptions which requires an improved understanding.

4.3. Philosophical grounding of the research

Epistemology is a branch of philosophy concerned with the question of what is (or should be) regarded as acceptable knowledge in a discipline (Bryman, 2004). There are various epistemological positions addressing the issue of how the social world can be studied and whether the same principles, positions and ethos used in the natural sciences are applicable to the social sciences. According to Bryman (2001, p.20) the qualitative research methods are grounded in the philosophical positions of
interpretivism and constructionism (Bryman 2001, p.20) which is the position adopted in this research. The significance of positioning the research in a philosophical paradigm is important because it affects the choice of methodology adopted (Easterby-Smith et al., 1991; 2002) and forms the underlying basis for supporting the arguments which validates the research strategy Schell (1992). According to Schell (Ibid., 1992)) the dividing line between the methodological and epistemological arguments is indistinct yet not perfectly correlated (p. 8).

A prevailing epistemological position which asserts the importance of imitating the natural sciences is positivism. Positivists emphasise that only that which can be observed constitutes knowledge (phenomenalism), that theory should be used to generate testable hypotheses which can be tested (deductivism), that research must be conducted in a value free manner and that knowledge is arrived at through gathering facts that provide the basis for laws (Johnson and Duberley, 2000; Easterby-Smith et al., 1991). On the other hand, interpretivism is an epistemological position subsumed by critics of the positivist theory who disagree with the application of the scientific model to the study of the social world. They believe that since the subjects of natural science research are fundamentally different, the social scientist needs to employ different methods in order to understand them. The study of phenomena in their natural environment is vital to the interpretivist philosophy which stresses that scientists cannot avoid affecting the phenomena they study. Unlike the positivist approach, the interpretivist approach is mainly concerned with observing the details and understanding the reality of the world from the subjective experiences of individuals (Remenyi et al., 1998). This philosophical stance particularly suits our research because we aim to understand the extent to which the HR role was able to achieve a strategic orientation (if at all) and how the different influencing factors either facilitated or impeded this aspiration / intent of the HR Function. In this case to arrive at law like generalisations was not the focus but exploring the phenomenon in a fairly under researched context and with views of multiple stakeholders to build thick descriptions (Stake, 1995) was the aim. To avoid the limitation of revelation of the subject of study due to the emphasis on context in interpretivism, pseudo names were given to the banks studied and the idiosyncratic titles were replaced such as the use of ABC to denote a particular division in a case bank.
Related to the ontological position adopted by a study Hartley (2004) state that it influences the framing of the research questions and hence the methodology applied for data collection. The qualitative research lies in the ontological foundation that reality is a type of projection of imagination, the point of view of the researcher or at least one of the subjects being investigated which can be examined through insights and subjective processes (Schell, 1992). Ontology is a branch of philosophy concerned with the nature of social entities, whether they have a reality external to that of social actors or whether they should be considered as social constructions built up from the perceptions and actions of the social actors. Ontology seeks to answer the following types of questions: What is being? What is the nature of reality? Is there a reality? Objectivism is an ontological position that asserts that social phenomena and their meanings are beyond our reach or influence while constructionism is an alternate ontological position that states that social phenomena and their meanings are continually being created and revised by social actors. Constructionists believe that they ‘construct’ meaning based on the interaction of the subjects of the research with their surroundings. This research is closely aligned with the constructionist philosophical view because apart from the formal organisational structures, policies, process and practices, we explore the views of HR, line and senior managers on how they perceive the HR Function to have changed in its role orientation (if at all) and how in their view, the relationship between the HR structure, skill-set and devolution appears to shape the reality we seek to understand.

4.4. Research approach: The case study method

After deciding the epistemological position the next step is to select a research approach. One of the most flexible instruments of research is the case study method which allows ‘the researcher to retain the holistic characteristics of real-life events while investigating empirical events’ (Schell, 1992). Further, it is in fact a comprehensive research strategy and it covers the logic of design, data collection techniques and specific approaches to data analysis (Yin, 2003) against the common criticism that it is a data collection tactic or merely a design feature. To decide whether the case study method is suitable for research or not, the research question must be categorized into either “who,” “what,” ”where,” “how,” and “why.” The “what” category question can be further categorized into two categories: the “exploratory what” and the explanatory what which seeks to answer the “how many”
or “how much” line of inquiry. Moreover, the “exploratory what” category which investigates the questions of “how” and “why” is stated to best suit the case study method approach. This is because the why and how questions are concerned with the operational links that need to be traced over time rather than mere frequencies or incidence (Ibid., 2003). The case-study method is unlike the survey method which is generally considered preferable to answer questions of what, where and how many targeted at collecting the frequency of the happening of events (Yin, 1994).

The characteristics of the research questions of our study fit the case study design approach (above) as proposed by Yin (2003). Our research is focused on enquiring what the current state of the HR Function is in the banks examined and the extent of the strategic role orientation achieved by the HR Function. As described in the preceding paragraph, in our research, the ‘what’ question aims at understanding the deeper issues of how and why the HR Function achieved the extent of strategic role orientation (if at all) rather than providing causal explanations with the aid of numerical figures of the number or types of events that led to the current state of the HR Function. In addition we also investigate the supporting questions of how devolution, the HR structure and the HR skill-set may have influenced the extent of strategic role orientation achieved by the HR function.

Our study employed a case based qualitative research methodology which was chosen above the other strategies primarily to develop a deeper insight and rich understanding of the research phenomenon and to enable the researcher to explore the underlying patterns and trends which would not have been apparent otherwise. Also, Yin (2003, p.13) supports the adoption of the case-study approach when the investigation is ‘an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and the context are not clearly evident.’ The contemporary phenomenon in our research is the strategic role orientation of the HR Function in the banking sector in Pakistan which is a developing nation. A reflexive approach was employed in our research which according to Burawoy (1998) enables the extraction of a general view from the unique and moves from the micro to the macro and thus connects the past to the present in anticipation of the future. Through the views of multiple stakeholders at the micro level emerged a picture of the extent of the role orientation of the HR Function (strategic, operational)
in the case-study banks which described the state of the role orientation of the HR Function in the banking sector of Pakistan at the macro level.

Further, the flexible and iterative nature of the case-study method allows for a deeper insight into the organisational issues where the context has an important role to play. According to Morris and Wood (1991) the case-study method also helps in developing a richer understanding of the data and context of the research and the processes being enacted; hence a more comprehensive picture emerges with multiple perspectives, intricate details and underlying meanings. Additionally, Eisenhardt (1989) advocate the case-study method to be appropriate for research when little is known about a phenomenon and a limited number of studies exist on the topic. Therefore, we deemed the case-study approach to be an appropriate choice in view of the limited research on the human resource function in the context of Pakistan especially from the perspective of the contemporary HR structures, devolution of HR responsibilities to line managers and the skill-set of the HR Function.

We chose a multiple case method which is defined by Stewart (2011) as being investigations of a particular phenomena (or group of phenomena) at a number of different sites; in this research the investigation revolved around a sample of eight case-study banks. The multiple case-study method has the potential to enhance the richness of the findings of the research as the phenomena appears in multiple cases investigated which makes the results more compelling (Yin, 2003), over the single case method which although holistic in nature is limited in the transferability and robustness of its findings. The multiple case study approach is particularly preferred over the single case method because of its ability to ‘act as a powerful means to create theory as the method permits replication and extension of the data among individual cases’ (Eisenhardt, 1989). However this approach limited our attempt to examine more deeply the phenomenon of the strategic role orientation of the HR Function, the willing devolution of the HR activities by HR to line managers and the adoption of the three legged stool structure in especially one case-study bank (GLOBAL BANK) which appeared as somewhat of an exception in all the three dimensions investigated.

Further, Yin (1984) describes cases with a single source of information as holistic cases and cases with multiple sources of information as embedded cases. We used
multiple sources to collect data in order to analyze the phenomenon in detail to report
the contrasting opinions and contested views of the stakeholders. The interviews
conducted addressed multiple levels within the organisation (senior managers and line
managers who were mostly middle managers) as well as multiple stakeholders (HR,
line and senior management). Contrary to the holistic cases which have the potential to
erode the multiplicity and complexity of the perspectives, the embedded approach
followed here highlights these perspectives for greater insights.

We selected eight case-study banks for the purpose of this largely exploratory research
which aims to study the extent of the strategic role orientation of the HR Function and
the influences of devolution, HR structure and HR skill-set on the role orientation.
While there is no ideal number of cases to be examined in a study, based on
Eisenhardt (1989) who recommended between four and ten organisations, we selected
eight case-study banks to balance for the robustness of the research and the resource
constraints. Purposeful sampling was employed in the selection of the case-study
banks considered more suitable by Yin (1994). This catered for the diverse features,
history, size and ownership of the banks in order to enhance the generalizability of this
study across the banking sector to whatever extent possible. On the one hand the
varying sizes of the banks provided greater generalizability to the findings and on the
other hand they allowed for the identification of nuances which emerged as a
consequence. In this study, our aim was to explore a maximum number of banks from
different categories to ensure wider coverage of all sorts of banks which comprised the
sector hence we did not control for the size of the banks; rather size was one of the
factors which influenced the varying outcomes related to changes in the orientation of
the HR Function in the case-study banks (refer to section 8.2.).

Pakistan’s banking sector consisted of a total of 47 banks (at the time of interviews)
and is broadly divided into two categories according to the State Bank of Pakistan (the
regulator), foreign owned and domestic owned banks. Four of the case-study banks
chosen were foreign owned while the remaining four were domestic owned; this
balance was maintained in order to control for the representativeness of the sample
and hence to mitigate any influences that any one category of banks may have had on
the other in terms of the developments and extent of changes across the case-study
banks. In the first phase of purposeful sampling four domestic and two foreign owned
banks were selected. To achieve improved balance of representativeness of data, from amongst the four domestic banks, two of those selected were large in size\(^8\) while the other two were medium sized. Also, to make the sample broad based and representative of all categories of banks, both private and privatized banks (two each) were included in the sample of domestic banks. The two privatized banks which were the large sized domestic banks were formerly nationalized and transferred to the private sector in the last decade as a consequence of the banking reforms and privatization policies of the government. The other two domestic banks which were medium sized were established in the private sector and still continue to operate as such. The two privatized domestic banks are among the largest five banks in Pakistan with 1461 and 1089 branches respectively. Studying these two banks provides a unique perspective as there existed a blend of both old and new HR practices in these banks which highlighted differences in their approach and strategy in comparison with the banks established in the private sector from the outset. This sampling strategy is aligned with the position adopted by Whipp (1988) who states that the case-study method allows for an exploration of and reveals the different adjustments made by employers.

Initially only two foreign owned banks out of a total population of seven in the banking industry in Pakistan were selected but subsequently it was considered appropriate to add another two in the study. The main reason for expanding the sample size of the foreign banks from two to four was to provide an equal representation of foreign banks in the findings and also because their smaller size made it difficult to find an adequate number of interviewees in each category of stakeholders to be interviewed. In the entire banking sector only one foreign owned bank is categorized as medium sized (165 branches countrywide) while the other foreign banks are rather small in size with 11 to 14 branches each. The increase in the sample size of the foreign banks helped in providing deeper insights into this particular segment of banks and a more meaningful comparison with the domestic banks. Table 4.1 illustrates the key features of the selected banks; all the domestic banks have a larger number of branches in comparison with the foreign banks and the banks with a larger branch network also have a larger number of employees. Hence

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\(^8\) Number of branches and number of employees.
our categorization of the banks is not specifically based on the number of branches but also the number of employees which commensurately increase with the branch numbers. For example VINTAGE BANK with 1461 branches has 12600 employees, MODERN BANK with 321 branches has 4000 employees and WESTERN BANK with 14 branches has 490 employees.

Table 4.1: General comparison of the case-study banks

<table>
<thead>
<tr>
<th>BANKS</th>
<th>VINTAGE BANK</th>
<th>CLASSIC BANK</th>
<th>TRADITIONAL BANK</th>
<th>MODERN BANK</th>
<th>GLOBAL BANK</th>
<th>WESTERN BANK</th>
<th>ANGLO BANK</th>
<th>TRANSCO BANK</th>
</tr>
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<tbody>
<tr>
<td>Ownership</td>
<td>Domestic</td>
<td>Domestic</td>
<td>Domestic Private</td>
<td>Domestic</td>
<td>Foreign</td>
<td>Foreign</td>
<td>Foreign</td>
<td>Foreign</td>
</tr>
<tr>
<td></td>
<td>Privatized</td>
<td>Privatized</td>
<td></td>
<td>Private</td>
<td>Owned</td>
<td>Owned</td>
<td>Owned</td>
<td>Owned</td>
</tr>
<tr>
<td>Size</td>
<td>Large</td>
<td>Large</td>
<td>Medium</td>
<td>Medium</td>
<td>Medium</td>
<td>Small</td>
<td>Small</td>
<td>Small</td>
</tr>
<tr>
<td>Branches</td>
<td>1461</td>
<td>1089</td>
<td>200</td>
<td>321</td>
<td>164</td>
<td>14</td>
<td>11</td>
<td>18</td>
</tr>
<tr>
<td>Employees</td>
<td>12600</td>
<td>9300</td>
<td>6000</td>
<td>7250</td>
<td>4000</td>
<td>490</td>
<td>1010</td>
<td>1500</td>
</tr>
</tbody>
</table>

Source: Bank documents

Gaining access to these banks was a huge challenge especially in the beginning despite the fact that one reason for choosing these organisations was their better reputation in terms of sharing information. Initial effort to gain access into these banks met with very little success when official communication channels were used. However, a totally different response was experienced when the top management in all the case-study banks was approached for this purpose. Once this was managed, access to the relevant people improved significantly but with a varying degree of success in the different case-study banks. On a comparative note, the domestic banks were found more forthcoming and open in sharing their policies especially in terms of their manuals, policy documents and reports etc., in comparison with the foreign banks.

4.5. Data Collection: The interview technique

Interviews are one of the primary sources for data collection and arguably the most widely employed method in qualitative research (Bryman, 2004). This study employed the semi structured in depth interview technique to obtain data from 85 participants. The interview is a process of eliciting information about the research topic being studied through the conversation between the interviewer and interviewee which the
latter feel more comfortable with, if they find it relevant with their work (Saunder et al., 2003). The relationship and interaction between the interviewer and the interviewee significantly impacts the interview process (Sekaran, 1984) and the quality of the data collected; it is thus important to gain the confidence of the interviewee to establish trust which is of paramount importance for the interviewee. The feeling of trust allows the interviewee to open up for sharing meaningful information with the interviewer which enhances the richness of the data. Despite the challenges linked with interviews such as their time consuming nature, the potential for researcher bias and indirect filtering / interpretation of the interviewee’s comments / statements (Creswell, 1994) it is still considered a useful mode of data collection. This is because interviews provide greater flexibility during questioning (Bell, 2005) since they allow for follow-up questions to probe for additional information where deemed necessary (Nachmias and Nachmias, 1996) and interviews can provide historical information as well. Also, the interest in the interviewees views as opposed to the researchers concerns (Bryman, 2004) make the interview technique more appropriate for this study.

Interviews can be divided into structured, semi-structured or unstructured. However, the two main types used in qualitative research are unstructured and semi-structured. These two are sometimes encapsulated as qualitative interviews (Bryman, 2004). In such type of interviews the interviewer has significant leverage to go beyond the specified questions in the interview guide. The sequence of questions can be rearranged and based on the participant’s response, new questions can be asked, issues probed and clarifications sought. We used semi-structured interviews in our research as they helped us in collecting detailed information on the underlying factors which resulted in the role of the HR function to achieve its existing state and also because the information gathered enabled us in analyzing how adjustments in the structure of the HR Function, its skill-set and nature of devolution influenced the shift in the HR Function’s role orientation (if it existed. Collectively such detailed information could not have been possible if structured interviews were conducted as their standardized nature would not have provided us the flexibility to probe deeper into issues emerging from within the data. Additionally, even a totally unstructured format would not have aligned with the multiple case-study research design employed in our study as this requires a comparison between results for which focus on some commonality in the
themes covered is essential. Moreover, the survey method which is a prevalent method of collecting data for quantitative research was not suitable for the research design adopted for this study because of its limitation to examine and detect patterns of association only (Bryman, 2004). This would have conflicted with our aim to develop a deeper and better understanding of the phenomenon being investigated. Further, the semi-structured interview technique adopted was necessary because there was no a priori, specified set of research questions (hypotheses) that were to be investigated.

The banks selected were in three major cities of Pakistan namely Karachi, Lahore and Rawalpindi. The head offices of six out of the eight case-study banks were in Karachi which is the major financial hub. A few preliminary or pilot interviews with junior HR managers were conducted in Rawalpindi in January 2009. Prior to the interviews the bank management and participants were provided details of the study through an information sheet (Appendix A) and were assured of their anonymity. The participants were assured that their data would be used only for academic purposes and would not be shared with any of their competitors and they were made to sign a consent form (Appendix B). For these interviews an initial guide was used which was prepared after an in-depth study of the relevant literature (Appendix C-1, C-2).

Some questions were also adopted from the questionnaire published in the CIPD Research Report (The changing HR function, 2007); for example the list of drivers of change mentioned (question 22), the HR practices identified (question 30) and the skill-set / competencies of HR managers (question 29). While the list generally includes individual level skills, a study of these skills can provide an understanding of the functional level skills, as a combination of individual level skills results in functional level skills. For example, strategic thinking, influencing / political skills and business knowledge reflect an emphasis on the business partner type of skill-set needed at senior HR level (CIPD, 2007; p.56). The choice of adopting some questions from the prescriptive literature stems from the motive to discuss the drivers, challenges and issues HR practitioners and line and senior managers have actually faced. The reflexivity process which was initiated after the pilot interviews helped in refining the interview guide (King, 2004) and based on this experience a framework for the subsequent interviews was prepared. Issues such as relevance of topics
covered in the guide, sequence of the questions and the focus of the questions were addressed in the refinement process. In the final interviews greater emphasis was placed on questions which were producing more informative answers and were highlighting important aspects that coincided with our main themes.

Keeping in view that the primary focus of our research is on the current state of the HR function and the presence of a strategic role (if it existed), different themes were identified for the interview guide which has a direct bearing on the HR function’s role. These included devolution which influences the HR-line relationship, the HR structure and the HR skill-set. A separate set of questions was prepared for senior / line managers in order to elicit their perceptions and views regarding the HR function’s current role orientation. In the case of HR managers, the questions to the senior HR Managers were more focused on the strategic issues while those to the junior HR managers were more focused on the operational issues and their respective specialist areas.

Based on the above themes, interviews were conducted with HR and line managers; 32 of the total 83 respondents were females (38 percent). The average age of the senior managers interviewed was 40 to 55 years with an experience of between 15 and 25 years. In addition, the line managers interviewed had an average of between three and seven years of experience and they were between 28 and 35 years of age (see table 4.2) for details.

<table>
<thead>
<tr>
<th>Table 4.2: Categorisation of participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
</tr>
<tr>
<td>Senior managers</td>
</tr>
<tr>
<td>Line managers</td>
</tr>
<tr>
<td>Junior HR managers</td>
</tr>
<tr>
<td>Senior HR managers</td>
</tr>
</tbody>
</table>

*Note: Both industry experts interviewed were male with work experience between 25 and 30 years.*

Broadly speaking, we use the term line managers to include those managers who had either one or two levels of staff below them, in the organisational hierarchy. In extant research (Currie and Proctor, 2005; Smith, 1997; Staehle and Schirmer, 1992), the
term middle manager is used for managers who are positioned in the hierarchy, with at least two levels of staff below them. The same categorization was later adopted by Conway and Monks (2010) in their research on the Irish health service. As our sample also included managers with one level of staff below them, we have grouped them together as line managers for purposes of consistency in terminology. Managers with one level of staff below were included in the category of small sized banks (WESTERN BANK, ANGLO BANK and TRANSCO BANK) due to the small workforce size and hence the non-availability of the requisite number of middle managers in these banks. The span of control of line managers for both the categories used was between three and five employees. The similar span of control of managers, despite the difference in the levels of hierarchy below them is due to the less hierarchical levels in the smaller banks which resulted in a span of control of three to five employees. Further, we did not include first line managers who are defined by Hales (2005, p.473) as those ‘to whom non-managerial employees report,’ because our study is focusing on the strategic role of HR on which necessary depth of information at that level may not have been available.

In the case of HR managers, the senior HR manager is defined as the HR Head or the Head of a unit / section in the HR function while the junior HR managers are those who generally have work experience of 3 to 8 years. Invariably the first interview in all the case-study banks was with the HR Head and a special focus was kept on the HR Function’s strategic perspective such as the extent of strategic orientation the HR Function had gained and whether the HR Function had been able to increase its significance and influence in the case-study banks. Interviews with the junior HR managers were focused more on the operational and administrative role of the HR Function. These employees were questioned about the changes in their specialist areas which included structural developments, the extent of devolution of HR practices to line management and the identification of key HR skills required to perform in the new role. The line of questioning adopted for line managers concentrated on their perspective of the HR Function’s role orientation, especially the HR-line relationship and devolution of HR responsibilities to line managers. The basic essence of the exercise was to provide a holistic organisational view and to carry out the research from multiple perspectives to provide thicker description and rich data.
Following the pilot interviews, the first phase of interviews was conducted over a period of three months in three case-study banks two of which were based in Karachi and one in Rawalpindi. A total of 29 interviews were taken during this period. In the second phase (September-October 2009) three more case-study banks were covered and a total of 32 interviews were conducted. The third and final phase of data collection (22 interviews) was performed between December 2009 and January 2010 in which the last two case-study banks were covered. In total 85 interviews (see table 4.3) were carried out which included two former bankers who had been working for more than 25 years but were no longer employed in any of the sample case-study banks. One of the former bankers now heads a renowned HR consultancy firm in Pakistan. Details of the interviews in each bank are presented in table 4.3.

Table 4.3: Details of interviews within each case-study bank

<table>
<thead>
<tr>
<th>Banks</th>
<th>VINTAGE BANK</th>
<th>CLASSIC BANK</th>
<th>TRADITIONAL BANK</th>
<th>MODERN BANK</th>
<th>GLOBAL BANK</th>
<th>WESTERN BANK</th>
<th>ANGLO BANK</th>
<th>TRANSCO BANK</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR Managers</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Senior</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Junior</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Line managers</td>
<td>4</td>
<td>3</td>
<td>4</td>
<td>3</td>
<td>4</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Senior</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>13</td>
<td>10</td>
<td>11</td>
<td>10</td>
<td>11</td>
<td>10</td>
<td>9</td>
<td>9</td>
</tr>
</tbody>
</table>

*The total includes two veteran bankers who are no longer employed in any bank.

For the most part the purposive sampling approach was adopted because the types of individuals selected had the potential to provide the information which the researcher was interested in and which may otherwise have been difficult to obtain as suggested by Maxwell (1997). This is highlighted in the discussion above on the varied foci of the interviews with the different stakeholders. Apart from the Head of HR, other HR managers were interviewed in the HR department. Some of these managers were experienced while others were fairly young and in the early stages of their career. This technique was adopted in an effort to broaden the sample to facilitate the
gathering of more holistic and richer data. In general employees who had working experience of at least three years in the HR department were included in the sample. In the banks where a separate HR strategy unit/division existed, the individual heading this division was interviewed. In almost all cases the HR Head was instrumental in arranging interviews with other members of the HR team and performed the role of a gatekeeper (Hartley, 2004).

The convenience sampling approach was adopted for conducting interviews of both senior and line managers. The underlying reason for including line managers in the sample of interviewees was to provide a broader organisational perspective to the role orientation of the HR Function and the extent of its change (if it had occurred) as they are also the stakeholders and internal clients of HR. The convenience sampling approach was required as there were no other means to approach these individuals personally and the HR department facilitated these interviews with some individuals based on the positions identified by the researcher from the organisation chart. An effort was made to interview those line managers who had more interaction with the HR department / division because it could provide more relevant information on the shifts that had / had not taken place in the role orientation of the HR Function based on their greater interaction (working relationship) and experience with the HR department. This enabled us in identifying the finer intricacies in the HR-line relationship and also provided an insight into the experiences of line managers with the HR department. In a few cases the snow-ball technique was also used as a senior managers interviewed identified another colleague and arranged an interview with them. This was of much help as getting an appointment from senior managers like the Head of Operations or Head of Consumer Banking was difficult considering their busy schedule. The alternate source (snowball technique) also proved very useful as it provided access to some line managers independent of the HR manager channel. It fulfilled the aim of the researcher to get independent views of line managers (which might not have been possible if all of them had been approached through HR managers) and added an interesting dimension to our data as quite often line manager’s views were quite divergent from those of the HR managers (as will be highlighted in our analysis chapters later).
On an average the duration of interviews with HR Managers was between 60 and 75 minutes and that with line managers was approximately 40 to 45 minutes. With special effort, lengthier interviews were taken with HR Heads in all the case-study banks which were between 90 and 120 minutes. The format of the interviews was deliberately kept semi-structured so that the interviewees had ample opportunity to elaborate on their views and opinions. In order to attain maximum information in a limited time frame in a few cases, the interviewees were guided to the next question if relevant or significant information was not being shared; but, in certain cases the interviewees were allowed to digress especially if they were sharing some interesting story (Bryman and Bell, 2003), and had mentioned prior to the interview that time was not a constraint for them.

In most cases respondents were fairly knowledgeable in the area and were able to understand questions in the correct perspective and provide relevant information. However, in some cases respondents required clarification and elaboration of the questions before they could present a proper response. Especially, issues regarding the strategic role of the HR function which inherently is of contested nature and on which the researcher had to seek clarification and understanding of the interviewee. Additionally, the interviewer defined key terms such as ‘business partner,’ ‘specialist teams’ and ‘specialist services’ to the respondents in order to ensure that all the respondents had the same concept in mind when responding to the questions. The term specialist services is aligned with the term ‘centre of expertise’ used by Ulrich et al., (2008); it was renamed to customise it with the Pakistani context as from the pilot interview it emerged that HR professionals in Pakistan generally refer to the centre of expertise as specialist services. Business partners were defined as individuals who work with the line managers for their goal achievement, through effective strategy formulation and execution to develop a better understanding between the HR and the business units (Ulrich and Brockbank, 2005). After studying the data there were instances where information seemed inadequate for which second interviews were conducted with the same people. Additionally some respondents were re-visited to clarify certain anomalies which had emerged after comparison of the interview data and documents provided by the banks.
Interviews were mostly conducted in the offices of managers or workstations of the junior employees but in some cases a separate conference room was also provided. In both cases adequate privacy was provided for the interviews. It would be pertinent to add that on quite a few occasions getting appointment for the interviews especially with senior managers was the most challenging part in the fieldwork which led to delays and rescheduling. The interviews were recorded with the consent of each participant who had no objection but in a few cases they were apprehensive and uncomfortable; in these cases interviews were not recorded instead proper notes were prepared on paper.

4.5.1. Secondary data
Along with the primary sources mentioned for data collection in the previous section, secondary sources were also used to reinforce the primary data collected and to triangulate the study (Yin, 1994). The triangulation was carried out to reduce any biases which may have emerged due to the interpretation of the researcher, methods employed for understanding of the participant’s views, and other shortcomings highlighted by Creswell (1994) from the use of a single method in data collection. The main sources used were company documents, Annual Reports of the banks, HR manuals, Employee Handbooks, company archives and internal presentations. Where possible these documents were collected prior to the interviews to develop a better understanding of the banks in general and specifically about the policies and practices of the HR Function. This was done by informing the focal person ahead of the interviews of the utility and significance of obtaining such information for making the interview more focused. A thorough study of the documents before the interviews helped in generating in-depth discussions which resulted in rich data that was essential for developing thick descriptions. Websites of the case-study banks also provided some information but most of it was focused on the financial aspects so little relevant material could be gathered. In some cases where the data was not provided at the time of the interviews a second visit was made for clarification purposes.

Due to the lack of a research culture in Pakistan there is a general reluctance of organisations to share company information and documents with any external individuals. Substantial variation in the attitude of the different case-study banks was visible with some willing and forthcoming to give their documents and internal
memos, presentation and others extremely hesitant. This could be due to inhibition and fear that management may not appreciate dissemination to external parties. The domestic banks were quite willing to provide documents but foreign banks generally went through a much lengthier process before providing documents as in some cases they required clearance from their regional offices to provide the data. However, after consistent efforts the documents were made available and the case-study banks provided adequate information.

Information on the profile of the banking sector and general information pertaining to it like the banking reforms / changes, government policies affecting it and the factors influencing the sector were gathered from the State Bank of Pakistan (regulator of the banks) and the National Institute of Banking and Finance (professional body). In addition a survey conducted by Sidat Hyder (a renowned consultancy firm in Pakistan) was also accessed. The survey was conducted on the human resource management practices in Pakistan and includes some organisations from the banking sector as well. The survey highlights some interesting facts and figures and provides a comparison with the HR practices implemented in the other sectors like pharmaceutical, textile etc.

4.6. Measures of qualitative research

Reliability and validity are two important criteria used to assess the quality of research and are generally applied to studies of quantitative design but when it comes to qualitative research different researchers have suggested alternative criteria for the assessment of the quality of the research. Eisenhardt (1989) suggests that in order to gain rich data for research stringent criteria for the selection of cases should be applied. For this purpose, in our research the case-study banks were chosen after careful deliberation. A large sample size of eight banks which were representative of the major bank categories in the sector such as foreign owned, domestic and within the latter private and privatized was used. Furthermore, variation in the size and the market segments they were catering to were also kept into consideration. Other researchers like Lincoln and Guba (1985) and Guba and Lincoln (1994) identify credibility, transferability, dependability and confirmability as the criteria which should be applied to measure qualitative research. They propose trustworthiness and authenticity as the main criteria for the assessment of qualitative studies and one of the criteria for trustworthiness according to them is dependability of the research which
parallels the criteria of reliability in quantitative research. Keeping this in view, a comprehensive record of the selection criteria of respondents, the interview transcripts, field notes on observations and the choice of data analysis approach was maintained as they are considered essential for enhancing the dependability of research and provide a guideline for the replication of studies. An effort was made to enhance the credibility of the research (which is yet another factor of trustworthiness and parallels internal validity in quantitative research) through respondent validation. This was managed by re-visiting some of the interviewees. Issues which needed further elaboration were discussed and clarification of information from the previous visit was also sought. Additionally, triangulation of primary data and secondary data was also carried out to verify as well as support the findings emerging from the primary data.

The external validity is the degree to which the findings can be generalized across different settings which Yin (2003, p.10) states is limited to theoretical propositions and not populations in qualitative research. Hartley (2004) define external validity as knowledge (processes and context) associated with an organisation that identifies the conditions under which the same behaviour can be expected to be repeated. In the context of qualitative research generally there is a tendency to use the case study method and small sample size due to which generalizability is low (Stark and Torrance, 2005). However, keeping in view this draw back in the research design we selected a sample size of eight banks which is likely to improve the robustness of the conclusions drawn. The variety in the sample of banks selected and the multiple participant interview design also enhanced the generalizability of these findings to some extent because the case-study banks include all major types of banks operating in the sector and the interviewees cover a majority of the diverse stakeholders. Further, qualitative researchers are inclined to produce a rich account of the details of the context which Geertz (1973) refers to as thick description; Guba and Lincoln elaborate that thick description is a database for making judgments about the possible transferability of findings from one context to another. In our research a broad sample size and an in-depth study with a special focus on the finer details of the context in which the banks operate provides a comparatively higher degree of generalizability and transferability of the findings of this research.
4.7. Ethical concerns and limitations of the study

A prudent approach was adopted towards the potential ethical issues and concerns. In the case of the interviews it was ensured that every individual respondent was briefed on the aims and objectives of the research prior to the interview. In each case permission was taken for the use of a tape recorder and respondents were assured that all data acquired would only be used for academic purposes and identities would not be revealed to anyone even within the organisation a mechanism suggested by Churchill (1999). In a few cases individuals showed reluctance and their interviews were not recorded; instead details were noted on paper. Anonymity both at the organisational and individual level was promised to the participating banks and the employees respectively. All case-study banks had requested for anonymity before providing access to their data as our data analysis draws on the comparison between banks and they did not want a direct comparison to be drawn in a manner which could reveal their identity. At the individual level it was important to ensure anonymity as employee views were also sought on issues of sensitive nature such as the HR-line relationship. Again, on the condition of complete anonymity we were able to allay the apprehension the case-study banks had early in the fieldwork stage because of which they were hesitant to share their documents as they considered information on their HR plan and new initiatives sensitive in nature. Every effort was made that the entire research process remained transparent with no negative effect on any individual or organisation.

A limitation of the research was the non-availability and limited access to documents in some cases which hindered triangulation of data in the research especially in the case of foreign banks. Also, the lack of proper understanding of the HR concepts among a few respondents led to ambiguous responses initially. Last minute cancellations, rescheduling and inordinate delays in responses resulted in frustration and slowed down the research process. The wide geographical spread of the case-study banks also contributed to logistical constraints.

4.8. Data analysis

Unlike quantitative research where the analysis is generally carried out after data collection, in qualitative studies the analysis occurs during and after data collection. We experienced a similar process as the interviews conducted in the different phases
were subjected to a preliminary analysis at each of the stages. Based on the emerging themes from data we kept refining our questions and similarly based on experiences after conducting the interviews we opted for adjustments in strategies such as identifying a key participant from each sample category and maintaining contact with them to ensure that interviews were not delayed. This process of reflexivity and constant iterative approach aided in retaining the focus of the data collected to some extent which was necessary for identifying common themes that are required for a cross case comparison.

Data analysis consists of examining, categorizing and tabulating of data (Yin, 1994). For qualitative analysis comparatively fewer tools and techniques have been developed (Miles and Huberman, 1994) and the intensive use of empirical evidence is stated to result in overly complex theories while the technique of building theories from cases can result in a narrow and idiosyncratic theory (Eisenhardt 1989, p535). In order to enhance the transferability of this study we followed a stringent data collection and analysis process, the latter includes transcribing, coding and compiling data for a thematic analysis. Further, since the aim of this study was to understand through the experiences of the participants, our stance is to generalize the findings restricted to certain theoretical propositions with the aim to extend debates in existing literature rather than to generate new theories.

Interviews from 85 respondents were conducted, transcribed and rigorously analyzed during and after the data collection phase which is referred to as the back and forth weaving between theory and data by Bryman (2004). This iterative and inter-related process resulted in the re-arrangement and revision of various themes / categories during data collection. The open coding technique was employed (Strauss and Corbin, 1998) in the next step which allows for categorizing of data into narrow themes to enable its systemization before placing it under the themes emerging from data axial coding (Strauss and Corbin, 1998). This was done to reduce data to a manageable level. Further, using the cross-case tabulations to illustrate the data also helped to compile it under various themes which was necessary to draw out the similarities and differences within and between the case-study banks as proposed by Eisenhardt (1989). Both inter-bank and intra-bank case analysis was conducted in order to compare and contrast to identify the inter linkages between the different themes in
each bank and across all the case-study banks as well, and to observe emerging patterns and to draw meaningful conclusions.

The above explanation followed for the data analysis illustrates that some elements of the grounded theory approach were employed in the process. Grounded theory is concerned with the ‘development of theory out of data and the approach is iterative or recursive meaning that data collection and analysis proceed in tandem, repeatedly referring back to each other (Bryman, 2004)’. It has become the most widely used framework for analyzing qualitative data where the researcher does not develop hypotheses about the phenomena; rather they make sense out of observations. To gather this information, techniques such as unstructured or semi structured interviews, participant observation and documents are used. Our research makes use of triangulation through interviews and documents. Further, as stated above, we opted for an ongoing process of data collection, whereby interviews were coded and analyzed at every stage. Finally, we constantly compared the link between our coded data and conceptual / thematic categories in order to build on literature / theory.

4.9. Description of the case-study banks

VINTAGE BANK

VINTAGE BANK is one of the largest, domestic, privatized commercial banks in Pakistan with approximately 1500 branches, 830 ATMs and close to 13000 employees. The bank also has one of the largest customer base of over 5 million customers and has shown growth in the last few years; its five years sales growth rate at 18.4% much higher than industry growth rate of 11.4% (Reuters, 2013). Also, it has an asset base of USD 14.64 billion. VINTAGE BANK has engaged its resources to reduce inefficiencies amongst its branches and employees through introducing relevant technological changes such as automating records (Iimi, 2003). The bank has a tall hierarchy which is visible in the structure of the HR function as well (see Appendix D) which is not uncommon in companies of Pakistani origin, due to the presence of significant power distance in the corporate culture of Pakistan (Khilji, 2001). The HR function in the bank is dominated by senior management’s intervention in all policy areas and while HRM policies were reviewed, the lack of a conducive culture and resources resulted in non-implementation to a large extent. Further, the bank underwent two-three downsizing phases, with little new induction, to
reduce the overstaffing that occurred in previous years. However, there is still a significant presence of incumbents in its workforce and this legacy presents challenges for any changes proposed.

CLASSIC BANK
CLASSIC BANK, also a large sized, privatized, domestic commercial bank was founded soon after Pakistan’s independence in 1947. It was one of the first banks in Pakistan to be privatized (to a domestic conglomerate group) as part of the government’s plan to revitalize the financial sector of Pakistan (Khalid, 2006). It has a local branch network of over around 1100 branches, 690 ATM outlets and a total workforce of almost 9300 employees. It has an approximate customer base of 5 million and the total asset base is close to USD 8 billion, with a deposit base nearing USD 5 billion (Reuters, 2013). Its five year average sales growth rate of 16.6% is much higher than industry growth rate of 13.5%. It is a typical domestic Pakistani bank which exhibits the local culture in its corporate environment but to make it viable for privatization, it adopted some best practices and reconfigured the HR department (see Appendix E) to embody a modern look. The best practices were adopted from foreign banks and the new inducted employees; they were performance based and thus tailored to retain performers. Similar to VINTAGE BANK, this bank also underwent downsizing pre and post privatization and still has a significant presence of incumbent employees in its ranks. Further, the HR department tries to maintain a good working environment through effective leadership (Anwar, 2013), encouragement of communication and the use of conflict management. However, the implementation of such philosophies isn’t completely realized and the work environment (including organisational structure and human relations), at MCB, is still not considered completely favourable (Bhutto et al., 2012).

TRADITIONAL BANK
This is a domestic, private, middle sized, commercial bank which was established in the mid 1990s and operates with approximately 200 branches, 260 ATMs and 6000 employees. The bank has an asset base of USD 3.5 billion and its deposit base is approximately USD 3 billion. One of its major clients is a government institution which provides it a major source of earnings. The bank has a bureaucratic culture, an outlook resembling that of a public sector organisation with some representation of
incumbent employees who had joined from other public banks when TRADITIONAL BANK started its operations and needed experienced employees. The general work environment and culture of the bank is typical of that, in most Pakistani organisations where decision making is centralised. The HR function at the bank is relatively small in size (see Appendix F) and had recently revamped its practices (at the time of interviews). Most of the employees in the function either have no HR specific experience or had less than five years of experience.

MODERN BANK
MODERN BANK is a domestic, private, middle sized commercial bank, with a workforce nearing 7300 and a branch size of roughly 321. The bank was established in the early 2000 period under a new management and owner. Previously the bank operated as an international bank but had to close its operations due to regulatory and legal concerns. MODERN BANK has a market share of 7% with an asset base of approximately USD 5 billion (MODERN BANK, 2012). The deposit base has also grown significantly over the last year from PKR 400 billion to PKR 457 billion. The bottom line has also shown healthy growth of 30% yield / year, growing from PKR 2.6 to PKR 3.38. Additionally, the bank has one of the strongest consumer banking operations (at least among the domestic banks) in the country that focus on providing high quality services at low prices. As in the case of other domestic banks, MODERN BANK recognises the importance of employees in an organisation but it does not appear to have a strong HR system, in the typical sense. There is a strong role of the owners in the monitoring and formulation of policies regarding HRM and management promotes a family-like culture (Bushra et al., 2011) to minimize turnover and increase communication and motivation. The HR function does not have a tall hierarchy and there is a clear segregation between HRM and the Training and Development (T&D) department (see Appendix G). The HR function is segmented between the north and south region with some activities that are directly implemented and to a certain extent decided within the specific region; the HR Head is located in the north region.

\[^9\] According to bank sources
GLOBAL BANK

This foreign bank is a medium sized bank with 164 branches and approximately 4000 employees. It has the widest branch network in the category of foreign banks; the branches are spread across 29 different cities. Like the other commercial banks examined in this study, the bank offers Consumer, Wholesale and Islamic Banking services and had one of the best long term credit rating amongst all the private commercial banks in the country (in 2012). GLOBAL BANK has a market capitalization of PKR 63,000 million and offers a dividend yield of 12.1%. The bank’s EPS and ROI are both below industry average at PKR 1.54 and PKR 10.9 respectively but it has shown an impressive growth over the last few years. One of the reasons GLOBAL BANK maintained a good position in the market was due to the ability to attract the best talent (Naeem, et al., 2008). This is also because of the strategic outlook\textsuperscript{10} the bank has adopted for its HRM systems. The country Head HRM reports to the CEO of the bank in Pakistan and to the regional head (MENA region\textsuperscript{11}) as well. This indicates that the group\textsuperscript{12} tries to maintain some control over the HRM policies being practiced in the region. The Pakistan subsidiary claims that the group policies are generally implemented in the region as is, but minor modifications are made to suit the local laws/culture. Moreover, the bank promotes employee engagement policies and tries to maintain a supportive role of the HRM department with joint involvement of the line managers. The HR function is designed with a specialist group, a centre for service delivery and generalists in the role of business partners (see Appendix H).

WESTERN BANK

This foreign, small sized bank started its operations around 2005; it has 14 branches, generally in the main cities of Pakistan, with less than 500 employees. By the time WESTERN BANK entered the market, the boom in the banking industry had started to decline, the political turmoil in the country was at its peak and the State Bank of Pakistan had instituted stringent policies. These were the primary reason why the bank was unable to grow at a fast pace, unlike GLOBAL BANK which had been an industry player since the late 1990s. The bank has an asset base of around USD 68 billion which has shown little growth over the last few years. Further, it caters to a

\textsuperscript{10}{According to bank sources}
\textsuperscript{11}{Middle East and North Africa}
\textsuperscript{12}{Standard Chartered UK HQ}
niche market and downsized its consumer banking segment back in 2010\textsuperscript{13}; consequently, the HR function was also oriented towards the overall goals of the company. The HR function (see Appendix I) is primarily centralised and while the HRM policies are generally designed at the group level\textsuperscript{14}, localisation based on the market needs also exists. The HRM policies of the bank are reviewed annually (unless required at an earlier date) to ensure alignment with the strategic outlook of the banking operations in Pakistan. The culture of the bank is evolved along the lines of its parent company and the employees are provided multiple channels for communication and involvement in organisational matters; hence, there is a focus in the bank on employee engagement activities.

**ANGLO BANK**

This small sized foreign bank started its operations in Pakistan more than 20 years ago; it currently has 11 branches and approximately 1000 employees. In 2011, the bank earned a profit before tax of PKR 2.5 billion, and had about PKR 70 billion in deposits and total assets of PKR 96.4 billion. Presently, the bank is focusing on corporate banking operation rather than consumer banking and is thus operating in a niche market. The HRM function employs few employees but it is involved at the strategic level; the shortage of staff is off-set through the use of technological advancements like ERP\textsuperscript{15}. The structure of the HR function is placed at (Appendix J). The positions identified below the level of the Country Head HR are not separate departments rather these positions are occupied by a maximum of 1-3 employees, thus giving a very lean reporting structure. Moreover, the HR is centralized and approvals for all decisions are sought from the head office in Karachi\textsuperscript{16}. Bank sources claim that the parent company maintains some control over the HRM policies that are implemented in Pakistan due to the limited number of branches and employees and especially due to the recent restructuring in Pakistan.

**TRANSCO BANK**

TRANSCO BANK, the third, foreign, small sized bank in our sample has 18 branches with approximately 1500 employees. Like ANGLO BANK, this bank also entered the
Pakistan market when the economic and political conditions in the country had taken a turn for the worse. This, combined with the weak situation of its international operations, led to the bank’s acquisition by a local bank early this year (2013) but the deal has yet to be completed. Hence, despite this takeover, at present, the HR department has not been restructured and retains its functionality as such. The HR Head in Pakistan reports directly to the regional head\textsuperscript{17} of TRANSCO BANK (see Appendix K) and the HRM operations are regularly monitored by the regional manager who is involved in formulating a majority of the standard operating procedures (SOP’s) at the subsidiary in Pakistan. The operations of the department are quite centralized and approvals are sought from the Head Office. The small HR workforce at the bank is responsible for all the core and support activities of the HR function and is actively engaged with the employees. This conforms to the culture of the bank which is quite open and has evolved on the pattern of the parent company.

\textbf{Conclusion}

To summarise, this study employs a predominantly qualitative research methodology and the case-study method for reporting and analyzing data obtained from the eight case-study banks. The qualitative, in-depth interview technique is chosen to interview 83 HR, senior and line managers and two industry experts to collect contextualized data from multiple stakeholders in an attempt to generate thick descriptions and highlight idiosyncratic details pertaining to each of the case-study banks to analyze how these may have influenced the role orientation of the HR Function. This data is also triangulated with company documents where required, to clarify ambiguities emerging from the interviews and to provide more robust findings. The objective of employing this research design is to provide a better understanding of the dimensions explored as opposed to arriving at generalized law like conclusions.

\textsuperscript{17} Middle East and North Africa region
Chapter 5: The role of the HR function

5.0. Introduction
The notion of the HR function becoming strategic has gained significant attention in recent years with scholars focusing on how the human resource function can become more strategic in its orientation (Buyens and Ans De Vos, 2001; Caldwell, 2001; Wright, 2008; Truss, 2009; Truss et al., 2002). This idea is also at the heart of our research and forms the primary aim of this chapter which is to investigate the state of the HR function with a focus on its role orientation, in the eight case-study banks investigated in Pakistan. Our endeavour to investigate the presence (if at all) of a strategic role stems from arguments in research by Hope-Hailey et al. (1997), Lengnick-Hall et al. (2009), Jamrog and Overholt (2004) and McCracken and Heaton (2012) who highlight that if the HR function wants to significantly contribute towards organisational decision making and performance, it is desirable for it to become strategic.

However, a major challenge in undertaking research on the strategic role of the HR function arises because there exists no universal description of what constitutes a strategic role. This is despite the clarity provided in extant research (through various typologies) and highlighted in the recent past by Truss (2009) that there exists a distinction between the administrative and strategic role dispensed by the HR function (refer to section 2.2.). As a consequence, researchers who investigated the HR function in the past used varied sets of indicators as evidence to explore the presence or lack thereof, of a strategic role. For example, Truss (2009), Kelly and Gennard (2007), Hall and Torrington (1998), Sparrow and Marchington (1998) and Kessler et al., (2000) place an emphasis on studying the indicators and attributes of the HR head and the representation of the HR function at various forums, to investigate the role orientation of the HR function. Truss (2008) employs indicators like involvement of the HR function in the strategic decision making of the organisation, the vertical and horizontal integration of the HR strategies and the focus on transformational activities and long term planning to assess the strategic orientation of the HR function. Golden and Ramanujam (1985), Azmi (2011) and Teo (2000) make extensive use of the participation of the HR function in the strategy formulation process as an indicator of
the evidence of the presence of a strategic role. Hence, to make our findings more holistic and robust, we attempt to integrate and investigate various indicators of evidence of a strategic role of the HR function; these broadly encompass the key aspects which can influence the role adopted by the HR function.

This chapter is organised into five sections. The first section explores the indicator of hierarchical position and attributes of the HR head to study the influence (if any) on the role orientation of the HR function. With a similar objective, section two explores the indicator of the initiatives undertaken by the HR function and the nature of activities performed by the HR function. Section three attempts to explore the indicator of participation of the HR function in the strategy formulation process to gauge its influence (if any) on the role orientation of the HR function. As stated above, these dimensions are reported in extant literature with a special focus on how they can enable the HR function to achieve a strategic orientation. In the backdrop of the evidence provided in the first three sections, the fourth section highlights the perceptions of both the HR and line managers related to the strategic (or otherwise) role of the HR function as both stakeholders are significant in defining the function’s role orientation. The fifth and last section concludes the discussion in this chapter by integrating the major findings and indicating to the best extent possible whether and if the HR function in the eight case-study banks adopted a strategic orientation and dispensed a strategic role.

5.1. Hierarchical position and attributes of the HR Head in the case-study banks

In this section, we explore the hierarchical position of the HR Head, his representation on the board of directors and other management committees, the profile of the HR head and the embedded institutional mechanisms to evaluate whether and if they influence the role of the HR function. The indicator of hierarchical position of the HR Head (reporting relationship) was chosen because of the significance extant literature associates with the direct reporting relationship of the HR Head with the Chief Executive / President and the representation on the Board of Directors and management committees. Researchers like Tregaskis et al., (2005), Hall and Torrington (1998), Kelly and Gennard (1996; 2007) and Kessler et al. (2000) describe board membership as desirable because board level HR directors have more influence over strategy and are more positive about the perceived performance of the HR
function. Further, the rationale for studying the indicator of profile of the HR Head through the dimensions of the career background of the HR Head, the informal network of the HR Head, tenure of the HR Head inside / outside the organisation and the age and experience of the HR Head (see table 5.1) is underpinned in extant literature. It also lies in the need to identify which individual level factors can influence the status / role of the HR function in addition to the more formalized, institutional mechanisms or factors. For example, Hall and Torrington (1998) highlight that beyond the formal lines of reporting and board room representation, the attributes of the HR Head influence the role the HR function plays within an organisation. Similarly the dimension of strength of the informal network that the HR head forms with important executives leads to wider acceptance of HR’s input in the strategic decision making process according to research by Kelly and Gennard (2007) and Sparrow and Marchington (1998) and an experienced and broad career background of the HR head is cited by Beer (1997) and Lawler (1995) as being influential in attaining a position within the senior management team.
Table 5.1: Reporting line and background of the HR Head

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>VINTAGE BANK</th>
<th>CLASSIC BANK</th>
<th>TRADITIONAL BANK</th>
<th>MODERN BANK</th>
<th>GLOBAL BANK</th>
<th>WESTERN BANK</th>
<th>ANGLO BANK</th>
<th>TRANSCO BANK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reporting Line / Level in Hierarchy</td>
<td>Direct</td>
<td>Direct</td>
<td>Direct</td>
<td>Direct</td>
<td>Direct</td>
<td>Direct</td>
<td>Direct</td>
<td>Direct</td>
</tr>
<tr>
<td></td>
<td>One tier below CEO</td>
<td>One tier below CEO</td>
<td>One tier below CEO</td>
<td>One tier below CEO</td>
<td>One tier below CEO</td>
<td>Two tiers below CEO</td>
<td>One tier below CEO</td>
<td>Two tiers below CEO</td>
</tr>
<tr>
<td>Representation in BOD / Management Committees</td>
<td>Presence only in Management Committees</td>
<td>Presence only in Management Committees</td>
<td>Presence only in Management Committees</td>
<td>Presence only in Management Committees</td>
<td>Presence only in Management Committees</td>
<td>Presence only in Management Committees</td>
<td>Presence only in Management Committees</td>
<td>Presence only in Management Committees</td>
</tr>
<tr>
<td>Career Background</td>
<td>MBBS Doctor, 6-8 years of Corporate Experience</td>
<td>15 years of Corporate Experience</td>
<td>Armed Forces, 10 years of Corporate Experience</td>
<td>20 years of Corporate Experience</td>
<td>20 years of Corporate Experience</td>
<td>16-18 years of HR and Non HR Experience</td>
<td>15 years of HR Experience</td>
<td>12 years of HR Experience</td>
</tr>
<tr>
<td>Service as HR Head</td>
<td>3-4 years</td>
<td>2-3 years</td>
<td>3 years</td>
<td>2-3 years</td>
<td>4 years</td>
<td>2 years</td>
<td>3-4 years</td>
<td>2 years</td>
</tr>
<tr>
<td>Tenure inside / outside the organisation</td>
<td>6-8 years in VINTAGE BANK, 12 years in Packaging Sector</td>
<td>2-3 years in CLASSIC BANK, 7 years of Corporate Experience</td>
<td>3 years in TRADITIONAL BANK, 7 years of Corporate Experience</td>
<td>2-3 years in MODERN BANK, 15 years of Corporate Experience</td>
<td>4 years in GLOBAL BANK, 16 years of Corporate Experience in US</td>
<td>2 years in WESTERN BANK, 14 years in Banking Sector</td>
<td>3-4 years in ANGLO BANK, 10 years in Banking Sector</td>
<td>10 years in TRANSCO BANK</td>
</tr>
<tr>
<td>Age</td>
<td>Late 50’s</td>
<td>40’s</td>
<td>Late 50’s</td>
<td>Early 50’s</td>
<td>Early 40’s</td>
<td>Early 40’s</td>
<td>Early 40’s</td>
<td>Late 30’s</td>
</tr>
</tbody>
</table>

Source: Primary Data. The dimensions selected are an integrated from previous studies that examined the HR function and / or its role orientation.
5.1.1. Hierarchal position of the HR Head and representation on the Board of Directors and management committees

This section examines whether the hierarchical position of the HR Head and their representation on various committees and forums is significant in the HR function attaining a strategic orientation. Kelly and Gennard (2007) suggested that the Board of Director membership of the HR Head is not entirely necessary for the HR function to become more strategic. They also conclude that if the HR Head is not a member of the Board of Directors they can still exert influence through formal representation in management committees and by developing informal networks. This is also true in the context of the case-study banks studied in Pakistan. In all the case-study banks there is no example / precedence of reserving a seat for the HR Head on the Board of Directors which symbolizes the current state of the HR function. The Board of Directors in the banks investigated usually consists of representatives of the shareholders, outside stakeholders and the CEO of the bank. The absence of the HR Head on the Board of Directors in the eight case-study banks may in part be because of a lack of aspiration on their part to be a member of this forum as presently they continue to struggle to establish their value and credibility in the senior management committees. What then needs to be ascertained is whether this inclusion of the HR Head is merely a token presence or it translates into some meaningful involvement of the HR function in the strategic decision making process. We elaborate on this notion in section 5.3., which explores the indicator of the involvement of the HR function in the strategy formulation process.

Beyond the representation of the HR Head on certain management committees, their place in the organisational hierarchy may also affect their extent of involvement in strategic matters. In all the case-study banks, the HR Head has a direct reporting relationship with the chief executive of the bank and in a majority of the banks investigated, the HR Head is only one tier below the CEO. The two exceptions are WESTERN BANK and TRANSCO BANK where the HR Heads are two tiers below the CEO, despite having a direct reporting relationship. This results in the HR Head’s position being below most group heads (title used for senior managers) who have a hierarchical advantage over the HR Head. As a consequence, their influence and involvement is curtailed in strategic discussions by the group heads. The situation in slightly better in five case-study banks, GLOBAL BANK, ANGLO
BANK, CLASSIC BANK, TRADITIONAL BANK and MODERN BANK where, according to the HR managers and HR Head’s interviewed, the representation of the HR Head at the senior management forums has enhanced HR’s understanding of the strategic context. However, this has not translated into the HR function adopting a strategic role to a similar extent in all the case-study banks. For example, in MODERN BANK, the HR managers interviewed claimed that despite an enhanced understanding of the strategic context, the function fell short of much worthwhile strategic input. The following comment by an HR manager in MODERN BANK illustrates this position,

‘HR has made headway with representation on management committees but that access has not translated into something worthwhile. The HR function can make much better use of this opportunity.’ (MODHR4)

In the case of two case-study banks ANGLO BANK and GLOBAL BANK, data revealed a relatively greater level of input by the HR Head and the function in dispensing somewhat of a strategic role. In the case of GLOBAL BANK, the HR head interviewed stressed that his position in the hierarchy and his representation on the committees was not limited to being a silent observer. He explained that he had managed to actively participate in the discussions and to voice HR’s perspective; this was a significant departure from the norms practiced in the other banks in the sector. In the case of ANGLO BANK, the HR Head who is part of the management committee is quite prominent in his participation according to the senior managers interviewed in this bank. According to the HR managers interviewed in this bank, the committee meets every month to discuss the development and growth agenda of the bank. For his active involvement in these sessions, the HR Head conducts a pre-meeting exercise within the department based on which he prepares for the management committee.

In the eighth and last case-study bank, VINTAGE BANK, neither the direct reporting relationship, nor the representation of the HR Head in management committees resulted in the function dispensing a strategic role. According to the HR managers interviewed in this bank, the pronounced emphasis on improving the implementation of the HR practices / systems, low expectations of senior management from involvement in strategic level discussions and, to some extent the
personal attributes of the HR Head resulted in the lack of strategic role dispensation. An HR manager elaborating on his views of the HR Head’s role in management committees stated that while the HR Head is part of most committees, his role in the decision making process is not particularly significant, because of the focus on policy implementation.

‘Our [HR function] direct reporting and representation in management committees is not enough. I believe we are not taken seriously. We lack the will to assert ourselves. The confidence to do so is just not there and so we are never really treated at par with other line managers.’ (VINHR3)

A senior manager commenting on the role of the HR Head in various forums / meetings stated that senior and line managers had low expectations of much significant contribution by the HR Head. This was because of a historical trend which indicated lack of participation on his part at such forms, despite his position in the hierarchy and the ease of access with the CEO.

‘The HR Head attends all corporate level meetings but he does not voice his opinion until it is solicited, so I would say he takes no initiative to assert himself or the HR function at such meetings. The situation now is that in fact, we really aren’t looking for any real input from the HR function.’ (VINSM2)

In our analysis based on the data collected from VINTAGE BANK, we can infer that the low expectations of the senior and line managers stem not only from an under utilization of the hierarchical position of the HR function and the reporting channel of the HR Head but they also relate to the broader contextual factors. This bank has a legacy which it carries from its 40 years plus history as a public sector bank where the then personnel function was never considered significant in the operations of the bank. It only performed administrative work such as record keeping and dissemination of letters. The clerical nature of the work previously performed by the HR function continues to present a hurdle in the uplift of its image as the bank still has a significant presence of incumbents in its workforce. Therefore, the incumbent line managers are not willing to adjust with the inclusion of HR in management committees or to acknowledge its role (if any) in strategic level discussions.
5.1.2 Profile of the HR Head and embedded institutional mechanisms

It is imperative to study the career history of the HR Head in order to assess how and if, certain career paths and experiences may yield a better comprehension of the strategic context in which each of the case-study banks operates. Additionally, a study of the HR Head’s profile can provide insights into whether longer service in the bank or a longer career in the HR function, for instance, can result in greater institutional support by the senior management which can increase the credibility and profile of the HR function. Consequently, the resolve of the HR Head and discretion made available to them by the senior management to exercise their will also seems to influence the profile of the HR Head and the profile of the HR function. This section integrates the various factors (identified here) with a focus on the profile of the HR Heads in three case-study banks (CLASSIC BANK, MODERN BANK, and ANGLO BANK), where evidence existed of their influence on the role performed by the HR function. The fourth case-study bank in focus, GLOBAL BANK, is explored to examine the effects of institutional mechanisms in influencing the role performed by the HR function.

Starting with the factor of career history, we found that in CLASSIC BANK, the head of HR ascended up a broad corporate ladder and did not have a focused HR career path. According to interviews of line managers in this bank, the HR Head served in core business positions in other corporate sector organisations and seemed cognizant of the pressures and constraints faced by line managers, in general. It appears that by virtue of his holistic knowledge, line managers seem to value his input on issues related with people management. Additionally, it appears from the evidence gathered that it is the profile of the HR Head which has raised the profile of the HR function at the strategic forums and that without his presence the HR function might not have enjoyed the current elevated status it does.

It can be inferred from the discussion above that the bank lacks institutionalization of the HR function within the strategic realm of management and that its current (improved) profile is not grounded in the formal position accorded to it in the hierarchy or management committees, rather it stems from the profile of the HR Head. As a consequence, the power and influence wielded by the HR function is in some respects dependent on the individual heading the department. Moreover, line
managers interviewed indicated that the HR Head appeared confident and self-motivated and where possible, projected the perspective of the HR function in strategic forums. Further, according to the HR managers interviewed in CLASSIC BANK, in addition to his profile, the HR Head has built a substantive informal network with senior and line managers which ensures open communication and encourages exchange of ideas with them. Similar views were shared by senior managers interviewed who stated that the HR Head enjoyed their confidence because of the relationship he had managed to build with them. In some ways this indicates that the HR Head’s profile and the institutional mechanism of informal networks can influence the HR function’s capacity to perform what may be termed as some form of a strategic role.

Moreover, these findings are substantiated through the interview of the HR Head himself who stated that whatever position he had achieved was largely because of his career profile which was instrumental in building his credibility in the eyes of senior and line managers and not so much a result of institutional mechanisms / support. This is evident from his comment,

‘The discretion I enjoy comes after a struggle, it was not provided effortlessly. Yes, there is still resistance and there are ongoing battles. I have built a small but strong team of corporate HR people and provided them a lot of leverage to perform. But quite honestly, if I am not here tomorrow, they will need to create their position and establish themselves again.’ (CLASHR1)

Our findings indicate that the profile of the HR Head was also instrumental in raising the profile of the HR function in MODERN BANK. The HR Head enjoys a respectable status in the organisation because of his background in the banking industry. He performed operational and administrative roles, in banks in North America, before heading the HR function in this case-study bank in Pakistan. He displays an acute understanding of the business, demonstrates a positive mindset and is considered to be a thorough professional by senior and line managers interviewed. His familiarity with line responsibilities has allowed greater alignment of the HR function with the needs of the business, in the perception of line managers. The HR Head talked at length about the discretion he enjoys to influence the business strategy,
‘Nobody can tell me that I do not understand the intricacies of business or my policies are unrealistic. They know that I have worked in senior positions in foreign organisations and that I was highly successful in those positions. I told the senior management when they were hiring me that I am not interested in being a figurehead. I mean business and my previous credentials have helped.’ (MODHR1)

In ANGLO BANK, the HR head’s status is derived from a higher education degree in HR and primarily his extensive experience of working as an HR professional during his career. Based on the views expressed by HR managers interviewed in ANGLO BANK and our inference based on a comparative analysis with the other case-study banks, it appeared that the HR Head in ANGLO BANK had the most HR specific expertise and a well rounded understanding of the HR milieu, at least outwardly. Owing to his practitioner based approach, he was assessed by senior managers interviewed as one who brought a practical perspective to the table and his efforts led to the introduction of HR specific strategy planning tools like the HR Balance Scorecard in the bank.

Amongst the four case-study discussed above, it is only in GLOBAL BANK that the role of the HR function is widely accepted and the HR Head is expected to dispense a more meaningful role at the strategic forums. Like CLASSIC BANK, the HR Head in this case-study bank also has a broad business background and exercises considerable authority in his domain. The influence exerted by the HR Head can firstly be attributed to the institutional mechanisms that facilitated an enhanced profile of the HR function, and is not largely dependent on the profile of the HR Head, alone. This is possibly because the function is aligned with the international practices and the HR Head reports to the global HR division, in addition to the CEO in Pakistan. Hence, the presence of the HR perspective at the strategic level is owed to the formalized existence of HR policies, frameworks and guidelines that are documented in detail and leave little room for ambiguity.

Secondly, the institutional mechanism of support by the senior management (CEO / Country Head) contributes to the formalized authority of the HR function at the strategic level. The CEO actively seeks the HR Head’s opinion on a regular basis, according to the interview of the HR Head himself. The CEO lends support to the
initiatives undertaken by the HR function but his explicit support is not received with much appreciation by the line management according to the HR managers interviewed. One line manager commented that senior managers sometimes rely too heavily on HR and give disproportionate weight to their opinion. However, according to the HR managers interviewed, this status has been accorded to them because of a reputation for reliable delivery and objective assessment. The HR function intervenes in the process of decision making if the decisions do not appear to conform to the norms of the organisation. In the words of one HR manager interviewed at GLOBAL BANK,

‘We try to accommodate all reasonable requests [by line and senior managers] but then there are times when we have to take a stand in the best interest of the bank being the guardians of organisational norms. We are viewed by the senior management as responsible for keeping the organisation out of trouble.’ (GLOHR3)

Hence, in GLOBAL BANK, the inclusion of the HR Head at the strategic level forums can be attributed to the institutional mechanisms which provide the HR Head and consequently the HR function the capacity to dispense a strategic role. The institutional mechanisms include the global HR policies, the norms of formalized HR involvement at the global level and the support provided by the CEO / Country Head in Pakistan.

We now discuss the three case-study banks where the HR function’s profile in comparison with the four case-study banks discussed above is much less. Again, the influence of the HR Head’s profile and institutional mechanisms forms the basis of our analysis. In TRADITIONAL BANK, the HR function’s profile is largely established through the institutional mechanism of a strong informal network with senior and line managers, built by the HR Head. Not only does the HR Head appear to enjoy camaraderie with the senior management team but he has also made himself accessible to line managers, according to the HR managers interviewed in the bank. They contended that while he is respected and appreciated for his affable personality by the team, he does not have sufficient business acumen to raise the profile of the HR function at the strategic level. This assessment appears similar to that made by the line managers interviewed, who stated that the HR Head could not provide an adequate level of input in strategic matters, mostly because of his low business
understanding and dearth of experience of working as a career HR professional. The following comment by a line manager at TRADITIONAL BANK illustrates this position.

‘He gets along well with people in the organisation. He is well liked but when it comes to finding solutions to HR matters, he generates informal pressure from senior management to get things done, instead of convincing us [line managers] by presenting specific views.’ (TRADLM1)

Further, according to a senior manager interviewed in TRADITIONAL BANK, the enhanced profile of the HR function in the bank seems to suffer rather than benefit from the HR Head’s over reliance on informal networks.

‘We have given him support and flexibility to assume a greater role in strategic matters but he gets tangled in mundane issues instead. If he is asked about his opinion, in general, he responds by either supporting someone else’s view or gives a neutral perspective. We never get to know what the HR function is thinking on a particular matter.’ (TRADSM2)

In the case of WESTERN BANK and TRANSCO BANK, the factors of age and tenure of work experience of the HR Head resulted in the low profile of the HR function. Evidence indicates that age was of consequence in both the case-study banks (WESTERN BANK and TRANSCO BANK) where the HR Heads are young individuals with less than fifteen years of work experience behind them. Also, we found that the tenure of the HR Head whether inside or outside the organisation did not appear to have any significant influence on how line and senior management perceived the HR function and the role it was dispensing in both the banks. In the case of WESTERN BANK, the HR Head is an outsider who joined the bank only two to three years ago and in the case of TRANSCO BANK, the HR Head in an insider who joined the bank fourteen years ago. Chronologically, both the individuals have risen up the HR hierarchy within a short span of time; line managers who are equivalent in the hierarchy are much advanced in age and experience. In a status conscious society such as Pakistan, young age and low experience act as a barrier to effective discourse. Evidence gathered from the interviews with line managers in these banks indicates that despite their higher
position in the hierarchy, both HR Heads have limited discretion in the performance of their responsibilities.

**Summary**

To summarise, evidence presented in this section highlights that the position of the HR Head in the organisational hierarchy, their representation on the Board of Directors and their direct reporting relationship with the CEO have a possible role in establishing their legitimacy and in influencing the role performed. However, we also found that the representation of the HR Head at these strategic forums alone, did not affirm the HR function’s participation and influence. We found the HR Head not to be a part of the Board of Directors in the eight case-study banks investigated which we attribute largely to the fact that the HR function is still trying to gain legitimacy within the management committees. Our finding relates more closely to the views presented by Sheehan (2003) which highlight that representation in board and management committees does not necessarily result in the HR function dispensing what can be termed as a strategic role. Additionally, we found certain other factors like an administrative legacy and the low hierarchical level of the HR Head in the organisational hierarchy to have influenced the profile of the HR Head and the HR function.

Further, based on our analysis of the factors which define the profile of the HR Head and the institutional mechanisms that influence the HR function’s capacity to dispense a strategic role, we found the factors of a broad based business background of the HR Head, a career in the HR profession and in some respects, the assertive personality of the HR Head to dominate and influence the HR function’s status. The presence of these factors provides the HR Head a profile through which they can leverage and exert their will; this is especially true in banks CLASSIC BANK and MODERN BANK where the HR function’s profile is not embedded in the institution and the HR Head physically embodies the function. In GLOBAL BANK where the HR function is integrated with the other organisational systems, the HR Head enjoys more authority by virtue of his position rather than his profile and in ANGLO BANK, both institutional mechanisms and the HR Head’s profile appears to influence the HR function’s profile.
Out of the four case-study banks where the HR function appeared to have an enhanced profile at the strategic level, in VINTAGE BANK, MODERN BANK and ANGLO BANK, the function appeared to have been influenced by the profile of the HR Head while in the fourth case-study bank (GLOBAL BANK) the influencing factor seemed to be the institutional mechanisms. Of the three case-study banks where the HR Head’s profile was influential in defining the HR function’s profile, in two banks (MODERN BANK and CLASSIC BANK) the factor of broad based corporate experience and understanding of the business context appeared dominant while in the third case-study bank (ANGLO BANK) the factor of the HR Head having a practitioner background appeared to have enabled him to influence the HR function’s profile. However, the common factor among all the influential HR Heads is perhaps their will to take initiative and be visible in their conduct. Hence, the resolve of the HR Head and the mindset of the senior management appear to be variables that can influence the HR function and the role it performs.

Our evidence highlighted the existence of some institutional mechanisms that appeared to influence the profile of the HR Head and the HR function which carries implications for the capacity of the HR function to perform a strategic role. Also, these institutional mechanisms can affect the resolve of the HR Head to assert HR’s perspective at the strategic level. The institutional factors which emerged from our data include the support and positive mindset of the senior management / CEO, the informal network developed by the HR Head, alignment with the global HR practices and reporting relationship with the global headquarters in the case of the four foreign banks investigated, a lingering public sector legacy in VINTAGE BANK and the hierarchical position of the HR function in the organisational hierarchy.

5.2 Initiatives undertaken and focus of the HR function
In this section, we analyse the initiatives undertaken by the HR function and the focus of the activities it performed, in this section. This will help identify and describe the nature (strategic or administrative) of the major initiatives undertaken in each of the case-study banks between 2008 and 2010 to determine whether the orientation of the HR function was strategic or otherwise.
Table 5.2: Initiatives and focus of the HR function

<table>
<thead>
<tr>
<th></th>
<th>Long Term Initiatives</th>
<th>Proactive Initiatives</th>
<th>Transformational Activities</th>
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<tbody>
<tr>
<td></td>
<td>Short Term Initiatives</td>
<td>Reactive Initiatives</td>
<td>Transactional Activities</td>
</tr>
<tr>
<td>VINTAGE BANK</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recruitment and Selection Initiatives</td>
<td>-</td>
<td>Downsizing, Streamlining Operations</td>
<td>Semi Automated Systems, Personnel Style of Management</td>
</tr>
<tr>
<td>CLASSIC BANK</td>
<td>Strategic Planning &amp; Organisational Development Departments</td>
<td>-</td>
<td>Carried out through initiatives undertaken by the two newly created departments</td>
</tr>
<tr>
<td>Employee motivation Initiatives</td>
<td>Workforce Management &amp; Deployment</td>
<td>-</td>
<td>Refining Policy HR Framework</td>
</tr>
<tr>
<td>TRADITIONAL BANK</td>
<td></td>
<td></td>
<td>Procurement of People Soft</td>
</tr>
<tr>
<td>Change Management Initiatives</td>
<td>Training and Development Initiatives</td>
<td>-</td>
<td>Salary Surveys, Volume Gap Analysis</td>
</tr>
<tr>
<td>MODERN BANK</td>
<td>Workforce Planning and Training-</td>
<td>Workforce Planning and Training</td>
<td>Introduction of new performance management systems aligned with strategy to recruit and retain performers</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>Performance Management Shifted to Regions</td>
<td>Efficient Employee Policies</td>
</tr>
<tr>
<td>GLOBAL BANK</td>
<td>XY Survey, Talent Management Process</td>
<td>AZ Recruitment Strategy</td>
<td>Creation of positions of business partners</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>Global HR Implementation</td>
<td>Efficient Employee Policies</td>
</tr>
<tr>
<td>WESTERN BANK</td>
<td>Employee Motivation Initiatives</td>
<td>Global HR Implementation</td>
<td>Operational Efficiency</td>
</tr>
<tr>
<td>ANGLO BANK</td>
<td>Pakistan Business Plan, Pakistan Investment Plan, Balanced Score Card</td>
<td>Employee Road Show, HR Services Satisfaction Survey</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Training and Development Programs</td>
<td>Global HR Implementation</td>
<td>Operational Efficiency</td>
</tr>
<tr>
<td>TRANSOCO BANK</td>
<td>Training and Development Programs / Restructuring-</td>
<td>Global HR Implementation, Downsizing</td>
<td>Operational Efficiency, T&amp;D</td>
</tr>
</tbody>
</table>

Source: Primary Data
* HR Activities reported from 2008-2010
* White Region signify Long term, Proactive, Transformational Initiatives
* Grey Region signify Short term, Reactive and Transactional Initiatives
We employed three distinct dimensions to assess whether the initiatives undertaken by the HR function aided it in developing what can be termed a strategic role. These dimensions have previously been used by Truss (2008) to understand the role of the HR function; the dimensions include long-term / short-term initiatives, proactive / reactive initiatives and transformational / transactional activities. Truss (2001) states that a long-term perspective of the HR function and the link between the HR and business strategy can indicate the strategic orientation of the HR function. Table 5.2. illustrates various examples, in each of the three dimensions to exemplify in which dimension the HR function placed greater emphasis. In table 5.2., above, evidence of initiatives that are long-term, proactive and transformational indicate a shift in the HR function towards dispensing what may be termed as a strategic role and evidence of HR initiatives that are short-term in orientation, reactive and focus on transactional activities suggests that the HR function continues to primarily perform an operational role.

5.2.1. Long-term / short-term initiatives
In our examination of this dimension, we follow the definition given by Wilkinson and Marchington (2005), that a long-term focus entails employing a longer time frame for HR programs to achieve their objectives and initiating programs that have far reaching implications for the organisation. It ensures a holistic and integrated approach to meeting the HR needs of the organisation rather than a short-term ad hoc arrangement. Further, we select this dimension based on research by Truss (2008) and Truss (2002) who state that an HR function which plans and executes long-term initiatives implies a greater tendency to perform a strategic role. Thus, an effort to delineate the HR initiatives of the eight case-study banks on the lines of long-term / short-term orientation is made in this research to uncover the orientation of the HR function in the banks; our examination of the banks yielded varied results (refer to table 5.2). There was some evidence of a long-term and holistic approach adopted by the HR function in GLOBAL BANK, ANGLO BANK, CLASSIC BANK and MODERN BANK but in the remaining banks, the HR function largely exhibited a short-term focus in the tasks it performed.

The HR function at GLOBAL BANK, in comparison with the other four domestic and the three foreign banks appeared to have a long-term focus. The HR Head
represents the function at all strategic level committees and is actively involved in the process of strategic decision making. The HR function has initiated several schemes like the XY survey to achieve long-term objectives like promoting employee engagement. The survey was introduced in GLOBAL BANK in Pakistan as a global initiative; it actively records the perceptions of the employees and then rates the activities of the HR function against them. This enables the HR managers to gauge if the HR function is meeting the requirements and expectations of the workforce. The survey has become a primary source of information for the HR function and the results reported in the survey are used to institute policies and to introduce initiatives for the long-run.

For instance, the bank has initiated schemes / policies to improve employee retention and motivation as a direct consequence of the suggestions made by employees in the XY survey. GLOBAL BANK also introduced practices such as succession planning and talent management which have a long-term orientation and focus. An annual exercise conducted in the bank classifies employees in bands or grades according to their performance record and perceived potential for progress. After generating the performance and potential matrices of the employees the HR function charts the path of top performers through specialist and generalist roles.

In ANGLO BANK, the HR function despite its small size has shown a considerable shift towards dispensing a role at the strategic level. In 2007, ANGLO BANK launched the Country Business Plan (Pakistan), a strategic document outlining its business objectives in Pakistan. The three year plan was envisioned with due input from the HR function; the bank is also developing a similar document to chart their investment over the next two years (the second stage of the first program). These two strategic documents also entail a comprehensive, long-term role for the HR function as reflected in the input obtained by involving the HR function in the planning phase. The HR function has also implemented the Global Balanced Scorecard and has customized it to define the HR objectives, measures and targets which enabled the integration of the HR strategy with the bank’s strategy to ensure the alignment between HR and organisational goals, in the long-term.
In the case of CLASSIC BANK, in 2007, the bank established the departments of Organisational Development and Strategic Planning; the heads of these departments report directly to the HR Head and are accountable for aligning the planning and forecasting processes in the HR function with the requirements of the organisation. The establishment of these departments is an endeavour by the bank to bring a long-term focus to the initiatives undertaken by the HR function. Additionally, the HR Head has formed a corporate team consisting of dynamic individuals but they have yet to play an active or prominent role in planning the long-term initiatives, at least till the time of the interviews. The inclusion of the HR function in the strategic planning process is currently limited to the HR Head but the team is being groomed to become more central to the strategic decision making process, according to the HR Head. In the case of MODERN BANK, the workforce planning exercise and training programs conducted to identify the hiring requirements for Management Trainee Officers (MTOs) and their subsequent training and orientation (approximately nine months long) were aligned with the bank’s long-term strategy. The strategy entails to induct professionally qualified employees at entry level from amongst whom the best performers can be groomed for strategic positions in the future.

Apart from the notable exceptions reported above, evidence emerging from the other case-study banks predominantly indicated that the HR initiatives were generally geared towards addressing the short-term needs / issues in the banks. The HR function in these banks had either not undertaken long-term HR initiatives in the recent past (at the time of interviews) or if they had, the initiatives were not successfully implemented. In VINTAGE BANK for example, a recruitment and selection scheme was introduced to fill vacant positions at the middle management level in some of the newly introduced product / service areas. This scheme was introduced in parallel with the downsizing initiative taken by the senior management. The HR function responded with a short-term focus and opted for external hiring rather than considering the option of training and redeploying the employees separated during the downsizing exercise. In taking this initiative, the HR function compromised the long-term objective of securing employee commitment because according to some of the line managers interviewed, the downsizing move and external hiring sent a signal to the survivors that the bank was unwilling to invest in
training and retaining those who had been with them for the last 10-15 years. Aside from the issues of low profile and less involvement of the HR function in the strategic decisions (elaborated in section 5.1.) the HR function in this bank suffered from a lack of time and resources; the HR managers stated these as the reasons for the unsuccessful implementation of the long-term initiatives undertaken by the HR function. The comment of an HR manager reflects these concerns.

‘I wish I had a recruitment and selection practice aligned with the long-term workforce needs. I want to have in place a new recruitment and selection system which takes into account internal and external factors but unfortunately, I don’t have the resources to do so and my staff is burdened with the routine work. So there is not much input I can expect from them either.’ (VINHR4)

A long-term initiative was undertaken by the HR function in TRADITIONAL BANK where an organisational change management initiative was introduced in 2007, based on the recommendation of an externally hired consultant. However, the initiative did not succeed to much of an extent. According to the HR Head, it was aimed at instilling a more dynamic culture in the bank and included measures like training in customer relationship management, introduction of a learning and sharing work environment and an emphasis on organisational development initiatives. Evidence presented in the interviews of HR and line managers indicates that this initiative was largely unsuccessful because of a lack of commitment and vision both on the end of the HR function as well as senior management. The HR function did not take ownership of the initiative as it was considered an outsourced activity and not their brainchild; although senior management believed in the utility of the change management initiative, they did not tactically integrate it with the other operations in the organisation. Hence, both the stakeholders appeared somewhat unclear about the objectives to be achieved from the initiative and either did not support or were uncommitted during the implementation phase. As a consequence, this intended long-term initiative actually reduced to isolated, short-term interventions such as updating job descriptions, publicizing the vision and mission of the organisation more widely and refurbishment of some branches in the major cities to create a professional environment.
In TRANSCO BANK, the HR function has had difficulty in designing a training program that pre-empts the developmental needs of the employees. The HR Head feels that the training imparted in the bank is not customized and is short-term in nature. Most employees are sent to a national / domestic training institute (The National Institute of Banking and Finance) which is operated by the State Bank of Pakistan. This institute conducts generic courses for the trainees belonging to several banks. The HR Head stated that despite the availability of a Training Needs Analysis system in the bank, line managers seldom integrated it in their decisions. According to him, the line managers appeared unwilling to prioritize employee development over business needs and in fact, mostly line managers even dictated the nature, length and type of the training to be imparted. He added that the line management focuses on the current training needs of the employees by sending them to workshops or training that are related to their existing job activities rather than to those workshops which can develop them for the future. Hence, we can infer from the above discussion that the HR function has been unable to institute a long-term training and development plan at the bank mostly due to the approach of the line managers.

In WESTERN BANK, the HR function introduced initiatives geared towards achieving employee motivation; they include a sponsored vacation program and management retreats but these programs did not appear to tie in with the long-term employee engagement policy of the bank. According to line and senior managers in this bank, these programs provide temporary recreation and relaxation for the workforce and in the past were unable to create much long-term benefit for the bank. Also, the execution of such programs has been inconsistent, for example, in the first year of its launch, five employees benefitted from this opportunity but in the next year only three were sent on company sponsored vacation.

5.2.2. Proactive / reactive initiatives

According to Truss (2002), initiatives that are led by the HR function are termed as a proactive and Tyson (1995) posit that an HR function that is proactive in its interventions rather than merely reactive can be designated as more strategic in its orientation. Hence, we examine the dimension of the nature of the initiatives undertaken by the HR function (proactive or reactive), in the case-study banks, in an
attempt to determine whether and if, the HR function in these banks was dispensing what can be termed as a strategic role. Our study revealed the presence of proactive HR initiatives in three case-study banks (MODERN BANK, GLOBAL BANK and ANGLO BANK), while the HR function resorted to reactive initiatives mostly, in the five remaining banks investigated. In the three case-study banks where the HR function appeared to have a proactive approach in its work, the function was involved from the on-set and led the initiatives from the conceptualization stage till the implementation stage. Most line managers interviewed in the three banks stated that while the HR function was not always proactively seeking to identify areas of improvement in its domain, there were instances when the HR function introduced certain initiatives and also convinced various stakeholders involved, of the utility of the initiated programs.

For instance, in MODERN BANK, the role of the HR function was proactive in terms of the long-term workforce planning as it staffed the newly opened branches through internal recruitment, placement and retraining and resorted to minimal external hiring, with only approximately 100 personnel hired from the market. This initiative was undertaken due to the exponential growth in the branch network which increased from 238 to 320 during the period of the research. In addition senior managers at MODERN BANK stated that the bank was known for its proactive employee related practices through which they were able to retain valuable employees, even at a time when job mobility was high and the market conditions were favourable for job seekers. Examples these practices include the introduction of career management and development practices and the induction of a new performance management system which integrated these practices with the compensation practice. According to line managers interviewed, a result of these practices was the low turnover rate in the bank which was below the prevailing industry standard.

In the case of GLOBAL BANK, the HR function anticipated an increase in the need for hiring middle managers due to the growth and expansion policy of the bank from 2005 onwards. An advisory team of senior business heads was constituted to develop the AZ Recruitment Strategy which is considered by senior managers interviewed as a significant initiative undertaken by the HR function. This is
because the strategy aims to identify and manage talent through the introduction of various employee retention policies. Further, according to the senior managers interviewed, such proactive efforts by the HR function have ensured a continuous supply of talented human resources and the retention of this talent at a time of fierce competition in the labour market.

Similarly, in ANGLO BANK, to improve the visibility of the HR function and to enhance employee engagement activities, the bank held an Employee Road Show in 2009. This initiative was not only a first for the bank but for the industry as well, according to the HR Head. According to him the HR function also conducts an internal (HR Department) Services Satisfaction Survey to gauge its own performance. The introduction of the survey indicates a sense of ownership and responsibility by the HR function which uses the findings of the survey to improve its own processes to meet the expectations of line and senior managers. One line manager who had joined the bank (ANGLO BANK) approximately a year ago commented that,

‘The Employee Road Show was a wonderful initiative. I came to know about so many employee engagement and development schemes, which I didn’t know existed. For instance I didn’t know that the HR department sends the top three performers to a company sponsored vacation. It just increased my motivation to do better.’ (ANGLM2)

In contrast with the case-study banks discussed above, VINTAGE BANK, CLASSIC BANK, TRADITIONAL BANK, WESTERN BANK and TRANSCO BANK mostly exhibited what can be termed as a reactive approach to people management. In VINTAGE BANK, in recent times (at the time of interviews), the HR Head on the behest of the senior management led a cost cutting initiative by re-classifying employees within the branches. The bank underwent three phases of downsizing, reducing the manpower from around 32000 employees in 1997 to its present figures of approximately 12500 employees. This initiative was again driven by senior managers in terms of the strategic choice / decision made and the HR function primarily acted in a reactive manner to implement the downsizing decision. Subsequently, a voluntary employee separation scheme was introduced by the HR function which was widely known as golden handshake scheme; it offered
considerably lucrative severance packages to the separated employees. According to the senior managers interviewed in this bank, the scheme was an initiative of the strategic management committee of which the HR function was not a part, at that time. The HR function was primarily tasked to implement the scheme.

In the case of CLASSIC BANK, the HR function appears to have taken some initiatives to enhance its strategic contribution through greater representation and participation at the strategic level forums and the undertaking of some long-term initiatives as discussed previously in this chapter. However, evidence related to the nature of activities performed by the HR function (proactive or reactive) revealed that the initiatives undertaken were mostly reactive in nature. According to the senior and line managers interviewed, the HR function designed and implemented a new performance management system in the bank after line and senior managers highlighted the need for introducing an integrated system to measure and manage performance, to reward, train and develop employees. Further, a senior manager highlighted that the new performance management system did not clearly identify measures to monitor employees on certain criteria related to financial irregularities set in the code of conduct, issued by the regulator of banks.

In the case of TRADITIONAL BANK, the training and development department is a typical example of the reactive nature of the HR function. This department is not involved in conducting a formal training needs analysis exercise on a regular basis. In general, line managers send the requirements for training of their employees, inclusive of the type and duration of the training and at times, even the organisation to attend. The HR function is responsible for either organizing an in-house training for a group of employees or for making the logistical arrangements for participants who are sent for external training. Further, in TRANSCO BANK, management opted for rationalizing / downsizing its workforce in recent times. This evidence emerged from the interviews of the HR Head and senior managers and was triangulated with the documents obtained from the bank. Despite the strategic intent behind this initiative, there was no involvement of the HR function in the planning phase. It was only when the decision had to be communicated and implemented that the HR function was involved. This created a crisis management mindset within all cadres of the HR function and consequently, it was not prepared to provide any
outplacement services to aid those separated during the downsizing. Further, the HR function did not, in the aftermath take any proactive initiatives to boost the morale of the survivors.

The evidence from interviews with the HR Heads in the four foreign banks in our sample GLOBAL BANK, WESTERN BANK, ANGLO BANK and TRANSCO BANK indicates that these banks were required to conform to the Global HR policies which appeared to curtail the proactive involvement of the HR function in developing and introducing localized HR initiatives and policies. Hence, the standardization of the HR practices renders the HR function in the foreign banks to generally undertake reactive initiatives.

5.2.3. Transformational / transactional activities

In this section we analyse the time spent by the HR function in the case-study banks, on performing transformational and / or transactional activities, to assess whether and if the HR function developed a strategic orientation. Extant literature highlights that the HR function needs to delegate some transactional activities to line managers in order to create time for the HR function to dispense more transformational or strategic activities. Ulrich (1997), states that an HR function that spends more time on transformational activities as opposed to transactional ones is better aligned to the business strategy of the organisation and is thus able to dispense a strategic role. This is because instead of focusing on the daily operational activities which are time consuming, the function consciously reorients its time and efforts to activities that can directly contribute to the attainment of the overarching strategic objectives of the organisation. Transactional activities are defined by Noe et al. (2006) to include daily transactions like benefits, administration, record keeping and employee services which are low on strategic value and transformational activities include knowledge management, strategic redirection, cultural change and management development.

In our sample banks examined, evidence revealed that only one case-study bank (GLOBAL BANK), appeared to delegate operational work to the line managers to some extent, to create time for performing transformational activities. The HR function in the other case-study banks continues to largely occupy itself with the
performance of transactional activities. In GLOBAL BANK, due to the structure of the HR function (three legged stool model), the HR personnel are bifurcated into clear segments; thus, those tasked with performing transformational activities devote their time to performing these tasks only. According to the HR managers interviewed in this bank, the shift to the three legged model was designed and implemented with the intent to re-orient the HR function in the bank so it could dispense a greater strategic role. One example which illustrates this intent is the creation of the positions of business partners in the bank; they are each appointed with the business heads of different divisions. These business partners, in the view of the HR Head, were involved to a considerable extent in providing advice / consultancy to the business heads and were able to commission HR work from the centre of expertise and shared services, for their division.

Two case-study banks, MODERN BANK and CLASSIC BANK while mostly focusing on improving the employee policies undertook some transformational activities which indicate the initiation of a shift in the orientation of the HR function. In the case of MODERN BANK, one example of such an activity was the induction of a new performance management system which according to the HR managers was geared towards enhancing the performance of employees and transforming the work culture. Additionally, in CLASSIC BANK, as mentioned earlier, realizing the need for operational excellence, the HR function refined HR policies and processes and beyond that, it undertook some transformational initiatives which are evident in the establishment of two new departments of Strategic Planning and Organisational Development. These departments are accountable for aligning the change initiatives introduced by the HR function with the bank’s strategic objectives.

According to line managers interviewed in CLASSIC BANK, it appears that the focus of the HR function is not to develop new policies that bridge the gap between HR and line initiatives but it is mostly to upgrade existing HR policies to cater to the current business needs. Although, line managers interviewed appreciated the initiative to upgrade the existing HR policies, they claimed that the focus of this initiative was purely to improve the administrative aspects. Hence, HR function was unable to re-orient itself and perform activities of transformational nature that could contribute to the strategic organisational objectives. Additionally, the relationship
managers in the HR function in this bank jointly report to the respective line managers but they are not performing the role of a business partner, a role which encompasses the delivery of transformational work aimed at meeting the strategic business objectives. Rather, the relationship managers are providing operational support only.

Evidence gathered from the interviews of senior managers and HR managers in VINTAGE BANK indicates that due to its public sector legacy, the personnel style of management which is symbolic of bureaucratic organisations continues to perpetuate in the bank. The HR function has yet to automate most of its key processes and relies on manual procedures, which leads to a transactional focus of the HR function. The units within the HR function which are responsible for providing services like compensation, payroll and employee relations are heavily overstaffed which appears to indicate a continued emphasis of the HR function on performing transactional work in the future as well. The figures available in the bank documents provide credence to this claim.

In TRADITIONAL BANK, according to the HR Country Head, even though he is a member of the core management committee, he still devotes a higher percentage of his time to monitor the transactional HR related activities performed by his team. This according to him is because the HR function is in a period of transition where it is now aspiring to perform transformational work, but the transactional activities continue to lie in HR’s domain; this necessitates that he devote sufficient time to monitor these activities. Further, he added that there were resource constraints due to which the workload related to transactional activities could not be reduced, like the availability of an adequate IT infrastructure which could reduce the time his staff (HR managers) spent on such activities. However, unlike VINTAGE BANK above, in this bank there appeared to be an intent on the part of the HR function to acquire a strategic orientation, which is evidenced in its efforts to procure an IT system (Peoplesoft). This will enable them to automate HR related records. The HR Head hoped that this would create time for his managers to get more involved with transformational activities, which had a strategic relevance for the bank. He cited the example of a volume analysis activity that was conducted to identify unique positions in the bank and to ensure a smooth succession planning policy for the key
positions. In addition, the individuals identified for succession in key positions were to be trained and developed to manage a smooth transition to those positions. However, the exercise was suspended after the identification of 543 unique positions because it was not possible to manually track the career of employees in all these positions and to manage a succession plan accordingly.

In three of the four foreign banks examined (WESTERN BANK, ANGLO BANK and TRANSCO BANK), that have a small size in Pakistan, the HR personnel are few in number and have to perform both transactional and transformational activities. For example, WESTERN BANK and ANGLO BANK do not have a corporate HR team as such and the HR Head in these banks is monitoring both the transactional and transformational activities. For example, in their role as a business partner, they are approached by the business heads for consultation on HR related issues but they are also performing and monitoring the important transactional work related to the HR function. This is largely because of less staff. Similarly, in TRANSCO BANK, the HR function appears to be understaffed and hence it concentrates more on meeting the day to day requirements / needs raised by the line managers rather than on performing long-term and transformational activities. Hence, the small size of the HR function in the three small sized foreign banks appears to influence the capacity of the HR function to perform transformational activities which inhibits the function from dispensing a strategic role.

**Summary**

Evidence presented in this section indicates that the HR function in four case-study banks investigated, (VINTAGE BANK, TRADITIONAL BANK, WESTERN BANK and TRANSCO BANK) still appears to display a short-term orientation in performing its activities, without considering the long-term implications of the initiatives undertaken. Three other banks investigated (CLASSIC BANK, MODERN BANK and ANGLO BANK) indicate a subtle shift in the orientation of the HR function with some initiatives illustrating a short-term focus and others, somewhat of a long-term focus. The only exception (relative to the other seven banks) is GLOBAL BANK where the HR function appears to have undertaken more initiatives that are geared towards attaining a long-term orientation. This largely appears to be the case due to the emphasis to align with the policies, practices and
processes administered at the global level by the bank and its structure. In the four case-study banks where the HR function appeared to display a short-term orientation in the dispensation of its activities, the reason seemed to be the dictation of line managers to address their short-term needs which results in the function adopting an approach whereby the needs are addressed in an urgent manner rather than with a long-term perspective that addresses the issues as part of a strategic agenda. This dictation from the line managers shifts HR’s focus from long-term to short-term orientation which impedes the function’s intent to perform a strategic role. Another reason emerging from the data seemed to be the insufficient resources at the disposal of the HR function.

Additionally, apart from the few examples related to the proactive approach adopted by three case-study banks, GLOBAL BANK, MODERN BANK and ANGLO BANK, the HR function in the other case-study banks appeared to be directed by senior leadership in their initiatives which rendered the function to be reactive in its approach. The inclination to be reactive stemmed from the following reasons. Firstly the HR is still struggling with the label of a support function and is involved in the implementation phase of most initiatives. Hence, the leverage or opportunity to take leadership and be proactive is minimal. Additionally, four foreign banks in our sample are required to implement and conform to the global HR policies which restrict the number and types of initiatives the HR function can undertake in the subsidiary banks in Pakistan. This limits the intent of the HR function to develop a strategic orientation. Evidence indicates that in the three case-study banks where the HR function was able to act proactively in some ways, the proactive initiatives undertaken were not directly related to the strategic business objectives of the respective banks. Consequently, the role performed by the HR function in the three banks indicated a shift towards a strategic role orientation but one which still requires greater integration with the organisational objectives.

Moreover, our analysis revealed that apart from GLOBAL BANK, the other case-study banks continue to focus on performing transactional activities. In the case of GLOBAL BANK, it appears that the clear demarcation of the activities within the function, defined according to its structure, enabled the HR function to spend more time on performing transactional activities. In the case-study banks where the
activities performed were predominantly transactional in nature, the reasons included legacy issues, lack of time available to HR managers to perform transformational activities, the availability of resources like an appropriate IT infrastructure, the need to equally perform in transactional roles in periods of transition and the small size of the HR function. The last reason (small size of HR function) appears to have influenced the three small sized foreign banks only.

5.3. The HR function and strategy formulation

A review of the literature in chapter two highlights the participation of the HR function in strategy formulation and the alignment of the HR strategy with the organisational strategy, as an indicator of the presence of a strategic role of the HR function. This is precisely what we aim to explore in this section.

5.3.1. Participation of the HR function in the strategy formulation process

The extent of involvement of the HR function in the strategy formulation process of the organisation can be gauged over a continuum presented by Golden and Ramanujam (1985) (refer to section 2.2.2.4.). Evidence from the data of the eight case-study banks revealed that VINTAGE BANK has a one-way linkage approach and one foreign bank, GLOBAL BANK follows an integrative approach to strategy formulation. The remaining six case-study banks CLASSIC BANK, TRADITIONAL BANK, MODERN BANK, WESTERN BANK, ANGLO BANK and TRANSCO BANK can be categorized as following different forms of a two-way strategy formulation process. Although the six banks are using some form of a two-way linkage approach for strategy formulation there is a difference in the level of participation and extent of feedback taken from the HR function (refer to table 5.3.).

HR managers in VINTAGE BANK which adopted a one-way strategy formulation approach stated that their involvement in strategic planning and policy sessions is limited, with communication flowing from the top for implementation mostly. The input of the HR function in the strategy planning sessions is almost non-existent which corroborates with the findings in section 5.1., that the HR function suffered from a low profile embedded in the bureaucratic legacy of the bank and the low status accorded to it by the senior and line managers. An HR manager at VINTAGE BANK stated,
‘The changes within the HR function have been rudimentary and superficial. In previous times HR was not really considered important as a strategic function in general and even in this bank. All we did was administrative work and they [management] didn’t let this function develop with the changing times. Now it’s like a big leap that we have to take. It is difficult for business divisions to accept HR in this [strategic] role.’ (VINHR2)

Table 5.3: Participation of HR function in strategy formulation

<table>
<thead>
<tr>
<th>Banks</th>
<th>Level of Participation</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>VINTAGE BANK</td>
<td>One Way Linkage</td>
<td>Due to;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Limited participation planning and policy session</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Top down communication for implementation</td>
</tr>
<tr>
<td>TRADITIONAL BANK</td>
<td>Weak Two Way Linkage</td>
<td>Due to;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- HR Head present in some session</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Some instances of feedback sought in implementation</td>
</tr>
<tr>
<td>WESTERN BANK, TRANSCO</td>
<td>Medium Two Way Linkage</td>
<td>Due to;</td>
</tr>
<tr>
<td>BANK, TRANSCO BANK</td>
<td></td>
<td>- Global implementation of HR strategy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Periodic feedback given in discussion phase of strategy formulation</td>
</tr>
<tr>
<td>CLASSIC BANK, MODERN</td>
<td>Strong Two Way Linkage</td>
<td>Due to;</td>
</tr>
<tr>
<td>BANK, ANGLO BANK</td>
<td></td>
<td>- Ongoing feedback given in development and discussion phase of strategy formulation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Participation of Corporate HR / HR Head valued by senior management</td>
</tr>
<tr>
<td>GLOBAL BANK</td>
<td>Integrative Linkage</td>
<td>Due to;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Involvement of the HR Head at the outset of strategy formulation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Business partners giving advice to HR and business unit heads</td>
</tr>
</tbody>
</table>

* Column 2 adapted from the continuum suggested by Golden & Ramanujam (1985)

* Column 3 highlights findings from primary data

Evidence provided from the interviews of senior and line managers indicates that TRADITIONAL BANK has a weak two-way strategy linkage as the HR function is seldom involved in the strategy formulation phase. The Country Head HR is present
in some strategy formulation sessions but the extent of his involvement is quite low. The line and senior managers interviewed were predominantly of the view that the HR Head did not demonstrate sufficient capacity to provide valuable input in the strategic matters even when he was given the opportunity to participate in such sessions. In most cases the contribution of the HR function is operational in nature as contended by the HR managers interviewed and even where the HR function is involved, the thrust of decision making is mostly related to transactional activities. The comment of an HR manager highlights this view.

‘During times when investment decreases and the bank requires hiring of professionals who can seal larger deals, the HR function is involved, but the focus is kept on hiring new employees with greater sales and marketing skills [required during times when greater deposits need to be mobilized]. We are not asked to share any options we may have, to resolve this issue and even if we do share them rarely, they are not debated or discussed.’ (TRADHR3)

The HR managers at the bank stated that they realized that in order to provide strategic input at such forums, the HR function needs to be involved and must be assertive in sharing its perspective during the initial strategy formulation process. Moreover, the communication of the agreed upon strategy to lower cadres even within the HR function is compromised, despite the intention to do so. Hence, no clear direction to follow appears to emerge for the HR employees. Also, the HR managers reported that there were instances when the line management used its political clout to interfere in the internal working of the HR function. Recruitment and selection decisions are often dictated by line managers without seeking input from the HR department. This top down approach tends to bother the HR managers and negatively affects their relationship with the line managers.

Further, WESTERN BANK and TRANSCO BANK also follow a two-way strategy formulation process but the involvement of the HR function in these banks, and the influence it exerts in strategy formulation, is slightly better than that in TRADITIONAL BANK. The HR function in WESTERN BANK and TRANSCO BANK generally implements the HR strategies / practices adopted from their Global Headquarters and thus far, the function itself (in terms of strategic role dispensation) is in the development stages in these banks, in Pakistan. For instance, in WESTERN
BANK, the HR team feels that the business heads (senior manager positions) have started to value their contribution to some extent, in strategic matters. The HR Head of WESTERN BANK stated,

‘We have a young HR team which is a blend of new and experienced people, very motivated and performance oriented. We are confident that we are moving in the right direction by developing this team. We work in close coordination with the business heads [senior managers] and aim to develop to perform the role of a business partner, in the true sense of the term.’ (WESTHR1)

Even though this comment shows the confidence and positive intent of the HR Head, the line managers interviewed consider that there is a gap between the rhetoric and reality related to the HR function’s participation and contribution at the strategic level. They highlighted that the HR function is mostly focused on implementing policies as cascaded down by the global headquarter and the HR personnel appear to be more interested in policy manuals as opposed to providing any meaningful input. Additionally, the focus of the HR Head on monitoring the transactional work (as discussed in section 5.2.) appears to compromise his participation in the strategy formulation forums and the relative inexperience of some of the young HR personnel, on the small sized HR function, appears to compromise the capacity of the function to assertively participate in the strategic forums.

Further, in the case of TRANSCO BANK, according to the HR Head interviewed, the HR function has mainly been involved in the implementation of strategies that pertain to downsizing, cost cutting and enhancing efficiency. In doing so, the HR managers interviewed felt that they were acting as a shield for senior managers who had formulated the strategy and consequently they faced a multitude of the employee grievances. According to them, in addition to implementing the downsizing strategy, the implementation of global policies cascaded down to the subsidiary in Pakistan, impeded the efforts of the HR function to provide valuable input to the business heads, in strategic matters. This resulted in the HR function dispensing an operation role, mostly.

From the remaining six case-study banks, three had a two-way strategic link (CLASSIC BANK, MODERN BANK and ANGLO BANK). The extent of the HR
function’s involvement in the strategic deliberation sessions is stronger in these banks, compared to WESTERN BANK and TRANSCO BANK. Their HR Heads are part of the development and discussion sessions related to major organisational strategies and policies. The HR function in CLASSIC BANK in recent times has gained influence and has increased its participation in the strategy formulation process according to the HR Head Strategy Planning. His comment below illustrates his position.

‘We are no longer involved in decisions related to the HR function only. Recently, the Consumer Banking Division was unable to meet its targets due to which senior management was seriously considering to scale down its operations. However, as a result of our involvement in the re-strategizing process, this option was not exercised; rather, the division was given another opportunity to improve its performance.’ (CLASHR4)

In CLASSIC BANK, the corporate HR team which reports to the HR Head consists of a group of young professionals; the team formulates HR’s goals and objectives under the leadership of the HR Head and then clearly communicates them to line managers as well as to other HR managers to ensure effective cascading of strategy. This HR team enjoys a considerably high level of credibility amongst senior and line managers in the bank, according to the HR Head. However, the HR Head was conscious of the less than sufficient experience and skill-set of the young HR managers which in his view restricted the active participation of the HR function in the strategy formulation forums, in his absence.

Similarly, in MODERN BANK, the HR function is involved in the discussion and development phase of strategy formulation according to the HR Head. However, he felt that there existed a much greater scope for the HR function to perform at strategic forums. He added that the participation of the corporate HR team within the HR function is valued by the senior management but the communication of the HR strategy remained weak. In his view, the position of the HR Relationship Managers had the potential to provide the HR function greater opportunities for involvement in strategic issues but they had restricted themselves to quite an extent to perform in this capacity because of their current skill-set which needed to be enhanced. The comment of the HR Head reflects some of these facts.
‘The HR function has come a long way from providing just administrative level support. We are moving towards becoming strategic and senior management has started involving the HR function in strategy formulation. However, we are still not involved all the way through. Our input is definitely there and is considered but perhaps our representation needs to be more widespread and consistent [in terms of the standard skill-set of HR personnel].’ (MODHR1)

The involvement of the HR function in strategy formulation in ANGLO BANK is also categorized as a strong two-way strategy formulation process (see table 5.3.) which is evident in the comment made by an HR manager at ANGLO BANK,

‘The HR function is now an essential part of the strategy formulation process. We were part of the formulation of the three year strategic plan which has recently been presented by senior management [Pakistan Business Plan]; it covers the expansion policy of the bank for the next three year.’ (ANGHR2)

He elaborated that the senior management seeks participation of the HR function in strategy formulation and in addition, the HR function benefits from the balanced scorecard implemented bank wide, as it set specific targets for the HR function as well. The department level HR balanced scorecard is developed by the HR function itself and is shared with the line managers, which indicates an effort to align and effectively communicate the HR strategy with the business strategy. However, in our analysis the HR function in ANGLO BANK (in Pakistan) still needs to communicate its perspective with greater determination, more consistently and on a wider scale to establish its position in the strategy formulation forums.

GLOBAL BANK is the only bank in our sample which follows an integrative strategy formulation process and in comparison with the other seven case-study banks it appears to be more strategic in its orientation, with an overall high involvement in strategy formulation. According to an HR manager interviewed, the function’s representative is present during all plenary sessions and deliberations that take place when the business divisions present their annual business plans and the HR function shares its perspective, apprehensions and views regarding the strategies being formulated. One HR manager at GLOBAL BANK shared this comment.
‘We have an open culture here and due weight is given to the HR function’s concerns and feedback in policy matters. It is probably because we are involved in the process all the way through.’ (GLOHR3)

In this case-study bank, the HR function appears to display a better understanding of what is expected from a business partner and acts as a conduit between the line and senior management. It drives change to reflect the business needs and defines its scope in conformity with the business needs / requirements. According to the HR managers interviewed, the profile of the HR function and the fact that its value is embedded in the institution necessitates that senior management consults and gives weight to its opinion. Consequently, the HR function enjoys a substantial albeit non-coercive political clout within the organisation. According to the HR Head of the bank, the CEO as well as senior management values to some extent, the perspective of the HR function in its decision making.

5.3.2. Alignment with the organisational strategy

In this section we assess the degree of alignment between the HR function (in terms of the HR practices and activities) and the strategy of the case-study banks to examine how and if this dimension can influence the HR function to achieve a better strategic orientation. The choice of this dimension is underpinned in extant literature which highlights that the alignment of the HR function with the business strategy of the organisation can yield sustainable competitive advantage. Truss (2009) argues that with the alignment between the HR strategy and the business strategy, the HR function gains the capacity to potentially become more strategic in the organisation. The HR function can then introduce initiatives that align with the requirements and needs of the business which leads to a vertical fit or best-fit between the strategies.

Evidence from the data indicates that out of the eight case-study banks examined, the HR practices of VINTAGE BANK and TRADITIONAL BANK seem to be less aligned to the requirements of the bank. In five case-study banks (WESTERN BANK, TRANSCO BANK, ANGLO BANK, CLASSIC BANK and MODERN BANK) the HR function is partially aligned (medium, medium-low) to the strategy of the respective bank. However, there is a variation in their degree of alignment as
evident from the table 5.4. It is only in GLOBAL BANK that the HR strategy appears to be integrated with the organisational strategy.

In the case of the first category (low alignment), there was little or no strong evidence of a link between the organisational and HR strategy in the case-study banks. The HR function in VINTAGE BANK and TRADITIONAL BANK appeared to be less aligned with the organisational strategy, as is illustrated through the examples below. VINTAGE BANK, previously a public sector bank is one of the largest in the country. In the recent past, (last decade) the privatization of the bank and the deregulation of the sector resulted in tough competition for the bank which resulted in a dip in the market price of its shares. However, based on the comments of HR managers, we infer that its HR strategy appears to target the objective of cost efficiency predominantly, rather than address the current business needs of the bank, for developing the employees to beat the competition.

According to the senior managers interviewed at TRADITIONAL BANK, the bank experienced steady growth in recent times and it focused on a strategy of internal growth; it has expanded into different market segments like consumer and corporate banking and was the first commercial bank to venture into car leasing and financing, post deregulation. They stated that the HR function was not able to support the market development strategy and thus the bank struggled with staffing, retention and employee motivation issues. The failure of the change management initiative (discussed in section 5.1.) is symbolic of the weak alignment of the HR function with the organisational strategy. Despite the growth/ diversification into other product / service segments, the HR function was unable to develop any training and development programs to retain the existing workforce in these areas. Rather, in one of the few instances when the function was able to implement such a program, they introduced legal bonds to retain the trained employees, in lieu of the investment made on their training.

Data collected indicates that WESTERN BANK and TRANSCO BANK fit in the second category of banks (low-medium). The low-medium category is allocated to the HR function where some link with the organisational strategy exists (short-term
objectives) but the HR initiatives are unable to align with the long-term strategic objectives of the banks.

Table 5.4: Degree of alignment of the HR Function with organisational strategy

<table>
<thead>
<tr>
<th>Banks</th>
<th>Organisational Strategy</th>
<th>Degree of Alignment</th>
</tr>
</thead>
<tbody>
<tr>
<td>VINTAGE BANK</td>
<td>Concentration</td>
<td>Low Alignment due to</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Poor HR planning</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Over staffing</td>
</tr>
<tr>
<td>TRADITIONAL BANK</td>
<td>Internal Growth</td>
<td>Low Alignment due to</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Failed change management initiative</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Lack of training and development</td>
</tr>
<tr>
<td>WESTERN BANK</td>
<td>Niche / Consolidation</td>
<td>Low - Medium Alignment due to</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Failure in employee retention despite lucrative compensation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Limited career growth</td>
</tr>
<tr>
<td>TRANSSCO BANK</td>
<td>Niche / Divestment</td>
<td>Low - Medium Alignment due to</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Job insecurity during divestment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Limited career growth</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Excellent compensation package</td>
</tr>
<tr>
<td>ANGLO BANK</td>
<td>Niche / Growth</td>
<td>Medium Alignment due to</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Restrictive international HR obligations</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Effective HR strategy planning tools</td>
</tr>
<tr>
<td>CLASSIC BANK</td>
<td>External Growth</td>
<td>Medium Alignment due to</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Institution of OD and strategy department</td>
</tr>
<tr>
<td>MODERN BANK</td>
<td>Internal Growth</td>
<td>Medium Alignment due to</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Effective HR acquisition strategy</td>
</tr>
<tr>
<td>GLOBAL BANK</td>
<td>External Growth</td>
<td>Medium - High Alignment due to</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Institutionalized HR systems</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Efficient HR acquisition strategy</td>
</tr>
</tbody>
</table>

Source: Primary Data

WESTERN BANK has grown at a slow pace in comparison with its competitors and strategically the bank limits itself to a few market segments like corporate and high end consumer banking which is commonly referred to as boutique banking in
Pakistan. In recent times (at the time of interviews), the bank appeared to have primarily consolidated itself in these niche segments. The HR strategy entails that the HR function’s involvement be guarded and inhibited by adherence to the international practices and processes. Further, most of the senior and line managers interviewed stated that the workforce of the bank largely comprised of individuals who were poached from other banks by offering lucrative packages but over a period of time, the HR policies were unable to retain this workforce. According to the HR Head, domestic banks offered competitive salaries and poached their middle managers; also the limited growth opportunities in the bank due to its small scale of operations, dissuaded these employees to continue in the long-run. Hence, while the HR strategy managed to attract and hire these people in the short-term, it was inadequate to accomplish the bank’s long-term objective of retaining the talented workforce.

Similarly TRANSCO BANK which started its operations in Pakistan almost two decades ago had to opt for scaling down of the bank’s operations 2007 onwards which led to a reduction in the HR personnel as well. The operations were scaled down due to the global recession which started in 2007. This bank is a small niche bank that focuses on few high end customer segments and has curtailed its operations in consumer banking, choosing to focus on corporate banking instead. According to line managers interviewed, TRANSCO BANK offers the highest salary in the industry to senior managers and is above its competitors in the case of middle managers, yet the bank has faced challenges in retaining its workforce. The limited growth potential along with decreased job insecurity due to divestment has resulted in employees leaving the organisation.

ANGLO BANK, CLASSIC BANK and MODERN BANK form the third category of banks (medium) which indicates that there is evidence of a relatively stronger alignment between the HR and the organisational strategy, with a focus on attaining both the short and the long-term organisational objectives. This is managed through the addition of departments in the HR function that are focused at performing strategic HR activities, and through the induction of modern planning tools such as the balanced scorecard. Similar to the other two small sized foreign banks discussed previously, ANGLO BANK also follows the strategy of niche marketing. However
Unlike WESTERN BANK and TRANSCO BANK that have shown caution in their growth (branch network and number of employees), ANGLO BANK has grown steadily in both its operation and numbers. According to senior managers interviewed, the bank has pursued an internal growth trajectory to expand their branch network and corporate operations. They added that ANGLO BANK has an internal HR strategy planning mechanism, the outcome of which is an HR balanced scorecard, an explicit and formal strategy document outlining the targets and expectations by the management from the HR function. Additionally, according to the HR managers interviewed, the function uses this document to communicate within and across departments as a written HR strategy enables a better understanding between all the stakeholders. However, the HR function feels that they are restricted in their endeavours to better align with the local business needs / strategy at times, because of certain global HR processes. For example, the need to shorten the hiring process in recent times (in view of the high job mobility in the banking sector at the time of interviews) was not possible because of the lack of approval by the Global HR Division.

CLASSIC BANK offers a large portfolio of products and has followed an external growth and acquisition strategy to expand and diversify. According to the literature reviewed in chapter 3, the bank is considered as a successful model of privatization and in the last fifteen years, it has exceeded its growth targets. In recent years the bank has concentrated on improving service quality by utilizing its extensive branch network and developing operational excellence. An example is the establishment of the Organisational Development and Strategic Planning Departments to integrate the HR strategy with the organisational strategy by developing the employees’ in-line with the requirements of the organisation. The HR function also has an HR acquisition policy (through which it acquires small, private banks) in place and it has been able to successfully integrate the employees from the acquired banks through cultural alignment programs and compensation re-adjustment. However, the HR function feels that their processes and systems need to be institutionalized in order to achieve a higher level of alignment (see section 5.1.). Hence, it can be said that the HR function at CLASSIC BANK displays a medium alignment with the strategy of the organisation.
Further, according to senior managers in MODERN BANK, it has followed a strategy of steady and organic growth in its manpower, branch network and product lines, over the last few years; they have expanded from retail and consumer banking into corporate banking. An interview with the HR Head revealed that the HR function has adopted various policies to enable the bank to achieve its objectives. These policies include employee engagement initiatives and the expansion of its workforce in a manner so as to minimize overstaffing. It has also initiated programs that improve employee retention and the turnover rate of the bank which is one of the lowest in the industry as claimed by the HR management. Nevertheless, there are certain areas which appear misaligned, for example the development of a performance management system that motivates the employees and elicits their best effort, the devolution of its implementation to line managers and then again the reverse devolution to the HR function, without yielding much conclusive results.

The medium sized foreign bank GLOBAL BANK is the only bank in the fourth category (medium category) as the HR function in this bank appears to have a moderately strong link of its strategy with that of the bank’s long-term strategy. The bank targets a wider customer base unlike the other foreign banks in our sample that have restricted their operations to niche segments. GLOBAL BANK has followed an inorganic path to capture a large market share according to the senior managers interviewed. It is competing with local banks for local clients and is moderately successful in doing so. Additionally, the HR function at GLOBAL BANK is credited by the senior managers interviewed to have developed a detailed HR acquisition plan that forms the basis of the bank’s successful acquisition strategy of smaller banks. The plan offered a framework for equitable rewards, organisational culture sensitization, re-alignment of performance management systems and reorientation of the acquired workforce. Considering the aggressive growth strategy, the HR function appears to have done well to address challenges faced by the workforce, in the views of the HR managers. The HR function is involved at the outset in some strategic discussions leading to the better alignment of the HR function in this bank. The HR managers seemed to acknowledge that they were aware of the strategic deliberations even before the plans were finalized and this inside knowledge facilitated the assessment and decision making of the HR function.
Summary

Based on the analysis presented above, we can state that apart from GLOBAL BANK, the HR function in the other case-study banks does not appear to be have integrated much in the strategy formulation process. This is because the HR function in the other case-study banks is involved at a later stage in the strategy formulation process. Firstly, senior management within the banks confines planning and strategizing to a few individuals and / or functions, choosing to involve HR only at the discussion or development stage. Perhaps because they feel the HR function’s utility comes in at the time of implementation. Secondly, the HR function itself does not seem to have the capacity to offer strategic advice at an earlier stage, in at least seven of the case-study banks (to varying extent), due to the lack of a requisite skill-set and in VINTAGE BANK, due to the legacy of performing in an administrative role. Evidence indicates that the HR function is proficient in developing processes and practices but it is unable to envision the contribution that HR can make to the organisation through strategy formulation. Finally, in the case of the three small sized foreign banks, the pressure to conform to the global practices / policies leads the HR function to spend more time on operational activities and their strategic contribution takes a back seat.

Additionally, the evidence presented in this section indicates that the HR managers in all case-study banks attempted to align the HR function’s strategy with the organisation’s strategy to some extent, in order to improve the contribution of the HR function in strategic forums. However, this finding is applicable to the case-study banks with a varying degree because the analysis indicated a low, medium-low, medium high and medium alignment of the HR strategy with the organisational strategy. Apart from the banks which were assigned the low category, in the other case-study banks, the adherence to the Global HR policies and processes (in the foreign banks), the introduction of departments within the HR function accountable for achieving strategic alignment with the organisational strategic initiatives and the introduction of advanced planning tools like the balanced scorecard led to the establishment of an HR strategy which was linked (to varying extent) with the organisational strategy. A stronger link was visible in one case-study bank GLOBAL BANK where beyond these factors, the participation of the HR function in the strategy formulation process enhanced the prospects of the function to achieve a
relatively stronger alignment with the organisational strategy. Two key reasons for lack of alignment between the two strategies which emerged from our findings include the lack of institutionalization of the HR function in the strategic decision making processes of the organisation and the greater focus on aligning with the short-term organisational strategies.

5.4. Perceptions of HR and line managers related to the role orientation of the HR function

This section articulates the perceptions held by the HR and line managers regarding the integration and involvement of HR’s perspective at the strategic level in the organisational strategy. Our research reveals significant differences in the perceptions of HR and line managers related to the role being dispensed by the HR function in the case-study banks. In all case-study banks examined the HR personnel interviewed regarded the function to be more strategic than what the line managers interviewed credited it for. While most HR managers interviewed across the case-study banks agreed that the HR function needed to perform a greater strategic role in the respective organisations, they perceived that support and opportunities given by senior management were limited in this regard. An exception was GLOBAL BANK, the reasons of which are elaborated in the later sections. The discussion in this section is developed keeping in view the findings in the previous three sections which integrate three indicators identified in extant literature as those, an examination of which can identify the orientation of the HR function (strategic or administrative).

At CLASSIC BANK, the HR managers believe that the function has become more strategic and has taken significant steps such as the establishment of an Organisational Development and a Strategy Planning Department that specifically design and implement initiatives to address the needs raised by the business heads. However, the HR Head interviewed indicated that to establish a greater strategic orientation of the HR function on a sustained basis, the HR managers needed to build their business knowledge. His comment below indicates this requirement.

‘Business knowledge is the key, we can only move forward with better understanding of business requirements, which can help us align the HR policies with their needs.’ (CLASHR1)
In the case of TRADITIONAL BANK, HR managers interviewed stated that the HR function had assumed a greater strategic role in the last two to three years and they expressed their desire to further enhance the function’s profile and its strategic contribution to attainment of the strategic objectives of the organisation. However, the Country Head HR and Head Organisational Development both were of the opinion that this could only be achieved after implementation of a more sophisticated human resource information system (PeopleSoft) which would reduce the time HR managers had to spend on transactional activities. Similarly, in MODERN BANK the HR managers stated that there was an intent to make the function more strategic and that an effort was underway to reduce the time spent on transactional activities, through a better sophisticated IT infrastructure. Moreover, the HR Head plans to upgrade the skill-set of his existing workforce of HR Relationship Managers to develop them into HR business partners through training.

Further, in WESTERN BANK, ANGLO BANK and TRANSCO BANK, the HR managers expressed their intent to undertake more initiatives to attain greater alignment of the HR function’s strategy and the organisation’s strategic direction. According to senior managers interviewed, the HR Head in ANGLO BANK associated great importance to the adoption of strategic planning tools in the or developing the HR strategy. In his view, this not only increased the credibility of the HR function in the eyes of line managers, it also highlighted HR’s contribution to the organisation. In addition, the HR managers interviewed at GLOBAL BANK appeared to be cognizant of the high expectations placed on them by the senior management and evidence indicates that they enacted their role with a sense of responsibility and integrity. The HR managers contended that the dispensation of HR activities in a professional and timely manner earned them respect and influence at the strategic forums and enhanced their reputation as a key partner in strategic issues.

In contrast with the above, our interviews with the HR managers in the case-study banks also revealed certain apprehensions and constraints which limited their influence and strategic contribution. In VINTAGE BANK, the HR managers interviewed perceived that the HR function was viewed with suspicion by line managers who felt the function neither had the profile nor the capacity to participate
in strategic level discussions. Also, according to the HR managers, since the senior managers are sceptical of the capacity of the HR function to understand business related issues, they do not support their involvement in the strategy formulation process which minimizes the strategic contribution of the function.

In TRADITIONAL BANK, the HR managers interviewed perceived that the line managers only solicited the HR function’s support in operational activities and implementation of strategies. The line managers perceived HR’s strategic input to be an interference in their matters. Additionally, the line managers did not give priority to employee related activities and considered them to be tedious and unproductive. Further, in MODERN BANK, the HR Head perceived that the line management did not want to implement and communicate difficult decisions to their subordinates / team members and instead used the HR function as a shield. This was especially true in the areas of performance management, compensation and promotion decisions where line managers tended to blame the lack of flexibility in HR policies and criteria, for forcing them to make certain decisions.

The perceptions of line managers regarding the role of the HR function in the case-study banks examined are quite diverse. Line managers at both CLASSIC BANK and MODERN BANK were appreciative of the role HR plays within the organisation although they believed that the HR function needed to do much more to become significantly strategic. They perceived this was possible if the HR function was able to develop a better understanding of the business requirements. Similarly, in VINTAGE BANK, the line managers perceived the HR function had improved in terms of providing solutions to operational problems but it needed to develop a better understanding of the business context before it could actively and significantly get involved in strategy formulation.

At GLOBAL BANK, in comparison with the other case-study banks, the perception of line managers related to the HR function’s strategic contribution was relatively much higher. The line managers with whom the business partners were associated perceived that the HR function had relatively increased its input in strategy formulation and had made considerable efforts to bridge the gap between the HR and organisational strategy. The line manager’s level of expectation from their business
partners was quite high and they hoped to gain further benefits from HR’s continued involvement. The HR managers perceived this expectation of the line managers to be particularly aligned with their intent to dispense a greater strategic role in the strategic matters of the organisation.

Further, the perception of line managers related to the role the HR function in three case-study banks (WESTERN BANK, ANGLO BANK and TRANSCO BANK) was relatively similar. In all three case-study banks line managers in general, perceived that for dispensing a more strategic role, the HR managers needed to be more proactive with better business acumen. This perception appeared more strongly in WESTERN BANK and TRANSCO BANK where the HR teams are going through a developmental phase with a number of young HR managers.

**Summary**

To summarise, the evidence presented in this section indicates differences between the perceptions of HR and line managers related to the role performed by the HR function. In general, the perception of HR managers across the case-study banks (barring VINTAGE BANK, to an extent) was that the HR function had started to dispense somewhat of a strategic role. They highlighted numerous reasons that restricted the strategic contribution by the HR function; these included an inadequate support and opportunities provided by senior management, the low profile of the HR function in line managers perception and the priority line managers assigned to people management issues. The views of line managers indicated that the HR function was attempting to change its role somewhat, to perform in a strategic capacity, but even in the case-study banks where a shift was evident, it was predominantly perceived that the function had yet to make a lot of effort to achieve a significant strategic orientation. Common between both the stakeholders was the perception that the HR function needed to build its business acumen, update its skill-set to perform in the role of business partners and act more proactively to attain a strategic orientation. In TRADITIONAL BANK, HR managers also perceived a lack of resources (example IT infrastructure) which they felt needed to be upgraded.
5.5. Conclusion

Based on the evidence presented above, it can be stated that despite the aspiration / intent of the HR function to attain a strategic orientation across the case-study banks, our analysis did not reveal much significant presence of a strategic role being dispensed by a larger majority of the banks investigated. GLOBAL BANK appeared as an exception. However, there was evidence of a shift in the HR function towards performing somewhat of a strategic role in three case-study banks (CLASSIC BANK, MODERN BANK and ANGLO BANK). From amongst the remaining four case-study banks, there appeared a relatively better attempt by the HR function in TRADITIONAL BANK, WESTERN BANK and TRANSCO BANK to develop a strategic orientation but due to certain limitations (mentioned below), they were unable to attain any significant strategic orientation.

Further, our analysis of the three indicators chosen to assess the orientation of the HR function revealed the following: Firstly, we found that the representation of the HR Head at the strategic level, their reporting relationship, the hierarchical position of the HR function and the profile of the HR Head have a role in establishing the credibility of the HR function which influences the role it performs. Issues such as the HR function’s continued attempt to gain legitimacy in management committees, the legacy effect and the low position of the HR Head in the organisational hierarchy restricted the intent of the function to adopt a strategic role. Key factors in the profile of the HR Head which have the propensity to positively affect the intent to achieve a strategic role orientation, especially in the banks where the HR Head physically embodied the function, include a broad based business background in some instances and a career in the HR profession in other instances, an understanding of the business context and an assertive personality. Where the HR function is embedded in the organisational systems, institutional mechanisms such as the positive mindset and support of senior management and the CEO and the informal network developed with senior and line managers aided in attaining somewhat of a strategic role orientation. Two other institutional mechanisms which include public sector legacy and a low position of the HR function in the hierarchy restricted the capacity of the HR function to shift towards a strategic orientation.
In addition, most case-study banks (barring GLOBAL BANK, MODERN BANK and ANGLO BANK) displayed a short-term orientation, a reactive approach and an emphasis on performing transactional work which restricted the capacity of the HR function to perform a strategic role. This is not to state that there was no evidence of an attempt / shift towards re-orienting the focus of the HR function but it is to highlight the various factors which were resulting in a slow shift from performing a purely administrative role. The focus on short-term initiatives was mostly due to the dictation of line managers to meet the immediate business needs, the insufficient resources at the disposal of the HR function, the continued struggle to shed the label of an administrative / support function and in the case of the foreign banks, the adherence to the global HR policies / process. Further, barring GLOBAL BANK where the structure of the HR function enabled clear demarcation of individuals who were to perform transformational work, in the other case-study banks, mostly transactional activities were being performed. This is because of the lack of time available to HR managers, the availability of resources (IT infrastructure), the small size of the HR function and the need to monitor and implement transactional work along with the transformational activities.

Related to participation of the HR function in strategy formulation and the alignment of its strategy with the organisational strategy, the evidence presented indicates that GLOBAL BANK was the only bank where the HR function appeared to have a strong integrative link in the strategy formulation process and a relatively stronger alignment with the organisational strategy. In the other banks investigated, the HR function was involved mostly in the implementation phase or later planning stages. This appears to be because of a low opinion of senior and line managers of the HR function’s capacity to perform in strategic initiatives, the inability of the HR function to contribute more assertively in the strategy formulation process due to inadequacy in its skill-set and the conformance to the global HR practices, in the case of the foreign banks.

Also, we found that the HR function’s aspiration to become more strategic is quite evident in a majority of the case-study banks but there is a difference of opinion with line managers on the extent to which HR has been able to achieve this objective. HR managers generally perceive that line managers sideline their perspective but there
seems to be a growing trend to accept the participation of the HR function, to some extent, in the strategic forums. In the perception of line managers and HR managers both, HR needs to enhance their skill-set, develop a higher degree of business knowledge and proactively perform its activities before it can assume a greater strategic role, especially in terms of organisational strategy formulation. HR managers also cited the need for more resources in order to enhance its strategic contribution towards the achievement of the organisation’s strategic objectives.

Following our exploration of the current state (strategic or operational) of the role of the HR function in this chapter, the next two chapters extend the analysis through a consideration of the significant influencing factors. Taking a lead from the conclusion reached in this chapter and the review of literature in chapter 2, the intention is to report and highlight the factors that may influence the adoption of a strategic role by the HR function.
Chapter 6: Devolution of HR practices to line managers: Outcomes and challenges

6.0. Introduction
The previous chapter discussed the evidence related to the presence of a strategic role (if at all) of the HR function in the banks examined. In this chapter we analyse the extent of devolution in five HR practices, from the HR function to line managers and the related underlying tensions and conflicts which affect the outcomes of devolution and the HR-line relationship. This analysis will aid us in identifying whether and if, devolution (to whichever extent present) influenced the HR function to adopt a more strategic role in the case-study banks examined. We choose to examine the extent of devolution because earlier studies by Purcell and Hutchinson (2007), Kulik and Perry (2008) and McCracken and Heaton (2012) state that the nature and extent of devolution can influence the role (strategic or operational) dispensed by the HR function and that a greater role of line managers in people management issues gives the HR function time to engage in strategic issues (see chapter 2).

Furthermore, devolution is a significant subject of inquiry in literature (Conway and Monks, 2010; Currie & Procter, 2001; Renwick, 2003) and is defined as the degree to which the HR function involves and gives responsibility to line managers, rather than personnel specialists in implementing the HR activities. Kulik and Perry (2008) define devolution as a major strategy to improve the HR-line relationship and Truss et al., (2002) posit that when line managers are involved in people management activities, it improves their relationship with their subordinates. Further, Cascon-Pereira et al. (2005) suggest that devolution is a desirable output because of the many benefits it carries for the HR and line managers. These benefits include more time for the HR managers to focus on strategic HRM issues (Sisson and Storey, 2000), ownership of people management issues by line managers, reduction of costs with dispersed activities, attainment of a much need business focus by the HR function and a positive image of the HR function in the organisation (Whittaker and Marchington, 2003). Thus, an analysis of the devolution of the HR practices which underpins the HR-line relationship, can aid in highlighting the influence (if any) of
devolution, on the strategic orientation of the HR function. Further, a discussion of the emerging conflicts, issues and impediments due to devolution can aid in understanding the implications for future efforts towards devolution of the HR practices.

This chapter is divided in two main sections which are further divided into sub-sections. Section one examines the distribution of core HR practices between HR and line managers in the eight case-study banks; the practices include performance management systems, training and development, recruitment and retention, compensation and benefits and employee relations. Keegan et al. (2011) also adopted a similar approach to study the degree of devolution that may have occurred in the HR practices. Section two explores the challenges that confront the HR-line relationship and impede the devolution of HR practices to line managers and the influence of devolution on the strategic (or otherwise) role of the HR function. This is analysed by highlighting the issues faced by both HR and line managers, the differences in the perceptions of both stakeholders and the factors impeding the devolution of HR activities to line managers.

6.1. Distribution of HR practices between HR and line managers

In this section, we evaluate the degree to which devolution took place (if at all) in the eight case-study banks investigated. Dany et al., (2008), Sanders and Frenkel, (2011) and Keegan et al. (2011) adopt the view that diversity prevails in the level of involvement of line managers and the shape and extent of devolution in international studies examining the phenomenon. Thus, as devolution is a multifaceted phenomenon, we attempt to study the degree of devolution in the case-study banks by employing two dimensions namely, the authority to make the decisions and the responsibility to implement them. These dimensions have previously been used by Cascon-Pereira et al. (2005) to explore the degree of devolution in a Hospital in Spain. Extant literature (reviewed in chapter 2) suggests that both the re-assigning of administrative tasks to line managers and the higher degree of influence of line managers in decision making are significant indicators of devolution. Hence, our analysis which follows is based on the assessment of devolution which is unpacked into the two dimensions of decision making power and implementation of the practices (an operational / administrative activity).
One of the contentious issues emerging from our data and the literature reviewed in chapter 2, which forms the foundation of our analysis in this section is the conflict that exists in the distribution of the HR activities between the HR function and the line managers which Hall & Torrington (1998) state dates back to the origin of the function itself. Kulik and Bainbridge (2006) found that line managers were more involved in the practices of performance management, coaching, training and employee discipline and promotion decisions while Hutchinson and Wood (1995) posit that the HR function takes the lead in performing the activities related to all HR practices and even decides on whether it will implement the practices solely or in conjunction with line managers. Thus, to evaluate the extent of devolution in the case-study banks, five HR practices were chosen; they include performance management, recruitment and selection, training and development, compensation and benefits and employee relations. The choice of these practices is grounded both in practitioner studies (CIPD, 2003; 2006; 2007) and academic research (Cascon-Pereira et al., 2005; Hall and Torrington, 1998b).

6.1.1. Performance management systems
In this sub-section we analyse the extent of devolution that occurred (if at all), in the practice of performance management, from HR to line managers, in the eight case-study banks. This analysis focuses on addressing the issue of whether devolution entailed the implementation of the specific HR practice (operational work) by the line managers or it included the devolution of the associated decision making responsibility. This distinction is crucial to understand the extent of devolution in the case-study banks investigated because an initial examination can reveal that line managers were responsible for conducting the performance appraisal. However, a deeper analysis can highlight that line managers have the capacity to recommend but the actual decision making lies with the HR function.

In performance management systems, the sphere of decision making includes setting of performance targets, allocating benefits and rewards, charting career development and maintaining company-wide consistency in the measurement of performance and disbursement of rewards. The associated operational tasks include conducting the appraisal session and interview, filling the appraisal form, maintaining employee performance records and communicating with the employees. Based on evidence
examined, it is apparent that there is a variation in the devolution of decision making power and the responsibility to implement this HR practice, across the case-study banks examined. Table 6.1 illustrates this fact.

**Table 6.1: Degree of devolution in the practice of performance management**

<table>
<thead>
<tr>
<th></th>
<th>VINTAGE BANK</th>
<th>CLASSIC BANK</th>
<th>TRADITIONAL BANK</th>
<th>MODERN BANK</th>
<th>GLOBAL BANK</th>
<th>WESTERN BANK</th>
<th>ANGLO BANK</th>
<th>TRANS CO BANK</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Decision Making Power</strong></td>
<td>Mostly Line</td>
<td>Shared / Line</td>
<td>Mostly Line</td>
<td>Shared / Line</td>
<td>Mostly Line</td>
<td>Mostly Line</td>
<td>Mostly Line</td>
<td>Mostly Line</td>
</tr>
<tr>
<td><strong>Implementation of Operations</strong></td>
<td>Mostly HR</td>
<td>Shared / HR</td>
<td>Mostly HR</td>
<td>Shared / HR</td>
<td>Shared / HR</td>
<td>Mostly HR</td>
<td>Mostly HR</td>
<td>Mostly HR</td>
</tr>
</tbody>
</table>

*Source: Derived from interview data.*

*Five Point Scale: mostly HR, shared with lead role of HR, shared, shared with lead of line and mostly line*

Evidence examined indicates that mostly line managers held the power of decision making in the case of performance management systems in six case-study banks, with the exception of CLASSIC BANK and MODERN BANK. Further, in five of the six banks (barring GLOBAL BANK), the HR function is responsible for implementing the practice. However, a deeper analysis revealed that within these six banks, there were distinct differences in the degree to which devolution had taken place. For example, despite an outward occurrence of devolution to line managers in VINTAGE BANK and TRADITIONAL BANK, no transition had actually taken place because the line managers had always been responsible for making decisions in this area. In all the foreign banks examined (WESTERN BANK, ANGLO BANK, TRANSCO BANK and GLOBAL BANK) it appeared that devolution of the decision making activity had taken place but GLOBAL BANK was the only exception where the implementation of the practice was also devolved to a certain extent, which made it a shared activity with line managers.

According to the HR managers interviewed in VINTAGE BANK and TRADITIONAL BANK, the line managers largely maintain control over the decision making activity and they alone set the performance targets for the workforce as well as determined the rewards to be disbursed at the end of the
performance period. For instance, line managers interviewed in VINTAGE BANK stated that they set the employee goals / objectives at the start of the fiscal year and the HR function is not involved in this activity because only they (line managers) know the business targets that need to be met, on which employee goals rely. Further, they also decide the rewards that are to be disbursed at year end. According to the HR managers interviewed, the HR function is only involved in informing the employees of the outcomes of the appraisal and have a negligible input in the entire appraisal process. This can be attributed to the weak influence of the HR function in the bank and in some ways to the low profile accorded to it by line managers. Although this example can be interpreted as though the devolution of decision making in performance management has occurred to line managers but in reality no transition took place as the HR function did not perform this activity in the bank, in the first place. Hence, the line managers have always maintained their control over this activity and the apparent devolution never took place.

Related to the implementation of this practice, the HR managers interviewed in both banks stated that primarily the HR function was responsible for managing all the operational activities related to performance management. They highlighted that the HR function was responsible for maintaining the employee files and data, for providing administrative support in conducting the appraisal, for collecting the appraisal forms, collating cross-departmental evaluations and distributing feedback and promotion letters. The lack of required automation and an adequate IT infrastructure were cited as reasons for the extended time the HR function had to spend while implementing this HR practice.

In the case of WESTERN BANK, ANGLO BANK and TRANSCO BANK, the devolution of the decision making dimension to line managers appears to have taken place. The HR managers interviewed in these banks stated that the less number of employees in the HR function mandated devolution of some activities to line managers because of the limitation of resources, especially time. According to the line managers interviewed in ANGLO BANK, while they had the discretion to establish the performance targets, conduct the evaluation and determine the rewards for employees, they do so in consultation with the HR function to ensure that all legal and financial aspects are addressed. The HR managers in all three small sized
foreign banks added that at the start of each performance assessment period, they provide a policy guideline to line managers, which enables them to set their departmental goals in alignment with the strategic goals of the bank. However, this guideline is used as a reference point and the line managers primarily decide the goals / targets. The comment of a line manager in ANGLO BANK illustrates these views.

‘My subordinates and I usually set employee targets for the year taking into account business and organisational considerations. However, there are times when the HR function feels these targets are wrongly estimated so we review the targets but we are not liable to agree with HR or revise the targets. I believe that my employees and I are in a better position to know what is required to achieve the departments overall objective.’ (ANGLM3)

Further, according to the HR managers interviewed in these three foreign banks, the HR function reviews the appraisal process periodically. In TRANSCO BANK, the mid-year appraisal meetings are organised by the HR function to assess the issues faced by the employees in performing their job. If the HR managers observe any anomaly in the due process followed and they can suggest the reassessment of the targets to the line managers. However, it is up to the line managers to adhere to this advice as they have the discretion for decision making.

Evidence presented indicates that the implementation of the tasks related to performance appraisal in the three case-study banks is undertaken mostly by the HR function. According to the HR managers interviewed, they remain quite occupied with the associated operational activities like administration of the appraisal sessions, coordination between and within the branches and communication with the employees during the appraisal period. In addition, the line managers undertake only a small portion of the operational activities which largely include the conduct of the appraisal interview and filling of the appraisal forms, as they prioritize business concerns over employee issues.

GLOBAL BANK is the sixth and only bank in our sample where the responsibility of decision making appears to have been transferred willingly by the HR function to line managers. According to the HR Head interviewed in this bank, the primary
intent was to enhance the participation of line managers in HR activities to enable them to take ownership of the system and be accountable for the decisions they make. This is also evident from the comment of a line manager in GLOBAL BANK.

‘As a line manager, I have more control of the assessment and appraisal of my subordinates. We evaluate the performance of our employees on a curve. Every year, there are two to three employees who deserve to be graded better than where they appear on the curve. The HR people give me the leverage to upgrade their evaluations. This flexibility makes me a better manager as I can reward effort and potential in addition to measuring the performance.’ (GLOLM2)

The implementation of the performance management practice is the responsibility of both stakeholders in GLOBAL BANK, with HR enabling and training the line managers to take more administrative responsibilities which (Cascon-Pereira et al., 2005) state is a higher degree of devolution, and line managers willing to take partial responsibility of the associated administrative activities. However, HR managers interviewed stated that the line managers can possibly take more ownership and contribute further in operational matters.

The two exceptions in our sample banks where decision making in performance management is a shared activity are CLASSIC BANK and MODERN BANK. In both these banks, evidence emerging from the interviews with HR and line managers indicated that even though performance management was a shared activity, the lead role was performed by line managers. Additionally, according to line managers interviewed, devolution of decision making had not completely shifted to them as the HR function in these banks retained the regulatory and monitory role and the related budgetary controls.

Moreover, in both these banks, unlike the other five case-study banks investigated, activities related to the implementation of this HR practice are a shared activity between HR and line managers, with HR taking a lead role. According to the HR managers interviewed in both banks, they introduced new performance management systems where the HR function was assigned a greater responsibility in ensuring transparency and consistency. The line managers were required to fill the performance appraisal forms after which the HR function addressed any anomalies
or deviations from the policy guideline, by asking line managers to review the case. The authority given to the HR function to approve the appraisal rating gives it a lead role which according to line managers interviewed, discomfited them. This is because, the line managers are at the front-end and have to face the grievances of dis-satisfied employees. Further, in both banks, the positions of HR Relationship Managers were created and they are now responsible to address performance related problems which occur between and within the branches. Data indicates that the HR Relationship Managers have to some extent devolved the implementation of HR activities (performance management in this case) to the branch managers, but they continue to intervene in activities related to reassessment of the targets, resolution of employee grievances and disbursement of rewards. Hence, it appears that due to a strong Corporate HR function and positions of Relationship Managers in these two banks, the implementation of performance management is a shared activity between line and HR managers, with HR taking the lead role.

Thus, our analysis above reveals that the devolution of decision making in performance management systems, from the HR function to line managers occurred in at least six case-study banks examined. The extent of this devolution varied across the six banks. No apparent transition occurred in the case of VINTAGE BANK and TRADITIONAL BANK, where line managers always performed this activity but devolution occurred in WESTERN BANK, ANGLO BANK and TRANSCO BANK, due to the few numbers of HR personnel in these banks. In GLOBAL BANK devolution occurred as a willing action on the part of the HR function to create time for more valuable work and line managers, to enhance interaction with their employees. In addition, we found that even where devolution in decision making had occurred, decisions pertaining to budgetary and legal requirements were retained by the HR function which indicates that the extent of devolution was less. Further, our analysis indicated that despite the devolution of decision making to line managers in this practice, the implementation primarily remained with the HR function in at least five banks. The concern of HR managers was that the time spent on the associated administrative / operational activities restricted their input in other meaningful activities. The lack of automation and an under developed IT infrastructure were cited as reasons that further increased the time needed to implement this HR practice. However, in the remaining three case-
study banks CLASSIC BANK, MODERN BANK and ANGLO BANK, implementation was a shared activity but with HR taking a lead role. While line managers were largely reluctant and showed resentment in some ways to share more in the implementation of performance management in CLASSIC BANK and MODERN BANK, they appeared willing to accept the partnership in implementation in GLOBAL BANK. This appears to be because of the intent of line managers to enhance their interaction with their subordinates and due to better automation of processes and availability of an IT infrastructure.

6.1.2. Training and development
In general, evidence examined indicated that the case-study banks investigated provided extensive training programs to their workforce. In this section we analyse the degree of devolution (if at all) of the training and development practice from HR managers to line managers. For the purpose of our research, we define decision making in training and development to include the activities of conducting the training needs analysis (TNA) exercise, nominating the relevant employees, choosing the training methods and evaluating the effectiveness of the training programs. In addition, the implementation of the training and development practice includes conducting the training programs, issuing the training schedule and monitoring and evaluating the performance of the employees. Table 6.2 below highlights the extent of devolution across the case-study banks as analysed on the dimensions of decision making and implementation.

Table 6.2: Degree of devolution in the training and development practice

<table>
<thead>
<tr>
<th>Decision Making Power</th>
<th>VINTAGE BANK</th>
<th>CLASSIC BANK</th>
<th>TRADITIONAL BANK</th>
<th>MODERN BANK</th>
<th>GLOBAL BANK</th>
<th>WESTERN BANK</th>
<th>ANGLO BANK</th>
<th>TRANSCO BANK</th>
</tr>
</thead>
<tbody>
<tr>
<td>L&amp;D Separate from HR</td>
<td>Mostly HR</td>
<td>Mostly HR</td>
<td>Separate L&amp;D Dept</td>
<td>Mostly Line</td>
<td>Mostly HR</td>
<td>Mostly HR</td>
<td>Mostly HR</td>
<td>Mostly HR</td>
</tr>
<tr>
<td>Mostly HR</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Implementation of Operations</th>
<th>VINTAGE BANK</th>
<th>CLASSIC BANK</th>
<th>TRADITIONAL BANK</th>
<th>MODERN BANK</th>
<th>GLOBAL BANK</th>
<th>WESTERN BANK</th>
<th>ANGLO BANK</th>
<th>TRANSCO BANK</th>
</tr>
</thead>
<tbody>
<tr>
<td>L&amp;D Separate from HR</td>
<td>Mostly HR</td>
<td>Mostly HR</td>
<td>L&amp;D Separate from HR</td>
<td>Shared</td>
<td>Mostly HR</td>
<td>Mostly HR</td>
<td>Mostly HR</td>
<td>Mostly HR</td>
</tr>
<tr>
<td>Mostly HR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

Source: Derived from interview data.

*Five Point Scale: mostly HR, shared with lead role of HR, shared, shared with lead of line and mostly line
Our analysis indicates that in the case of training and development, on both the dimensions of decision making and implementation, the HR function appeared to be more involved in five case-study banks (CLASSIC BANK, TRADITIONAL BANK, WESTERN BANK, ANGLO BANK and TRANSCO BANK). In GLOBAL BANK line managers seemed to be largely responsible for decision making in this practice and they even shared to some extent, in the implementation. In the remaining two banks (VINTAGE BANK and MODERN BANK) a separate department outside of the HR function was created (Learning and Development) to manage both the decision making and the implementation of this HR practice.

According to the HR managers interviewed in VINTAGE BANK and MODERN BANK, a separate Learning and Development Department (L&D) were established in the last three to four years (at the time of interviews), to provide the HR Head an opportunity to devote more time to HR planning and the other core HR activities. According to the HR Head interviewed in VINTAGE BANK, training was an ongoing activity which required dedicated attention to organise and monitor, especially in a large sized bank that was privatized and had a large workforce. This workforce needed training to upgrade their skill-set and knowledge, in order to compete and perform in the new product and market segments introduced by the bank. He added that another reason for separating the department was to accommodate an HR manager who was senior to the incumbent HR Head and did not want to serve under him. This reflects an emphasis on seniority which partly stems from the decades of nationalization of the bank, wherein the culture that developed did not permit such anomalies. The comment below of an HR manager in VINTAGE BANK exemplifies this issue.

‘The L&D Head exercised certain political influence in the bank because of his long [20 years plus] tenure at the bank. He did not want to see his powers curtailed and it appeared that he never had a comfortable working relationship with our HR Head. So with the support of some senior managers, he succeeded in separating his department.’ (VINHR2)

In the case of MODERN BANK, the HR Head stated that the L&D department was created to provide space to the HR managers to concentrate more on designing and implementing the core HR practices. He added that the separation of the L&D
department increased the effectiveness of the practice because the L&D Head was closely involved with the line managers in the final selection of employees based on criteria like suitability, relevance and the number of trainings an employee had already attended during the year.

The data analysed showed that despite the L&D departments being located outside corporate HR, they largely influenced the decision making and administration of the training and development practice, with minimal involvement of the line managers. Hence, devolution to line managers did not occur in these two banks just as it did not take place in the other five case-study banks, barring GLOBAL BANK. The line managers interviewed in these two banks stated that the L&D department required them to conduct the training needs analysis exercise based on which the training schedule, the content and the methodology was decided by the department.

According to the HR managers interviewed in VINTAGE BANK and MODERN BANK, the L&D department appeared to have become specialized centres to a large extent, dedicated solely to performing training and development activities. Due to this reason, the line managers are not involved in planning and especially, administration of the training and development programs. However, according to the HR managers in VINTAGE BANK, despite the training and development practice being detached from the HR function, they were unable to increase strategic input in the organisation and continued to perform in the operational role because of the low profile associated with the function in the bank (see chapter 5). Further, in TRADITIONAL BANK, the line managers interviewed added that in their perception, the separation of the training and development practice from the HR function did not make much impact on their ability to perform in a strategic role because creation of time was not the primary reason for the separation of the training unit.

In CLASSIC BANK, TRADITIONAL BANK, WESTERN BANK, ANGLO BANK and TRANSCO BANK evidence indicated that the decision making authority and implementation of the practice was generally performed by the HR function, with some support from the line managers. According to the line managers interviewed in the five case-study banks, they identify the training needs of each employee and the
form was then passed on to the HR function which arranged the training for employees. Further, the HR managers interviewed in CLASSIC BANK and TRADITIONAL BANK added that they had the discretion to approve or decline the request for employee training and that the decision to decline was mostly due to budget restrictions and / or the requirement of the bank for such training. An example of the discretion of the HR function in the decision making aspect associated with this HR practice, which highlights that the HR function was instrumental in determining the type and frequency of the training, is evident in the comment of a line manager below.

‘The training budget is allocated at the start of the year. Recently when we requested for some individuals to be sent to a training session abroad, for a six week course in corporate risk management, the HR department declined on the pretext that the department had utilized its annual budget allocation. I think, customized training sessions would be more beneficial rather than programs conducted for mass consumption.’ (CLASLM3)

In the case of the three, small foreign banks investigated, the HR managers stated that while the line managers were asked to identify the skill gaps in employees for training purposes, they also had guidelines from the Global HR function which they had to adhere to. As a consequence, they had the authority to either approve, decline or pend training requests based on the alignment with the global training preferences. They also stated that while training which was with a short-term focus was recommended by line managers, the career development of employees which had long-term implications was managed by the HR function. In addition, in all the five case-study banks, the HR managers highlighted that while line managers appeared to be interested in giving their input in the decision making activities, they seemed to have no liking for sharing in the implementation aspect.

As stated above, the only exception to the degree of devolution in the training and development practice across the case-study banks was GLOBAL BANK. Evidence examined indicates that at GLOBAL BANK, devolution occurred in the training and development practice which was led by the line managers. An in-house training academy was established which operates on a small scale and is managed by line managers themselves. The HR head interviewed stated that training is regularly
conducted by the academy for consumer banking employees, in the area of product knowledge and awareness. Line managers choose the trainees, execute the training according to a given schedule and evaluate the effectiveness of the training. The lead trainers are key line managers who developed those products. In his view, line managers are in a better position than the HR function to ascertain the training needs of their subordinates and to emphasise on the critical aspects in which training is required to enhance the relevant employee knowledge and skills. Additionally, the line managers interviewed in GLOBAL BANK also appeared to be willing to assume a relatively larger role in the decision making aspect but they showed less inclination to assume the operational aspects of this HR practice. Moreover, despite the fact that some operational activities were devolved to the line managers, the HR head interviewed stated that the function had to really convince the line managers to accept this partial responsibility.

As discussed above, in the case-study banks investigated, the practice of training and development predominantly appeared to be owned by the HR function with little devolution to line managers, both in terms of decision making and implementation. While evidence indicates that in five case-study banks (CLASSIC BANK, TRADITIONAL BANK, WESTERN BANK, ANGLO BANK and TRANSCO BANK) the line managers decided on the training program and the employee who would attend it, the discretion to approve the training in view of the budgetary constraints and global HR guidelines (foreign banks) was with the HR function; this indicates a low level of devolution, if at all. Lack of devolution to line managers appeared even in VINTAGE BANK and MODERN BANK that had separate L&D departments. Despite the detachment of this practice from the HR function, the function could not achieve much success in exploiting this opportunity to increase its strategic input due to a low profile in VINTAGE BANK and a focus on addressing short-term requirements / objective in MODERN BANK.

Further, evidence presented also indicated that while the HR function was willing to devolve the implementation aspect in all case-study banks, line managers were not willing to accept this responsibility. Additionally, the interviews with HR and line managers did not highlight any visible intent of the HR function to devolve the decision making aspect in the case-study banks, except in GLOBAL BANK. Hence,
it appears that HR seems interested in devolution of the implementation aspect in which line managers are not interested and line managers appear willing to share in the decision making aspect that HR may not be visibly interested in. Even in the case of GLOBAL BANK where HR has willingly transferred decision making to the line managers, there is a general reluctance on the part of line management to accept operational work.

6.1.3. Recruitment and selection
In this section we focus on the extent of devolution (if at all), in the recruitment and selection practice, from the HR function to the line managers, in the case-study banks investigated. Decision making in recruitment and selection entails having the authority to initiate a recruitment drive, determining the recruitment method, scheduling the recruitment and selection drive, choosing the candidate and finalizing the terms and conditions of employment. The associated operational activities include advertising for the positions, short-listing of candidates, arranging the tests/group discussions/interviews, drafting the employment contracts and organising the orientation session. In the case-study banks investigated, several variations of the degree of devolution in decision making and implementation (operational activities) were evident from the data collected. The degree of devolution in the case-study banks is tabulated in table 6.3 below.

Table 6.3: Degree of devolution in the practice of recruitment and selection

<table>
<thead>
<tr>
<th></th>
<th>VINTAGE BANK</th>
<th>CLASSIC BANK</th>
<th>TRADITIONAL BANK</th>
<th>MODERN BANK</th>
<th>GLOBAL BANK</th>
<th>WESTERN BANK</th>
<th>ANGLO BANK</th>
<th>TRANSCO BANK</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Decision Making Power</strong></td>
<td>Mostly Line</td>
<td>Shared / HR</td>
<td>Mostly Line</td>
<td>Shared / HR</td>
<td>Mostly Line</td>
<td>Shared / Line</td>
<td>Shared</td>
<td>Shared / Line</td>
</tr>
<tr>
<td><strong>Implementation of Operations</strong></td>
<td>Mostly HR</td>
<td>Shared / HR</td>
<td>Mostly HR</td>
<td>Shared / HR</td>
<td>Mostly HR</td>
<td>Mostly HR</td>
<td>Mostly HR</td>
<td>Mostly HR</td>
</tr>
</tbody>
</table>

Source: Derived from interview data.

*Five Point Scale: mostly HR, shared with lead role of HR, shared, shared with lead of line and mostly line

In general, an analysis of the data collected reveals that the recruitment and selection practice was a shared activity between HR and line managers in a five case-study
banks (see table 6.3), in terms of decision making. The three exceptions where the line managers appear to dominate the decision making aspect were VINTAGE BANK, TRADITIONAL BANK and GLOBAL BANK. The line managers interviewed in the other five case-study banks stated that a prevailing perception for the lack of devolution was the HR function’s apprehension to do so in the interest of keeping the function instrumental in people management issues. From within the five case-study banks, the HR function appears to be more dominant than the line managers in CLASSIC BANK and MODERN BANK while the opposite holds true in the remaining three case-study banks (three small sized foreign banks. However, in the case of implementation of this HR practice, there appears to be a greater reliance on the HR function in five case-study banks, in the implementation process; even in the three banks where it is a shared responsibility, the HR function appears to be leading the line managers.

According to the HR managers interviewed in the three case-study banks where the decision making aspect is managed by the line managers mostly, despite taking ownership of the decision making process the line managers appeared unwilling to perform in an administrative / operational capacity in VINTAGE BANK and TRADITIONAL BANK. However, evidence examined indicates that in GLOBAL BANK, line managers undertook some operational tasks but not with much willingness. The HR managers interviewed in VINTAGE BANK and TRADITIONAL BANK maintained that as such, no devolution had occurred in the decision making aspect because line managers had historically dominated decision making in this area. They added that line managers expected HR to do all the operational work and involve them (line) only when decisions were required. For example, in both these banks, line managers made the final decision to hire a candidate without involving the HR function, as a norm. This is possibly because of the low profile and less influence of the HR function in these banks (see chapter 5).

Additionally, the HR function in these two banks more often than not only provides administrative support, for instance in a recent recruitment drive at VINTAGE BANK, the line managers finalized appointments in specific branches without consulting the HR function. However, when the internal audit department raised an objection on the contravention of procedures related to appointment of employees,
line managers asked that an interview panel be constituted to legitimise and formalise the informal recruitment and selection of the new employees. Hence we suggest, based on the evidence provided, that the HR function in VINTAGE BANK and TRADITIONAL BANK despite performing the bulk of the work are not part of the decision making processes.

GLOBAL BANK is the third bank in this category, where line managers are mostly responsible for decision making. However, unlike the two banks discussed above, in GLOBAL BANK, implementation is a shared activity with HR managers in the lead rather than it being performed by the HR function mostly. According to line managers interviewed in this bank, devolution of decision making has taken place and the HR function empowers them to take key decisions regarding workforce expansion, selection processes and the final hiring. They added that they also assist the HR function in certain administrative tasks such as short-listing of the candidates and conducting the initial interviews which to us (researcher) indicates that a shared and collective approach was followed in the implementation aspect of this HR practice. Subsequently, the HR function drafts the contracts for employees, arranges the orientation and socialization events for the new inductees and oversees any other legal requirements. The HR Head elaborated this notion of empowerment in the following comment.

“I want the line managers to lead in the hiring and firing decisions. Not only that, I am also in favour of transferring the paper work to them. In this way my department will be able to concentrate more on providing strategic level input. They should take care of the recruitment and selection process from A to Z. At this point in time we have been partially successful in doing so.” (GLOHR1)

In WESTERN BANK, ANGLO BANK and TRANSCO BANK, line managers and HR managers jointly undertake decision making with the line managers having a lead role in initiating the recruitment and selection process, selecting the recruitment methods and finalizing the candidates. The relatively less devolution in recruitment and selection can be ascribed to the following reason. According to the HR managers in the small sized foreign banks, the employees in the corporate HR function are few in number, younger in age and experience and thus due to resource and time constraints the HR function willingly delegated decision making to line
managers. Additionally the line managers interviewed explained that branch managers assess and fulfil their workforce requirements at the lower employee levels but the HR function is involved in hiring decisions for key middle management and senior management positions. An example of the shared decision making aspect in one of the case-study banks ANGLO BANK illustrates that line managers request the HR function to advertise for branch positions and once the resumes are shortlisted and the initial interviews are conducted, the line managers take the lead role. They conduct the second round of technical interviews as well as the assessment centre exercises.

Subsequently, the HR function and line managers sit together to finalize the appointments based on the results attained by the candidate in all three selection stages before the HR function communicates the decision to the successful candidates. Hence, in ANGLO BANK the line managers take the lead role in initiating a recruitment drive and deciding the final candidates but they do so in consultation with the HR function. Related to the implementation aspect, our findings indicate that the HR function was mostly responsible for the associated operational activities. Further, an examination of the data and triangulation with bank documents in the other two small sized foreign banks reveals that a similar process is followed with minor differences.

The remaining two case-study banks, CLASSIC BANK and MODERN BANK are distinguished from the other six banks above because of the shared decision making process which is dominated by the HR function rather than line managers. The dominance of HR is because of its capability to overrule the decisions made by line managers. The example cited below by a line manager in MODERN BANK, related to the discretion the HR function exercises in decision making, is generally illustrative of the views of line managers interviewed in the two case-study banks.

“We recently asked for recruitment for the position of operation managers on an urgent basis and recommended that these positions be openly advertised because we needed fully trained managers and did not have the time to invest in the training of the newly hired employees. However, HR filled the positions internally claiming that there was overstaffing in other functions which made workforce reallocation a
more viable option. In view of our insistence they made sure that the operations managers reported within two weeks to their branches.’ (MODLM1)

Related to the implementation aspect of this HR practice, our findings from the interviews with both HR and line managers indicate that the HR function, in partnership with line managers, arranged the interviews and tests, drafted the contracts, conducted the orientation sessions and oversaw the legal requirements. Thus, we suggest that apart from GLOBAL BANK, where implementation is a shared activity, these two banks are the second example where it appears that devolution of some implementation aspects to line managers has taken place. Although the HR managers continue to manage more of the administrate work in comparison with the line managers, they stated that they were able to shift the administrative tasks related to interview scheduling and short-listing to line managers. Further, they added that the devolution of operational work was a reluctant one on the part of line managers who hoped to gain more leverage in decision making ultimately.

It is evident that in VINTAGE BANK, TRADITIONAL BANK, WESTERN BANK, ANGLO BANK and TRANSCO BANK line managers dominate the decision making aspect associated with the recruitment and selection practice but enforcing the budgetary restrictions continues to lie in the domain of HR. This influence of line managers can be ascribed to their historical dominance in most people management issues in VINTAGE BANK and TRADITIONAL BANK and to the lack of resources (employees) in the small sized foreign banks. However, the implementation aspect remains largely the responsibility of the HR managers in these banks because line managers are unwilling to provide administrative support on the pre-text of insufficient time and the preference to meet business objectives. Consequently, the HR function and line managers agreed that the function was not fully able to benefit from this devolution by shifting its focus towards more strategic activities. Conversely, in CLASSIC BANK and MODERN BANK, HR and line managers enjoy a shared decision making authority and implementation as they consult each other in key issues and address concerns in a joint manner. This is because of the relatively better networking of the HR function with line managers in CLASSIC BANK and the considerable improvement in the profile of the HR
function in MODERN BANK. GLOBAL BANK is an exception where HR has almost completely devolved the decision making aspect to the line managers but devolution of operational work is still partial, in the face of the weak willingness of line managers.

6.1.4. Compensation and benefits

Compensation and benefits constitute an important practice of human resource management. In most banks, as evident from table 6.4, the decision making aspect is dominated by the HR function and even where it is a shared activity (CLASSIC BANK, MODERN BANK and GLOBAL BANK) with line managers, the HR function has the lead role. The HR function makes the decisions pertaining to the determination of an employee’s salary, the number and size of increments given, the perks and privileges extended and the amount of performance bonuses to be distributed. It is also apparent from the following table that in seven case-study banks, barring GLOBAL BANK, the HR function operationally implements the compensation practice which includes administering the payroll, conducting the market surveys, ensuring internal and external pay equity and distributing the benefits and bonuses. Implementation is a shared activity in GLOBAL BANK but with a larger role of the HR function.

Table 6.4: Degree of devolution in the compensation and benefits practice

<table>
<thead>
<tr>
<th></th>
<th>VINTAGE BANK</th>
<th>CLASSIC BANK</th>
<th>TRADITIONAL BANK</th>
<th>MODERN BANK</th>
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<tbody>
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<td><strong>Decision Making Power</strong></td>
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<td>Mostly HR</td>
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</tbody>
</table>

*Source: Derived from interview data.*

*Five Point Scale: mostly HR, shared with lead role of HR, shared, shared with lead of line and mostly line*

In VINTAGE BANK, TRADITIONAL BANK, WESTERN BANK, ANGLO BANK and TRANSCO BANK, the decision making aspect related to compensation and benefits is mostly dominated by the HR function which has the major
responsibility in the formulation and execution of the rewards strategy of the banks. The variation emerging from the interviews of HR managers in these banks was related to the criteria (performance, seniority, competence or a mix of the preceding) applied to determine the increments and bonuses, the differing mix of the components (bonuses, increments, types of benefits) and the frequency of the pay outs. However, the processes followed were largely similar and the role of HR and line managers also appeared to be very similar in nature, with the HR function having the final approving authority. An example related to pay determination in TRANSCO BANK highlights the discretion of the HR function in this regard and points to the low devolution to line managers in the decision making aspect of this practice.

‘I cannot even count the instances when some of our talented employees were head hunted by our competitors just by offering a competitive pay package. The HR department does not take into account the issues we face in training and bringing the new hired employees on board. It is not seldom, that a subordinate of mine is offered a better salary package by a competitor and when the HR people are asked to upgrade or adjust their package, they often do not do so. The HR personnel refer to policy guidelines for pay determination, maintaining pay equity and budget constraints to justify their actions. As a result the employee leaves.’ (TRANSLM1)

Interviews with the HR managers in these banks revealed that the increments were generally approved by them on the recommendation of line managers but since the HR function had the overall view of the budget, they made the final decision and had the discretion for downward revision in the recommended rewards and benefits. According to line managers interviewed, the senior management generally sided with HR’s views compensation matters and the leverage HR enjoyed in this area stemmed from senior management’s inhibition to decentralize financial powers. They felt this was necessary for avoiding inconsistency and disparity in pay administration. Related to the aspect of implementation in compensation and benefits, our findings based on interviews with HR managers indicate that the associated administrative activities like payroll administration and disbursement of bonuses etc. are preformed mostly by the HR function. According to the senior managers interviewed in VINTAGE BANK, TRADITIONAL BANK, WESTERN BANK and TRANSCO BANK, the lack of devolution in compensation and benefits
appears to have affected the HR-line relationship because HR’s dominance in the decision making aspect created discontent in line managers who believed that talented performers were lost due to HR’s rigid approach.

Conversely, in CLASSIC BANK, MODERN BANK and GLOBAL BANK, decision making regarding compensation and benefits is shared with line managers but HR takes a lead role. According to the line managers interviewed, they suggest the compensation package, the increments and the bonuses. The HR function negotiates with them where the compensation package seems to be misaligned with the overall bank policy, but otherwise it is approved. However, related to the increments and bonuses, the line managers stated that the HR function had the power to review their suggested increments which created a lot of grievances amongst their subordinates. Additionally, in CLASSIC BANK and MODERN BANK, similar to the previous five case-study banks discussed, the administration of compensation is mostly the responsibility of the HR function as line managers are not interested in the implementation role. This, according to the HR managers interviewed, indicated that line managers were not willing to reciprocate their gesture of involving them in the decision making aspect of the compensation practice.

In GLOBAL BANK the responsibility for decision making and implementation is relatively more shared with line managers as the HR function has managed the devolution of some parts of this activity to the line managers in an attempt to enhance flexibility and to provide line managers with the space to attract and retain the talented and performing employees. According to the HR managers and some line managers interviewed in the bank the HR function seemed willing to an extent to give a patient hearing to the concerns of line managers and to make revisions in exceptional cases. The HR Head in GLOBAL BANK commented,

‘I let the line managers negotiate the salary package with the incoming employees. My department maintains an overall internal pay equity but I do not believe in dictating to the line managers. I don’t want them to blame me for losing a good candidate on a mere 15000 rupee disparity in salary expectations.’ (GLOHR1)

Evidence examined indicates that relative to the other HR practices investigated, devolution has taken place the least in the practice of compensation and benefits in
the case-study banks studied mostly because the senior managers are not appreciative of the idea of devolution in this area. Line managers in most banks interviewed felt that their concerns were not addressed and it was evident that they would appreciate more participation in the decision making aspect. However, like the other HR practices investigated, the line managers appeared reluctant to participate in the implementation of the compensation and benefits practice because they felt that if they could not participate in the decision making then the HR function should take responsibility of communicating the decisions which in many instances were viewed unfavourably by the employees. In their view, they had to maintain a good working relationship with their subordinate / team members for meeting the departmental objectives.

6.1.5. Employee relations

Employee relations are concerned with maintaining employer-employee relationships (Wilton, 2010) that contribute to satisfactory productivity, motivation, and morale of the employees. Essentially, decision making in employee relations is concerned with preventing and resolving problems which arise out of or affect work situations, introducing initiatives to boost productivity and introducing employee engagement programs that increase motivation and commitment (Bamber et al., 2011). Implementation of employee relations involves assisting employees in correcting poor performance, communicating and promoting a better understanding of management’s goals and policies, dispensing employee grievances and addressing personal issues that affect productivity in the workplace (CIPD, 2005).

Table 6.5: Degree of devolution in the practice of employee relations

<table>
<thead>
<tr>
<th></th>
<th>VINTAGE BANK</th>
<th>CLASSIC BANK</th>
<th>TRADITIONAL BANK</th>
<th>MODERN BANK</th>
<th>GLOBAL BANK</th>
<th>WESTERN BANK</th>
<th>ANGLO BANK</th>
<th>TRANSCO BANK</th>
</tr>
</thead>
<tbody>
<tr>
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<td>Mostly HR</td>
<td>Mostly HR</td>
<td>Shared / HR</td>
<td>Shared / HR</td>
<td>Shared / HR</td>
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<tr>
<td>Implementation of Operations</td>
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<td>Mostly HR</td>
<td>Mostly HR</td>
<td>Mostly HR</td>
<td>Mostly HR</td>
<td>Mostly HR</td>
<td>Mostly HR</td>
</tr>
</tbody>
</table>

Source: Derived from interview data

*Five Point Scale: mostly HR, shared with lead role of HR, shared, shared with lead of line and mostly line
An analysis of the employee relations practice across the case-study banks revealed that implementation primarily remained the activity of the HR function but the decision making aspect was shared with line managers in all the foreign banks and in one domestic bank MODERN BANK which had a reputation for designing employee friendly practices according to the industry experts interviewed. In the other three domestic case-study banks examined (VINTAGE BANK, CLASSIC BANK and TRADITIONAL BANK), employee relations were mostly handled by the HR function but in terms of decision making and the implementation (administrative / operational) aspect.

Interviews with the line managers and HR managers in the foreign banks GLOBAL BANK, WESTERN BANK, ANGLO BANK and TRANSCO BANK, indicated that the systems of employee engagement were better developed relative to the domestic banks in Pakistan. They explained that this was largely due to the influence of the Global HR function and the need to conform to an organisational culture that had cascaded down to the subsidiary banks in Pakistan. Additionally, HR managers interviewed in at least two of these banks (GLOBAL BANK and ANGLO BANK) stated that enhanced employee engagement was a key objective in their HR strategy. In the views of senior management, extracted from the interviews taken, they were responsible for inculcating and cultivating a culture of openness, sharing and innovation at the bank. Additionally, the senior managers interviewed in the three small sized foreign banks stated that while employee well-being was an activity for which the HR function was responsible, they equally considered it an area of accountability for themselves because the bank was like a small family where all employees knew each other so there was a quick reaction to any incident (good or bad).

In the four foreign case-study banks examined, the HR managers interviewed added that they take regular feedback (every quarter or semi-annually) from employees through employee satisfaction survey forms to remain informed of the employee perceptions and concerns. In their view, even the grievance and complaint mechanisms were better established at their banks as opposed to the domestic banks owing to the more well established and practiced related policies at the global level.
This indicates that conformance to the global policies dictated by the corporate headquarters was a key factor in the development of practices and policies in the domain of employee relations. Further, according to the line managers interviewed in the foreign banks, employees believed that these mechanisms were well practiced as opposed to just being stated as a matter of policy.

In the domestic case-study banks investigated, employee relations was generally a practice in which both decision making and implementation was the responsibility of the HR function with little input from line managers, except with some difference in MODERN BANK where the decision making aspect was shared with line managers. The opinion of a larger majority of line managers interviewed across these case-study banks suggests that regardless of who was responsible for this activity, employee relations was ignored to quite an extent because of the focus of the HR function on re-designing the other core HR practices. Lack of devolution in this case was primarily because prior to privatization, the banking sector was largely comprised of large public sector banks where apart from administrative work the other activity performed by the personnel department was maintaining good employee relations. Interviews with the HR managers at VINTAGE BANK, CLASSIC BANK and TRADITIONAL BANK indicated that as these banks privatized, they established their HR departments but with little change in the mindset of the line managers as to the role of the HR function in the bank. Consequently, while line managers maintained their control over the decision making aspect of other HR practices they had very little concern for giving any input in the area of employee relations which they considered to be the job of HR personnel. In the views of senior managers in these banks, there was no distinct pattern when it came to employee relations; post privatization, the people hired from the foreign banks as line and senior managers had a different approach to people management activities than the veterans (employed for over a decade or two). So based on their personal management style, there were some who actively wanted to get involved in major employee relations decisions but others did not. However, evidence indicates that largely, employee relations was the responsibility of the HR function and apparently no significant devolution took place in this area. The only exception in the domestic banks as stated earlier was MODERN BANK, where the HR managers interviewed stated that the HR function was fairly regularly involved
in conducting surveys to gauge the satisfaction level of employees and their line managers tried to keep them informed about the impending changes in the bank. However, they indicated that employees expected improvement in the grievance redressal mechanisms which employee surveys highlighted did not mostly result in any positive outcomes for them. Even in this bank, the implementation aspects remained the responsibility of the HR function largely. From the interviews conducted with the senior managers in this bank we found that, since its inception as a private bank in Pakistan, the management had encouraged hiring and promoting professionals because key managers hired (at the time of inception) were attracted from foreign banks in Pakistan and abroad at that time as well. This in our analysis could be a reason for the relatively different mindset and approach of the line managers in this bank as compared with the other domestic case-study banks.

**Summary**

An analysis of the degree of devolution in the HR practices across the eight case-banks examined revealed that devolution of HR practices to line managers had not significantly taken place in the case-study banks, especially on the aspect of implementation of the HR practices. Our analysis indicated that even where devolution had taken place, the degree of devolution was low because the discretion to manage the financial and legal decisions was restricted to the HR function. In general, evidence examined in the case-study banks indicated that devolution in the practices of performance management systems and recruitment and selection had taken place to a greater extent, on a relative scale, as compared to the practices of training and development, compensation and benefits and employee relations (in the domestic case-study banks). Additionally, even where devolution occurred, it was mostly in the decision making aspect and even there line managers were not willing to share in the associated implementation aspect. Thus there was a varying degree to which different HR practices were devolved across the case-study banks and devolution in the implementation aspect was insignificant.

Moreover, our analysis also indicated that in two case-study banks (VINTAGE BANK and TRADITIONAL BANK) what appeared to be devolution of decision making to line managers in certain HR practices was actually not so. In fact, in these banks the line managers had traditionally always dominated the decision making in
core HR practices primarily because the HR function did not have the influence or the profile (see chapter 5) to gain a share in the decision making aspect at these banks. Also, all the associated administrative work was managed by the HR function. In the case of the three small sized foreign banks devolution of HR practices to line managers was a consequence largely of the small and young HR workforce which resulted in issues like time, capacity and resources for the HR function that warranted the transfer of decision making to line managers. GLOBAL BANK was the only bank (we mention as an exception above) where in comparison with the other banks investigated, a greater degree of devolution appeared to have taken place in the decision making and implementation aspect of the HR practices. In this bank devolution of the decision making aspect was willingly transferred by the HR function to line managers with the objective to increase HR’s contribution in strategic and value added activities. However, despite the willing delegation by the HR function, line managers appeared less willing than HR’s expectations from them, to share in the associated operational responsibilities. Nonetheless, relative to the other seven case-study banks examined, the line managers appeared to involve themselves to a greater extent in the operational activities possibly due to the influence of the HR function in this bank and the global norms / processes en vogue in this bank. Linking with the findings of chapter 5 we suggest that HR’s willingness for devolution stemmed from the confidence reposed by senior and line managers in their abilities to provide strategic input through the business partners which eroded the fear if any, of their redundancy. Also, it appeared that the HR function in this bank intended to utilize the time created due to devolution for performing in strategic initiatives that could enhance their image in the eyes of senior and line managers.

6.2. Major challenges in the HR-line relationship affecting the extent of devolution
This section identifies the issues which presented challenges for and created tensions in the relationship between HR and line managers that resulted in a low degree devolution of HR practices which ultimately influenced the adoption of a strategic role by the HR function. The significant factors emerging from our interviews with HR, senior and line managers include the disdain for HR work, the competing priorities and workload of line managers, their low level of people management
skills, lack of training for them and the inconsistent policies of the HR function. The views expressed by the HR, line and senior managers in the case-study banks were mostly similar, so our analysis presented below may appear quite generic. Thus, the similarity in views makes the specific comments from stakeholders reflective of the views across the case-study banks, but with minor variations. Hence, it was difficult to capture the insignificant differences but where possible and clearly discernible, the distinction between the emerging clusters of the investigated banks is highlighted.

6.2.1. Disdain of line managers for HR work

Evidence from the interviews of HR managers across the case-study banks indicated that one of the major challenges that restrained the devolution of HR practices to line managers and created tension in the HR-line relationship stemmed from the disdain of line managers for performing HR work which the latter considered as secondary, and thus less significant to their core job. Disdain for HR work appeared to a greater extent in VINTAGE BANK, CLASSIC BANK, TRADITIONAL BANK, WESTERN BANK, ANGLO BANK and TRANSCO BANK and to a comparatively less extent in the remaining banks for varying reasons which are discussed later in this sub-section. Our analysis revealed that the disdain for HR work clearly pertained to the implementation aspect because line managers interviewed in these and other case-study banks indicated that they would prefer involvement in the decision making aspect in various HR practices.

They key findings from our data pertaining to the disdain of line managers highlighted that, in the domestic banks, the historical dominance of the line managers, their mindset, and the slow pace of development from the personnel to the HR function created issues of perception. This resulted in the low profile and influence of the HR function which created the disdain of line managers for performing HR work. While the profile of the HR function was slightly better in CLASSIC BANK, the dominance of line managers combined with the slow pace of development of the HR function due to the presence of incumbents in large numbers who resisted the changes, was apparent in this case as well. Additionally, in the foreign banks WESTERN BANK, ANGLO BANK and TRANSCO BANK a low degree of devolution in the decision making aspect occurred because of the less numbers of HR personnel but the disdain of line managers for sharing in the
implementation of the HR practices appeared here as well which we attribute to the lack of a direct reporting relationship of the HR Head with the CEO in two of the three banks. The disdain of line managers for HR work was less apparent in the interviews conducted at GLOBAL BANK, possibly because of the better profile of the HR function in this bank which appeared due to the support of the senior management for the HR function. Thus, the significance which was attached by the senior management with the activities performed by the HR function in GLOBAL BANK reduced the disdain of line managers to share some responsibility in the implementation of HR activities. Also the line managers interviewed at this bank wanted to increase their involvement with their subordinates for which they were willing to share to some extent, in the implementation aspect of the HR practices.

The following paragraphs provide an elaboration of the findings in the banks where disdain of line managers appeared to be relatively high and include the comments of both the stakeholders. In general, according to the interviews of HR managers across the case-study banks, the disdain of line managers for HR work appeared due to their perception that HR work was less significant and also because it diverted their attention from their primary responsibility of meeting business targets / goals. In addition, line managers interviewed in VINTAGE BANK, CLASSIC BANK and TRADITIONAL BANK which had a rather low profile associated with the HR function (see chapter 5), partly due to the slow pace of development of the HR function, revealed that HR work was not worthy of their attention because performing support activities was a demotion of sorts for them. They stated that there was a certain sense of superiority attached with performing business related work in their bank while HR work was mostly operational and administrative in nature which did not require much valuable input. This perception held by the line managers seemed to negatively influence the image of the HR function and created disdain for HR work which is evident from the following comments by line managers in two case-study banks.

‘I can understand that HR has some significance for the bank but for me, it is a superfluous chore. Why should I be doing it, it’s not my job to do such type of work, it’s the job of those HR people.’ (CLASLM2)
‘I take care of important clients and accounts in the bank. My utility is in that area which by the way is actually important for the organisation’s success. This HR related work is much like non-technical work which does not require the involvement of line managers who are focused on achieving the real and meaningful organisational objectives. If I started focusing on petty HR issues who will do my work?’ (VINLM1)

As stated earlier in this section, a significant and underlying reason from which the disdain for HR work stemmed was the mindset of line managers and their perception of the significance of the HR function’s contribution in the banks examined. This mindset affected HR’s profile and hence the leverage it held to influence line managers to share in the dispensation of HR work. In the case of mindset, a frequent view expressed by the HR managers interviewed in the three domestic case-study banks VINTAGE BANK, CLASSIC BANK and TRADITIONAL BANK (where disdain for HR work appeared to be relatively more), was that despite its representation at some strategic forums the senior management in general and the line managers in particular were not convinced of the value HR could add with its meaningful participation. This to them meant that the mindset of line managers did not encourage them to share in HR’s work which was in their eyes probably not of much value to the organisation’s performance.

Additionally, line managers in the domestic case-study banks interviewed generally prescribed a non-strategic role to the HR function and expected it to provide better operational support which in our analysis contributed to the excessive operational work performed by the HR function that restricted its intent for making strategic interventions. Consequently the HR function delivered what line managers expected - operational service – and was thus unable to create significant value at the strategic level. This vicious cycle of low expectations and under-performance appeared to have caused tensions in the HR-line relationship and to have impeded devolution. Evidence from interviews of the HR managers revealed that this mindset created disdain for performing HR work and prevented the devolution of the implementation aspect of the HR practices to the line managers. The comment of an HR Manager below is reflective of the views expressed by the HR managers in VINTAGE BANK and CLASSIC BANK as well.
‘It has more to do with their [line managers] mindset, they do not really believe in taking more ownership of HR work. They rather just give recommendations for approval and implementation without any scrutiny and would not come near any implementation aspects on one pretext or another.’ (TRADHR2)

6.2.1.1. Contrasting and conflicting perceptions of the stakeholders

Further, evidence from the interviews of HR and line managers in the case-study banks generally suggests that both operate with contrasting and conflicting beliefs and have divergent perspectives on the issue of devolution. These divergent perspectives also explain the views of both stakeholders related to the question of why devolution of the HR activities did not occur to a greater extent. Inferring from the interviews of line managers we state that their disdain for implementation of HR work probably stemmed from the fact that HR managers expected them to share in the implementation of HR practices but did not want to devolve the associated decision making. This was evident in the low degree of devolution in the decision making aspect of the HR practices (where devolution occurred) because the HR function retained the power to approve /dis-approve based on the budgetary constraints. However, HR managers interviewed stated that the line managers tainted their image in the eyes of the employees by blaming them for all the outcomes viewed unfavourably by the employees. Some HR managers interviewed added that line managers shirked their responsibility to objectively communicate the outcomes of employee appraisal and blamed the poor employee rating on the guidelines formulated by the HR function. Examples from various banks that relate to different HR practices are elaborated below.

For example, in CLASSIC BANK line managers cited the practice of compensation and benefits as an example and stated that while they needed more participation in the decision making related to determining the compensation package to recruit and retain employees in a sector with high employability and high employee turnover, HR managers were reluctant to do so. The general reason stated by the HR function was maintaining internal equity. As a consequence they were not willing to share in the implementation role. In the case of performance bonuses, controversies across the case-study banks emerged between line and HR managers with the latter believing that generally line managers deliberately recommended inflated bonuses to
maintain a better relationship with their employees. This perception was generally more evident in VINTAGE BANK, TRADITIONAL BANK, WESTERN BANK, ANGLO BANK and TRANSCO BANK where the HR managers were mostly dominant in the decision making aspect and line managers had little role in deciding the amount of increments / bonuses. The HR managers in these five case-study banks added that they had to revise the increments / bonuses downwards which resulted in the HR function’s poor image in the eyes of the employees. Further, the HR managers interviewed added that line managers misinformed employees of the actual amount to avoid any confrontation with them later, which blemished the image of the HR function in the eyes of the employees. This was because the employees felt that their bonus had been revised downwards by the HR function that had no idea of their effort and performance. Conversely, line managers interviewed stated that they had a better evaluation of the employee’s performance and felt it was unjustified to forcefully rate (bell curve) employees in varying performance categories just to manage the budgetary constraints. To them, they had to work with the employees which made it difficult for them to justify varying rewards. Thus it appeared that their disdain for HR work stemmed from the lack of their involvement in the decision making aspect.

Further, at MODERN BANK, the centralized approach to resourcing as well as transfers appeared to be a contentious issue. The HR Manager Resourcing interviewed stated that the HR function provided accurate information on the exact positions where hiring was required while line managers felt that it just created unnecessary delay in the response time. However, line managers interviewed in this bank believed that it was important for them to identify the right employee who had the required expertise and could blend in with the rest of team but HR managers restricted their participation in the process. They claimed that when they had no ownership in the decisions they did not want to implement them either and that it was unreasonable of the HR function to expect them to perform in this capacity. Hence in this case as well, it appears that the disdain of line managers for HR work partially stemmed from their perception that the HR function did not want to transfer any decision making authority.
6.2.2. Workload and competing priorities of line managers

Our analysis based on the interviews of the stakeholders indicated that the workload of line managers and their priority for achieving business goals limited greater devolution of HR activities to them. This analysis indicates similarity across the banks investigated because of the common underlying reason of shortage of time. In this section, beyond the challenge of competing priorities of line managers we highlight the workload of line managers, the trust deficit between the stakeholders in the domestic case-study banks and the lack of reward for performing the time consuming HR related activities as the issues which impeded the devolution of HR activities to line managers.

In addition, the triangulation of evidence from the interviews of senior managers with bank documents revealed what appeared to be a conflict between the stated and practiced role of senior managers with regards to their commitment to enhance the profile of the HR function. On the one hand, bank documents and mission statements emphasise commitment to the development of the workforce and senior managers espouse the need for devolution of HR practices to line managers but on the other hand operational requirements cascaded to line managers prioritize the achievement of business objectives over that of the HR objectives. In our analysis, this conflicting signal to the line managers contributed to the lack of devolution.

Line managers interviewed in the case-study banks appeared to generally struggle for time for people management activities in all case-study banks examined. Even in GLOBAL BANK where line managers willingly shared in some implementation aspects of different HR practices to enhance their interaction with their subordinates, they opined that time management was a major issue which at times affected their primary objectives (business objectives). In MODERN BANK line managers felt that despite their increasing workload due to a competitive environment the number of employees and problems handled by them was on an uptake. Additionally, in VINTAGE BANK and TRADITIONAL BANK line managers interviewed did not appear to agree with HR’s contention that devolution of HR activities could improve their relationship with their subordinates. They still viewed their contribution in a business context and did not deem people management as a primary or integral part of their job. The comment of a line manager in one case-study bank is illustrative of
and reflects the views shared by most line managers interviewed in the other case-study banks as well.

‘Quite frankly, at the end of the day my performance will be judged on the basis of achievement of the business objectives so that is my main concern and priority. I would rather focus in this area than waste a lot of my time implementing others’ work.’ (CLASLM4)

Further, in these two banks another issue was their large size because of which line managers interviewed had a wide span of control and felt that in such a scenario additional HR responsibilities were unmanageable for them to perform. In addition, the line managers in these two banks stated that they were not evaluated on this aspect of their job and thus any contribution in this area would go unrecognized. In the domestic banks investigated barring TRADITIONAL BANK (private bank), the line managers interviewed generally viewed the devolution of HR practices with scepticism and felt that the senior and HR managers were actually trying to reduce costs by making them perform additional work.

Evidence examined indicates that in the three small sized foreign banks WESTERN BANK, ANGLO BANK and TRANSCO BANK where the decision making aspect was devolved to line managers (low degree of devolution) there was a reluctance to share in the implementation aspect. Some line managers interviewed appeared to agree with the idea of involvement in people management issues to an extent but struggled with finding time to perform the additional role. Further, they generally appeared over burdened to meet the contrasting expectations of the senior management and the HR function for the need to meet their targets versus the requirement of effective people management. The comment of one line manager is illustrative of this challenge and is applicable to other case-study banks as well.

‘I would really like to get to know my people better, but you see honestly I do not know how to find time for that, it seems impossible.’ (TRANSLM1)

Additionally, in the foreign banks investigated, senior managers expected line managers to perform activities related to the practice of employee relations which the latter felt were very time consuming. Also of significance for line managers interviewed in these banks was the fact that superior employee management was
neither acknowledged by the senior management nor rewarded formally. Hence it appeared that in their view, there was no onus on them to assume a central role in dispensing HR work. Even in GLOBAL BANK where HR managers had transferred the decision making aspect of particular HR practices to line managers, the HR managers felt a reluctance on the part of the latter to implement any HR practice in entirety because line managers voiced that they were not rewarded for it. This leads us to suggest that apart from the factor of securing a position in the decision making aspect related to HR work, there are other contributing factors which impede the willingness of line managers to perform in the associated implementation aspect. The comment below from an HR manager highlights this concern of the line managers in GLOBAL BANK.

‘We [HR] are willing for devolution in certain areas but they [line managers] are reluctant perhaps because there is no incentive for them to take on this role. I mean, they are rewarded for achieving their business targets so they say they really have no motivation to spend time on HR activities.’ (GLOHR4)

6.2.3. Lack of people management skills and inadequate training of line managers

Our analysis based on the views of HR and line managers in the case-study banks highlighted that the inadequate skill-set of line managers related to soft skills appeared to challenge the idea of devolution. These skills appeared to be more inadequate in the domestic banks where the focus of management historically had not been on people management issues. This was considered to be an area of low criticality for the organisation and hence the skills of line managers were not developed. Also, as we highlighted in chapter 4, the culture of these banks was not conducive for learning and development in general; and performing HR activities was considered a low profile work that was expected to be the operational work for which HR people were hired.

According to the HR managers interviewed in the VINTAGE BANK, CLASSIC BANK and TRADITIONAL BANK the inadequacies in line manager skills were evident in the areas of recruitment and selection, communication, coaching and mentoring. They added that there appeared to be little aspiration on the part of the line managers to equip themselves with these skills due to the aforementioned
reasons. The HR managers added that despite their willingness, need and desire to devolve the implementation of certain HR practices / activities to line managers, they sometimes felt that in the current state (weak people management skill-set) devolution could create additional employee management issues, exacerbating the challenges faced by them.

Line managers interviewed across the case-study banks expressed two distinct opinions on the matter of people management skills. One opinion was predominantly expressed by the line managers in the domestic banks and largely in VINTAGE BANK, CLASSIC BANK and TRADITIONAL BANK. The line managers propagated that no serious effort was made on the part of the HR function to train them in HR specific areas because they were unable to recall when they had last received a formal training in areas such as interpersonal skills and employee motivation. This they stated made it difficult for them to dispense HR work even if they wanted to. Also, they reported that HR managers instead of training and demonstrating how to administer practices and policies like performance appraisal and selection interviews kept modifying these on a regular basis which made it difficult for them to acquire skills in the area and to maintain consistency in implementation. The line managers interviewed in CLASSIC BANK and MODERN BANK stated that in instances where training courses were held for line managers they lacked insight, depth and. However, HR managers highlighted that line managers did not show much interest in enhancing their people management skills through training and at times even failed to acknowledge the requirement for acquiring these skills. The comment of an HR manager in one such bank highlights this concern. Similar comments by other HR managers in the domestic case-study banks also emerged from our data.

‘We periodically arrange training sessions for line managers to upgrade their HR skills. Line managers express their concern on the lack of opportunities for such training on the one hand and agree to the benefits of receiving such training on the other, but they routinely delay or reschedule on one pretext or another when training sessions are arranged.’ (VINHR3)

The second opinion which was more widely cited by line managers in the foreign case-study banks, barring GLOBAL BANK, where they were involved in dispensing
HR work was that implementation of HR practices required some bit of common sense and did not require a dedicated effort to learn or acquire through training. Line managers in these banks stated that by virtue of managing their subordinates every day they implicitly understood all the requirements and needs. Also they highlighted that dedicated training meant that they would have to spare time for this purpose which was already a challenge for them in accepting devolution of HR work. The comment from a line manager in ANGLO BANK reflects the perception of other line managers interviewed in the foreign case-study banks particularly and the domestic case-study banks as well where lack of opportunities for such training was the primary challenge.

'It is basically common sense. I have been dealing with my employees for the last eight years. I know how to handle them and am quite clear about their requirements. I have attended a few of these training sessions in the past, there’s not much you can gain from them because it’s all different when you get to actually implementing the work. So it’s kind of a waste of time in my view.’ (ANGLM2)

6.2.4. HR policies and implementation

In this section we analyse the issues which relate to the implementation of the HR practices in the case-study banks examined. Our analysis indicates that in the domestic case-study banks where the line managers historically dominated the decision making aspect in most HR practices and appeared unconvinced and unwilling to share in the implementation aspect, a majority of the concerns were raised by HR managers. They pertained to the dictation of hasty decisions by line managers and the varying degree of significance accorded to the adherence with policy guidelines between the two stakeholders. Additionally, of concern for line managers were the issues of inflexibility of the HR function in policy matters and the intent of the HR function to devolve in certain HR practices. In the foreign case-study banks examined, the concerns were mostly highlighted by line managers and were related to policy formulation and implementation. They largely pertained to the lack of the HR function to make decisions in context of their implications for the business concerns. Common issues emerging from the data of all the case-study banks included the emphasis of the HR function to conform to policy guidelines and the lack of business focus of the HR function to design policies that best addressed business concerns. Thus in the following paragraphs we associate the concerns with
particular banks where they appeared more dominant and were expressed more frequently in the interviews of the HR and line managers. However, this does not necessarily highlight that the issues were not applicable to the other case-study banks but rather indicates that they were cited less frequently and were thus less significant.

The HR managers interviewed in a majority of the case-study banks expressed the view that line managers frequently opted for hasty decisions and expected the HR function to either bypass related policies or to apply them retrospectively. In addition they stated that it appeared that line managers were interested in getting their demands and requirements approved as urgently as possible and did not want to follow procedural requirements. HR managers interviewed in VINTAGE BANK and TRADITIONAL BANK stated that there were instances when line managers raised a requirement for urgent hiring or for quick promotion decisions ignoring the procedural and legal needs. For example in VINTAGE BANK, the HR Head interviewed cited the following incident. A certain line manager compelled by business pressures hired employees in his branch without consulting the HR function which was a contravention of established recruitment procedures. The HR function then acted in retrospect and arranged a selection board for the interview of these employees. The HR Head indicated that this post employment selection board was a formality that had to be conducted in order to give legitimacy to the new recruits but it was evident that the actual results of the selection panel were inconsequential. A similar example was cited by the HR managers in TRADITIONAL BANK which is illustrated in the following comment.

‘They routinely create emergency like situations to bypass the system especially regarding hiring of employees on urgent basis and giving them extraordinary packages. If that happens once in a while we can understand but when it happens too often, there is a question mark on their consistency and transparency which consequently affects our image and that of the bank. In that case, we are the suffering party as our professional image is at stake.’ (TRADHR2)

Other factors emerging from the interviews of HR managers in VINTAGE BANK and TRADITIONAL BANK indicated the presence of personal biases and perceptions of line managers that appeared to override policies guidelines. According to HR managers in the domestic case-study banks, to some extent line
managers were unable to understand the importance HR placed on developing certain policies to introduce work life balance, flexible work hours and work from home options. These policies were dismissed as temporary trends that lack applicability and adaptability in the context of Pakistan. This was not the case in the four foreign case-study banks possibly due to the influence of their global cultural norms and conformity with global HR practices. The comment of one line manager illustrates this challenge.

‘I wish they [HR function] are more considerate towards our [line managers] problems and issues when they formulate HR policies and practices. Instead of formulating HR practices by benchmarking those in foreign banks that look good on paper only in our country and society, they should keep the constraints and limitations these policies can create in mind. After all, we [line managers] have a better read of the pulse of our employees and have to bear the consequences after the implementation of such policies which provide latitude to employees and increase unprofessional behaviour on their part.’ (MODLM2)

Moreover, in CLASSIC BANK, MODERN BANK, WESTERN BANK ANGLO BANK and TRANSCO BANK where the mis-trust between line and HR managers was relatively less evident in comparison with VINTAGE BANK and TRADITIONAL BANK, HR managers widely cited that line managers took cover of the urgent need to fulfil business considerations as a rationale for marginalising the use of HR policies and guidelines. Further, according to the HR managers interviewed across the case-study banks, inclusive of GLOBAL BANK, the inconsistency in the implementation of HR practices by line managers which they attributed to various reasons like lack of skills of line managers, deliberate marginalisation of HR policies / procedures and their insensitive attitude created challenges of transparency and fairness in the execution of people management practices.

6.2.4.1. Challenges identified by line managers in the case-study banks
In this section we highlight the views of line managers in the case-study banks which indicate the challenges presented by the HR managers in the HR-line relationship that impeded the process of devolution. Line managers interviewed across the case-study banks revealed that they felt restricted and bound by the insistence of the HR
function to follow policies and procedures, irrespective of the situation or issue at hand. Some line managers commented that they found the insistence of the HR function to be inflexible and resilient to the ground realities which restricted their autonomy and affected the timing and extent of the fulfilment of their business goals. The examples cited by line managers in two case-study banks highlight the perception and concerns of other line managers as well.

‘HR is doing its job well but sometimes the HR people just drag their feet. Although I will concede that the delay in hiring is in part a result of the bureaucratic approval process at the bank over which HR has pretty much no control.’ (TRADLM4)

‘It sometimes bothers me as they [HR function] insist on allocating employees very rigidly within the stipulated percentages on the bell curve despite our insistence that exceptions can be warranted where the entire team has done well. Often I feel that such rigid compliance to policies not only affects our relationship with our subordinates but it also affects the attainment of the bank’s goals.’ (TRANSLM3)

In the domestic case-study banks TRADITIONAL BANK, VINTAGE BANK and CLASSIC BANK the line managers interviewed stated that the HR function was not genuinely interested in devolution as it would reduce their value in the organisation. In the two large sized domestic banks this perception seemed to appear from the low trust factor in the relationship between HR and line managers while in private bank TRADITIONAL BANK this perception appeared to have emanated from the low profile and image of the HR function. The comment of a line manager illustrates this perception.

‘It is one thing to talk about devolution and another thing to make it happen. I believe they [HR] do not want share much of their work because they feel it will make them redundant.’ (TRADLM3)

According to line managers interviewed in CLASSIC BANK devolution of HR activities was not genuinely the priority of the HR function because the function feared it would lose the status that it had to some extent improved over the last few years. Further, they added that the HR function was fearful that the awareness they had tried to create and diffuse in the bank, related to the significance of the work they performed would become redundant. Evidence indicated that with diminishing
job security HR personnel responded by either holding on to certain crucial elements of the HR practices or by nit picking in the work achieved by line managers.

In the two case-study banks (MODERN BANK and GLOBAL BANK) where the line managers shared the decision making aspect in certain HR practices with the HR function there was great emphasis on the fact that the HR employees lacked business acumen which presented a challenge in the formulation of strategic policies. We contend that this not only impeded the efforts to devolve the decision making aspects related to certain HR practices in to HR managers but also contributed towards the low extent of strategic input by the HR function. Further, line managers opined that the greater interest of HR managers to follow policies conflicted with their (line manager’s) approach of finding a means to quickly resolve impending issues which created operational inefficiencies. In our analysis this differing approach to addressing issues and challenges created an environment where line managers perceived that working with the HR function on policy formulation and implementation to meet changing business realities was a difficult proposition. This divide created hurdles in the devolution of HR practices to line managers and thus influenced the level of strategic input by the HR function. Line managers interviewed in GLOBAL BANK considered that the HR function at times emphasised on policy guidelines that did not reflect the dynamic realities of the banking sector or the competitive environment in which the line managers operated. Similar concerns were raised by line managers interviewed in MODERN BANK who added that the policies developed by the HR function mostly reflected the concerns of management and were a distance away from the business and practical issues faced by line managers. The comment of a line manager in MODERN BANK exemplifies this issue.

‘I believe the HR people are at times inconsiderate of our position. For example when we are opening up new branches in some smaller cities and areas where the bank had not ventured in the past, they insist on keep the employee numbers low. We need to provide the same level of service and a similar experience to all our customers regardless of the branch size and location otherwise we won’t succeed in gaining customer share in this new market. But they are only bothered about the qualification and criteria not realising the dynamics of these markets where we need
people from the localised regions to establish ourselves. Those who talk like them and think like them.’ (GLOLM2)

However, regardless of the issues elaborated above which confront the HR-line relationship, evidence extracted from the interviews of HR and line managers also suggests that improvement in this relationship appears to have occurred to some extent in the case-study banks. The improved coordination and communication between line managers and HR managers is an example, especially in the banks where the position of HR Relationship Managers was created. For example, the Group Head ABC division at MODERN BANK was satisfied with the present arrangement where a senior HR person had been solely dedicated for his Group and said,

‘I believe that this additional post has resulted in marked improvement in the coordination between the HR department and line managers in at least the ABC division I work in.’ (MODSM1)

The Relationship Manager of the ABC division also stated that he had been instrumental in the resolution of a long standing issue concerning the up-grading of certain employees in ABC which had suffered inordinate delay because of the lack of a proper response by that division. A line manager from MODERN BANK agreed with this view and commented,

‘Yes coordination has improved a lot in the last few years and I am impressed with the close relationship developed by the Relationship Manager in our division. He seems to speak and understand our language and has developed some business sense as well. Overall, he has a supportive and rational approach to his work but just like other HR people, he needs to be a little more flexible in his reliance of policy manuals.’ (MODLM1)

Summary
In summary, an evaluation of the aforementioned challenges in the HR-line relationship suggests that the HR and line managers had a rather contested understanding of what devolution entailed. For HR managers it included the implementation aspect of the HR practices as well but line managers expected that devolution in the decision making part was the only aspect in which their contribution mattered. The remaining work they felt was more time consuming and
less significant than the achievement of their business objectives and was the responsibility of the HR managers to perform. The mind-set of line managers, their disdain for HR work and their competing priorities, the absence of associated rewards and the lack of time presented a challenge in the devolution of the HR practices to them. However, the fear of loss of status and redundancy of the HR function, the lack of business understanding and skills of HR managers and their greater emphasis on following established guidelines and procedures regardless of the situation / circumstances created issues in their relationship with line managers which again, impeded the process of devolution in the case-study banks.

Further, our analysis indicates a low level of application of devolution of HR practices in the case-study banks examined. Not only are line managers generally unwilling to share in the implementation aspect of these practices due to the lack of time, an inadequate skill-set and lack of training, the HR function is also perceived to be unprepared and disinclined to let go of its role. This paradoxical understanding of devolution by both stakeholders appears to result in tension in the HR-line relationship. It appears that to attain a higher degree of devolution, the mindset of both stakeholders needs to change; also the challenges confronted by this relationship seem to impede the efforts for devolution of HR practices to line managers which carries implications for the intent of the HR function to contribute more in the strategic realm of organisational decision making and to thus dispense a more strategic role.

6.3. Conclusion
In conclusion, our analysis in the eight case-study banks examined revealed that a low degree of devolution of HR activities to line managers had occurred in seven case-study banks, with the exception of GLOBAL BANK where devolution appeared to have occurred to a relatively greater extent. Thus, the insignificant extent of devolution in most banks examined could not create time for the HR managers to spend on the strategic level initiatives, especially in the seven case-study banks with low level of devolution; as a consequence, the HR function appeared unable to dispense a greater strategic role. Our analysis also revealed that while HR managers generally wanted to devolve the aspect of implementation in which the line managers were not interested, the line managers were willing to share
in the decision making aspect but not the implementation aspect. Hence, the contrasting perspective of both stakeholders involved in the process created hindrances in the process of devolution. The perspective of HR managers was that implementation took most of the total time spent on an activity and when that was not devolved, effectively they could not create time for strategic work and hence even where devolution occurred it was not accompanied by significant strategic contribution by the HR function.

Additionally, evidence presented indicated that generally, greater devolution in the decision making aspect (primarily) had taken place in the practices of recruitment and selection and performance management systems but to varying degree, across the case-study banks. Some plausible reasons for the greater extent of devolution in these two HR practices include the fact that line managers have more pertinent information to make the right decisions in this case (performance management systems) and / or the HR practice can affect the immediate work environment of the line managers (recruitment and selection) and the performance levels of their employees. However, despite the evidence of devolution in the decision making aspect of these practices there was no indication that any significant devolution had taken place in the implementation aspect. This was because line managers appeared to be interested in the decision making aspect only and were resistant to the idea of sharing in the implementation aspect due to issues of time and the preference to meet the business related objectives. In the case of recruitment and selection the interest of line managers in the recruitment and selection also appeared to emanate from the job market dynamics where deregulation and the addition of new banks in the sector had heightened competition and line managers wanted quick decisions in hiring. In the case of performance management systems the interest stemmed from the growing need especially in the domestic banks to develop a greater focus on rewarding employee performance and to build an organisational culture that fostered increased performance. Also, the returning workforce from the foreign banks abroad and the younger employees placed emphasis on rewards for performance rather than primarily seniority.

On a relative scale, across the case-study banks, less devolution appeared to have occurred in the practices of compensation and benefits, training and development
(except in GLOBAL BANK, MODERN BANK and VINTAGE BANK), and employee relations (domestic banks mostly). In the case of compensation and benefits line managers interviewed appeared to be interested in the decision making aspect because compensation affected the retention or otherwise separation of some of their talented and performing employees, in a sector where job mobility was quite high (at the time of interviews). However, evidence presented indicates that HR managers were not willing to devolve in this area and possibly because of the apprehension of senior managers to decentralize decisions which had direct financial consequences for the bank. In the case of training and development the three case-study banks were exceptions as devolution occurred in GLOBAL BANK where line managers were in-charge of the training programs and in the other two case-study banks (VINTAGE BANK and TRADITIONAL BANK) separate departments were created for training and development. Line managers appeared unwilling to share part of the responsibility possibly because of the lack of time and in CLASSIC BANK because of the evolving systems and policies which rendered the procedures subject to change very often and thus more time consuming to learn on a continuous basis.

Moreover, certain key challenges were reported that appeared to impede the devolution of HR practices to line managers. One of them was the contrasting perspective of the stakeholders mentioned earlier in the conclusion and others included the disdain of line managers for HR work, their workload and priority to achieve business goals, the lack of their people management skills and the absence of associated rewards. In the case of senior managers the challenges included the lack of discretion provided by them to the HR function and in the case of HR function the challenges took the form of lack of business acumen of the HR employees and the fear of loss and redundancy, mostly in the domestic cases-study banks. Nevertheless some areas where improvement had occurred in the HR-line relationship emerged from our analysis. They included improved communication and coordination between the HR and line managers, especially in the banks where positions of relationship managers were created.

Further, the phenomenon of devolution appeared to be somewhat deceptive in two case-study banks (VINTAGE BANK and TRADITIONAL BANK). While it
appeared that devolution had occurred in certain HR practices like performance management and recruitment and selection, in actual line managers had historically dominated the decision making aspect of these practices and no actual transfer had taken place from the HR to the line managers. Possible reasons of historical dominance of the line managers in these two banks were the less development of the HR function in these banks and their low influencing power and profile (discussed in chapter 5) which inhibited the involvement of the function in strategic activities. This was despite the fact that line managers were performing some of the HR function’s activities. However availability of time continued to remain an issue because line managers were only making decisions and not sharing in the implementation. We suggest that no actual devolution took place because devolution is defined (beginning of this chapter) as the degree to which the HR function involves or transfers HR responsibilities to line managers but in this case there was no evidence of a transfer, rather the line managers had ownership of this process all along.

Thus we conclude that devolution did not take place to a significant extent in at least seven case-study banks examined, barring GLOBAL BANK. The extent of devolution in the implementation aspect appeared to be far less than that in the decision making aspect and where devolution occurred in the decision making aspect, it was of a low degree because financial (budgetary) and legal decisions were retained by the HR function.
Chapter 7: Structure and skill-set of the HR function

7.0. Introduction

In the previous chapter, we discussed the devolution of HR responsibilities from HR to line managers and the ensuing challenges in the HR-line relationship to examine the influence or lack thereof, on the role dispensed by the HR function. In this chapter, we examine the structure of the HR function, the skill-set of the HR employees and the perception of the line managers related to the skill-set of HR employees to explore their influence (or lack thereof), on the role adopted by the HR function in the case-study banks examined.

The evidence from the eight case-study banks indicates that development in the structure of the HR function was mostly driven by the HR function’s intention and aspiration to dispense a more strategic role and to meet the demands of line managers for better service delivery. This intent is highlighted by Torrington et al. (2008) and Truss (2009) who suggest that to contribute to business success, the HR function needs to perform as a strategic player and (Cleland et al., 2000) who state that the business strategist will be a key role for HR specialists in the future. Hence, our examination of data in this chapter will focus on whether and if the development in the HR structure aided the HR function in achieving the intended strategic role and how the skill-set of the HR employees facilitated or impeded the adoption of a strategic role.

The rationale for exploring the structure of the HR function and the skill-set of HR employees is underpinned in the conceptual link between these two elements and the role of the HR function which emerged from a review of related literature in Chapter 2. According to Lawler III and Mohrman (2003), the structure of the HR function can influence the strategic orientation of its role by enabling the HR managers to act as strategic partners in addition to performing their administrative responsibilities but to dispense a strategic role a developed HR skill-set is also vital. Additionally, highlighting the link between the HR structure and skill-set, Ulrich and Brockbank (2005) and Ramlall (2006) state that expertise in HR competencies and people management skills alone are inadequate to enable strategic integration for which HR
managers must be equipped with business acumen as well. Thus, our attempt to explore the elements of HR structure and HR skill-set is aligned with theoretical and empirical studies in the field of HRM that suggest adoption of a framework which includes a study of these elements to determine the role (strategic or operational) being performed by the HR function.

This chapter is divided into six sections. The first section explores the drivers underlying the changes in the structure of the HR function and examines the structure of the HR function by identifying the presence or otherwise of the Corporate HR team and the use of mechanisms like clustering and segmentation for achieving specialisation. Section two examines the creation of the position of HR Relationship Managers in the case-study banks and the role performed by them. Section three examines the approach (centralisation, decentralisation and hybrid) adopted by the case-study banks to organise the activities of the HR function and section four highlights the implications of the HR staff to employee ratio in the banks examined to highlight its influence (if any) on the structure adopted. Additionally, section five explores the skill-set of HR employees and its influence on the role adopted by the HR function in the case-study banks which is followed by the conclusion to this chapter. The analysis presented in this chapter is based on data gathered from the interviews of HR, senior and line managers and where necessary, triangulation with bank documents.

7.1. Structure of the HR function
In this section we explore the structure of the HR function with the specific intent to identify the presence (or otherwise) of the Corporate HR team and the use of mechanisms such as clustering and segmentation for achieving specialisation in the case-study banks.

7.1.1. Drivers for changes in the structure of the HR function
Evidence examined suggested that all the eight case-study banks underwent changes in their HR structure in one way or another so before discussing these changes in detail in the following sections we explore the major drivers and the underlying reasons for making these changes.
Table 7.1 Structure of the HR function

<table>
<thead>
<tr>
<th>Structure</th>
<th>VINTAGE BANK</th>
<th>CLASSIC BANK</th>
<th>TRADITIONAL BANK</th>
<th>MODERN BANK</th>
<th>GLOBAL BANK</th>
<th>WESTERN BANK</th>
<th>ANGLO BANK</th>
<th>TRANSCO BANK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structure</td>
<td>Functional</td>
<td>Functional</td>
<td>Functional</td>
<td>Functional</td>
<td>3 legged stool model</td>
<td>Functional</td>
<td>Functional</td>
<td>Functional</td>
</tr>
<tr>
<td>Corporate HR</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Specialisation and Segmentation</td>
<td>Limited set of specialist services provided centrally and RMs</td>
<td>Segmentation of specialist activities on regional basis and RMs</td>
<td>A set of specialist services provided centrally and RMs</td>
<td>Segmentation of specialist activities on regional basis and RMs</td>
<td>Centralised Specialist and Shared Services. Decentralised business partners</td>
<td>A set of specialist, generalist and administrative services located centrally</td>
<td>A set of specialist, generalist and administrative services located centrally</td>
<td>A set of specialist, generalist and administrative services located centrally</td>
</tr>
<tr>
<td>Centralisation / Decentralisation</td>
<td>Centralised</td>
<td>Hybrid</td>
<td>Centralised</td>
<td>Hybrid</td>
<td>Hybrid</td>
<td>Centralised</td>
<td>Centralised</td>
<td>Centralised</td>
</tr>
<tr>
<td>HR Staff</td>
<td>180</td>
<td>110</td>
<td>40</td>
<td>73</td>
<td>35</td>
<td>10</td>
<td>11</td>
<td>12</td>
</tr>
<tr>
<td>HR: Employee Ratio</td>
<td>1:78</td>
<td>1:85</td>
<td>1:150</td>
<td>1:99</td>
<td>1:114</td>
<td>1:49</td>
<td>1:92</td>
<td>1:125</td>
</tr>
</tbody>
</table>

Source: Derived from interview data and triangulation with bank documents.

* Hybrid refers to a combination of centralisation and decentralisation.
The drivers discussed below emerged from the interviews of HR and line managers interviewed across the case-study banks. They were specifically asked to identify the major drivers which created the need for changing the structure of the HR function in their respective banks. Initially, interviews were conducted with four to five HR and line managers each, and the four most cited drivers for change were extracted from these interviews. They included enhanced strategic contribution, greater business focus, improved service delivery and cost reduction. Further, in addition to the above mentioned interviews, the remaining HR and line managers were also interviewed and were specifically asked to prioritize the drivers according to their perspective. Tabulation of these responses revealed that across the eight case-study banks examined, there appeared to be similarity between the perspectives of HR and line managers related to the on the drivers for change but these perspectives seemed to diverge when prioritizing the drivers.

Data analysed indicated that a majority of the HR managers (39 out of 40) across the case-study banks ascribed top priority to the driver of enhancing strategic contribution as the underlying reason for changing the structure of the HR function. This was followed by the drivers of the intent / aspiration of the HR function to become more business driven, improved delivery of HR services and in the case of VINTAGE BANK, the driver of cost-cutting also emerged. Our analysis indicated that the driver of enhancing strategic contribution was to some extent more a rhetoric than reality because most structural changes as discussed in the following three sections were predominantly undertaken, at least in the short-term, to meet the demands of line managers related to better service delivery.

Also an analysis of the data in the following sections will highlight and discuss in greater detail, the other reasons for structural changes which include the feasibility (or otherwise) of relocating operations from one region to another, improving the control of the HR operations and pooling of the best resources (skilled HR employees). The tendency of HR managers for overstating the intent to enhance the strategic contribution of the HR function as a driver for initiating and incorporating structural changes in the HR function has also reported by Truss (2002). This study highlights that the HR managers perceive that changes of various nature in the HR
function are driven by the intent to enhance its strategic contribution as suggested in prescriptive literature.

Conversely, from the responses compiled and the interviews conducted with line managers, it appeared that predominantly the key driver for structural reforms in the HR function was the need to first address the issues / weaknesses in service delivery which was of utmost importance for enhancing the efficiency and performance of the bank. In their perspective, unless the business acumen and skill-set of the HR employees was enhanced there was little possibility that the HR function could contribute strategically. In the four domestic case-study banks, line managers cited the creation of positions of Relationship Managers as an example. They highlighted that this structural change had not resulted in considerable strategic input because at this stage in the development of the HR function and the skill-set possessed, the Relationship Managers could only facilitate better communication with the Corporate HR team and improve the time and quality of services extended by the HR function. This perspective appears to be aligned with the position adopted by Roebuck (2008, p.40) that, ‘the credibility of HR is based on the delivery of the core transactional HR services to the business at a high-quality level. Only if this is in place will the business accept delivery of strategic HR.’ Further, this perspective conforms to the view of Lawler and Mohrman (2003) that structural reform alone is not indicative and hence sufficient for repositioning of the HR function as a strategic arm of the organisation.

7.1.2. Corporate HR
According to Ulrich et al., (2008) the Corporate HR consists of the top HR management which is responsible for: shaping the programs that implement the CEO’s agenda, ensuring that all HR work is aligned to business goals, ensuring the development of HR professionals and creating a consistent firm-wide culture. Our analysis based on the empirical evidence indicated that a Corporate HR team existed in five of the eight case-study banks (the four domestic banks and foreign bank GLOBAL BANK). However, in the three small sized foreign case-study banks (WESTERN BANK, ANGLO BANK and TRANSCO BANK), where the HR function was smaller in size, the HR Head himself embodied the Corporate HR function by advising on policy development and strategic initiatives. The explanation
below is based on a triangulation of bank documents and interviews from the HR Heads in the case-study banks examined.

According to the HR Heads interviewed in the two large domestic banks (VINTAGE BANK and CLASSIC BANK), the Corporate HR team was expanded as a consequence of major structural changes between 2004 and 2007 to enhance the strategic input provided by the HR function. For example, in CLASSIC BANK the Heads of two newly established departments of Organisational Development and Strategy Planning were included in the team. The OD Head primarily advised on major structural and policy changes at the bank that required a concentrated effort towards change management and the Strategic Planning Head catered for integration of the HR processes, practices and policies in the major initiatives taken at a bank-wide level. According to the HR Head in VINTAGE BANK, the Corporate HR team was the communication link between the headquarters and the branches and the team was central in coordinating HR activities across a wide branch network that covered the entire country. In both these banks, the respective HR Head interviewed identified the large size of the bank as a reason for which the Corporate HR team was inducted. The large size and branch network meant that control needed to be exercised to achieve consistency in the implementation of the HR practices. Another reason cited was the significant variation of the HR personnel in terms of their skill-set which necessitated the establishment of a core (Corporate HR) team that would provide the vision and guidance for the less experienced and under-skilled HR employees to perform their work.

Additionally, evidence examined indicated that in TRADITIONAL BANK, MODERN BANK and GLOBAL BANK, a small Corporate HR team existed. For example, in TRADITIONAL BANK, the HR Country Head and two senior HR personnel, namely the Organisational Development Head and the Group Head ABC division, were part of the Corporate HR team; they were responsible for formulating strategy and participating in policy making at the organisational level. The position of the Organisational Development Head was created to facilitate a major change management programme which was initiated based on the recommendations of an external consultant. According to the OD Head interviewed, the change management programme included the implementation of a new performance based
pay system, the introduction of a new performance management system, the volume analysis exercise, the induction of new banking operations software and the forthcoming Human Resource Information Systems. However, he cited that the primary purpose (enhancement of strategic role) behind the creation of the Corporate HR team was considerably defeated because of the inadequate skill-set of the junior employees in the HR function. This meant that he had to provide a lot of guidance to them and his role was therefore equally significant in the implementation aspect, which was quite time consuming.

Similarly, in MODERN BANK, the Corporate HR team consisted of the HR Head himself and in addition, the General Manager (GM) in-charge of the bank’s operations in the southern region and two other senior HR employees. As will be elaborated later in this section, the GM South was in-charge of the performance management systems bank-wide, and additionally participated with the other Corporate HR team members in HR strategy formulation. In GLOBAL BANK, the Corporate HR team included the Head of HR and the three business partners who were responsible for providing strategic input. As such, there was no presence of a distinct Corporate HR team in the structure of the HR function but the HR Head interviewed stated that he and the three business partners managed strategic matters related to the bank and made decision related to the strategic initiatives.

Moreover, unlike the five case-study banks discussed above, there was no presence of a Corporate HR team in the remaining three banks examined; the HR Head was responsible for providing policy and strategic input to the senior management. The following comment from the HR Head at WESTERN BANK highlights the absence of a Corporate HR team and highlights the implications for the role and responsibilities of the HR Head. Similar comments were given by the HR Heads at TRANSCO BANK and ANGLO BANK as well.

‘Due to the absence of a Corporate HR team I am stretched to the limit; this is one aspect of my job which is really dissatisfying. I have to spend so much time every week on coordinating between the hierarchical levels and branches which leaves very little time for me to proactively think about strategic interventions and to constructively participate at policy development forums.’ (WESTHR1)
7.1.3. Specialisation: Clustering and segmentation as approaches adopted

In this section we analyse the prevalence of techniques like clustering and segmentation to achieve specialisation within the HR function. The purpose is to explore the rationale for and outcomes of applying these techniques to achieve specialisation and to explore the influence specialisation or lack thereof, may have on the intent of the HR function to adopt a strategic role. Specialisation is referred to as developing expertise in specific HR areas by grouping together related HR practices under one Head. The pattern emerging from data showed a slight trend in the case-study banks towards developing HR activities on specialist lines, with varying degrees of specialisation across the case-study banks.

Most examples from the data seem to indicate the use of the clustering technique for achieving specialisation. The term clustering is used in the literature to define the grouping together of multiple HR practices in a bundle (Fabi et al., 2007; MacDuffie, 1995; Pfeffer, 1994). Our use of the term clustering in the HR structure is an adaptation from this terminology; we define clustering as a technique employed by the case-study banks to group together various HR practices under one cluster head. Our analysis based on the interviews of HR managers indicated that in seven of the eight case-study banks which included all four domestic banks and three foreign banks (WESTERN BANK, ANGLO BANK and TRANSCO BANK) efforts were made to create specialist teams. Five of these seven case-study banks adopted the clustering technique for this purpose (see table 7.2) and two (CLASSIC BANK and MODERN BANK) adopted the segmentation technique for specialisation. The only case-study bank that had a dual focus and provided specialist support through the Centre of Expertise and generalist support through the business partners was GLOBAL BANK (see table 7.1). It is pertinent to highlight that the distinction between the Centre of Expertise at GLOBAL BANK and the specialist clusters in the remaining seven case-study banks lies in the fact that the specialised clusters are responsible for the implementation aspect of the HR activities as well, which is the responsibility of the Centre for Shared Services in GLOBAL BANK.

From amongst the domestic case-study banks, VINTAGE BANK (privatized, large sized bank) appeared to have a limited focus on specialisation with specialist teams only in two core HR areas of compensation and benefits and resourcing. According
to the HR Head interviewed here, the immediate issue to be resolved from
specialisation was to nest the key HR practices under the best resource available in
order enhance convenience in service delivery and to achieve budgetary targets. He
added that in the long-run the intent was to achieve some mileage for the HR
function to perform in a strategic capacity. The comment below of a line manager in
VINTAGE BANK highlights the presence of specialist teams in the bank.

‘Privatization and deregulation has increased the competition and the two areas most
affected in HR were resourcing and compensation, so in order to strengthen these
areas which could help us in attracting and retaining professional bankers, we
created separate teams. The management is still aiming to achieve operational
excellence, so we will see if more specialists are required in the future.’ (VINLM4)

In the other large case-study bank (CLASSIC BANK) which was privatized almost
15 years ago and the two private medium-sized domestic banks TRADITIONAL
BANK and MODERN BANK, a relatively higher degree of specialisation existed.
The senior managers and HR Heads interviewed in these three banks generally
agreed that there was a need to structure the HR function into specialist teams to
develop a higher level of expertise in specific HR areas. This in their view was
necessary to provide better quality and effective and efficient service delivery. In
these banks, the specialist teams consisted of managers who were responsible for
specific areas and the team size varied from two to eight managers, depending on the
nature and the number of tasks they were assigned to perform. In addition, the HR
managers of both TRADITIONAL BANK and MODERN BANK stated that it was
the expansion in the workforce of the banks which led to an increase in the number
of HR employees that made it possible for the HR function to opt for specialisation.
For example, the HR Head interviewed stated that previously there were 15 HR
employees in TRADITIONAL BANK who were generalists and performed different
HR tasks but after their number increased to 40, the possibility of developing
specialised teams emerged on which the bank capitalised.

The HR managers interviewed in the three small sized foreign banks (WESTERN
BANK, ANGLO BANK and TRANSCO BANK) which operate in niche markets
(high-end customers and big corporate clients), stated that *boutique banking*\(^{18}\) necessitated the presence of specialists who possessed expertise and competence in specific HR areas to cater to the needs of high-end customers. However, evidence examined highlighted that the degree of specialisation varied between the three foreign case-study banks due to the number of HR personnel in the HR function. For example, the HR function in TRANSCO BANK is staffed by 12 employees, inclusive of the HR Country Head. Three HR managers report directly to the HR Head of which two managers are responsible for one specific HR activity each (compensation and benefits and training respectively) while the remaining activities are clustered under the third manager who is responsible for performance management, employee relations and HR compliance and HR administration (see table 7.2). Previously, in 2004, the department was structured on the basis of lean reporting with five HR personnel (each responsible for one specific area) – training and development, recruitment and selection, compensation and benefits, employee support and employee relations and all five directly reported to the HR Head.

As stated above, in comparison with the three small foreign case-study banks and all four domestic case-study banks, GLOBAL BANK followed a different structure that was quite similar to the *Three Legged Stool Model* prescribed by Ulrich. According to the HR managers interviewed in this bank, the structure of the HR function was characterized by a Centre for Service Delivery, a Centre of Excellence and business partners. The Centre of Excellence provided the specialised services to the line managers while the Centre for Service Delivery managed the administrative aspects of implementation. Further they added that the bank had a dual focus - business partners were functioning as generalists while the specialist focus was evident in the centre of excellence\(^{19}\). The aim of the business partners who were the front end of HR was to provide strategic input to the business units while the centre for service delivery provided cost effective administrative support. According to an HR manager interviewed at GLOBAL BANK, the bank operations made the adoption of the three legged structure viable. The comment below reflects this view.

\(^{18}\text{terminology bankers use in Pakistan to define their operations and activities focused at high-end customers}\)
\(^{19}\text{Where expertise in specific areas of resourcing and rewards, employee relations and learning and talent development are provided.}\)
‘The bank is a large organisation and is geographically widespread [on a global level] so this structure is most suitable financially and otherwise for us to follow. Not only does the HR function provide support through excellence in service delivery but it also provides strategic input through the business partners.’ (GLOHR2)

In the following paragraphs, clustering which is defined as technique of locating different HR activities under one individual or position is discussed. According to the HR Heads interviewed in the five case-study banks where this technique was employed (see table 7.2 for details), the intent behind creating specialist teams was to provide specialist input to line managers. However, our analysis revealed that in two domestic banks (VINTAGE BANK and TRADITIONAL BANK) and three foreign banks (WESTERN BANK, ANGLO BANK and TRANSCO BANK) the reasons varied from the stated intent of the HR Heads and were largely dissimilar across the case-study banks.

Table 7.2 Clustering of HR activities in five case-study banks

<table>
<thead>
<tr>
<th>Banks</th>
<th>VINTAGE BANK</th>
<th>TRADITIONAL BANK</th>
<th>WESTERN BANK</th>
<th>ANGLO BANK</th>
<th>TRANSCO BANK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activities</td>
<td>RM Retail and Consumer ~HR strategic planning, policies and procedures ~Resourcing ~Compensation and Benefits</td>
<td>In-charge strategic planning &amp; OD ~Organisation Development ~Performance Management Systems ~Strategic Planning</td>
<td>HR Business Partner ~Performance Management ~Recruitment and Selection</td>
<td>Manager Talent and Development ~Recruitment ~Performance Management Manager Rewards and HR Operations ~Compensation ~HR Administration Manager Employee Relations ~Engagement ~Resourcing ~Employee Relations</td>
<td>Recruitment and Talent Head ~Performance Management ~Employee Relations ~HR Compliance ~HR Administration</td>
</tr>
</tbody>
</table>

Source: Derived from interview data.
According to the HR managers interviewed in both domestic banks, clustering was required because of a scarcity of experienced and skilled managers. For example, according to the In-charge strategic planning and OD interviewed at TRADITIONAL BANK, he was responsible for the activities of organisational development, performance management systems and strategic planning. He explained that clustering was employed in view of the insufficient skills of the relatively young but professionally educated HR employees in order to provide the business (line managers) units with better quality and consistency in service delivery. He added that the HR Head felt that in due course of time clustering in the HR function could facilitate development of the skill-set of the HR employees which would aid in job rotation within the specialist clusters.

Similarly in VINTAGE BANK, limited specialisation was evident with the clustering of HR activities under the Relationship Manager, Retail and Consumer Banking. According to the incumbent employee in this position, she was responsible for aiding the HR Head in strategic planning initiatives and she also provided expertise in two core HR areas of resourcing and compensation and benefits. In his view, the significance of these two areas / practices increased due to the banking sector dynamics - heightened competition due to deregulation and privatization (at the time of interviews). Also, she added that there were budgetary constraints which did not permit the hiring of more experienced personnel in the HR function as they demanded higher compensation packages. In this case as well, apart from the need to meet budgetary constraints the rationale for clustering emanated from the need to cater for the inadequate skill-set of most HR employees. The HR Head at VINTAGE BANK in her interview also pointed to the fact that while the bank had been in operations for more than five decades (at the time of interviews), a significant number of the employees in the HR function did not possess professional degrees with a specialisation in HR. Moreover, many of them had been transferred from various other departments at the time of restructuring of the bank and thus had little experience in the HR function.

Evidence examined in the three foreign case-study banks WESTERN BANK, ANGLO BANK and TRANSCO BANK indicated that in addition to the inadequate skill-set of the young individuals employed in the HR function, the scarcity of HR
employees primarily resulted in the clustering of the HR practices / activities. The number of HR employees in these case-study banks ranged between 10 and 12. According to HR managers interviewed in WESTERN BANK since the bank was operating in Pakistan for less than three years (at the time of interviews) the HR function working under the Head of HR was fairly small in size with only 10 employees of which five directly reported to the Head HR. Two of them were given the designation of business partners but with the primary responsibility to provide services related to activities of recruitment and selection and performance management, to line managers. Of the remaining three one (HR Rewards and HR Operations) was responsible for multiple HR activities of compensation and rewards and HR Administration while the other two were responsible for one HR activity each that included learning and development and HR governance. Bank documents and interviews with the HR personnel revealed that two HR managers directly reported to the Head of Rewards and HR Ops while the other two reported to the senior business partner.

According to the HR managers interviewed at ANGLO BANK which had 11 HR employees, some activities were clustered under three individuals because of scarcity of HR employees. Previously, in 2005, the HR function consisted of a three member team that included the HR Head; this team was responsible for performing all HR practices and the related HR activities. According to the Manager Talent and Organisation Development, in the new structure, she was also responsible for recruitment and performance management while the Manager Rewards and HR Operations was managing compensation and benefits and HR administrative activities such as payroll, taxes, employee loans and medical insurance. She added that the third manager with multiple responsibilities, Manager Employee Relations was responsible for the HR practices of employee engagement, resourcing and employee relations. The remaining two HR managers provided services in the areas of Group HR systems and learning and development.

Additionally, the HR Head highlighted that below the five HR managers who directly reported to him, were five HR employees (junior HR managers) who assisted the HR managers in their work. Moreover, the Manager Talent and Development stated that the younger employees in the HR function were generally
performing purely administrative work but since they were inexperienced, he and the other HR managers were responsible to monitor them. This meant that a lot of their time was spent on either advising on administrative work, or in certain cases, performing it as well. This he stated impeded their efforts to provide better standards in service delivery to line managers who frequently contacted senior HR personnel for advice.

Moreover, the interview with the HR Head at TRANSCO BANK revealed that the total strength of HR employees was 12. He indicated that three HR managers directly reported to him, of whom one was responsible for multiple activities and the other two were managing one specific activity each. The specific activities were compensation and rewards and training and development while the multiple activities were nested under the Recruitment and Talent Head who was responsible for three core HR activities - performance management, employee relations and HR compliance and administration. Four employees reported to the Recruitment and Talent Head while the remaining four aided the other two HR managers in their work. According to the Recruitment and Talent Head, the employees reporting to him were mostly performing administrative work and he was responsible for managing their activities as well. This in his view impeded his primary objective of providing better standards in service delivery.

Thus, despite the intention of the HR function to establish specialist teams that would provide more specialist input to the line managers, our analysis from the interviews with various HR managers in the case-study banks revealed that this did not happen to a significant extent. We suggest that this is because of the underlying reasons which necessitated the creation of the specialist teams. These reasons included the inadequate skill-set of HR employees, the nature of their work (administrative), the few numbers of HR employees (in the small-sized banks) and the need to meet budgetary constraints in one case-study bank VINTAGE BANK. As a consequence, the individuals heading the specialist clusters were not only providing the expert advice and policy decisions, they were equally involved in the implementation of these decisions which did not enable the creation of extra time for them to focus on enhancing the quality of service delivery and to undertake meaningful strategic initiatives.
In the case of nature of work, some employees who were reporting to certain cluster heads performed administrative work only and they were monitored by the cluster heads. This divided their attention and as a result, less time was left for providing service delivery to line managers. In the case of dearth of skilled HR employees, the HR employees placed in the clusters were unable to develop into specialists who could align with line managers to provide better service delivery. As a consequence line managers continued to directly communicate with the specialist HR personnel in the Corporate HR team to resolve issues in service delivery. Resultantly, the Corporate HR team appeared to be largely unable to achieve the aim of gaining more time for investing in strategic level issues which was stated to be the intent behind creating the specialist clusters.

The other technique used for specialisation, emerging from our analysis of the case-study banks was segmentation. Segmentation refers to assigning the delivery of HR services to different divisions or segments within the HR function. According to Som (2012), the concept includes decentralisation of formal structures, reducing hierarchy in organisations, delegation, and specialization. An analysis of data revealed that this practice prevailed in two banks CLASSIC BANK and MODERN BANK where segmentation of core HR practices was undertaken on a regional basis. According to an HR manager interviewed in CLASSIC BANK and triangulation with bank documents, the HR Head and most other divisions such as Organisational Development and Recruitment, Financial Services and HR Strategy were located in the central region whereas compensation and benefits and training and development were based in the southern region. Similarly, according to the HR Head interviewed in MODERN BANK, major HR services were divided on a regional basis; the HR Head with the additional portfolio of Head Quality Assurance was in-charge of the HR Relationship Management, employee communications and Batch and Managerial Recruitment practices (recently introduced) and he was located in the north region. On a similar pattern, the General Manager South was responsible for employee benefits and performance management centrally, and for recruitment and selection, HR operations, MIS and disciplinary action for the south region only.
As in the case of the clustering technique above, our analysis in the case of segmentation also suggests that the core HR activities were segmented on a regional basis for some underlying reasons which were not necessarily aligned with the stated intent of the Corporate HR team to enhance the HR function’s capacity to provide specialist support or advice to line managers. The responses from the interviews of HR and senior managers in these two banks indicated that segmentation was undertaken to enable in the quick delivery of services in the large sized bank (CLASSIC BANK) and in MODERN BANK which was expanding its branch network, segmentation aimed at increasing operational efficiency with an embedded reason – monitoring of service delivery. According to the senior managers interviewed at MODERN BANK, at some level, the segmentation of HR practices on a regional basis addressed the issue of prompt service delivery and it achieved the aim of specialisation as well. This was evident in the delegation of decision making related to service delivery in the HR practices that were segmented to the General Manager South. However, according to the HR Head in both these banks, despite segmentation of HR activities between regions there was little relief for them in terms of monitoring the administrative work which took a sizeable portion of their total time. This they said resulted in very little improvement in the availability of time to completely focus on matters of strategic interest for the bank.

Summary
In summary, it appeared that the Corporate HR team was introduced with the intent to enhance the strategic contribution of the HR function through the involvement of senior HR managers, in policy formulation and execution. This was evident in some case-study banks through the establishment of a Corporate HR team and in others through the expansion of the team. However, equally evident was the intent to adopt a structure which would help maintain control and standards in the delivery of HR services in the large sized banks VINTAGE BANK and CLASSIC BANK, where the sheer size of operations necessitated the inclusion of a Corporate HR layer. Also, to ensure consistency in the services provided, there appeared a need to establish the Corporate HR team in these two as well as TRADITIONAL BANK and MODERN BANK. In this case, the Corporate HR teams were tasked to provide direction and guidance to the HR employees who were either fresh hired or less skilled in HR work.
Further, evidence examined indicated that while the Corporate HR team appeared to provide a platform for strategic contribution, it did not seem to significantly influence the HR function in a manner for it to adopt a strategic role, primarily due to the limited input of the Corporate HR team in the strategy formulation aspect. This was a result of the underlying reasons highlighted in the preceding paragraph, for establishing the team. GLOBAL BANK was an exception because of the three legged structure where business partners performed in a strategic role.

Further, our analysis highlighted the adoption of the clustering and segmentation techniques for attaining specialisation in the HR function with the intent to improve the quality of service delivery and to enhance the input of area experts in the policy matters related to their area of expertise. The technique of clustering was adopted in five case-study banks, segmentation was adopted in two case-study banks and in one bank (GLOBAL BANK) the three legged stool model with a Centre of Expertise was adopted. Specialisation in the five case-study banks was different from the activities performed by the Centre of Expertise in GLOBAL BANK in that the specialist clusters were responsible for the implementation aspect of the HR practice as well due to the absence of a separate Centre for Shared Services. Additionally we found that the degree of specialisation attained varied between the case-study banks according to the number of employees available and was greatly affected by the involvement of specialists in monitoring and guiding the young and inexperienced and the experienced but low skilled employees in the HR function. As a consequence specialisation was largely unable to create time for the specialists to involve themselves in strategic work and in fact line managers even approached members of the Corporate HR team for issues they were facing in service delivery which impeded the team’s efforts to provide greater strategic input.

7.2. The role of the Relationship Managers
In this section we explore the position of Relationship Managers in the case-study banks to assess whether and if the role they were performing was strategic in nature and added value in the banks. Ulrich et al., (2008), highlight that some HR professionals work in organisation units defined by geography, product line, or functions like research and development or engineering. They refer to these HR
professionals as embedded HR and state that they go by many other titles like relationship managers, HR business partners, or HR generalists.

Our analysis below highlights that while some HR personnel (referred to as Relationship Managers henceforth) were associated with different regions / areas and business units in the case-study banks, they were not performing the activities defined in literature for relationship managers. These activities include clarifying strategy, performing organisational audits, managing talent and organisation and delivering supportive HR strategies in consultation and direct relationship with line managers. The definition of Relationship Managers (RM) was extracted from the interviews of the HR Head in the five case-study banks where this position existed and principally it remained similar across the banks examined. GLOBAL BANK appeared to be a slight exception where apart from greater involvement and close interaction of RMs with the line managers to provide better service delivery, they aided the business partners in aligning with the business needs.

Interviews with HR managers in the eight case-study banks revealed that only GLOBAL BANK had positions of both Relationship Managers and business partners. In the remaining banks (all four domestic banks), only the position of Relationship Managers who were aligned by region, business unit or both, was introduced (see table 7.3). While the intent was to develop them as future business partners, as discussed below, it appeared that the Relationship Managers had yet to perform activities similar to those of business partners, as prescribed in literature. In the case of the three small-sized banks WESTERN BANK, ANGLO BANK and TRANSCO BANK, there are no Relationship Managers because the HR Heads themselves partnered with line managers owing to the small size of the HR function which mostly consisted of professionally qualified but inexperienced young employees.
Table 7.3 Relationship Managers in the five case-study banks

<table>
<thead>
<tr>
<th>Banks</th>
<th>VINTAGE BANK</th>
<th>CLASSIC BANK</th>
<th>TRADITIONAL BANK</th>
<th>MODERN BANK</th>
<th>GLOBAL BANK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aligned by Region</td>
<td>X</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Aligned by Business</td>
<td></td>
<td>X</td>
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<td></td>
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<tr>
<td>Aligned by Business and Region</td>
<td>X</td>
<td></td>
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<td>X</td>
</tr>
</tbody>
</table>

Source: Derived from interview data.

Evidence examined from the interviews of HR and Relationship Managers and triangulated with bank documents indicated that Relationship Managers were aligned by geographical regions in one foreign bank and one domestic bank (GLOBAL BANK and CLASSIC BANK), by business groups in TRADITIONAL BANK and by both in the remaining two domestic banks (VINTAGE BANK and MODERN BANK). Further, evidence corroborated from interviews with Relationship Managers in the case-study banks indicated that where they were aligned by regions (North, South and Central), there was a dual reporting relationship with the HR and Regional Business Head.

The only case-study bank in our sample where the Relationship Manager was aligned by business group was TRADITIONAL BANK. In this case, the position of the Group Head ABC division was identified as that of a Relationship Manager. The workforce in this business group was the highest compared to the other business groups in the bank and the Relationship Manager interviewed stated that he was responsible for better coordination and communication between the HR function and the business group and he was also to provide a quicker resolution to issues of employees in this unit. According to him, he neither provided strategic input to the business unit nor had the authority for decision making; he was primarily responsible for enhancing the operational efficiency of the business group with little, if any, role in the strategic policies or matters of the unit. The comment of this Relationship
Manager below highlights his role, which largely appears to be in the capacity of providing operational support.

‘Prior to my appointment in this capacity there was a long standing issue in the ABC division of upgrading some employees. The business unit was communicating with multiple employees in the HR function [some of whom were not relevant to the issue] which caused inordinate delay in the work. However, once I was attached with the unit, the problem was resolved with considerable ease and speed.’ (TRADHR2)

Additionally, according to the bank documents examined and the interviews of Relationship Managers in banks VINTAGE BANK and MODERN BANK, their position was aligned both by region and business groups. In the case of VINTAGE BANK, 12 positions of RMs were attached with regions (North, South and Central) while three were associated with different business groups that included RM-HR for Corporate Banking, RM-HR for Consumer Banking and RM-HR International Banking. According to the RMs, they were attached with area managers who are responsible for the operations of 15 to 25 branches each, and are assisted by one HR coordinator. Based on the interview with the HR Head in MODERN BANK, we state that there were a total of 15 Relationship Managers who were mostly positioned on regional basis with the exception of one RM who was attached with four business units - Corporate, Commercial, Consumer and Priority Banking.

In both these banks, the Relationship Managers aligned by region had a dual reporting relationship with the HR Head and the Regional / Area Head while those aligned by business groups reported to the relevant Group / Business Head in addition to the HR Head. Thus, the analysis above indicates that predominantly the RMs were positioned on regional basis which suggests that the main purpose for establishing these positions was to improve the operational efficiency of the HR function by providing speedy delivery of HR services. Further, the data examined provides evidence that very few RMs were attached with the business units and in one case-study bank (MODERN BANK), the only RM aligned with business units was responsible for four key business units which may have limited the strategic input he could provide. Based on this analysis, we suggest that the strategic input by the HR function did not improve to a significant extent in both the case-study banks.
Additionally the HR Head at MODERN BANK also expressed his apprehension that the Relationship Manager who was attached to a business unit appeared to give greater priority to the perspective of the business unit rather than to the issues faced by the HR function in meeting the requirements of the business unit. His comment below highlights this concern.

‘We spend a lot of time chasing our Relationship Manager. He has stopped updating himself on changes taking place at corporate HR. The HR people feel that whenever there is a discussion between the business unit heads and corporate HR on issues regarding resources and compliance we do not get support from our Relationship Manager.’ (MODHR1)

Moreover, evidence provided from data the examined revealed that in two case-study banks, CLASSIC BANK and GLOBAL BANK, the Relationship Managers were aligned on regional basis. However there was a distinction in the role they performed in both the banks. Interviews of line managers and the HR Head in CLASSIC BANK revealed that similar to the three banks discussed above, the Relationship Managers were primarily facilitating the routine operational work in the branches (within the areas) assigned and the strategic input (to whatever extent) was provided by the Corporate HR team. The comment of an HR manager at CLASSIC BANK who was a member of the Corporate HR team illustrates this position.

‘Presently our Relationship Managers are only involved in operational work but we are planning to equip them with the skills through which they can contribute in strategic terms as well. So far all the strategic input is provided by the Corporate HR team.’ (CLASHR2)

Further, an examination of the data obtained from GLOBAL BANK revealed that this was the only bank where it appeared that the Relationship Managers were being developed as future business partners. This is because the HR Head interviewed stated that the Relationship Managers were getting sort of an on-the-job training to equip them with the skills and business acumen necessary for performing in a strategic capacity. Also, the line managers interviewed stated that they had regular and close interaction with the Relationship Managers for the provision of operational support in the delivery of HR services. Significant in this context is the fact that the greater involvement and close interaction of RMs with the line managers in
GLOBAL BANK aided the business partners to engage themselves in strategic activities. The comment of a Relationship Manager at GLOBAL BANK highlights how their role facilitated the work of the business partners.

‘As a Relationship Manager my primary task is to address the real business problems that need an HR intervention. I ensure that the right HR resources are available to meet the current business needs related to service delivery in the regions with which I am attached. As such I am shouldering the responsibilities of the HR business partner in some ways. Our [RM] role is to create as much opportunity and time as is possible for the business partners to completely engage in strategic level issues.’ (GLOHR4)

According to an HR business partner and the senior managers interviewed at GLOBAL BANK, the role of the business partner was primarily to associate themselves with the business division they were attached with and to provide input at the strategy formulation forums of the division. Evidence emerging from the interviews highlighted that the business partner was responsible for aligning the HR strategy adopted by his particular division, with the evolving business strategy and requirements of the division. In doing so, he was responsible for commissioning the services of the Centre of Expertise and the Centre of Shared Services. The senior managers interviewed stated that the business partners were providing them strategic input but they needed to develop their business acumen further, to provide more valuable input. In their view, the business partner was not just the strategic arm of the HR function but was also the most critical link with the HR function and they assessed the function’s performance based on that of the business partner. The following comment of an HR business partner at GLOBAL BANK highlights his role at the bank and provides an insight into the working relationship with the associated business division.

‘I am not just responsible for commissioning the services of the HR function, for the division but I have a broader role which includes involvement in strategy matters, providing related HR strategies and managing the talent needs of the division. In Pakistan, or at least the banking sector, the business partner is a fairly new concept so I can’t say that we have reached the optimal level or are at a very developed stage in this role, but we have surely made a difference by contributing the customized HR strategies for our related business divisions.’ (GLOHR3)
In addition, our analysis based on data collected revealed that the structure of the HR function at GLOBAL BANK was quite similar to the widely cited three legged model prescribed by Ulrich (1997), to that discussed in theoretical literature like Reilly and Williams (2006) and to that proposed in practitioner literature like CIPD (2007). The line managers interviewed in GLOBAL BANK appeared to appreciate the quality, standard and speed of delivery of HR services which were dispensed through the Centre for Shared Services. However, at the same time, they seemed apprehensive of the inadequate business skills of the business partners and stated that after the new HR structure was implemented, there were added costs and coordination issues, especially between the Centres of Service Delivery and Expertise. This they stated created issues for them and delayed their work.

Similar apprehensions were shared by the HR Heads of the other seven case-study banks interviewed when they were asked for their opinion on whether they wanted to adopt / adapt the three legged model. While they mostly agreed that the adoption of such a model would enhance the profile of the HR function and could provide them a greater role in the strategic matters, they expressed reluctance in implementing the structure in its entirety due to the following issues. In the three small-sized banks WESTERN BANK, ANGLO BANK and TRANSCO BANK, the HR Head interviewed stated that the small scale of operations of the bank made the three legged structure of the HR function infeasible due to the high initial costs of implementing it.

The HR Heads interviewed in four domestic case-study banks expressed that they were not in a position to implement the tripod structure in its entirety, but they had developed one segment similar to the Centre of Expertise. This facilitated the development of specialists who were responsible for designing and implementing specialist HR practices like compensation and benefits and performance management for instance. Further, there was an inclination to develop business partners for which the induction of the Relationship Managers was cited as an example. However, the line managers interviewed in these banks stated that there was a significant gap in the existing and the required skill-set of the Relationship Managers if they were to perform in the capacity of business partners. The HR managers interviewed in the four case-study banks appeared to acknowledge the
importance and utility of a Centre for Shared Services, especially in the large sized banks VINTAGE BANK and CLASSIC BANK, but they highlighted that the inadequate IT infrastructure was one of the major hurdles in the way. HR Heads in two domestic banks (CLASSIC BANK, MODERN BANK) also added that even if the requisite resources were available they would prefer to tailor the model keeping into consideration the environment of Pakistan. A specific example cited by an HR manager at CLASSIC BANK related to the need for customisation of the shared services segment illustrates the reason for this.

“In our culture people prefer and feel more comfortable if they can see the person they are talking to; if they can identify a face with the name. Even though we [HR] have increased our presence with RMs in different regions, the employees and line managers still complain of remoteness and lack of personal touch.” (CLASHR3)

Summary
To summarise, our analysis above highlighted that little strategic contribution was made by the HR Relationship Managers in the case-study banks examined. An exception was the Relationship Managers in GLOBAL BANK who were required to closely coordinate with the line managers and to provide the input necessary for managing the operations. Some of the reasons for the less strategic contribution by RMS in the domestic banks were, firstly, the Relationship Managers were unable to independently commission the services from the HR function on behalf of the business unit, unlike the business partners. This is primarily because a dominant majority of these Relationship Managers were aligned by region and not business units, so they had little coordination with the business heads. Secondly, the line managers interviewed in the case-study banks where Relationship Managers existed (barring GLOBAL BANK) stated that the RMS lacked the required skill-set and especially business acumen which was necessary to make informed decisions related to business strategies. Thirdly, the job description of Relationship Managers and their scope of work was limited to providing operational support which meant that the role assigned to them did not envision any strategic contribution. Fourthly, Relationship Managers had a direct reporting relationship with the business / regional or area Head and only a dotted line relationship with the HR Head. This appeared to influence their role because line managers utilized their services for
operational HR work where they needed help rather than to develop them as business partners which was the underlying intent of the HR function.

Hence, holistically, the analysis conducted indicated that since the RMs were mostly occupied with operational work they were unable to provide much strategic input in the area or business they were associated with. As such, it appeared that in at least seven of the eight case-study banks examined, this structural change was able to improve the operational efficiency of the HR function but it was largely unable to achieve the intent behind the change which was to enhance the strategic capacity of the function. Thus, we suggest that at this early stage of induction of the Relationship Managers, it may not be very appropriate to compare their role with that of the business partner.

7.3. Centralisation and decentralisation as an approach to structure the operations of the HR function

In this section we analyse the approach adopted by the case-study banks to structure the operations of the HR function. This analysis will highlight whether and if the decision making within the HR function related to the various HR practices / processes / activities was delegated to HR employees in the newly created positions of Relationship Managers and business partners for example, or it was retained with the Corporate HR team and the HR Head.

According to Selden (2010), Ulrich et al., (2008), Drucker (1991) and Lorenz (1993), in centralised or single function businesses, all HR activities are either located at Corporate HR or if HR personnel are placed in different locations and business units, the decision making is centralised at Corporate HR. This approach towards structuring the operations addresses issues of control, consistency and lack of experienced / skilled HR Staff (especially when few in number) but it can result in distancing the HR function from customer needs because of strict adherence to rules of control and efficiency. Conversely, in decentralisation some decision making is devolved to HR employees / partners operating with business units or by location as closer proximity with line managers can facilitate initiatives to improve customer responsiveness, aid in quicker decision making and allow for maximum agility.
However, according to Pascale (1990) decentralisation sometimes results in the duplication of effort and results in higher costs.

Triangulation of bank documents with interview data from HR managers in the case-study banks highlighted that a hybrid approach (combination of both centralisation and decentralisation) was adopted to enable at least three banks examined, to integrate the competitive features of customer focus, flexibility and economies of scale. A comparison across the case-study banks revealed that the HR function was centralised in five banks while the remaining three adopted a hybrid approach of centralisation with some decentralisation. Of the five centralised case-study banks, three were small-sized banks (WESTERN BANK, ANGLO BANK and TRANSCO BANK) while the two remaining were large or medium sized domestic banks (VINTAGE BANK and TRADITIONAL BANK). The three remaining banks that adopted a hybrid approach included one large bank, CLASSIC BANK and two medium sized banks, MODERN BANK and GLOBAL BANK.

In the three small sized banks WESTERN BANK, ANGLO BANK, and TRANSCO BANK, all support to the HR employees and line and senior management was provided from the Corporate HR located at the respective Head Offices of these case-study banks. According to the senior and HR managers interviewed in these three banks, while decentralisation offered the advantages of quicker decisions / solutions and development of competencies of middle managers, the small branch network, small scale of operations and small size of the HR workforce rendered this option infeasible. Further, they stated that decentralisation was not required (at the time of interviews) as it would add more to the cost of delivery of HR services due to the duplication of HR activities in multiple locations and had less to offer in terms of benefits such as achieving economies of scale. Also they appeared to already be benefitting from the quick decision making which decentralisation had to offer in the existing centralised operations. This was due to the fact that the executive and senior managers were located in close proximity with the HR function (at the Head Office) which enabled frequent interaction with them and reduced the delay in decision making that is characteristic of a centralised HR function.
Further, our analysis based on evidence from the interviews of HR managers in one medium and one large sized domestic bank (TRADITIONAL BANK and VINTAGE BANK) indicated that the HR activities were centralised primarily for the purpose of achieving the benefits of control, consistency and better quality in service delivery. More specifically, according to the HR Head interviewed at VINTAGE BANK, the HR operations were centralised and all policy matters were decided at Corporate HR in order to establish greater control across a wide branch network. For example, the initiation and approval for senior level hiring was made by the resourcing unit located at Corporate HR while for junior level positions preliminary processing was conducted at the regional level by Relationship Manager HR but the final round of interviews and approval was again managed centrally at the Resource unit. The comment below of an HR manager at VINTAGE BANK provides credence to the statement by the HR Head.

‘We are centralised at this stage because we feel that the IT infrastructure is pretty weak and to control and ensure consistency in the implementation of HR practices, especially in critical areas like recruitment and compensation. At present the HR function wants to continue operating in this way and there are no other options under consideration.’ (VINHR2)

Additionally, in the case of the medium sized case-study bank with centralised HR operations, senior managers interviewed stated that all HR activities were previously centralised to contain costs. However, with the growth in the sector, expansion in the branch network of TRADITIONAL BANK and higher profitability of this bank, the emphasis appeared to shift towards the provision of improved quality in service delivery (reduced transaction time and quicker support to employees). We suggest that this indicates that centralisation of HR operations in this bank was intended for achieving greater consistency in the delivery of HR services. Further, according to the HR Head interviewed at this bank, the scarcity of experienced and skilled HR employees also presented a challenge which necessitated that the HR activities and decision making be kept centralised for the time being.

Moreover, an analysis of the data collected revealed that the hybrid approach of centralisation and decentralisation was evident in two domestic banks (CLASSIC BANK and MODERN BANK) and one foreign bank (GLOBAL BANK). Based on
the interviews with the HR managers in both domestic case-study banks, it appeared that the approach of centralisation of some HR activities was followed for two interlinked reasons that included the lack of an adequate skill-set of the HR employees and an emphasis on improved quality in service delivery. HR managers interviewed in both the banks believed that presently (at the time of interviews), most of the HR employees had an inadequate skill-set to perform independently; some employees had a relevant professional qualification but were fresh and inexperienced while others were mostly had years of experience but had a non-HR background. Further, the HR Heads added that since the banks were focusing on improved service delivery which required expertise, consistency and quality, there was a need to centralise those operations in which the inadequate skill-set of HR employees could hinder this objective. However, both HR Heads expressed that decentralisation was an option in these areas as well when the skill-set of the HR employees would enhance.

Further, triangulation of interview data from HR managers and bank documents in both these case-study banks (CLASSIC BANK and MODERN BANK) revealed the presence of decentralisation in certain core HR practices (in the form of regionalization) between two regions. Evidence examined indicated that mostly policy decisions related to activities that were bifurcated between the regions took place in the related regional areas and not at Corporate HR. In the case of CLASSIC BANK, decentralisation was evident in two HR practices. The first was the practice of training and development that was located in the South Region for the purpose of proximity with the bank’s own training academies and other external training institutions that were located there. According to an HR manager interviewed, the bank’s own training facilities were located in the South Region where its Head Office was earlier located but with its privatization and change in ownership, the Head Office was shifted to the North Region. However, relocation of the training infrastructure and facilities was not considered feasible due to financial and operational reasons.

The second example relates to the practice of compensation and benefits practice which was also based in the South Region earlier. The reason shared by the HR managers interviewed for decentralisation of this practice was that the Head Offices
of almost all banks in Pakistan were located in the south of the country so it was easier for the bank to obtain accurate market information if the relevant HR manager was located there as well. Another underlying reason stated by HR and senior managers interviewed at CLASSIC BANK was the personal issues of the related HR manager which made it difficult for him to relocate. The HR Head stated that he and the management did not want to lose this employee because he offered a good blend of market knowledge, international exposure to the best practices in compensation and benefits and experience in designing compensation strategies for organisations in developing countries that were operating in sectors that had undergone privatization.

Similar to CLASSIC BANK, in MODERN BANK as well, there was evidence that a hybrid approach of centralisation and decentralisation was employed with some core HR practices bifurcated between the north and south regions. The practices / activities of recruitment and selection, policy and planning and relationship management were managed by specialists in the northern region while performance management, employee relations and disciplinary issues were decentralised in the southern region that was headed by a senior HR manager. According to the HR Head interviewed, some HR practices / activities were decentralised for greater HR presence in the southern region as one third of the total branches of the bank were located there. However, the activities which pertained to policy matters and strategic planning were located in the north region where the head quarter of the bank and the HR function were situated. Thus evidence presented leads us to suggest that in this case-study bank, the approach of decentralisation was adopted for speedy dispensation of HR services rather than infrastructural issues (such as training academies in the south in CLASSIC BANK) and to address the issue of inadequate skill-set of HR employees as in the case of CLASSIC BANK above.

In the third case-study bank (GLOBAL BANK), where a hybrid approach was adopted, evidence examined indicated that the approach of centralisation was evident in the establishment of the Centres of Shared Service and Expertise. Additionally, the approach of decentralisation was evident in the creation of positions of business partners who were attached with three units (Consumer Banking, Wholesale Banking and Global Technical Operations). According to the a business partner interviewed at GLOBAL BANK, they had the authority to commission services from both the
centres on the request and need of the business units they were attached with and they were also involved in the strategy development and decisions of these business units.

Moreover, the HR manager interviewed at GLOBAL BANK stated that the HR function was able to achieve the dual objectives of attaining cost efficiency and providing strategic contribution through the shared services centre and the business partners, respectively. They were also of the opinion that the introduction of the Centre for Shared Services had provided greater consistency in the implementation of the HR practices. However, the line managers interviewed at GLOBAL BANK appeared to be apprehensive regarding the reduced human contract of the HR function as the HR specialists had to some extent become less accessible to them. This is an inherent short coming of the three legged structure according to the literature examined in chapter 2. Further, the line managers also stated that the segmentation of HR activities between the Centres of Shared Services and Expertise had occasionally resulted in the gap in service provision which Reilly and Williams (2006) highlight as the polo problem. According to them, there is at least an occasional tendency of lack of ownership in certain matters which fall in the grey area where there is no clear demarcation between shared services and specialist centres.

Summary
To summarise, evidence presented in this section revealed that five case-study banks adopted a centralisation approach to structuring their HR function while three case-study banks adopted a hybrid approach which is characteristic of centralisation of some HR practices / process and decentralisation of others. In the three small sized banks (WESTERN BANK, ANGLO BANK and TRANSCO BANK) the approach of centralisation of HR processes / practices appeared to have been undertaken because of the small size of operations, branch network and HR workforce made it infeasible both financially and administratively to decentralise operations. Further, the benefit of quick decision in decentralisation was already present in these banks even though they had centralised operations because of close proximity of the HR function and the HR Head with the CEO, senior and line managers. In the large (VINTAGE BANK) and medium (TRADITIONAL BANK) sized banks the
approach of centralisation provided control, consistency and quality in the delivery of HR services and appeared to be a requirement due to the inadequate skill-set of HR employees and the inadequate IT infrastructure.

Furthermore, in three case-study banks (CLASSIC BANK, MODERN BANK and GLOBAL BANK) a hybrid approach of centralisation and decentralisation was followed and where HR practices and processes were decentralised, the delegation of decision making was also transferred. In the two domestic banks the reason to decentralise some HR practices and procedures was to locate them closer to the end-user for example in MODERN BANK employee relations was decentralised in the south region because most of the bank’s branches and hence a large percentage of the employees were located there. Other reasons included the non-viability of shifting the related infrastructure (training academies in CLASSIC BANK) to another region after privatization and relocation of the head office to the north region and the optimum utilization of the specialists who were located across the regions (for example compensation in CLASSIC BANK and MODERN BANK). In GLOBAL BANK, the three legged stool structure facilitated decentralisation through the induction of business partners who were generalists and provided support to the business units they were associated with. They commissioned the Centre of Expertise and Shared Services for acquiring their services and participated in strategy development and alignment of HR practices to suit the business strategy. Centralisation in this case was evident in the Centres of Shared Services and Expertise that provided consistency and standardization in the HR practices and procedures that were implemented across the business units. However, the line managers interviewed highlighted issues of gaps in service delivery due to communication issues between the Centre of Shared Services and the Centre of Expertise and the emergence of distance between the HR function and the employees due to lack of accessibility of the specialists in these centres.

7.4. HR staff to employee ratio

In this section we analyse the HR staff to employee ratio to explore if this had any influence on the way the HR function and its operations were structured. The reason for exploring this aspect is underpinned in theoretical literature which indicates this ratio is considered by organisations while structuring the HR function because it is
an indicator used to assess the HR function’s effectiveness which impacts organisational performance (Armstrong, 2009). Further, Reilly and Williams (2006) suggest that benchmark ratios (ideal ratios) ignore the issues of size, sector and operating model of the organisation and centralisation and decentralisation of operations, despite their affect on the size and structure of the HR function.

Our analysis based on the data provided by the case-study banks revealed that a variation of between 1:78 at the lower end and 1:125 at the upper end existed in six case-study banks (see table 7.1). The ratio of 1:78 for instance, indicates that one HR employee was responsible for 78 employees in the bank. The two exceptions which emerged from our data were TRADITIONAL BANK with a ratio of 1:150 and WESTERN BANK with a ratio is 1:49.

In the case of the first exception (TRADITIONAL BANK), the HR managers interviewed highlighted that currently the HR function with its 40 employees catered for the entire workforce of the bank which was around 6000 employees. They stated that this was a very high ratio in their view and the reason cited was the disproportionate increase in the number of HR employees reference to the increase in the overall workforce. According to the HR manager responsible for performance management at the bank, the operations, branch network and hence the workforce of the bank continuously expanded between 2004 and 2009 but the increase in the HR function’s strength was from 15 to 40 employees only. In their opinion this meant that most HR employees had to be involved in the administrative work pertaining to 6000 employees which was very time consuming. Additionally, we suggest based on the interview with the HR Head at TRADITIONAL BANK that the decision making was kept centralised because of the lack of sufficient manpower to decentralise HR operations on a regional basis. This conforms to our analysis in section 7.2., which revealed that in this bank there was only one Relationship Manager who was associated with one business unit only. Further, the HR Head added that it was difficult to maintain this ratio in the future without compromising the quality of service delivery. Also, the strategic input the HR function intended to provide to the line managers would not be possible. His comment below reflects these views.
‘We still feel that even with the increase, the present strength of the HR function [40 employees] is insufficient to maintain standards and quality in the delivery of HR services and to address employee concerns. So we intend to increase the strength of the HR function in the future; this is quite a high ratio for a bank of our size.’ (TRADHR1)

The other exception was case-study bank WESTERN BANK which had a ratio of 1:49 with a total strength of 10 HR employees for the entire workforce of 490 employees. The HR managers interviewed in this case-study bank highlighted that only 10 employees in the HR function meant that all HR policies, their implementation, associated administrative work, involvement in strategic input and any other HR activities had to be managed by them. In their view this was in real terms an impossible task and thus there was a requirement to hire more employees in the HR function for it to perform the multiple roles expected of it from the top management, line managers and employees. This perspective provides credence to the position adopted by Reilly and Williams (2006) because the ratio appeared to indicate that the number HR employees were sufficient to cater for the total workforce but in actual, they were believed (by the HR managers) to be insufficient to manage the vast array of HR Activities. Further, the HR Head interviewed at WESTERN BANK stated that decision making pertaining to strategic and operational issues both, was largely centralised as one, there was no need for decentralisation at that time and two, the few HR staff did not permit such structuring. Based on the evidence highlighted from the data analysed, we suggest that this could be a reason for the lack of a Corporate HR team in this small sized and similar case-study banks (ANGLO BANK and TRANSCO BANK) examined. Additionally, the lack of business partners and Relationship Managers in these banks may also be related to the small size of the HR employees in these banks. The comment of the HR Head WESTERN BANK below highlights the implications of a small HR workforce at the bank.

‘We are a small bank at the moment but growing steadily. I’ll give you two reasons why we [HR function] believe our strength is insufficient. A critical mass of employees is always required in any department to perform its core and essential activities and when one enters a new market [like bank WESTERN BANK], systems also need to be developed. If you keep these factors in mind I think that we
are a little short on head count at the moment because of which my staff sometimes feels that it is being pulled in too many directions. But, I am not apprehensive because as the bank grows steadily, the ratio will automatically improve.’ (WESTHR1)

Further, evidence examined in the remaining four case-study banks (VINTAGE BANK, CLASSIC BANK, MODERN BANK and GLOBAL BANK) revealed that there was a variation of approximately 30 percent in the HR staff to employee ratios of these banks with VINTAGE BANK having a ratio of 1:78, CLASSIC BANK 1:85, MODERN BANK 1:99 and GLOBAL BANK 1:114 (see table 7.1). The highest number of HR employees 180 and 110 emerged in the two large sized case-study banks VINTAGE BANK and CLASSIC BANK; our analysis indicates that the strength of the HR employees in CLASSIC BANK appeared to have facilitated the creation of positions of Relationship Managers at the bank and also aided in the function adopting an approach of decentralizing some of its processes / practices on regional basis. On the contrary, this did not appear to be the case at VINTAGE BANK where despite the highest strength in the HR function (180 employees) relative to the other case-study banks examined, the operations remained largely centralised and little specialization was achieved in the structure of the HR function. However, similar to CLASSIC BANK, Relationship Managers associated both with the region and business units existed in this bank as well.

The HR managers interviewed at VINTAGE BANK stated that the large workforce of the department / function was quite rational considering the wide branch network of the bank and the focus of the line managers on efficiency and quality in the delivery of HR services. Additionally, the HR Head interviewed stated that unless the IT infrastructure at the bank and the skill-set of the HR employees improved, there was no possibility of structuring the operations of the HR function on the lines of decentralisation. Hence, we suggest that in this case, it was not the HR staff to employee ratio or size of the HR function which appeared to direct the actions of the HR Head that were related to the structuring of the operations of the HR function but it was probably the skill-set of HR employees and the inadequate IT infrastructure.
Additionally, the HR Head interviewed at CLASSIC BANK highlighted that post privatization, the new employees hired for the HR function were relatively better equipped than the incumbents to manage the HR operations because they had professional degrees and some had worked in the HR function of other organisations / banks abroad. He added that this new induction made it possible to club some HR activities / practices under specialists. Also the newly created units of strategy and OD in the HR function were a consequence of this hiring. Related to the number of employees in the function, he stated that if the number were reduced issues pertaining to quality and efficiency of services delivered would emerge which would affect the performance of the HR function. In addition, he mentioned that the sheer size of the bank’s workforce mandated that a large size of the HR function be maintained so that apart from the dispensation of administrative work, some HR employees could be freed up and developed for performing more value added (strategic) activities. The comment below from an HR manager at CLASSIC BANK also highlights the need for maintaining their existing 1:85 HR staff to employee ratio.

‘A smaller workforce at the expense of quality in service delivery can negatively reflect on our [HR function] performance. The prime concern of line managers at the moment is provision of quality HR Services for which we are developing specialists. Also we hope to prove strategic input to the line managers for which we are developing Relationship Managers. So, right now we are not too concerned about the ratio or the size of the function, our performance has improved so I believe it is worth it.’ (CLASHR3)

Moreover, in the remaining two case-study banks MODERN BANK and GLOBAL BANK, the HR managers interviewed appeared to be satisfied with their existing HR staff to employee ratio but did express the need to enhance the strength of the HR function with the expansion of the bank in at least MODERN BANK. The HR Head interviewed at GLOBAL BANK stated that while managing 114 employees per HR manager appeared to be quite high a ratio, the function was structured in a manner where they could manage this work. He highlighted the role of an effective IT infrastructure and an adequate skill-set of HR employees as the two factors which influence the structure of the HR function more than the ratio per se. In his opinion even if he had double the HR staff but with insufficient specialist expertise / skills to
perform independently it would not have been possible to structure the HR function with a specialist Centre and to manage the HR function with decentralised operations. Hence it appears that the HR staff to employee ratio alone cannot facilitate or impede the structuring of the HR function.

However, the HR Head interviewed at MODERN BANK appeared to adopt the view that the number of employees in the HR function and their expertise and skills in the HR area were critical in decisions pertaining to the structure to choose for the HR function. In his view, the HR function at MODERN BANK was only able to decentralise its operations after they (HR function) had grown to a size where it was feasible to locate a sizeable number of employees in different locations according to the branch network / operations of the bank. Additionally, he also stated that apart from the critical numbers, it was important to assess the skills possessed by these individuals while deciding on the structure of the HR function and its operations.

**Summary**

To summarise, an examination of the data related to the HR staff to employee ratio in the case-study banks studied revealed that there appeared to be at least some influence of the ratio and the total strength of the HR employees on the structural changes made in the HR function. Additionally, our analysis revealed that apart from the exceptions of TRADITIONAL BANK and WESTERN BANK, the ratio varied in a zone of 0-30 percent in the remaining case-study banks. In TRADITIONAL BANK, the disproportionate increase in the total number of employees relative to the HR employees due to the growth and expansion in operations resulted in the highest ratio across the banks 1:150 due to which the operations of the HR function were kept centralised. In WESTERN BANK, the ratio was the lowest with 1:49 and although it appeared to be fine enough, the fact that there were only 10 HR employees (small size) to manage a vast array of HR activities that included strategy formulation, HR administration, implementation and design of HR practices etc., made it difficult to create specialist Centres and to decentralise decision making. This is evident in our data which highlights the absence of a Corporate HR team, business partners and Relationship Managers in this bank. An almost similar situation existed in the other small sized banks ANGLO BANK and TRANSCO BANK as well. Hence, it appeared that there was
at this stage in their operations (small size) there was neither a need nor the opportunity due to few HR employees for the three banks to structure the HR function and its operations in a different way.

Moreover, evidence presented indicated that in the case-study banks VINTAGE BANK, CLASSIC BANK, MODERN BANK and GLOBAL BANK there was a variation of about 30 percent in the HR staff to employee ratio. In both VINTAGE BANK and CLASSIC BANK, in absolute terms the HR staff appeared to be significantly higher than that in the other banks investigated - 180 employees in VINTAGE BANK and 110 in CLASSIC BANK. However, reasons cited for the existing centralised approach at VINTAGE BANK included the lack of an adequate IT infrastructure and the insufficient skill-set of the HR employees while at CLASSIC BANK it was felt that the wide branch network and size of the workforce justified the number of HR employees considering the focus on delivering quality and standard HR services. Further, our analysis in GLOBAL BANK indicated the significant role of a good IT Infrastructure in structuring the operations of the HR function on a three legged structure that provided dual support from generalists and specialists. There was however, a conflict in the opinion of HR managers at GLOBAL BANK and MODERN BANK related to the size of the HR function; at MODERN BANK, the contention was that without a critical number of HR employees, no structural changes were possible while at GLOBAL BANK the consideration was that no matter what the strength of the function, if the IT infrastructure, skill-set and business acumen were inadequate no strategic gains could be realized. Hence we suggest that as stated by Reilly and Williams (2006), the HR staff to employee ratio alone is not sufficient to indicate the influence of this may have on the structure of the HR function; for this, there is a need to integrate other factors like size of the organisation, operations, skill-set, business acumen and IT infrastructure for example.

7.5. Skill-set of HR employees
In this section we examine the skill-set of HR employees based on three dimensions of education (qualification), HR specific experience within the case-study banks and HR specific training attended as they appear to be the sources through which skills can either be obtained or enhanced. The rationale for exploring the skill-set of HR
employees lies both in the literature reviewed in chapter 2 and in the data emerging from the case-study banks examined. Research by Inyang (2010), Ulrich and Brockbank (2005), Ramlall (2006), Ulrich et al., (2008), Caldwell (2008) and Francis and Keegan (2006) highlight the need for enhancing the skill-set of HR employees in order to adopt and perform in the emerging roles such as that of a business partner and HR specialists. Further, from our analysis of data in chapters 5 and 6 and in this chapter as well there emerges a need for and a shortcoming in the HR employees related to their skill-set. The perspective of line managers highlighted in the aforementioned chapters clearly indicates that there exists an inadequacy in the skill-set and business acumen of HR employees as a consequence of which the HR function has not been able to dispense a larger strategic role in the banks investigated. This is despite the stated intent of HR managers (as detailed in the aforementioned chapters) to contribute more in the case-study banks through performing a strategic role. Of significance is also the fact that the evidence presented earlier in this research indicated that the HR managers themselves conceded that the inadequate skill-set of HR employees had impeded the intended dispensation of a strategic role in the case-study banks and in this case limited the options to structure the HR function.

7.5.1. Educational qualification
We explore the qualification of HR employees based on the level of educational degree possessed by the individual (graduate, under-graduate, high school or equivalent) (see table 7.4). Educational qualification is reported by Hoque and Noon (2001) to influence the types of activity undertaken by the HR specialists. In their research based on the data from the 1998 Workplace Employee Relations Survey they found that HR specialists were better qualified and had the capacity to be involved with strategic planning. Additionally, as early as 1978 Legge proposed that the HR profession had failed to establish its credibility because of a requisite skill-set and that when / where the qualification and skills of HR employees were proven, other managers were more willing to accept the status of the HR function.
### Table 7.4: Educational qualification of HR employees

<table>
<thead>
<tr>
<th>Level of education</th>
<th>VINTAGE BANK</th>
<th>CLASSIC BANK</th>
<th>TRADITIONAL BANK</th>
<th>MODERN BANK</th>
<th>GLOBAL BANK</th>
<th>WESTERN BANK</th>
<th>ANGLO BANK</th>
<th>TRANSCO BANK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Graduate</td>
<td>18</td>
<td>25</td>
<td>15</td>
<td>28</td>
<td>16</td>
<td>3</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Under-graduate</td>
<td>110</td>
<td>59</td>
<td>21</td>
<td>37</td>
<td>14</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>High school or equivalent</td>
<td>52</td>
<td>26</td>
<td>4</td>
<td>8</td>
<td>5</td>
<td>2</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>180</td>
<td>110</td>
<td>40</td>
<td>73</td>
<td>35</td>
<td>10</td>
<td>11</td>
<td>12</td>
</tr>
</tbody>
</table>

*Note: Graduate is equivalent to a Master’s degree and under-graduate reflects a Bachelor’s degree.*

*Source: Bank documents*

The data presented in table 7.4 illustrates the level of educational qualification of the HR employees. This data was extracted from the documents obtained from the HR function in the case-study banks and the analysis below is formulated on the basis of interviews conducted with the HR managers in the banks examined. Additionally, the degrees were obtained by employees from reputed universities both at home and abroad but they do not necessarily indicate a specialisation in the field of HR. However, the interviews with the resourcing / recruitment and selection managers in the case-study banks revealed that most HR employees either had an MBA / BBA degree or an equivalent degree in MS Finance and MS / MA HRM. In the case of MS / MA HRM it was highlighted by the HR managers interviewed that the employees hired on this degree were largely part of the new induction. Our analysis highlighted that a significant number of employees in the large sized banks that had been in operation for more than three to four decades possessed a degree equivalent to high school which is explained by the fact that the qualification criteria for hiring at that time was not very high. The HR managers interviewed in these banks revealed that post-privatization the criteria had increased to a Master’s degree for entry level management positions and to a Bachelor’s degree for employees / officers below that. Further, they highlighted that the new inductees with an under-graduate degree had a relevant degree but they either lacked any sort of job experience or specifically HR related work experience. Additionally, the graduate level degrees
included those employees that were hired from foreign banks in Pakistan and abroad either at the time of privatization or post-privatization.

A relatively dissimilar position emerged in the category of high school and equivalent qualification in the remaining six case-study banks examined. There appeared to be few employees in this category which according to the interviews of HR managers or Heads in these case-study banks was because these banks started their operations closer to the time when the banking sector was undergoing reforms and an element of these reforms was related to the hiring of more professionally qualified employees. Thus a larger proportion of their employees were either graduate or undergraduate degree holders with most either qualified as BBA or Bachelor’s in Commerce.

Further, we infer from the interviews conducted with the HR Heads in the case-study banks that the HR function was a blend of seasoned HR professionals and relatively young but professionally qualified employees. The seasoned professionals were at times less qualified than the young / new inducted employees who were hired in the past five to eight years with a degree in Business Administration or HR. According to the HR Heads, this blend was a consequence of the rapid growth registered by the banking sector in the past decade which required more hiring, the introduction of banking reforms which enhanced the educational criteria for hiring and the development of the HR function in Pakistan which necessitated the hiring of better qualified employees. Additionally, the evidence examined indicated that the younger employees were attracted by career opportunities in the HR departments within the case-study banks and the HR function itself required fresh talent to fill the vacant positions which increased due to expansion in their banks. Hence, it appears from the preceding analysis in this section that a large number of the better qualified employees were mostly fresh inductees who either lacked in any sort of job experience or HR specific job experience. Additionally, the more experienced HR employees (not necessarily HR specific experience) were possibly less qualified than the new inductees. Analysed together, these findings suggest that this could be a reason for the less than intended strategic contribution of the HR function in the case-study banks examined and that the gap in relevant qualification and requisite
experience may also be contributing to the low profile of the HR function in some case-study banks examined (see chapter 5).

7.5.2. HR specific experience
As indicated in the section above, qualification alone is not sufficient in determining the skill-set of the HR employees in the case-study banks. Thus, in this section we analyse influence of the HR specific experience of the HR employees in the case-study banks to determine how (and if) experience may influence the development of the skill-set of HR employees. The data related to the experience of employees is divided into four categories based on the number of years the employees had spent working in the HR function at each of the eight case-study banks. This data was obtained from the documents made available by the HR function at the case-study banks and hence only includes the experience of the employees after being employed in the respective case-study bank. To some extent this data was triangulated with the interviews of HR managers conducted in each bank examined because this information was collected for each interviewee at the time of the interview as well. However, the population of HR managers interviewed within each bank (especially the large and medium sized banks) was not sufficient to analyze the influence of HR specific experience on the activities or role performed by these individuals and the HR function, as a whole. Thus, in order to broaden the sample and to make it representative of the population of HR managers employed, the data for all HR employees was used which limited to some extent the ability to capture finer details for each HR manager. Also, since our emphasis was on identifying the number of years the employee had worked in the HR specific area, the data presented in table 7.5 does not include the experience of employees (if relevant) in any other department or division in the case-study bank or any other bank prior to joining this bank.
<table>
<thead>
<tr>
<th></th>
<th>VINTAGE BANK</th>
<th>CLASSIC BANK</th>
<th>TRADITIONAL BANK</th>
<th>MODERN BANK</th>
<th>GLOBAL BANK</th>
<th>WESTERN BANK</th>
<th>ANGLO BANK</th>
<th>TRANSCO BANK</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 5 years</td>
<td>40</td>
<td>40</td>
<td>16</td>
<td>23</td>
<td>10</td>
<td>7</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>&lt; 10 years</td>
<td>90</td>
<td>50</td>
<td>18</td>
<td>38</td>
<td>19</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>&lt; 15 years</td>
<td>30</td>
<td>15</td>
<td>6</td>
<td>12</td>
<td>6</td>
<td>0</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>&gt; 15 years</td>
<td>20</td>
<td>5</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>180</td>
<td>110</td>
<td>40</td>
<td>73</td>
<td>35</td>
<td>10</td>
<td>11</td>
<td>12</td>
</tr>
</tbody>
</table>

Source: bank documents

Evidence presented in table 7.5 highlighted three major findings. One, only two domestic banks that were previously in the ownership of the public sector and were established four to five decades ago (at the time of interviews) had employees who had more than 15 years of experience of working in the HR function. Two, approximately more than 1/3 of the HR employees in all the case-study banks barring VINTAGE BANK had less than five years of experience which indicates the industry trend of increased job mobility as well. Three, at least 50 percent of the HR employees in the small-sized foreign case-study banks had less than five years of experience.

In the case of the first finding, the HR managers interviewed highlighted that prior to privatization, both banks had a policy of job security whereby once an employee entered the bank, they were ensured long-term employment. Further, they added that job mobility was not an industry trend at that time due to limited options (four to five banks) in Pakistan; all the competitor banks were also public sector banks so there was not much difference in their operations, management, culture and compensation. Moreover, the employees with less than five years of experience were largely those who had a Master’s degree or at least a Bachelor’s degree in business administration and were hired post-privatization. Evidence from the interviews of the HR managers in both VINTAGE BANK and CLASSIC BANK direct our analysis related to the skill-set possessed by the HR employees. We suggest that the longer service
duration in the HR function in this case does not necessarily reflect a better skill-set because these HR employees were mostly incumbents who had worked in the HR function since it was first known as administration and then as personnel department and performed purely administrative, routine work. In the case of VINTAGE BANK the HR Head interviewed stated that most of the employees in the HR function with over 15 or 20 years of experience were reassigned from other departments during the downsizing phase at the bank and thus only acquired the skills to perform HR activities while on the job. The interviews of the HR managers in VINTAGE BANK and CLASSIC BANK also highlighted that since most of the better qualified HR employees were part of the 1/3 employees who had less HR specific experience, they had little business acumen and the skill-set also needed to be enhanced.

In the second case, the data examined highlighted that approximately 1/3 of the HR employees across the case-study banks had less than five years of experience which apparently indicates that their skill-set may not be sufficient to perform specialist or strategic activities as intended by the HR function. However, the interviews with the HR managers in the case-study banks pointed to certain internal dynamics which made it critical to reassess our initial analysis. The HR managers in GLOBAL BANK, MODERN BANK, CLASSIC BANK and the remaining small-sized foreign banks stated that less experience did not necessarily indicate insufficiency in the skill-set or business acumen because those employees hired after privatization did not have much experience in the bank but they had some HR specific experience with other organisations. It is to be noted that as explained in the beginning of this section, for greater representativeness of the HR employees, the data for all employees was obtained from the HR function / bank documents but that data did not include the experience of employees if any, from previous employment. Additionally, as mentioned in chapter 3, after deregulation of the banking sector, the increased competition presented by the newly established private sector banks created job mobility in the banking industry with employees hopping from one employer to another quite quickly. Similarly, related to the third finding in this case, evidence examined from the bank documents when corroborated with the interview of HR managers in the case-study banks revealed that more than 50 percent HR employees in the small sized foreign banks had less than five years of HR specific employment at the bank. However, apart from the fact of job mobility in the
industry, there was also the factor that two of these banks had only been established for less than seven years at the time of interviews so their entire workforce was relatively new. Thus, we suggest that it may be difficult to conclusively establish the level of skill-set of employees by evaluating the number of years of their service within the HR function at the case-study banks. Consequently the influence of HR specific experience on the skill-set of the HR employees can only cautiously be interpreted on the basis of the opinion highlighted by senior, line and HR managers (in previous chapters under the heading of perspective of HR and line managers and in following section - 7.5.4. as well) interviewed in the case-study banks who pointed to inadequacies in the skill-set and business acumen of the HR employees.

7.5.3. HR specific training
After discussing the qualification and HR specific experience in the previous sections, in this section we explore the dimension of HR specific training to evaluate the effort / attempt made by the HR function in the case-study banks examined, to enhance the skill-set of the HR employees. Evidence examined from the data obtained from the case-study banks and the interviews of HR managers indicated that in most banks examined, the formal training provided to HR employees was in the areas of soft skills and to some extent HR practices like performance management, compensation and recruitment and selection. The HR managers interviewed in the domestic banks stated that at present (time of interviews) there was an emphasis on both on the job and classroom training to equip employees with skills in non-specialised areas with limited opportunities for specialist training. This they said was due to the focus on improving communication and negotiation skills especially in the privatized banks where the workforce was segmented between incumbents and new hired employees which created issues in communication, information sharing and resistance by the incumbent employees. GLOBAL BANK appeared to be an exception where some training opportunities were provided to HR managers (mostly senior and key middle management positions) to enhance their business knowledge and to equip them with skills in strategy planning and formulation. Further, HR managers in the case-study banks stated that on-the-job training was being imparted to Relationship Managers and the fresh (young) employees who were associated with the Corporate HR team.
Further, our analysis also highlighted that the foreign owned banks (GLOBAL BANK, WESTERN BANK, ANGLO BANK and TRANSCO BANK) had a comparatively greater emphasis on providing function specific training which according to their HR Head interviewed was at times designed at their global corporate offices and was conducted at subsidiaries world over. For example, at GLOBAL BANK there were training programs which oriented their HR employees in requisite skills for performing specialised HR activities.

In the perception of HR managers interviewed across the case-study banks there was an inadequacy in the skill-set of HR employees with regards to strategic orientation and business knowledge. They also agreed with the perception of line managers in the domestic banks that there was even a need to enhance the skills of HR employees in specialized (functional) HR areas like performance management and recruitment and selection etc., which they attributed to the existing mix of employees in the HR function. The young / new hired employees were better qualified with relevant degrees but lacked experienced while a majority of the incumbent employees needed to enhance their skills even in areas like IT and communication and hence the emphasis on soft skill training programmes. The HR managers across the case-study banks also highlighted that their attempt to train the employees was at times impeded by the excessive administrative workload because of which they were unable to impart training.

7.5.4. Perceptions of line managers related to the skill-set of HR employees

After having discussed the skill-set of HR employees on the three dimensions above, in this section we present the perspective of the line managers. In the previous two empirical chapters as well as in other sections in this chapter there have been numerous references made to the opinion of line managers related to the skill-set of HR employees in the case-study banks. However, here we present an integrated discussion which not only highlights the inadequacies but also points to the most challenging / critical skills for HR employees to develop in the future. Additionally, the discussion will indicate why the line managers felt the existing skill-set was weak and the implications this had for the role being performed by the HR function.
Based on the interviews with senior and line managers in the case-study banks, our analysis highlighted that there was almost a consensus amongst those interviewed that the existing skill-set of HR employees and the level of their business acumen was inadequate for the function to adopt a strategic role. Further, we found that those interviewed perceived that the skills related to performance of a strategic role were possibly the weakest in comparison with the skills required to perform other HR roles such as service delivery, employee relations, some specialist tasks and the associated administrative work. The senior managers interviewed across the case-study banks (more specifically the domestic banks) also highlighted that one reason for the low skill-set related to the strategic role was the fact that the HR function had only recently shifted towards performing this role. Additionally, the function was still in the development phase so efforts were being made to develop the skills of its employees to better suit this new role (strategic role). Related to VINTAGE BANK, based on the evidence analyzed from the interviews of the HR managers at this bank, we can suggest that a reason for weak the strategic capacit of the HR employees was the fact that they were given limited opportunity to perform in this capacity and consequently they neither possessed these skills nor did the HR function emphasise on their acquisition.

GLOBAL BANK was an exception amongst the banks investigated in that the line managers interviewed here perceived that the HR employees had developed a skill-set which enhanced the function’s ability to perform a strategic role. However, they contended that the strategic abilities of the HR employees needed to be strengthened further and business acumen was an area where the HR function was predominantly weak, with the exception of few senior employees of the function. According to the senior managers interviewed at GLOBAL BANK, the HR leadership at the bank had focused on developing generalists as well as specialist skills of its employees which were required under the prevailing HR structure that had separately demarcated roles of shared services, expertise and business partners. They added that this structure aided the HR function to concentrate on better strategic integration with the business needs of the bank. Further, according to the line managers interviewed at GLOBAL BANK, the structure of the HR function enabled them to identify the relevant person for HR support. However, one line manager commented,
‘I believe that the HR employees in the service delivery Centres need to improve their communication and customer service skills.’ (GLOLM6)

In response to a question probing the aspect of business acumen he remarked,

‘well generally whenever I have come across an HR person who has worked in other departments as well, I feel more comfortable discussing issues with them as they sort of have a better understanding of the business context’. (GLOLM6)

The issue of insufficient business acumen was not only the concern of line managers at GLOBAL BANK but it emerged in the interviews of line managers in the other case-study banks as well. The emphasis was stronger in the domestic case-study banks that were in the initial stages of development of the HR function with a strategic perspective in view, as the incumbent employees appeared weak in terms of qualification and a significant number of the fresh hired HR employees lacked both business and HR specific experience. The line managers in the three small-sized banks also highlighted the need for better business acumen but they clearly identified that the HR Head and senior HR employees possessed the required business acumen and it was only the younger employees who were hired fresh that needed to be developed in this area. It is pertinent to mention here that any strategic level input provided or business needs met of the line and senior managers in these case-study banks was the responsibility of the HR Head as there was no Corporate HR team, Relationship Managers or business partners. Thus, it is probably due to this fact that the line and senior managers placed a lesser emphasis on business acumen as their contact was directly with the HR Head.

Moreover, the evidence analysed from the interviews of line manages in the case-study banks (barring GLOBAL BANK to an extent) indicated that they perceived the skill-set of HR personnel related to service delivery and specialist activities had improved significantly. GLOBAL BANK was an exception as stated above, because the line managers interviewed here perceived that in addition to the skill-set required for service delivery or specialist input, some HR managers also possessed the skills required to perform in a strategic capacity. The comment of a line manager at CLASSIC BANK highlights the recognition of an adequate skill-set to perform in the role of a specialist and simultaneously points to the need for developing greater
business acumen. This comment is fairly represents and illustrates the perception of HR managers interviewed in the other case-study banks as well but the recommendation for rotation is specific to CLASSIC BANK only.

‘I am generally satisfied with the skill-set of the HR personnel but they need to direct their specialist skills towards contributing and providing business solutions in their relevant areas. I can suggest to them [HR Head] that if they want greater involvement in strategic issues they need to rotate their inexperienced staff in different business units in the initials years so they can develop a better understanding of our issues and requirements.’ (CLASLM4)

Further, during their interviews the line managers in all case-study banks stated that the HR employees were well-equipped to perform the administrative roles which we suggest is possibly because the HR function had been performing this role traditionally and had thus developed a strong skill-set in the area over a period of time. Even so, line managers in VINTAGE BANK and CLASSIC BANK highlighted skill gaps in the areas of business operations and IT which in their perception weakened the capacity of the HR employees to perform admin work that had recently been automated. These banks were previously in the public sector and a large number of their HR employees were used to manually performing work. According to line managers interviewed, even after privatization, the incumbent HR managers were resistant to learn the IT skills needed to perform automated processes / activities.

Related to the issue of the most challenging / critical skills for HR managers to develop in the future, responses collated from the interviews of line managers across the case-study banks appeared to suggest that business knowledge and strategic orientation were foremost. Comments from senior managers in the case-study banks also support the perception of line managers in this regard. However, some of those interviewed, especially in the domestic banks highlighted that there was a need for the HR employees to build their networking and leadership skills if they wanted to enhance the profile the HR function. The comment below from a line manager in MODERN BANK highlights the implications of a lack in business acumen and strategic orientation and illustrates how structural changes intended for strategic contribution can be impeded because of inadequacy of skills.
'At times I feel that he [Relationship Manager] is not really forthcoming in his support and perhaps that’s because he is not well equipped. I think he needs to develop better business understanding, relationship management and networking skills in order to cater to our needs and probably this way he can perform his role better. I think a strategic perspective (orientation) and specialised skills are required to perform in this strategic role.’ (MODLM4)

Further, the comments below from two senior managers in the domestic banks examined indicate the perception of senior managers related to the skills of leadership and networking.

‘They [HR function] complain of not being involved in strategic matters of the organisation but what I feel is that this situation can only improve if they develop the capacity for leadership. This will drive others [business units] to accept them, to recognize their potential. I feel, right now they [HR] are equally to be blamed for what they call lack of involvement because their people across levels [hierarchy] neither have the skills to actively network with line managers nor do they possess the leadership capability to represent the HR function.’ (VINSM3)

‘A lot of non-HR employees will have told you that the HR people lack the ability to think strategically and business knowledge but to me foremost are the skills of networking, convincing or influencing the decision makers and to some extent leadership. All the rest comes later. You need to create space where there is none; we [business heads] do it most of the times when we are fighting for resources, our products our markets, our people, which is exactly what HR needs to do. But for that, influencing skills, leadership and networking are important. Strategic orientation can follow and business knowledge can be acquired in parallel.’ (TRADSM2)

In addition, in the domestic case-study banks there was a perception that specialist skills which were required for designing and implementing core HR policies and practices needed to be strengthened. Line managers interviewed contended that a larger number of HR personnel needed to acquire these skills as service delivery was a major concern in view of the competitive environment they were operating in. Line managers interviewed in VINTAGE BANK, TRADITIONAL BANK, CLASSIC BANK and MODERN BANK also highlighted the need for HR employees to acquire innovative skills to provide better solutions in service delivery.
The comment of a line manager illustrates this perception and is reflective of the views of many line managers interviewed in the remaining three banks as well.

‘I think they [HR function] need to induct some fresh talent in HR. They are still concentrating on providing services through the traditional techniques but a lot has changed in the outside world and even in the industry as well [in Pakistan]. HR work is now being handling in many new and innovative ways so I think HR needs to enhance the more creative and innovative streak of their employees and provide us some new and better solutions to people management issues.’ (TRADLM3)

Further, in the foreign case-study banks studied, the data analysed did not indicate much emphasis on the skill of innovation / creativity possibly because a number of their practices / policies and procedures emanated from the headquarters and were thus better on this criteria. In addition, similar to the domestic case-study banks, the line managers interviewed in the foreign case-study banks also stated that the fresh hired employees though possessed better qualification, needed to acquire specialist skills if they were to develop as a key HR manager in the future.

Summary
To summarise, from our analysis based on the interviews conducted and triangulation with documents of the case-study banks, it appeared that the weak business knowledge and strategic orientation of HR employees was perceived as a critical inadequacy in their skill-set by line managers. This perception was better in GLOBAL BANK where the business partners operated alongside the line managers. In the remaining three foreign case-study banks the perception was better for the senior HR managers as line managers mostly contacted them because the remaining HR employees were mostly inexperienced and fresh out of professional universities. In the domestic banks there was a greater emphasis on this perception possibly because the HR function was in the early stages of development and adoption of the strategic role and hence needed to develop this newly emerging skill-set. In VINTAGE BANK the HR managers also highlighted that they were given nearly no opportunity to perform in the strategic role which limited the possibility of acquiring the skills while on the job. Thus, in general, across the case-study banks the overall inadequacy in these skills appeared to impede the intention of the HR function to perform a significantly enhanced strategic role.
Further, evidence examined indicated that in VINTAGE BANK and CLASSIC BANK there was a strong emphasis on enhancing the IT and communication skills of employees with was attributed to the out-dated skill-set of the incumbent employees who had for decades (in some instances) only performed in an administrative capacity and had not updated their skill-set. The senior managers interviewed in the domestic case-study banks also identified the lack of networking and leadership skills which they stated reduced the influencing power of the HR function to create space for itself in the strategic domain. The preceding skills were also identified for the freshly hired young employees in the foreign case-study banks. Moreover, in terms of the three dimensions qualification, HR specific experience and HR specific training, we found that better and more relevant qualification alone did not significantly improve the skill-set of HR employees for which HR specific training and experience was also critical. The blend of more qualified but less experienced young employees and more experienced but less qualified incumbent employees identified HR specific training as the solution to enhance the skill-set of HR employees.

Our analysis also indicated that the number of years of HR experience needed to be interpreted with caution in this study at least, for the following reasons. One, in the case-study banks examined, longer service in the HR function did not indicate a better skill-set because most of these employees were incumbents who primarily had experience of performing administrative activities and had not updated their skill-set over the years. Two, since our data on HR specific experience pertained to all employees (for better representativeness) and was extracted from the bank documents, it only provided the length of experience in the particular case-study bank. As a consequence, some employees who appeared low on HR specific experience (specifically those hired in senior and key middle management positions from foreign banks) actually had prior experience of working in the HR function in other organisation which could not be factored in. Thus, we could not conclusively establish the influence of HR specific experience on the skill-set of HR employees and we suggest that the numeric data be interpreted in conjunction with the perspective of HR and line managers that predominantly pointed to an inadequacy in the strategic orientation and business knowledge of HR employees.
7.6. Conclusion

A key finding of this chapter was the focus of the HR function on gaining operational excellence in service delivery (which in the perspective of line managers was a key driver for the structural changes) which limited to an extent, the intent to achieve greater strategic orientation. This is because generally, most of the initiatives, resources, time and training programmes conducted for skill enhancement were devoted to enhancing the service delivery and little time was available with the Corporate HR team, Heads of specialist clusters and Relationship Managers to concentrate on providing strategic input or value added activities. Additionally, the excessive administrative workload limited the opportunities to develop the HR employees and the scarcity of skilled HR employees resulted in the clustering of most meaningful activities under few HR employees who were also monitoring the related administrative workload which restricted their input in strategic matters. We suggest that these issues probably stemmed from the early development stages of the HR function in the case-study banks. GLOBAL BANK appeared to be an exception and is highlighted in greater detail below.

Further, our analysis indicated that while the Corporate HR team was established with the intent to provide more strategic input, the equally pressing underpinned reasons of achieving control, ensuring consistency and standards in delivery of HR services and the inadequate skills of HR employees across hierarchical levels limited the strategic outcome of this structural dimension. In GLOBAL BANK, the adoption of a three legged model facilitated the creation of time for senior HR employees to actively participate in various strategic forums. The adoption of the clustering and segmentation technique to achieve specialisation and enhance the involvement of the related HR manager in policy formulation also did not appear to significantly influence the adoption of a strategic role by the HR function. This is because of the bundling of multiple HR activities under one skilled / specialist HR employee who was unable to detangle from the allied administrative work. This structural setting also deprived the cluster heads to develop a centre of expertise for their specific areas. Consequently line managers kept approaching the Corporate HR team for specialist input and impeded their effort for greater strategic contribution.
Additionally, our analysis highlighted that the position of Relationship Managers created (associated with region / area and business units) in the domestic case-study banks did not appear to positively influence the adoption of a strategic role by the HR function to a large extent. The key reason was their inability to directly commission the services of the HR function on behalf of the business unit because a larger majority were associated with regions only, their lack of business knowledge and their scope of work - to providing operational support. GLOBAL BANK again seemed to be an exception with positions of business partners in addition to Relationship Managers.

Moreover, evidence presented indicated that the HR operations were centralised in five case-study banks but for different reasons: In VINTAGE BANK and TRADITIONAL BANK the reasons were to maintain control, achieve consistency, strategize for scarce resources and inadequacy of the IT infrastructure. In the three small sized banks the reasons were the small scale of operations, small branch network and few employees which made it financially and administratively infeasible. A hybrid approach was adopted in CLASSIC BANK, MODERN BANK and GLOBAL BANK where decision making related to the activities segmented across regions / functions was also delegated. In GLOBAL BANK the three legged structure directed the centralisation of HR activities (Centres of Expertise and Shared Services) while the approach of decentralisation was evident in the role of business partners. The centralised approach to structuring HR operations resulted in little creation of time and priority to increase the involvement of the HR function in strategic matters.

Furthermore, we found that as highlighted by Reilly and Williams (2006), the HR staff to employee ratio needs to be interpreted with caution and in conjunction with other factors like the size of the organisation, its scale of operations, the skill-set of HR employees and IT infrastructure. Where in absolute numbers the strength of the HR workforce appeared less (small sized banks) but the ratio appeared manageable 1:49 there was a contention that certain structural choices (no Corporate HR team, business / relationship managers and centralised operations) had to be made solely because of the few numbers of HR employees. Similarly where in absolute numbers the strength appeared to be more (VINTAGE BANK and CLASSIC BANK) the
large size of the bank, their wide branch network and large workforce rendered that strength to be insufficient as well.

Related to the perception of line managers on the skill-set of HR employees, our analysis highlighted that the business knowledge and strategic orientation of HR employees was weak. This perception was mixed in GLOBAL BANK where business partners existed and performed in strategy formulation and alignment of HR strategy with the business strategy of the business unit they were associated with. There was greater emphasis on the inadequacy in these two areas in the domestic case-study banks where the HR function was in the early stages of development and hence this skill-set had yet not emerged; there was an equal emphasis on the absence of these skills in the newly hired employees across the case-study banks and the incumbents (where they existed) who had out-dated skills. Additionally, there was a perception in VINTAGE BANK and CLASSIC BANK that had a large number of incumbent employees in the HR function that they lacked function specific skills, had weak IT and communication skills which had not been updated for long and needed to develop leadership, networking and influencing skills. This is because the absence of these skills meant that regardless of HR’s intent to become strategic it would not be able to create a space for itself to increase its profile and to contribute more in the strategic domain in the case-study banks.

Moreover, our analysis also highlighted that multiple dimensions such as qualification, HR specific experience and HR specific training needed to be analysed in conjunction (and where possible) the views of other stakeholders also needed to be included to get a holistic picture of the influence of the skill-set on the role being performed by the HR function. For example, our findings indicated that a longer or a shorter experience in the HR function did not reflect on the former resulting in a strong skill-set and the latter a weak skill-set. In our case-study banks, longer HR specific experience meant that the employees were mostly incumbents who had for decades during the public ownership period only performed administrative work and had not updated their skill-set. Shorter HR specific experience did not reflect on the experience of employees obtained from other organisation; this is because of a limitation in our data-set elaborated in section 7.5.2. above.
Hence, we conclude that the evidence examined was largely unable to identify a significant increase in the performance of strategic work by the HR function due to the change in its structure, in the case-study banks. GLOBAL BANK appeared to be an exception from the other seven case-study banks with the implementation of the three legged structure which facilitated the performance of multiple HR roles like strategic (business partners), operational (Centre of Shared Services) and specialist (Centre of Expertise). In the other banks investigated, there was evidence that some structural initiatives were undertaken with the intent to gain some strategic leverage for the HR function. However, due to the early stages of development of the HR function, priorities of line manager for better service delivery, lack of time, inadequacies in the IT infrastructure and most importantly an out-dated skill-set of HR employees, it appeared that little realisation of this intent was achieved.
Chapter 8: Discussion and conclusion

8.0. Introduction

This research primarily endeavoured to explore the state of the HR function and whether or not it was performing what could be termed a strategic role as opposed to an operational role in the case-study banks examined. The strategic role is regarded as more desirable in prescriptive literature when compared to the traditional administrative HR roles according to Ulrich and Beatty (2001), Jamrog and Overholt (2004), and McCracken and Heaton (2012). More specifically, our objective was to highlight and identify the presence (or otherwise) of a strategic HR role being performed by the HR function in the case-study banks. This was done through an examination of multiple indicators which provide evidence of such presence and a study of the influencing factors which bear consequences for the role adopted and dispensed by the function. The influencing factors, namely devolution, the structure of the HR function and the skill-set of HR employees, were explored because of the significance associated with them in related literature. For example, Brandl et al., (2009), Renwick (2003), Lawler III and Mohrman (2003) and Ulrich and Brockbank (2005) cite the influence of these factors in determining the extent to which the HR function can adopt a strategic role. We study these factors in conjunction with the role of the HR function in an attempt to understand the combined influence of these factors on the role adopted by the HR function. Additionally, the researcher while emphasising the importance of the influencing factors is by no means implying any causality between the factors and the strategic role (if any) of the HR function.

A review of related literature in chapter 2 indicates that previous studies on the HR function generally adopt an approach of either examining a few indicators of a strategic role in isolation (Truss et al., 2002; Truss, 2008), or individual influencers / means to infer whether and if the HR function is performing a strategic role. However, this thesis attempts to draw a clearer understanding of the complex yet inter-linked elements of the HR function that shape the role it performs. The intent is to integrate the indicators / evidence of the presence (or otherwise) of a strategic HR role and the influencing factors to bridge this gap in existing literature. Hence, our research will contribute to narrowing the existing gap in literature by integrating
both angles to develop a more holistic understanding of their inter-related and to some extent interdependent relationship. Further, to the best of our understanding, there is no particular attempt to research the HR function or its role from the perspective of multiple stakeholders like HR managers, line managers and senior managers in the context of Pakistan. Thus, in addition to integrating the factors which can influence the role of the HR function with the indicators of a strategic role, this thesis also attempts to contribute to and extend existing literature from an international perspective by including the perspective of Pakistani organisations.

The analysis and findings of this research are based on an examination of the eight case-study banks which was carried out through in-depth, semi-structured interviews and a triangulation with bank documents, to draw meaningful inferences. In total, 85 interviews of HR managers, senior managers, line managers and industry experts were conducted to develop a more comprehensive and holistic data-set, which catered for the inclusion of varied perspectives and highlighted the different perceptions and understandings of multiple stakeholders, related to the same HR phenomenon / aspect. Additionally, this variety in the perspectives of the multiple stakeholders provided interesting insights and conflicting views which enriched our analysis. Further, the case study approach towards thesis design and field research produced numerous findings which enabled the researcher to offer a contextualized description of the role being performed by the HR function and the development of the strategic role (albeit to a limited scale) in the case-study banks examined.

This chapter is divided into seven sections, each of which discusses the wider implications of the results summarized below. Section one presents a summary of the key findings of the research and the influence of the context of Pakistan on the state of the HR function in the case-study banks. Section two elaborates the influence of the organisation specific factors on the state of the HR function and the extent of the strategic role adopted by the HR function. Section three discusses the role performed by the HR function in the case-study banks with an emphasis on the debates related to role typologies and the indicators which can provide evidence of the presence of a strategic role of the HR function. Section four integrates the influence of devolution and section five elaborates on the influence of the HR structure and skill-set of HR employees, on the intent of the HR function to perform
a strategic role. Section six examines the limitations of this study and the resultant areas for future research which is followed by a conclusion to this thesis.

8.1. Summary of key findings and the context of Pakistan

Our thesis, based on an examination of the eight case-study banks and grounded in the Pakistani context revealed some interesting findings. Firstly, despite the intent and aspiration of the HR function to adopt a more strategic role, evidence examined in this research indicated that there was no significant presence of a truly strategic role being dispensed by the HR function in the banks examined. However, there was evidence of a shift towards performing some semblance of a strategic role in the case-study banks. This was highlighted in the findings presented in Chapter 5 which explored the state of the HR function and whether or not it was performing what could be termed a strategic role. We found that HR managers in the case-study banks mostly resorted to performing short-term, transactional and reactive work and the HR function generally exhibited weak involvement in the strategy formulation process. In addition, there appeared to be a distinct influence of the HR Head (where he embodied the HR function) and other embedded institutional mechanisms like the legacy issues, development stage of the HR function and informal networking on the role adopted by the HR function.

Secondly, our findings related to the devolution of HR practices to line managers, explored in Chapter 6, pointed to a wide divergence in the perceptions of HR and line managers related to the concept and execution of devolution, despite its importance in the views of both stakeholders. While HR managers were willing to delegate activities related to implementation of the HR practices, line managers were unwilling to participate in this capacity and rather agreed to share or even completely accept the decision making aspect of the HR activities. Hence, little significant devolution of HR activities to line managers occurred in this area due to which HR managers found little time to invest in strategic initiatives and the HR function was unable to dispense a considerably strategic role.

Thirdly, findings emerging from our data in Chapter 7 suggest that while there were changes in the way the HR function was structured in the case-study banks, there was a limited influence of the changes on the role performed by the HR function.
While the changes were made with the intent to facilitate the dispensation of some sort of a strategic role by the HR function, the underpinned considerations leading to the changes which were primarily driven by priorities of line managers, dearth of skilled HR personnel, financial concerns and viability of moving infrastructure, restricted the achievement of the intended objective. Fourthly, the findings indicated that lack of an adequate skill-set of the HR employees led to credibility concerns of line managers to involve the HR function in strategic matters. There was also an issue of considerable variation in the skill-set of employees regardless of their education level and experience in the HR function due to the composition of the workforce. The incumbent employees with greater experience and less qualification had an out-dated skill-set because it had not upgraded over the years while the newly hired, more qualified but less experienced employees lacked the business acumen and strategic outlook needed to perform in a strategic role. Hence, in general, the inadequate skill-set of HR employees appeared to restrict their intent to perform a greater strategic role in the case-study banks. Lastly, GLOBAL BANK appeared as the only exception in our sample of eight case-study banks because it had adopted a three legged HR structure aligned with its corporate HR structure at the global level. The distinct differences from the other banks examined are highlighted in each of the sections below.

8.1.1. Influence of the context of Pakistan on the state of the HR function

In this section, we discuss the influence of the contextual factors related to Pakistan and the changing dynamics of the banking sector which resulted in implications for the development of the HR function in the case-studies banks examined in Pakistan. The following discussion will contribute to the perspective of Pakistan in the literature on international HRM. As highlighted in chapter 2 there has been negligible research in the context of Pakistan, in the field of HRM and especially related to the HR function’s development, role, structure and skill-set. Thus, this study will add to literature, the unique perspective of the HR function in Pakistan which according to Khilji (2002) has traditionally been relegated to the fringes of the organisation. She reported that human resource management is still perceived to be a support function in the context of Pakistan and it has been unable to demonstrate the value it can add to the organisation. This discussion will provide an opportunity
to the readers to arrive at a nuanced understanding of how an HR function working in an emerging economy like Pakistan responds to the strategic challenges posed.

We highlighted in chapter 3 that the derailing of the political process after every few resulted in the absence of strong institutions in Pakistan. Our research suggests that the implications of weakened institutions were far reaching. For example, our findings provide evidence that the domestic case-study banks, especially in the public sector (VINTAGE BANK and CLASSIC BANK), were unable to develop their people, processes and infrastructure with the changing demands of the time. There was also considerable evidence of the absence of institutional mechanisms which led to ad hoc decision making and in the case-study banks there were examples where the HR function was not institutionally embedded in the organisation but was rather embodied by the HR Head. This suggests a reliance on individuals rather than systems in organisations and clearly indicates that the HR function was in its early developmental stages (at least in the domestic banks), in the case-study organisations studied.

Of significance for our research was also the fact that the prevailing corporate culture stemmed from the cultural and religious norms of Pakistan. The organisation culture can be defined in general, as highly formal, with a tall hierarchy, centralised decision making and a dependence on strict compliance of rules and regulations. The hierarchy and centralised decision making were a reflection of the high power distance in the society which valued senior management because of their seniority, age and experience. Thus the policy decisions were made at the top and were cascaded to the bottom and the senior employees felt little need to upgrade their skills. Additionally, due to the lack of any incentive do develop new and young employees, there appeared no significant trend in Pakistan for senior employees to encourage the new comers to develop.

Similar patterns of the organisational culture emerged from our research as there was evidence of centralised decision making in five of the eight case-study banks examined. Of the three remaining banks (GLOBAL BANK, MODERN BANK and CLASSIC BANK), where centralisation with decentralisation was evident, in the two domestic banks MODERN BANK and CLASSIC BANK some decentralisation
occurred in certain HR practices but policy decisions remained centralised with the respective corporate HR teams. In terms of formalisation and compliance with rules and regulations our findings highlighted that in the case-study banks, line managers interviewed shared concerns of HR following policy guidelines rather than addressing the changing business needs such need for immediate hiring in a sector with high employee mobility. Also, we found that seniority and age were indeed valued more than performance and initiative, at least before the change in workforce dynamics. This explains why there were taller hierarchies evident in the large and medium sized banks mostly, and also points to the role of incumbent employees in resisting the change in role of the HR function in the domestic banks, especially the two large banks where incumbent employees were present in larger numbers. Additionally, our findings also highlighted that the incumbent employees had an outdated skill-set which is probably because there was no encouragement to develop employees because it was considered that employees would automatically learn with age and experience.

Further, chapter 3 highlighted that Pakistan’s economy was historically agriculture driven but that in recent years the service sector had primarily registered consistent growth. Our findings in the case-study banks also suggest that the banking sector registered high growth in the decade commencing 2000 and that the banks added new products and consumer segments in their portfolio which led to the need for hiring employees with a different set of expertise and skills. In addition, the extensive privatization and deregulation mentioned in chapter 3 was also clearly visible in our sample case-study banks as two domestic banks (VINTAGE BANK and CLASSIC BANK) were privatized banks and the remaining two banks (TRADITIONAL BANK and MODERN BANK) were established after the sector was deregulated. In the case of the four foreign case-study banks, two small sized banks (WESTERN BANK and ANGLO BANK) were established post deregulation while the medium sized bank GLOBAL BANK also grew in size due to the mergers and acquisitions which occurred after privatization of the banking sector and the initiation of the reforms in the banking sector.

Additionally, the new foreign banks established in Pakistan led to the emergence of a distinct culture and the introduction of contemporary HR practices which were
quickly adopted by the domestic banks to establish greater credibility and acceptance. Data from our case-study banks also highlighted that the domestic banks shifted to more performance based HR practices and in the initial years of development of the HR function, upgrading the HR practices was a major focus of the case-study banks. Hence we found the emphasis on designing new HR policies by the specialist teams and clusters and the focus on providing standard and quality in service delivery.

Furthermore, we reported in chapter 3 that the banking sector underwent major reforms as a consequence of privatization and the pressure of international donor agencies and the IMF. These reforms included the introduction of corporate governance structures, establishment of the HR function on modern lines, the introduction of merit and hiring of a professionally qualified workforce and the emphasis on training and development of employees. In addition, privatization led to the downsizing of the workforce in the domestic, public sector banks that were to be made viable for the private sector to invest in. Downsizing also occurred in these banks post privatization to rationalise the workforce as the banks were overstaffed due to the hiring of employees who either had the backing of influential politicians, bureaucrats or industrialists. Our findings in the case-study banks revealed similar outcomes as the two domestic banks underwent considerable downsizing in their workforce. A consequence of this was that many employees who had to be adjusted were transferred to different departments which included the HR function as well. However, while they added to the numbers in this function, they had no prior experience or expertise and thus did not add much value to the HR work.

In terms of the other reforms enumerated in the previous paragraph, we found that there was a new category of employees who were hired across the case-study banks and this change in the composition of employees was also reflected in the workforce employed in the HR function. This category included the more experienced professional bankers from foreign banks abroad who were tasked to turnaround the banks. Also included were young and newly hired employees who lacked experience and a requisite skill-set but were willing to learn, change and were more qualified than the incumbent employees. The implications of the workforce dynamics will be discussed later, in the section pertaining to the skill-set of the HR
employees. However, here we suggest based on our analysis in the preceding empirical chapters that the new category of employees hired in the HR function had an influence on the state of the HR function. While they were unable to develop the HR function to perform a truly strategic role in the case-study banks investigated, they appeared to have introduced a shift in the role the HR function had historically been performing in these banks. Further, they appeared to define the intent of the HR function to dispense a more strategic role in the organisations, at the least and they were able to introduce some contemporary HR practices in the banks.

8.2. The implications of organisational contingencies on the state of the HR function and its role

Evidence examined revealed that certain organisational contingencies which include the size and ownership structure of the case-study banks influenced the pace of development of the HR function, the extent of the strategic role it dispensed, the structure of the function and the skill-set of HR employees (see fig. 8.1). Our contribution in this section will highlight the influence of the contextual elements in the selection of options by the HR function to structure itself, to adopt a specific role orientation and to address concerns related to the skill-set of the HR employees.

**Figure 8.1: The influence of organisational contingencies on the HR function**

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<th>Organisational contingencies</th>
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<td>• Size</td>
<td>Role</td>
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<td>• Ownership structure</td>
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<td>Skill-set</td>
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<td>Pace of development</td>
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Related to the size (in terms of number of employees) of the case-study banks, as discussed in chapter four and onwards, the sample banks comprised of three different sizes and included small, medium and large sized banks. Based on our findings in the empirical chapters we suggest that the size of the organisation has an influence on the structure adopted by the HR function, at least in the case-study banks examined in this research. For example, the large and medium sized banks all had a
corporate HR team while in the three small sized banks (WESTERN BANK, ANGLO BANK and TRANSCO BANK) the HR Head was responsible for all the decision making and activities pertaining to strategic matters. The reason for not having a corporate HR team in the small sized banks was the sheer small size of the HR function (10 to 12 employees). In addition, the small size of the three foreign banks WESTERN BANK, ANGLO BANK and TRANSCO BANK, made it infeasible (financially and operationally) to adopt this structure while the HR function in GLOBAL BANK adopted a three legged model, aligned with its global HR structure. Similarly, the positions of relationship managers were not introduced in the small sized banks primarily because of the small workforce size, specifically in the HR function, which made it necessary for the HR Head to act in the capacity of a business partner and / or relationship manager.

Also, our findings pointed to the fact that the skill-set of employees in the large sized banks with a larger number of incumbent employees was more out-dated in comparison with the other banks examined. In chapter 7 we highlight the fact that the skill-set of HR employees in the two large banks was weak in terms of IT skills, basic communication and negotiation. Additionally, the sheer size of these banks made it difficult to implement changes in various HR areas at a pace similar to that of the medium or small sized banks which slowed down the development of the HR function in these banks.

In the case of ownership of the case-study banks, our sample which included four domestic and four foreign banks illustrated certain dissimilarities in the findings due to this organisational contingency. The foreign banks adopted certain structural configurations of the HR function due to a similar model applied across the globe. For example, GLOBAL BANK adopted the three legged model because of the global HR function was structured in a similar manner. We also found that the extent of the strategic role performed by the HR function was in some ways influenced by the ownership structure of the case-study banks. For example the HR managers in three foreign banks WESTERN BANK, ANGLO BANK and TRANSCO BANK highlighted that they were not involved in formulating HR strategies or defining HR policies because they were cascaded down from the global headquarter. Hence their role in strategy formulation was limited in many ways and
their capacity to perform in this area, at an organisational level, was curtailed at
times by emphasising that HR was not even strategizing at a functional level (within
the HR function). An impact of the ownership structure was also evident in the
focus of the HR function on improving certain HR practices, for example employee
relations. This was an area in which the foreign banks appeared to be quite ahead of
the domestic banks due to the emphasis placed by the corporate headquarters and
other foreign subsidiaries, on developing multiple channels for communication with
employees and adopting a proactive approach to encourage employee welfare
activities. Hence, it appeared that regardless of the extent of strategic role performed
by the foreign banks relative to the domestic banks, they were better developed as far
as the infrastructure, practices, policies and procedures were concerned.

In the domestic banks, the legacy effects which were evident in the resistance and
outmoded skill-set of the HR employees and the historically low profile associated
with the HR function influenced the extent of strategic role it could perform, despite
the intent to do so. For example, in bank VINTAGE BANK (to a greater extent) as
well as the other domestic banks, there was a perception amongst the line managers
that strategy formulation was not a role to be performed by the HR function.
Historically, in these banks the HR function had been performing administrative,
operational work only and there was no understanding amongst the line managers
that the HR function had a role beyond this, in the organisation. In two case-study
banks (VINTAGE BANK and TRADITIONAL BANK) the decision making related
to HR activities and matters had always been the domain of line managers so the
devolution (shifting of HR activities to line managers) which appeared to have taken
place had actually never occurred. Since line managers always dominated the HR
function, they continued to view the HR activities with disdain and did not want to
share in their dispensation, which limited the extent of devolution in HR practices.

Apart from the consequence of this limited devolution on the availability of time to
focus on strategic initiatives, there was also the fact that line managers had never
given the HR function the credibility and profile required for participating and
involvement in strategic matters of the organisation. Hence, evidence indicated that
despite the intent to perform a strategic role and the structural changes made in the
HR function to facilitate the dispensation of such a role, the HR function in the
domestic banks was yet only struggling to gain recognition and credibility. This can be attributed to the early developmental stages of the HR function as well. In chapter 7 we presented evidence from the interviews of senior managers in the case-study banks which highlighted the challenge, at least in the domestic case-study banks, to first develop negotiation, networking and leadership skills in the HR employees. This we suggest would tackle the issue of gaining influence and credibility in the case-study banks which was vital for undertaking a change in role orientation from administrative / operational to strategic. Hence, we conclude that organisational factors do influence the form (structure), skill-set and role adopted by the HR function in organisation. In this case, the specific reference is, the eight case-study banks examined.

8.3. The role of the HR function: indicators and evidence of presence

In discussion in this section will focus on the role of the HR function in the case-study banks examined, which is the primary focus of this research. The discussion will start with and revolve around the debates related to the distinction between the operational (administrative) and strategic role of HR, the need for dispensing multiple and emerging roles and the ensuing conflicts. In subsequent paragraphs the indictors which provide evidence of the presence or otherwise of a strategic HR role will be elaborated on, in detail. These indicators include the reporting relationship of the HR Head, the presence of HR on the board of directors and the management committees, the nature of the HR initiatives undertaken (short-term vs. long-term, reactive vs. proactive and transactional vs. transformational) and the involvement of the HR function in strategy formulation.

The discussion on the strategic role of the HR function has gained much attention of researchers in recent years, perhaps due to the significance prescriptive literature (Ulrich and Beatty, 2001; Ulrich and Brockbank, 2005; Ulrich, 1997) has associated with this role. Additionally, the literature reviewed in chapter 2 suggests that the strategic role of the HR function yields numerous benefits for organisations (Ulrich, 1997; Truss et al. 2002) that range from its effect on the bottom line performance (Paauwee, 2004 ; Hope Hailey et al., 2005) to stimulating appropriate employee behaviour (Purcell 2003) and improving productivity (Wright & Snell, 1998).
Also, empirical studies like McCracken and Heaton (2012), Lengnick-Hall et al., (2009), Jamrog and Overholt (2004), Truss et al., (2002) and Guest and King (2004) suggest that even if the strategic role is not essential, it is desired. Further, according to Truss (2009) empirical literature also discusses the role typologies by distinguishing them on a continuum, from operational to strategic and in recent years by incorporating the context as well (Lengnick-Hall et al., 2009). Our findings conform to this body of literature because we found that HR managers across the case-study banks perceived that gaining a strategic role orientation was the intent and a foremost driver leading to changes in the HR function. In addition, the HR managers emphasised that the underpinned rationale for changes in the HR structure and the attempts made at devolution of HR activities to line managers, across the case-study banks, were also undertaken to create more time for HR managers to involve in strategic activities.

The foremost result revealed in our study responds to our first research question related to the current state of the HR function in the banks examined in Pakistan and the extent to which (if at all) the HR function was performing what can be termed a strategic role. Our findings highlighted that there was no significant presence of a strategic role being performed by the HR function in the case-study banks examined, despite the stated intent and desire of the HR function to adopt a more strategic role. This finding confirms the results of previous studies like Truss (2008) and Wright (2008) which report that empirically the HR function primarily continues to perform an administrative role and remains reactive and Wright (2004), who report that any substantial changes in the role of the HR function remain both partial and inconclusive, according to research. Similarly, the findings endorse the results of studies by Cabral–Cardoso (2004) and Farndale (2005) who posit that the HR function is not majorly involved in the strategic decision making of the organisation. However, our findings indicated that a shift towards performing some semblance of a strategic role was evident in three case-study banks (CLASSIC BANK, MODERN BANK and ANGLO BANK) and there was an intent / attempt to develop a strategic role in three other banks (TRADITIONAL BANK, WESTERN BANK and TRANSCO BANK). VINTAGE BANK appeared to be the only bank where the
intent to adopt a strategic role was not quite evident\textsuperscript{20}. GLOBAL BANK was an exception where evidence presented indicated the presence of some strategic role alongside the focus on achieving operational excellence.

Additionally, our analysis in the remaining case-study banks (especially the domestic banks) reveals that despite the intent of the HR function to adopt a more strategic role the emphasis in actual, remained on gaining operational excellence and improving the quality and standards in service delivery. This was perhaps because of the demand placed by line managers to address the immediate operational needs (see chapter 5). In the case of the domestic banks, another reason was the state of development of the HR function. We highlighted in section 8.1. above and chapters 5 and 7 that the HR function started to develop in the domestic banks post reforms and privatization which meant that they had yet to formalise, upgrade and introduce HR practices and processes. Hence, there was a substantial focus on improving the performance of the HR function in these areas. Our finding confirms previous research by Ulrich (1997), Caldwell (2003), Torrington et al., (2008) which posits that HR effectiveness can be achieved only when business needs are fulfilled, for which it is necessary that both the administrative and strategic role are dispensed and operational excellence is also achieved.

Moreover, our analysis highlighted that the strategic role of the HR function was beset by the ambiguous comprehension of its concept, the contrasting perceptions of HR and line managers related to the utility of this role and the disparate opinions on what constituted as evidence of such a role, in the case-study banks. For example, line managers in most case-study banks contended that HR’s utility was in designing best practices, in addressing business concerns and in providing excellent operational and service support while HR managers stated that the function could add value through strategic input and partnering in long-term initiatives, in addition to the purely operational role.

A reason for the ambiguity in the strategic role was also the fact that this was an emerging role for the HR function in the case-study banks which was challenged by

\textsuperscript{20}The discussion on the indicators of presence of a strategic HR role will provide details of this assessment.
the incumbent employees largely, as they were used to the status quo in which traditionally and historically the HR function had no position in the strategy formulation process. This finding confirms the position adopted by Morley et al., (2006) in their research which states that the contemporary (strategic) role of HR is not acknowledged due to legacy concerns and is thus continuously challenged in organisations. Also, it confirms the position taken by Truss (2008), Caldwell (2003) and Morley et al., (2006), who purport that the new roles added to the ambiguity and created role conflict. We add that since the strategic role had newly developed in the case-study banks, there were issues of imbalances in the existing power structure and the relationship between HR and line managers which resulted in conflict and ambiguity related to the boundaries defined for the strategic role of the HR function.

The discussion in the following paragraphs relates to the evidence and indicators studied in this research to determine whether or not the HR function was performing what could be termed as a strategic role (see fig. 8.2). The choice of the dimensions selected to study the presence of this role was grounded in extant literature (as highlighted below). It was also driven by the intent to uncover the black box of what constitutes a strategic role in the case-study banks and the assumption that a broad yet integrated spectrum of description was required to understand this complex phenomenon. The dimensions include the representation and participation of the HR Head in boardrooms, strategic forums and the education and career background of the HR Head (Truss, 2008; 2009; Kelly and Gennard, 2007; Hall and Torrington et al., 2008), the written HR strategy linked with strategic objectives (Truss, 2008; Golden and Ramanujam, 1985) and the development of long-term, proactive and transformational HR initiatives (Caldwell, 2003; Guest and King, 2004). As we discuss in detail below, our analysis indicated that these dimensions had some sort of a role in establishing the credibility of the HR function and the role it dispensed in the case-study banks.
In the case of the reporting relationship of the HR Head and representation of the HR function on the board of directors and in the management committees, our findings highlighted that the HR function was not represented on the board of directors in any of the case-study banks and there seemed no intent to do so in the near future. This finding conflicts to some extent with that of Brandl and Pohlar (2010) who report that in cases where the HR Head is not part of the Board of Directors, there is an aspiration on the part of the HR function to gain a seat in the coveted body. However, this finding confirms the position adopted by Caldwell (2010), who on the contrary, challenged this notion and claimed that a seat on the board of directors is not necessary for a strategic role and holds a symbolic value only. Also, Guest and King (2004) and Caldwell 2004) state that there is a limited influence on the adoption of a strategic role by the HR function even if it is present on the board of directors, as the board is not a strategic body. Further, it leads us to suggest that the HR function can alternately influence decision making through the reporting line and presence in management committees. A similar position is adopted by Kelly and Gennard (2007) as well.
Our analysis provides evidence of the HR function being represented in the management committees in all case-study banks and the HR Head having a direct reporting relationship with the CEO / President of the bank (barring WESTERN BANK and TRANSCO BANK which were small in size). The presence of HR Head in management committees, the upper tier of strategic decision makers, does seemingly indicate that there was an intention of the senior management to include the HR perspective in key decisions of the organisation. This representation also points to the intent of the HR function in the case-study banks to enhance its profile and to gain a position in the decision making forums. Similar conclusions were drawn by Truss (2008; 2009) and Torrington et al., (2008) in previous research. Our finding confirms the position adopted in previous research by Legge (1978), Guest and King (2004) and Kochan (2007) who state that a constant struggle of the HR function to enhance its profile and eliminate concerns of power and credibility led to the HR function adopting a business driven, long-term, strategic role. However, despite the inclusion of the HR function in the management committees, the influence of the HR function in the working of the management committee appeared to be minimal. Hence, it can be inferred that a token presence on the management committees does not necessarily result in a change in the orientation of the HR function from a predominantly operational to a strategic one.

Prior to discussing the disposition of the HR Head, we elaborate on the distinction between and need for studying embedded and institutional factors. This distinction between the surface / institutionalised and embedded nature of evidence was essential for us in augmenting the argument of what merely exists does not translate into something meaningful. It also implies that evidence of the strategic role must be evaluated in-depth because the tendency to take things at face value can result in simplification and generalization. Sheehan (2005) also report that although organisations have made certain symbolic and ritualistic changes in integrating the HR function with strategy, yet these changes have not resulted in the HR function dispensing a strategic role. Thus we suggest that symbolic changes must be studied in conjunction with the embedded factors such as the will of the HR Head, mindset of the senior management, development stage of the HR function and the traditional / historic role of the HR function in an organisation. This is because these factors
appeared to be more profound in their impact on the strategic role of the HR function than the more apparent factors in our research.

Related to the dimension of disposition of the HR Head, our analysis uncovered that the profile of the HR Head and their disposition was secondary in nature to the institutionalised role of HR – formalised and embedded position of the HR function in the case-study banks. But where this was absent and the HR function was embodied by the HR Head themselves, the personal disposition became significant. Also, our analysis highlighted that where the HR function was institutionalised (GLOBAL BANK), the strategic role of the HR function appeared to have the support of senior managers and line managers had a positive mind-set and were willing to accept this role to some extent. This finding confirms previous results of Sheehan (2003) and Truss et al., (2002) who posit that where senior management supports the HR function, there is a greater emphasis on involving the function in strategic activities which include long-term strategic planning and proactive initiatives.

Additionally, where the HR function was not institutionalised, like in VINTAGE BANK, CLASSIC BANK and TRADITIONAL BANK for example, the legacy effect and low profile of the HR function historically, appeared to restrict the adoption of a strategic role by the HR function. These findings confirm the position adopted by Sheehan (2003) and Budhwar (2000) who state that a formal position of HR in the organisation provides support by top management which is crucial in defining the profile of the HR function which is significant in, and indicates the presence of a strategic role of the HR function. Thus, we suggest that an institutionalised HR function appears to be more indicative of a strategic role orientation of the HR function.

Amongst the eight case-study banks, only one bank GLOBAL BANK exhibited a strategically integrated and streamlined HR function and this exception was noticeable in its impact. The opinion of HR function in the said bank was included and given weight in all major decisions and the function had a higher profile and status in the organisation which leads us to suggest that this high profile was sustainable. This suggestion gains further credibility from the fact that across the
domestic banks examined, there appeared to be an absence of an institutionalized HR function which was covered by the profile of the HR Head (career background, assertive personality, understanding of the business, career in HR and networking ability). However, the elevated profile of the HR function in these banks did not appear to be sustainable because our analysis revealed that the HR Heads (especially in MODERN BANK and CLASSIC BANK) felt that in their absence the HR function would have difficulty in maintaining its profile, which they had enhanced. For example, our findings indicate that the strong corporate background and will of the HR Head to assert their agenda was dependent on their continued presence in the banks.

In our analysis, the HR Head’s background of work experience in the HR function and their business acumen appeared to be more significant as compared to the informal network established by the HR Head. This is because we found that the networking activity of the HR Head in TRADITIONAL BANK, with a weak understanding of the business, was unable to significantly influence the profile of the HR function, while in MODERN BANK the business acumen and corporate experience of the HR Head resulted in a relatively better profile of the HR function. The better profile of the HR Head in this bank influenced the adoption of some semblance of a strategic role by the HR function. However, this finding differs from that of Caldwell (2010) and Tregaskis et al, (2005) who found that the informal networks created by the HR Head positively impacted the pursuit of the HR function to perform a strategic role. The finding also appears to differ with the conclusions made by Gennard and Kelly (1998) and Truss (2000) who state that networking in the corridor of power increases the credibility of the HR function. Thus, despite some evidence that the profile of the HR Head was significant in shifting to a strategic role by the HR function, our results seemed to indicate that personal variables took a backseat to an institutionalised HR function. For example, the inclusion of the HR function’s perspective in strategy formulation appeared to be more prominent where the function was embedded in the institution (GLOBAL BANK) rather than personal characteristics (MODERN BANK and CLASSIC BANK).
This leads us to discuss the dimension of the nature of initiatives undertaken by the HR function, as an indicator of the presence of a strategic role of the HR function in the case-study banks examined. According to Truss (2008; 2009), Buyens and De Vos (2001), Wilkinson and Marchington (2005) and Brockbank (1999), an attempt to gain strategic orientation by the HR function is evident in the initiatives it undertakes. Long-term, proactive and transactional activities of the HR function have been highlighted in extant literature (cited in the preceding sentence) as an indicator of a strategic role. Our analysis confirms the findings of this body of literature, because as stated earlier in this chapter, no significant presence of a strategic role was evident in seven of the eight case-study banks examined. This is due to the fact that the HR function mostly undertook short-term, reactive and transactional activities, which according to the researchers indicates a focus of the HR function on performing an operational role. GLOBAL BANK was an exception in our sample banks where the HR function was structured distinctly into three elements and the business partners performed the strategic role related to the HR function. In the following paragraphs we provide examples of short and long-term initiatives, reactive and proactive work and transaction and transformational activities in the case-study banks to support our argument, above.

In the case of short-term and long-term initiatives, our analysis revealed that in four case-study banks (VINTAGE BANK, TRADITIONAL BANK, WESTERN BANK and TRANSCO BANK), the HR function was unable to implement a long-term agenda in the initiatives undertaken which limited its ability to contribute in the strategic arena. In addition to the low profile assigned to the HR function by line managers, other factors like the dictation of line managers, insufficient resources of the HR function and conforming to global standards (foreign banks only) also impeded the HR functions intent to fulfil this agenda. Line managers dictated the HR function to address their short-term requirements and their political clout restricted the HR function from undertaking long-term initiatives on their own. The evidence provided, highlighted only a few instances in three case-study banks (MODERN BANK, CLASSIC BANK and GLOBAL BANK) where the HR function was able to make a deliberate and successful attempt to resist the dictation of line managers. Moreover, the HR function itself lacked resources and skills to
develop strategic foresight required for integrating its role with that of the strategic objectives of the banks.

In the case of proactive vs. reactive initiatives, our analysis again highlighted a shift in the HR function, which was not very significant, towards taking proactive initiatives in the case-study banks examined. However, mostly evidence indicated that the HR function, across the case-study banks (barring GLOBAL BANK) continued to be directed by line and senior managers in its activities. The senior management in most cases involved the HR function at the operational stage rather than giving them an opportunity to take a leadership role in launching their initiatives and the HR function appeared to invest more time in initiatives related to the improvement of operational efficiency. Our findings provide credence to the position adopted by researchers like Cascio (2005), Roehling et al., (2005) and Wright and Snell (2005) who state that the HR function is now expected to perform a prominent and proactive role in the organisations but evidence of the extent to which HR has been successful is yet inconclusive.

Further, related to the transactional or transformational activities performed by the HR function, there emerged only a few instances where the HR function in the banks studied was undertaking transactional activities. The reasons cited for the lack of transformational activities included a less developed IT infrastructure and an almost complete responsibility on HR managers to implement all the HR activities. Hence, despite the intent of the HR function to perform a strategic role, it did not appear to have achieved much success in retracting itself from transactional activities, in at least five case-study banks (VINTAGE BANK, TRADITIONAL BANK, FS1, WESTERN BANK and TRANSCO BANK). This finding is noteworthy as Ulrich (1997) assumes that HR managers are willing to delegate their tasks to line managers in order to focus on transformational activities. His proposed three legged model relies on the assumption that business partners are not interested or willing to undertake transactional activities so that there is time available for them to dispense strategic HR advice to line partners.

We add that the assumption may not hold true for where the structure of the HR function is not organised based on his model and hence, other organisational factors
like status of the HR function, legacy effects, development stage and traditional role of the HR function must be studied in conjunction. For example in banks WESTERN BANK, ANGLO BANK and TRANSCO BANK, the small local HR functions were understaffed and overworked and hence did not have the time, capacity or mandate to perform transformational work. Our suggestion to extend the findings of Ulrich (1997) is underpinned in the evidence emerging from at least two case-study banks (VINTAGE BANK and TRADITIONAL BANK) where the HR managers in some instances appeared less willing to devolve their work to line managers out of fear of redundancy. The status of the function in both these banks was low and traditionally line managers dominated most of the decision making even in policy areas related to HR.

Additionally, related to the dimension of strategy formulation, our analysis highlighted that in general, across the case-study banks, there was an insignificant integration of the HR function with the strategy formulation process. The reasons which emerged included a low opinion of line managers of the capacity, capability and skill-set of the HR function to perform in this capacity. For example, the line managers in most case-study banks were sceptical of the strategic value of the HR function and expected only a transactional role from them. GLOBAL BANK appeared to be an exception because the business partners were actively involved in the strategy formulation process related to their business units. This finding appears to conflict with the intent of the HR function to become more strategic because Truss (2009) and Boxall and Purcell (2003) have emphasised the need for aligning HR strategy with the organisation's business strategy and the involvement of the HR function in strategy formulation in order to do so.

8.4. Devolution as a means for influencing the attainment of a strategic HR role
In the previous section, we discussed the debates featuring the role of the HR function and our contribution which highlighted that the HR function in the case-study banks, situated in Pakistan, did not significantly dispense a strategic role. However, there was evidence of a shift towards developing a strategic role for the function which was evident in this intent being the underlying reason for the changes in the HR function. In this section, we extend the debate to include the influence of the devolution of HR activities to line managers, to understand how devolution or
lack thereof influenced the intent of the HR function to perform a strategic role. This discussion will integrate the role of devolution in the debate on the HR function and its strategic role and will provide answers to our research question which seeks to uncover how devolution of particular HR responsibilities to line managers (if at all), influenced the HR function’s intent to attain a strategic role orientation in the case-study banks. The key themes discussed in this section include the nature of devolution, the contrasting perspective of HR and line managers, the extent of devolution in various HR practices and the challenges which confront the attempt to devolve HR activities to line managers.

Devolution is considered significant for developing strategic relations between HR and line managers by Sheehan (2003), Larsen and Brewster (2003) and Purcell and Hutchinson (2007) and research by Kulik and Perry (2008) suggests that devolution is an opportunity for the HR function to transform itself into a strategic function. Our key finding from the analysis in chapter 6 which explored the phenomenon of devolution was that, little evidence of significant devolution existed in the case-study banks which impeded the efforts of the HR function to achieve a strategic orientation. However, there was evidence of an increasing role of line managers in decision making aspect of some HR activities across the case-study banks but the extent of devolution varied. Our finding confirms previous research by Dany et al., (2008), Sanders and Frenkel, (2011) and Keegan et al. (2011) who posit that while devolution of HR responsibilities to line managers is a key characteristic of modern HRM, diversity prevails in the shape, involvement of line managers and extent of devolution in international studies examining the phenomenon.

Some additional examples from our research which confirm the findings of previous studies cited in the preceding paragraph include, in the case of extent of devolution, the willingness and relatively greater involvement of line managers in HR activities, in one case-study bank, GLOBAL BANK. One or more of the following could be the reasons for this greater involvement: support of senior managers for devolution, the global HR norms and procedures and the three legged structure of the HR function which facilitated greater interaction between HR and line managers. Further, related to the shape of devolution, our analysis highlighted that in domestic banks VINTAGE BANK and TRADITIONAL BANK what appeared to be
devolution at the surface, was not in reality a transfer of HR activities to line managers. This implies that devolution might exist in organisations but without the complicit effort of the HR function as concluded by Kulik and Bainbridge (2006) as well.

Rather, in these case-study banks, line managers had always dominated the decision making aspect in most HR activities because historically the HR function had only performed administrative work (for many decades), the function had a low profile and it was in the early stages of its development. However, despite the dominance of line managers in HR activities in these banks, there was not much evidence of the presence of the HR function in the formulation of the overarching policies. This leads us to suggest that the involvement of line managers in HR activities does not necessarily indicate that the HR function is or is becoming strategic in its orientation. This suggestion needs to be interpreted with caution as we highlight next that devolution of the decision making aspect may not provide extra time for participating in strategic forums because it is the implementation aspect of HR activities which takes most time.

Related to the nature of devolution, we support the views of Cascon-Pereira et al. (2005) who state that devolution is a multifaceted and deceptive phenomenon which needs to be studied in context of the tasks and responsibilities that are devolved. They state that it is important to identify whether line or HR managers have the decision making, financial and expertise powers related to the devolved HR activity. Our study explored devolution in the case-study banks through a distinct analysis of the aspects of decision making and implementation and found that devolution had occurred to an insignificant extent because even where devolution was evident, line managers were involved in the decision making aspect and not implementation. Additionally, in GLOBAL BANK as well, where line managers had willingly undertaken HR work, there appeared a hesitance on their part to share in the implementation aspect.

This finding conforms to the views of Cascon-Pereira et al. (2005), because analysed outwardly it appeared that devolution had occurred to quite an extent but when viewed in context of their definition, it appeared that devolution of the
implementation aspect was minimal except in GLOBAL BANK, to some extent. Further, our conclusion that devolution was low was also influenced by the fact that the HR function continued to hold the power to allocate the budget for employee training for example, in most case-study banks examined, with the exception of GLOBAL BANK and the remaining three foreign banks. Ibid. (2005) state that exercise of the financial and legal powers by the HR function in the devolved HR activities indicates that a low level of devolution has occurred in the activity.

Furthermore, our analysis revealed a contrasting perspective / perception of HR and line managers related to the contested understanding of devolution, its purpose and its benefits, in the case-study banks examined. In terms of the understanding of devolution, as stated above, the perspective of HR managers in the case-study banks was that the implementation aspect related to HR practices also needed to be shifted to line managers. However, line managers were willing to take ownership of the decision making aspect but were less inclined to take part in the implementation aspect, except in GLOBAL BANK where the line managers were relatively more involved in this area. For example, they shared more in the implementation of the training and employee relations practices. These contrasting perceptions appeared to impede the efforts to devolve HR activities and consequently, the HR function was limited in its intent to adopt a greater strategic role. Similar findings related to the contrasting perspectives of the two stakeholders were reported by Mitsuhashi et al. (2000) and Kulik and Perry (2008), in earlier research.

In addition, our analysis in chapter 6 suggests that the HR managers, more so in the domestic case-study banks, perceived that line managers did not want to undertake HR work and expected them to deliver the administrative support related to all HR activities. This is perhaps because of the status line managers had traditionally attained in these banks and the low profile of the HR function which resulted in the disdain of line managers to perform HR work. Further, our analysis highlighted that HR managers believed that the purpose of devolution was to transfer operational responsibility of HR practices to line managers, in addition to the decision making aspect, so that they would have time to deliver strategic value to the organisation. McGuire et al. (2008), Truss (2008) and Caldwell (2003) have previously found that HR managers perceive that devolution of HR work to line managers can relieve time
for HR specialists to undertake the development of overarching employee-focused policies which enhance the strategic contribution of the function. Also, our analysis highlighted that the HR managers felt that devolution of HR work to line managers would improve the relationship of the latter, with their employees. Kulik and Bainbridge (2006) also found that HR managers perceived devolution provided line managers an opportunity for greater involvement in the organisation.

In contrast with the perspective of HR managers above, our analysis in the case-study banks highlighted that line managers perceived that the HR function pushed tedious and mundane tasks to them on the pretext of attaining a greater strategic orientation. This finding in part, conforms to the position stated by Conway and Monks (2010) who highlight that line managers view devolution as a way to increase their responsibilities in difficult to implement policy areas. Hence, we found that line managers did not appear to agree with this interpretation of devolution and considered that instead of implementation, a greater role for them in the decision making aspect could enable the development of a better HR-line relationship. In our view this improved relationship could facilitate the transformation of HR into a strategic function which it intended to, but was unable to attain in the case-study banks examined. Sheehan (2003) also highlight in their research that a strong HR-line relationship can facilitate in building a strategic HR function. Thus, we can confirm the findings of Renwick (2003) who state that line managers may not welcome the devolution of HR responsibilities to them.

Further, our analysis in chapter 6 highlighted certain findings which related to the distribution of HR practices between HR and line managers and indicated that the HR function continued to perform more of an operational rather than a strategic role. In conformity with Purcell and Hutchinson (2007), Brandl et al. (2009) and CIPD (2003; 2007) who highlighted that a only blurry line of division existed in the role of HR and line managers in the design and implementation of HR practices, we also found that sketchy boundaries demarcated the roles of the stakeholders. This was evident in our findings because we created five distinct categories to understand the extent of devolution; three of these categories can be identified as those which comprise the sketchy or blurry boundaries. They include shared, shared with mostly HR in the lead and shared with mostly line managers in the lead. We add that the
sketchy boundaries are an impediment for the process of devolution, the lack of which ultimate restricts the dispensation of a strategic role by the HR function. Moreover, in conformity with the research by Purcell and Hutchinson (2007) and Brandl et al. (2009), we found that there were only few areas like employee relations for example, where the HR function had sole responsibility and in conformance with Larsen and Brewster (2003) we found that most HR activities were shared between HR and line managers to a varying extent.

In addition we found that line managers were willing to accept devolution in certain HR practices like compensation and benefits and recruitment for example, but HR managers were less willing to devolve in these areas. Earlier, Hope-Hailey et al., (1997), also reported that line managers were generally found to be interested in sharing responsibilities related to resourcing while the HR function maintains a primary and dominant role in compensation and employee relations. In the domestic banks at least (especially VINTAGE BANK and TRADITIONAL BANK), we found that one reason for this was the supposition of HR managers that fragmentation of the HR activities could threaten the existence of the function. A similar conclusion was reached by Kulik and Perry (2008) who stated that the HR function is at times threatened by the fragmentation which results from devolution because it can dilute the status of the HR function and render it redundant.

Moreover, our analysis of devolution in the five HR practices revealed that devolution had occurred to a relatively greater extent in the practices of performance management and recruitment and selection in the case-study banks, but only in the decision making aspect. The finding confirms extant research by Maxwell and Watson (2006) and Purcell and Hutchinson (2007) who found that devolution occurred most in areas of performance appraisal and resourcing, for example. The reasons emerging from our findings include the job market dynamics (high job mobility and competition) in the case of recruitment and selection, for which quick decision making was required, so line managers exerted their influence to lead in the decision making aspect. In the case of performance management systems, the decision making and implementation, to some extent, were devolved but with little willingness of line managers. This confirms previous findings by Kulik and Bainbridge (2006) who stated that line managers were more likely to perform
activities related to day to day people management issues like performance management and promotion decisions. However, there was equal evidence of the disinterest of line managers to partake in this practice because mostly employee grievances and dissatisfaction emanated from this area. Hence, we concur with the findings of Ibid. (2006), who stated that some responsibilities were difficult to implement so no stakeholder was willing to take ownership of them; performance management systems was one of those practices. Also, Conway and Monks (2010) confirm that line managers perceived that the difficult HR practices were intentionally devolved to them.

Another related finding from our study was that, in general, compensation and benefits (across the case-study banks) and training and development and employee relations (in the domestic banks) appeared to be the least devolved HR practices. Lesser devolution in the practice of training and development appears as a unique finding from our study because extant research (Purcell and Hutchinson, 2007; Maxwell and Watson, 2006 and Kulik and Bainbridge, 2006) generally indicates that line managers enjoy employee coaching, orientation and training as it gives them a greater sense of satisfaction. The lack of devolution in training and development in the domestic case-study banks was a result of the separation of the Training / Learning and Development Department from that of the HR function in at least two banks (VINTAGE BANK and MODERN BANK); the head of these departments in both banks reported directly to the CEO / President. Thus, it is apparent that this activity was considered as a specialist activity for which HR managers were better suited than line managers who would require training for this purpose. As a consequence, line managers were not required to provide much support in this practice because it was managed by the specialists.

Similarly, we found that employee relations was an area least devolved in the domestic banks while in the foreign banks line managers shared in the dispensation of this activity because of the global HR procedures and cultural norms of these case-study banks. The low profile / status of the HR function in the domestic case-study banks and the time consuming nature of this activity inhibited greater involvement of line managers in this area. Likewise, low devolution appeared to
have occurred in the case of compensation and benefits which was intended and had the support of senior managers. Our findings highlighted that senior managers wanted decision making and implementation to be centralised in this case because of concerns related to maintaining consistency and fairness. Earlier, Cascon-Pereira et al., (2005) also found that the HR function generally retained the financial power in the case of compensation and benefits, with the willingness of senior managers. Thus, compensation and benefits was the most contested HR practice in which line managers wanted to influence decision making but were unable to do so.

Our last major finding related to the devolution of HR practices revolved around the conflicts in the perception of HR and line managers and consequently the challenges faced by HR, senior and line managers. The most noteworthy challenges confronted by line managers included the disdain for HR work, their workload, the priority to meet business goals, the insufficient skill-set to perform HR work and the lack of associated rewards and recognition. On the end of HR managers, the lack of business acumen, restrictive HR policies and fear of redundancy of the function in the public sector banks challenged the initiatives of devolution. In the case of senior managers, their mindset was a source of concern. We found these challenges to impede the efforts towards devolution and ultimately appeared to restrict the attainment of a strategic role orientation by the HR function. As such, the challenges were quite similar across the case-study banks examined but their extent varied to some degree. This leads us to suggest that the challenges are deeply rooted in the HR-line relationship and hence disregard other contingent factors like the culture of the organisation, the status of the HR function, the strength of the skill-set and even the structural changes in the function which are made to facilitate the development of a strategic relationship between the two stakeholders.

The disdain for HR work appeared more strongly in the domestic case-study banks because of the status of the HR function but across the entire sample of banks line managers contended that the work of HR should be performed by the function, otherwise the role of the function would be marginalised in the organisation. In the case of status of the HR function, the disdain stemmed from the fact that HR was a support function so the implementation of HR work should be assigned to them in the capacity of support staff. In the case of a general inclination of line managers to
avoid performing HR activities, our findings match with those of Whittaker and Buyens and Ans De Vos (2001), Whittaker and Marchington (2003), Kulik and Perry (2008), Renwick (2003) and Harris et al., (2002) who state that line managers do not view HR responsibilities as important enough to warrant their involvement. Further, we can also confirm findings by Conway and Monks (2010) who suggest that line managers feel over-burdened with the task of managing the additional HR responsibilities and Maxwell and Watson (2006) and Gibbs (2003) who found that line managers were resistant to HR work because of the demands of their own jobs. This is because our analysis revealed that line managers continued to view the HR work as a peripheral task appended to their core job and they ranked HR activities as low on their priority list due to time and resource constraints.

Additionally, we found that line managers were not well equipped to perform in people management roles and they lacked adequate training in the area. Similar findings were reported by Stanton et al., (2010) and Marchington and Wilkinson (2002) who stated that an adequate skill-set was the key to ensuring that line managers did not make costly mistakes while implementing the HR practices. Also, Truss and Katz (2002) posit that there is a significant difference in the style of line managers and the level of their people management skills which creates inconsistency in the implementation aspect and results in the ineffective delivery of HR services. We noted similar evidence in our research as some line managers stated that they were not confident of how to deal with employee concerns and grievances. Hence, in conformity with Larsen and Brewster (2003), we conclude that the desire, capacity, ability, training and conservatism of line managers have the tendency to impede the devolution of HR practices.

Moreover, our analysis highlighted that line managers also had reservations related to the skill-set of HR employees which they felt was inadequate to perform in a strategic role. Hence, they felt that HR managers existed only to perform administrative / operational work for which they were trained. Further, we found that line managers in the case-study banks perceived that the HR function formulated restrictive and impractical policies that rendered the application of these policies difficult. This is in conformity with the findings of Conway and Monks (2010), Qadeer et al., (2011) and Whittaker and Marchington (2003) who posit that the HR
function formulates policies that look good on paper but do not translate well in reality. Lastly, our findings indicated that line managers were of the opinion that HR policies were not aligned with the business concerns and requirement which made it difficult to conform to them. For example, we highlighted that abiding by the procedural requirements created delays in hiring employees and fixing compensation packages which resulted in lost talent in a competitive market with a high employee turnover rate, in Pakistan. Our finding conforms to that of Kulik and Perry (2008) who found that HR policies which were perceived to be in conflict with business requirements were contested by line managers. These challenges faced by the key stakeholders emerged as the main barriers to the devolution of HR practices.

8.5. Structure of the HR function and skill-set of HR employees as influencers of a strategic HR role

The discussion in the previous section focused on the influence of devolution on the role performed by the HR function in the case-study banks and concluded that there was evidence of a low degree of devolution across the banks examined with GLOBAL BANK emerging as an exception. Consequently, the lack of devolution in HR practices was unable to facilitate the HR function to adopt an intended, strategic role. Extending this debate, in this section we integrate the influence of the HR structure and skill-set of the HR employees on the role being performed by the HR function. Our findings related to the HR structure emanate from a study of the corporate HR team, specialization through clustering and segmentation of HR activities, centralisation of HR activities and the role of Relationship Managers. In addition, we also draw into the discussion, the role of the HR business partner which was truly evident in one case-study bank GLOBAL BANK.

Our findings of the variation in the design of the HR structure led to an understanding of its significance for the HR function in its pursuit to attain a strategic role in the case-study banks. Hence, the impact of the structure of the HR function emerged as a fundamental theme in our study. This is aligned with the findings of Purcell (2003) who state that the HR structure is being renewed gradually to affirm the adoption of a strategic role; and Lawler III and Mohrman (2003) who posit that the HR function needed to focus on changing its design and configuration, skill-set and the means of transmission of HR activities if it aspired to become
strategic in its orientation. Further, we found that aside from the stated intent to perform a strategic role, in addition to the operation role, the structure of the HR function underwent changes that were driven by the need to adjust for increased competition and to reflect the global-subsidiary presence. Similar findings were earlier reported by Schuler (2000) in the case of competition, Harvey et al., (2000) in the case of global-subsidiary relationship, Lepak and Snell (1998) in the case of multiple roles and were more recently implied by Ulrich et al., (2008).

From the analysis reported in Chapter 7, there emerged some noteworthy findings related to the structure of the HR function in the case-study banks. Firstly, there was evidence of development in the structure of the HR function which was largely due to HR’s intent to perform a strategic role. However, when implemented, the underpinned reasons emerging from our study lead us to suggest that the changes were primarily a response to meet the demands of line managers for better service delivery.

Also, despite the presence of a corporate HR team in five of the eight case-study banks, its influence in strategy formulation was minimal. The corporate HR team in the banks was inclined towards establishing control, consistency and standards in the delivery of HR services, in the back drop of an inadequate skill-set of HR employees and the insufficient availability of HR specialists / experts. As a result, the Corporate HR team was limited in its attempt to provide strategic input. Secondly, our research also unveiled a distinct trend in the changes that occurred in the structure of the HR function. If anything, the structure of the HR function in most case-study banks had transformed to achieve greater specialisation. However, in the immediate future, this specialisation was not aimed at developing a centre of expertise but instead several HR services were clustered under one specialist to whom the other HR managers also reported, due to concerns of cost and convenience. This impeded the ability of the specialists to develop centres of expertise because of the increased administrative workload of monitoring the associated operational work. Thirdly, our study revealed that the role of the Relationship Manager in the case-study banks (where the position existed) could have been developed into that of an HR business partner but this did not happen due to an inadequate skill-set and their assigned mandate. Hence, our study found that
the developments in the structure of the HR function did not contribute significantly towards the effort to perform a strategic role.

Before we discuss the structural configuration of the HR function, we briefly identify the perspective prescriptive and empirical literature on the subject. Prescriptive literature extensively debates on the ideal design of the HR structure; this is one which can fulfil the strategic demands placed on the HR function. Ulrich’s three legged model prescribes that with the distinction between generalists such as business partners, shared services and specialists (centre of expertise), the HR function can assume a greater strategic role. However, the traditional view discussed in literature posits that an HR department which is configured according to the strategy of the organisation is better equipped to accomplish a strategic integration of the function in the organisation.

Our results do not completely harmonize with either of the two bodies of literature because the HR function in the case-study banks overtly intended to bring changes in the structure through introducing some positions similar to those highlighted in prescriptive literature for developing a strategic focus but in actual the underpinned reasons pointed towards organisational contingent factors like size, ownership, availability of expertise, convenience of location and consistency. These factors form part of the broader variables which define the strategy of an organisation which is highlighted in the traditional view propagated in most of the empirical literature. For example, the focus of the HR function was on gaining operational excellence to meet the immediate demands of line managers which required that most time, resources, initiatives and training opportunities were channelled in this direction. This finding is aligned with that of Roebuck (2008) who state that the credibility of the HR function first and foremost depends on the delivery of core HR services. Consequently little time was available with the corporate HR team, cluster Heads and Relationship Managers to perform meaningful strategic work. Hence, the growth of the HR function at best appeared to be planned to satisfy the short-term expectations of line management and at worst did not facilitate the development of specialists and Relationship Managers as the strategic arm of the function.
We now discuss the various structural changes that were introduced or were present in the HR function of the case-study banks examined in order to uncover their influence (if any) on the role performed by the HR function. Our study revealed that the corporate HR team was established in the case-study banks (barring the three, small foreign banks) largely to maintain control, consistency, standards is service delivery and to facilitate communication but the team was unable to expand in the intended role of participation in strategy formulation. This was primarily a result of the corporate HR team being burdened with the transactional work due to the shortage of expert / skilled HR employees. The business heads resultanty communicated with members of the corporate team to address their concerns which shifted the burden of some transaction work on them and they were left with less time to contribute in a strategic role. In the three small sized foreign banks WESTERN BANK, ANGLO BANK and TRANSCO BANK that did not have a corporate HR layer, the problem of time was even were more critical because the HR Head who represented the HR function at strategic forums was also monitoring the transactional HR work with a team of generalists and one or two specialists working below them.

In the case of centralisation of HR processes / activities, our findings highlighted that predominantly the approach of centralisation was followed in five case-study banks. This finding corresponds with findings by Khilji (2004) and Islam (2004) who found that decision making was usually concentrated at the top in the organisations operating in Pakistan. The reasons for centralisation in VINTAGE BANK and TRADITIONAL BANK which were respectively large and medium in size, included the objective of ensuring consistency and control, in addition to the weak IT infrastructure and skill-set of HR employees which necessitated the decision making be kept centralised. This finding conforms to that of Caldwell (2003), Lorenz (1993), Drucker (1999) and more recently Ulrich et al., (2008) and Selden (2010). In WESTERN BANK, ANGLO BANK and TRANSCO BANK, the reason appeared to be the small size and scale of operations of these banks which made the adoption of any other approach or structural configuration such as the three legged model, infeasible, both administratively and financially. Also, the small size of the HR workforce appeared to restrict any attempts to decentralise. Further, a hybrid approach which was a combination of centralisation with some decentralisation was
adopted in three case-study banks GLOBAL BANK, CLASSIC BANK and MODERN BANK. However, it was only in GLOBAL BANK that decentralisation was adopted to align with the global HR structure of a three legged model. Our finding confirms that of Selden (2010), who state that a mix of centralisation and decentralisation is adopted to conform to the global standards and practices. In the remaining two domestic banks, the underpinned reasons were ease of location and infrastructure.

Related to the trend of specialisation, we highlight that Torrington (1989) argued that no matter how skilful line managers become with their competencies, there will still be a place for internal HR activity. The findings from our case-study banks also align with the position stated by Torrington (1989), because the emerging trend to structure the HR function in most case-study banks examined was to develop pockets of specialist teams in specific HR services. This was done through instituting autonomous departments, clustering and / or segmenting activities across regions, but under one specialist or skilled and experienced HR employee. The prevalence of specialist teams was greater in the large and medium sized banks but in the small sized banks (WESTERN BANK, ANGLO BANK and TRANSCO BANK) there were one or two specialists only, while the remaining team comprised of generalists who performed in multiple HR areas. This finding aligns with both practitioner (CIPD, 2006; 2007) and academic research (Caldwell, 2003) that points to the presence of HR teams consisting of generalists in smaller organisations and specialist teams consisting of HR professionals in large organisations. Related to instituting separate specialist departments, we find examples of a separate Learning / Training and Development department in two banks (VINTAGE BANK and MODERN BANK), a department of Organisation Development in TRADITIONAL BANK and MODERN BANK and a department of strategy in CLASSIC BANK.

In terms of the specialist teams, the findings emerging from our analysis in chapter 7 indicate that there was a trend in the banks examined to cluster several generalists under one specialist’s domain (department or position). The reasons for this practice included addressing budgetary and cost constraint, the inadequacy of depth and breadth of skills of HR employees that were needed to develop separate centres for specialists and generalists. Additionally, the HR function in the three small foreign
case-study banks was operating with few HR staff which necessitated the clubbing of some activities under one position. However, we found that the clubbing of activities resulted in the complexity of reporting of generalists to specialists which resulted in the addition of administrative and transactional tasks to the workload of the specialists. This impeded the efforts of the specialist heads to spare time for developing specialist policies which were then managed at the level of the corporate HR team or HR Head (in WESTERN BANK, ANGLO BANK and TRANSCO BANK). As a consequence the latter were unable to participate actively in strategy formulation which was the intended motive behind the structural change. Hence, we found that this change in the HR structure in the case-study banks could only achieve limited development in expertise as no Centre of Expertise was established. Further, in conformity with Keegan (2004) we found that mere change in the structure of the HR function, with the intent to attain strategic role orientation is not sufficient evidence that the function has started to perform a strategic role.

Our third and last major finding pertaining to changes in the HR function, relates to the role of the Relationship Managers. This position was created in five case-study banks (VINTAGE BANK, CLASSIC BANK, TRADITIONAL BANK, MODERN BANK and GLOBAL BANK) and was similar to that of an HR business partner. Our stance is grounded in extant research (Caldwell, 2003; Ulrich et al., 2008; Ulrich and Brockbank, 2005) to the extent that it states that the HR business partner may either be aligned by department or region. This is because our findings highlight that the Relationship Managers were aligned either by business units (TRADITIONAL BANK), geographic regions (CLASSIC BANK and GLOBAL BANK), or both (VINTAGE BANK and MODERN BANK) and they followed a dual reporting relationship with HR and regional or business heads. However, our findings deviate from those of the body of literature cited above with respect to the role performed by the Relationship Managers. In this case, we found that in all the domestic banks, the Relationship Managers regardless of the basis of alignment, did not provide strategic input to line managers. Thus, we suggest that Relationship Managers were similar to the HR business partners in the approach adopted to align them but they did not conform to the role of a business partner, as ascribed in existing literature as they primarily facilitated routine operational work rather than strategic work.
Additionally, our findings pointed to the fact that the intent behind the institution of Relationship Managers was to facilitate the attainment of a strategic HR role by developing them into HR business partners. However, this potential was lost due to the insufficient skill-set of these managers (lack of business skills) which impeded their development in this role. Another factor impeding this aspiration was the pressing demand of line managers for enhancing the efficiency and effectiveness in service delivery due to which the Relationship Managers served as a virtual mini HR function to the line managers, aiding them in their day to day activities. Consequently this became their mandate and the corporate HR team felt that they had gone native as they did not integrate their respective domains with the overall HR strategy. A probable reason for the lost opportunity to develop them as business partners (strategic role) can be attributed to the early development stages of the HR function in which the emerging concept of an HR business partner was not completely understood.

The only bank in our sample where the position and role of a business partner was evident was GLOBAL BANK. The business partners in this bank worked in tandem with the line managers to ensure that the HR perspective was inculcated in the decisions made by their respective business units. Hence, they performed a strategic role as ascribed in previous studies by Ulrich et al., (2008), Pickard (2004) and Ulrich and Brockbank (2005). Also, GLOBAL BANK was the only exception in our data set where the three legged model of Ulrich was implemented. In line with research by Ulrich (1995; 1997), Ulrich and Brockbank (2005) and Francis and Keegan (2006) we found the presence of business partners who functioned as generalists to provide strategic input. Also present was a centre of expertise that provided specialist input in various HR practices and acted as a reference point for line managers, as suggested by CIPD (2007) and a centre for shared services that provided the operational support. The centre for shared services has previously been cited by Ulrich et al., (2008) as being responsible for transactional work and for providing benefits of efficiency is service delivery.

After having discussed the influence of the structure of the HR function on the attainment of the strategic HR role (or otherwise), we now integrate into our discussion the last influencer examined in this research which is the skill-set of HR
employees. Our study revealed that across the case-study banks and to a greater extent in the domestic banks, the skill-set of the HR personnel varied to quite an extent. This was a result of the composition of the employees who performed in the HR function. There were a significant number of employees who were young and newly hired; they had professional qualifications but lacked experience and the necessary skill-set to perform in the capacity of specialists and strategic partners.

In the domestic banks, there was an equally strong representation of incumbent employees who were less qualified but at times with more experience. However, they lacked both the skill-set for emerging roles such as the strategic business partner and for performing operational work which required learning of new skills such as IT and communication skills. Hence, we agree with the findings of Truss and Katz (2002) and Caldwell (2008) who state that there is a variance in the skill level of employees within the HR function. In these banks, senior and line managers contended that apart from the new emerging skill-set for HR employees, there was a need for function specific training as well, and more significantly HR employees needed to develop leadership and networking skills to improve the profile of the HR function and to represent its perspective assertively. Previously Ulrich and Brockbank (2005) and Caldwell (2008) have also identified network skills and personal credibility as skills required by HR personnel in addition to business knowledge which they propose is key for HR employees in developing a deeper knowledge of the business and providing meaningful input. Hence, we suggest that the skill-set of HR employees needs to be assessed from multiple angles which include their qualification, experience and HR specific training because their combined affect determines the strength or otherwise of the skill-set.

Further, our findings also highlighted that the two areas line managers felt the HR employees lacked most in and thus needed to develop included, business knowledge and strategic orientation because of which they felt the HR function had a weak strategic role. Thus, we can confirm the findings of Inyang (2010), Ulrich and Brockbank (2005) and Caldwell (2008) who found that the HR employees needed to develop expertise in the business domain in order to perform in any strategic capacity. An exception was GLOBAL BANK where the due to the role of the HR business partners, there was a mixed perception with line managers reporting that
some HR managers had developed business acumen but that they also needed to
develop depth in the area. Therefore, aligned with Tamkin et al., (2006), we also
found that the lack of business acumen impeded the ability of the HR managers to
perform in the strategic role of a business partner. Hence, we conclude that not
much significant change was evident in the skill-set of HR employees but the
awareness to overcome the most obvious inadequacies in the skill-set (business
acumen and strategic orientation) which were directly related to the dispensation of a
strategic role was evident. In addition to the low profile of the HR function and HR
Head, the lack of devolution and underpinned reasons for changes in the structural
configuration of the HR function, it was the lack of a skill-set in the emerging role of
a business partner that appeared to impede the intent of the HR function to adopt a
strategic role.

8.6. Implications for theory, methodology and future research
The findings and theoretical implications emerging from this study hold significant
value for researchers and practitioners alike. In this section, we discuss the
theoretical, methodological and future research implications of our study, to
highlight our contribution in the back drop of the limitations faced. It is hoped that
in future, studies examining the role of the HR function (whether strategic or
operational), will be able to further extend the debates emerging from this study.

The study employed a predominantly qualitative research design; data was collected
through 85 in-depth interviews of HR managers, senior managers, line managers and
two industry experts, in an attempt to incorporate the views of multiple stakeholders.
Also, the absence of prior related data in Pakistan’s setting which could have
provided this study a context was covered by the interviews of the two industry
experts. The case study method was chosen to report the data in order to embed the
findings in the context of the banking sector of Pakistan, especially the eight case-
study banks studied. Our intention was not to generalize the findings of this study
but it was to understand the why and how of the influences which facilitated and
impeded the attainment of a strategic orientation in the role performed by the HR
function. The sample of eight case-study banks was sufficiently deep to cultivate a
contextual and reflective insight into the strategic role of the HR function.
Considering that our research primarily focused on the state of the HR function and
more specifically, the complex understanding of its role (mainly strategic or operational), the data gathered through the case study method addressed these requirements. However, to increase the generalizability of the findings, at least to the extent of one sector, our sample banks included both foreign and domestic banks of all sizes (large, medium and small) and within the latter category privatized and private banks. This was done to include all the major categories of banks and to as comprehensively as possible, cover the nuanced findings emanating from this varied sample of banks.

The theoretical implications of this research extend across the realm of International HRM to add the perspective of Pakistan. Our contribution in this area highlights that weak institutions create person / individual centric rather than system centric process, policies and procedures that are prone to adhoc decisions and practices. Also, the individual centric systems are not sustainable in the long-term as they depend on the status, profile and strengths of individuals and may lose their position, role, efficiency and effectiveness with the separation of individuals from the organisation. The HR function in the domestic case-study banks depicted this situation. Additionally, when systems start to develop (like the HR function in this research), the new roles required of them become a challenge, especially if the skill-set of employees has not been upgraded on a consistent basis. Also, the internal shifts in power of the different stakeholders in such organisations start to impede the pace of development, as was evident in the mindset of line managers in the case-study banks who found it difficult to marginalise their own role and to accept the HR function in a different role / capacity. Further, the phenomenon of reverse devolution is also evident in such organisations because traditionally the line managers have dominated the decision making related to the activities of the HR function and thus find it difficult to devolve the power of decision making back to the HR managers.

Moreover, the organisations in a state of development tend to look towards more established organisations and benchmark their practices and systems. Consequently, there are instances where systems, processes and procedures are adopted in part which result in hybrid systems and a transition phase that is confronted with ambiguities, conflicts and complexity. This was evident in the domestic case-study
banks that underwent transformation both structurally and operationally as a result of the reforms and the introduction of the policies of deregulation and privatisation. The reforms included the introduction of, or upgrade of the HR function in the case-study banks. Apart from the influence of the socio-economic policies of a particular country, a change in the growth pattern of various sectors like the services or manufacturing sector can also influence the pattern of work, composition of workforce and the skill-set required to perform the job. Our study highlights that the growth in the service sector increased competition which lead to the introduction of new products and services. This created the need for hiring employees with a different skill-set from that available in the internal labour market which placed pressure on the HR function to revamp the HR practices and more significantly their implementation. Hence, the focus on improving service delivery and producing creative ideas to achieve operational excellence in service delivery so line managers can achieve their business goals / objectives.

Within the confines of HRM, we add based on our research the idea that when the HR function is developing in an organisation, there are greater opportunities in the domestic rather than foreign organisations to perform in a strategic role, although this is a difficult task. This is because our research highlights that the HR function in the foreign case-study banks was restricted as many HR policies and systems were cascaded down from the global HR function. However, as stated, despite the innumerable opportunities for developing a strategic role, there are obstacles like legacy issues, historically low profile of the HR function and the out dated skill-set of HR employees which impede the efforts towards achieving a strategic role orientation.

The methodological implications of this research broadly relate to the framework we identify in chapter 2 and the contested definition of the various phenomenon investigated in this research. While extant literature predominantly investigates one or few indicators of the evidence of a strategic HR role such as the presence of the HR function in the boardroom or the profile of the CEO and their personal attributes, our research integrates a broader set of indicators. This approach towards research design provides a more holistic and integrated understanding of the relationship between the different indicators and how they collectively define the role of the HR
function. Further, we also integrate in our research the influencing factors of devolution, HR structure and HR skill-set which has sparingly been done in extant research. Our contention for adopting this approach (integrating indicators and influencers of a strategic role) emanates from the fact that evidence of a strategic HR role or the influence of particular HR elements (HR structure for example) on the strategic role do not provide a holistic view. For example, if the indicators are studied in isolation, they may provide answers to the questions of what role is being performed by the HR function, or the presence of a particular role (strategic). However, the indicators cannot reveal why and how particular HR roles emerged or did not emerge. Hence, in our view, a broader framework is more appropriate to study the state of the HR function and the role it performs.

Additionally, the strategic role of the HR function as reported in our research is a contested phenomenon. Not only is the concept / definition of different terms/phenomenon ambiguous, but the terms are also employed interchangeably and thus lack definitional clarity to some extent. Devolution, evidence of a strategic HR role and HR business partners are some examples of this. Our research described these notions distinctly to some extent, by defining and grounding the scope and scale of the phenomenon into clear dimensions. Also the human resource management literature distinguishes between the strategic and operational role of the HR function and the nature of this distinction whether a dichotomy or continuum is still contested. Our results suggest conceptualisation of this phenomenon on a spectrum rather than a dichotomy where the HR function involves itself in both roles. However, this can be made possible through future studies which adopt a more rigid format such as a closed-ended questionnaire which limits the options for the participants to respond within and thus increases the potential of converging on a few but more widely accepted definitions.

Related to implications for future studies, we highlight the limitations within our research which provide avenues for future research. While the sample of eight case-study banks enhanced the generalizability of the findings of this study, at least in one sector, it restricted a deeper analysis of relationships at the micro-level which can influence the role orientation of the HR function. Our findings highlighted the divergence in the views of HR and line managers and the underlying conflicts and
tensions between these key stakeholders which have previously been studied in research, in the context of the role-set theory and negotiated evolution theory. It is suggested that future studies can focus specifically on a more holistic rather than embedded case approach to identify the complex nature and entangled relationships between the multiple stakeholders in an organisation to respond to some interesting questions such as: How and why can the perceptions of line managers affect the image of the HR function in an organisation and the resultant influence it can wield in an organisation? How can the differences in the powers, image and resources of different stakeholders in an organisation influence the role orientation of the HR function? How can the dominance of one stakeholder / group over another in an organisation affect the level of influence and discretion each has in the strategic decisions of the organisation?

A cross comparative case analysis technique was used to report the current state of the HR function across the eight case-study banks in our research but this choice did not enable us to study the patterns of change. Hence, it is suggested that future studies in the context of changes in the HR function in Pakistan or other Asian countries where such research is limited, needs to employ a longitudinal research design. The longitudinal research approach is employed by researchers in the West to study the change in the strategic role of the HR function, to describe patterns of change and to establish the direction and magnitude of the change. Such research can provide answers to critical questions which may include the following: What different stages of evolution had the HR function undergone before achieving its current state and orientation? Which stage of evolution has been the most critical in shaping the current stage that the HR function is in? Which drivers are common between the different evolution stages and why? Which drivers were unique and particularly related to a specific evolutionary stage? If such a design is employed in the integrated study of the strategic role of the HR function and the impact of influencing factors on this role, historical trends in the relationship can become more evident.

Additionally, the case-study organisations all related to one sector in Pakistan (banking). The selection of this sector can be justified on the basis of wide reforms (organisational and managerial) in the sector due to privatization and deregulation.
which resulted in changes in the state of the HR function across the banks, regardless of their size, ownership and market coverage. However, this single sector study restricts the application / implications of the findings made herein as they cannot be extended across other sectors. Hence, future research can consider a cross sector sample to examine whether these findings can be extended to other organisations operating in different sectors across Pakistan. It can address questions such as: Which are the key regulators and professional bodies in the different sectors and how do they influence the role of the HR function? Is there a direct sector level influence on the role adopted by the HR function or does it act as a mediating variable only? Which other organisational and environmental factors mediate the relationship between the sector related variables and the role adopted by the HR function?

Further, our research identified one bank (GLOBAL BANK), as an exception in most thematic areas analysed possibly because it was structured very differently from the other case-study banks. However, the sample size (eight case-study banks) restricted a very detailed and deep investigation into the reasons for this exception. Future studies can adopt a single case design approach to enhance the ability of the researcher to probe deeper and investigate even the most minor aspects that may be underlining the unique phenomenon occurring in this bank. It can address questions such as: Which factors are resulting in a willing devolution of HR responsibilities to line managers by the former: How are the features in the structure of the HR function facilitating this devolution? Which other factors embedded in the role orientation of the HR function may be facilitating a relatively better strategic orientation of the HR role in the organisation?

Finally, it can be stated that this research was scoped in a certain theoretical and methodological framework but that altering these lines of investigation, future research can contribute more towards the development of prescriptive models that can provide further guidance to practitioners working in the corporate sector of Pakistan. More specifically, our research provides guidance to practitioners in the areas of structuring the HR function to attain a strategic role, developing mechanisms which can bridge the perceptual divide between HR and line managers and identifying the obstacles which can impede the adoption of a strategic role by the HR function. Also, our research can aid academics in extending the debates on
HRM and the role of the HR function in the context of Pakistan which is currently under-researched in literature.

8.7. Conclusion
The strategic role (or otherwise) performed by the HR function forms the foundation of our research which attempted to explore the presence of a strategic role and the influence of contingent factors such as devolution, the HR structure and the skill-set of HR employees, on shaping the role adopted by the function. This research was an effort to cultivate a methodical, structured and coherent understanding of the strategic role of the HR function and the influencing factors which tend to facilitate or impede the development and dispensation of this role. Hence, our study addressed the question of the nature of the role played by the HR function in the case-study banks examined in Pakistan and whether the role being performed could be termed as strategic.

Firstly, broadly stated, our study was unable to establish with much certainty, the significant presence of a strategic role of the HR function as opposed to its traditional operational / administrative role, in the case-study banks examined in Pakistan. However, there was evidence of an intended shift towards adopting a strategic role. This signifies that despite the intent and aspiration of the HR function to perform a more strategic role and the accompanied changes in its structure, extent of devolution and skill-set of HR employees, it is yet some distance away from significantly contributing in the strategic realm. Secondly, our analysis indicated a low level of devolution of HR activities to line managers; resultantly, the HR function was unable to increase its strategic role. Thus, devolution did not influence the role of the HR function in a manner which could enhance its strategic contribution. Thirdly, we found that the structural changes in the HR function which were outwardly made with the intent to enhance the strategic role of the HR function, did not result in considerable, meaningful outcomes. Fourthly, the skill-set of the HR employees appeared to be inadequate in terms of the business acumen and strategic outlook which impeded the strategic contribution by the HR employees.

The detailed conclusions based on our findings highlight the presence of a contested definition (from the perspective of HR and line managers) of the strategic role of the
HR function and a lack of clarity on what constitutes and provides evidence of the presence of a strategic role. We employed distinct dimensions to evaluate the nature and degree of presence of a strategic role and uncovered distinct features that led to the lack of strategic orientation of the HR function in the case of the case-study banks examined. Although the HR Head had a direct reporting channel with the senior managers, it was not represented on the board of directors in any case-study bank. The HR representation in management committees and the upper tier of decision making was mostly a token presence that was generally devoid of much strategic input. An institutionalised HR function was found to develop a better strategic relationship with line managers and was facilitated by organisational contingencies to attain a larger, strategic role in the organisation. Conversely, in the absence of a strong, institutionalised HR function, the disposition, personality and profile of the HR head became more significant and where the HR Head embodied the HR function, he derived his influence from his business knowledge and past corporate experience.

Further, we conclude that The HR function in the case-study banks primarily exhibited a reactive, short-term and transactional focus in its interventions and the dispensation of its activities. Also, the involvement and participation of the HR function in the organisational / departmental strategy formulation process was found to be weak. Other than the more obvious indicators examined, the underlying and embedded factors such as the generally, early development stage of the HR function, the deeply ingrained legacy of a personnel style of management and the mindset of line managers created impediments for the HR function to assume a strategic role. The senior managers were largely less willing to provide discretion to the HR function in the dispensation of HR activities and line managers appeared less convinced on the extent of the strategic value the HR function could potentially add to the organisation. Additionally, the HR function itself displayed a weak will and low resolve to assert its point of view at the strategic level, in especially two domestic banks (VINTAGE BANK and TRADITIONAL BANK), due to the embedded factors highlighted above.

In addition to the role of the HR function, three main discursive themes emerged from our study, one of which was the effort made by the HR function to devolve HR
activities to line managers. The other two include the effort to re-configure the structure of the HR function and an assessment of the skill-set of HR employees. However, these efforts largely fell short of enabling the HR function to develop a strategic role and to involve itself in the strategic decision making processes of the case-study banks, to any significant extent. The intended strategic impact of these influencing factors was mitigated because of the following reasons. Firstly, related to devolution, the study revealed that the contested comprehension of devolution and the contrasting perception of both stakeholders on what devolution entailed exacerbated the tensions in their relationship. In two domestic case-study banks reverse devolution appeared to have occurred because line managers had traditionally dominated the decision making in the HR domain, as well. Further, certain key challenges impeded the devolution of HR practices to line managers. These included the disdain of line managers for HR work, the conflicting priorities (focus on business goals), their lack of people management skills and the concern related to restrictive HR policies.

Secondly, we found that the structural changes in the HR function which were intended to facilitate the adoption of a strategic role by the function were largely unable to introduce and strengthen this role in the case-study banks. This is because no significant strategic input or involvement of the specialist cluster Heads, Relationship Managers and the Corporate HR team was evident in the activities performed by the HR function. A plausible reason for this was that the underlying drivers for change in the structure such as, achieving consistency, control, standardisation, cost effectiveness and operational excellence diverted most of the resources and time of the HR personnel in this direction. Hence, the focus shifted from achieving the long-term strategic role to performing the operational role with greater effectiveness. This was a consequence of the early development phase of the HR function in the domestic banks at least, where the HR function had yet to build its credibility in the operational arena as well.

Further, the presence of few specialists / experts in the HR function resulted in the adoption of mechanisms such as clustering and segmentation to fill this void. Hence, specialists were assigned administrative activities (which consumed most of their time), in parallel with their specialist responsibilities which impeded their efforts to
develop specialist centres. Consequently, line managers continued to rely on the input of specialists in the Corporate HR team for issues in service delivery; this curtailed the time available to them for planning strategic initiatives and participating in strategy formulation processes. As a result, both the Corporate HR team and the specialists were generally unable to enhance their strategic input and the profile of the HR function as a strategic partner in the case-study banks. GLOBAL BANK was an exception where the function was clearly structured into three distinct segments with the responsibilities for providing specialist input (centre of expertise), operational support (shared services centre) and strategic input (business partners). In four other banks (VINTAGE BANK, CLASSIC BANK, TRADITIONAL BANK and MODERN BANK), positions of Relationship Managers were created with the intent to involve the HR function with strategic matters tied to the business units and regions with whom they were associated but this intent at enhancing the strategic role of the HR function was also largely impeded. This was due to the lack of strategic orientation, business acumen and skills of the HR employees placed in these positions. Also, the demand of line managers for operational excellence limited their strategic role and virtually reduced their mandate to that of providing operational efficiency.

In conclusion, based on our research, we can suggest that unless senior management provides support to the HR function, line management accepts the HR function in a strategic role and the HR function asserts its resolve, the intent of the HR function to become strategic may not achieve success. Further, it is also important that the HR practices are devolved to the line managers to create time for the HR function to undertake strategic initiatives, the HR structure is configured to truly facilitate the adoption of a strategic role and the HR employees are equipped with the requisite skill-set. In the absence of these initiative, at best, a shift in the HR function towards developing a strategic role may be evident, as in our case-study banks, but the dispensation of a significant strategic role may not be realised.

Hence, this thesis contributes to the academic as well as practitioner perspective. From the academic perspective, this research contributes to the longstanding and contested phenomenon of the strategic role of the HR function by creating a better understanding of this highly complex phenomenon, in the context of Pakistan and
more specifically the eight case-study banks. Our research not only contributes by substantiating the findings of the Anglo-Saxon literature in the setting of Pakistan, but it also highlights the significance of integrating multiple indicators and influencers in order to develop a deeper understanding of the *how and why*, in studies of the HR function. This can generate further debates in international HRM literature as well as the research on HRM in Pakistan which is currently quite insignificant.

From the practitioner’s perspective, this research provides value for HR and line managers in the corporate sector of Pakistan which has yet to draw benefits from academic research. A key finding highlighted in our research is the intent / aspiration of the HR practitioners in the case-study banks in Pakistan to acquire a more strategic role albeit with limited success. This thesis can enhance the understanding of practitioners (HR Managers, line managers and senior managers) related to the nuanced complexities and intricacies of devolution, the HR structure and the HR skill-set, along with the factors which impede their influence to develop a strategic HR role. This research can also benefit the organisations operating in Pakistan, where the HR function is still in the early phase of its development.
Bibliography


Appendix A

INFORMATION SHEET

TITLE: The strategic role of the HR function in the banking sector of Pakistan: Analysis of evidence and influencing factors

RESEARCHER NAME: Naukhez Sarwar

SCOPE OF RESEARCH: This research endeavours to investigate the role the HR function is performing in the banking industry of Pakistan. Our objective is to highlight and identify the extent of the strategic orientation of the HR function through an examination the HR-line relationship, the structure of the HR function and the skill-set of HR employees because literature indicates the latter’s influence on the role of the function. We study these factors in conjunction with the role of the HR function due to their apparent connection which makes it important to study the combined influence of these factors on the orientation of the HR function. The intent of this study is to broaden the basic understanding of SHRM to a multifaceted level representative of its complexity.

RESEARCH OBJECTIVES:

1. What is the current state of the HR function in the banking sector of Pakistan and to what extent, if at all, is it performing what can be termed a strategic role?

2. How has the devolution of particular HR responsibilities to line managers influenced the HR function’s intent to attain a strategic role orientation?

3. How have the characteristics of HR structure and HR skill-set influenced the strategic role orientation of the HR function?

OTHER INFORMATION:

Participants in the research will be required to take part in an interview and the confidentiality of the content of the interview and the anonymity of the participants will be ensured. Caution will be exercised during the course of the research not to subject the participants to any discomfort, pain or risk. Further, the participant is not obliged to take part in the research and can withdraw at anytime during the course of the study.
Appendix B

Faculty of Humanities

Consent Form for Participants Taking Part in Student Research Projects

Title of Project: The strategic role of the HR function in the banking sector of Pakistan: Analysis of evidence and influencing factors

Name of Researcher: Naukhez Sarwar

School: MANCHESTER BUSINESS SCHOOL

Participant (volunteer)

Please read this and if you are happy to proceed, sign below.

The researcher has given me my own copy of the information sheet which I have read and understood. The information sheet explains the nature of the research and what I would be asked to do as a participant. I understand that the research is for a student project and that the confidentiality of the information I provide will be safeguarded unless subject to any legal requirements. She has discussed the contents of the information sheet with me and given me the opportunity to ask questions about it.

I agree to take part as a participant in this research and I understand that I am free to withdraw at any time without giving any reason and without detriment to myself.

Signed: …………………………………………………………………………………

Date: ……………………………

Family Name BLOCK LETTERS: ……………………………

Other Name(s) BLOCK LETTERS: ……………………………

Researcher

I, the researcher, confirm that I have discussed with the participant the contents of the information sheet.

Signed: …………………………………………………………………………………

Date: ……………………………
Appendix C-I

Questionnaire for HR Managers

1. How many people are employed in your HR function (please include all whose job is in HR, regardless of reporting lines)?

2. How can you best describe your job in broad terms?

   Prompt for: Board member, HR manager, Business partner, HR specialist, Shared Service etc.

3. Compared with five years ago, has your HR function grown, stayed the same or reduced?

4. Reference to the previous question, please share examples of exactly which level you feel the change has occurred in and why?

5. Has your HR function changed its structure over the last five years? If so how?

   Prompt for: Have you added generalists? Specialists? Is there a corporate HR team? Shared Services etc?

6. Which drivers primarily resulted in the changes? Were they related to your concerns, line managers concerns or senior managements concerns?

7. Reference to the previous question, can you please specify what these concerns were in detail and why they were considered significant enough to compel the changes?

   Prompt for: cost reduction? Improvement in service standards? Repositioning HR? increased business focus etc.

8. Reference to the previous two questions, can you prioritize these drivers in order of their significance?

9. Overall, what, if any, have been the main challenges of restructuring of the HR function?

   Prompt for: Defining roles, resistance to change, inadequate technology, objections from line managers etc.
10. Have you introduced centralized provision of administrative services (Shared services)? If yes how and if no why? Which are the obstacles which impeded this initiative?

11. If you have introduced centralized provision of administrative services, what benefits have you seen and how?

12. If you have introduced shared services, what problems have you faced and to what extent?

13. Have you introduced HR business partners?

Prompt for: Are there any other structural changes which may be similar to the positions of a business partner?

14. What, if any, benefits have you seen in introducing business partners? Explain in detail how they relate to changes in the orientation of the HR function role?

15. What, if any, problems have you had with the business partner role? Explain how they may have impeded the aspiration to become more strategic?

16. Have you introduced centre for specialist services? Why? Why not?

17. Which HR practices have you placed in the specialist teams and why? If you have not opted for specialization, please explain why?

18. What, if any, benefits have you seen from introducing centres of expertise and specialist teams? Please give examples to clarify.

19. What, if any, problems have you had from introducing the specialist teams?

**HR'S ROLE AND ACTIVITIES**

20. What would you say is the primary role of HR in your organization? How do you define a strategic HR role orientation and what do you think entails this role?

21. What are the main objectives of your HR function? Please elaborate and prioritize your responses.
22. Please indicate how important you think each of the following is likely to be as driver of change in people management policies and practice in your organization in the next three years. (The researcher kept marking the responses in the appropriate columns).

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<td>Employee needs</td>
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<td>Benchmarking against good HR practice</td>
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<td>Culture/Values of the organization</td>
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<td>Globalization / competitive pressure</td>
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23. Which activities do you specifically perform and which three are most important in your view for the organization?
Prompt for: Business strategy, implementing HR policies, developing HR strategy and policy, providing specialist HR input to wider business issues, providing support for line managers etc.

24. Is the HR function represented in the board of directors and management committees? Why? Why not? How do you think it has influenced its role orientation?

25. Do you think the personality of the HR Head has any influence in the direction of its role orientation? If yes, how does it influence the strategic role of the function?

26. Does the HR department participate in strategy formulation forums? Who participates and how often? Do you feel this participation is meaningful and to what extent?

27. Do you feel the HR function is proactive or reactive in nature? Why or why not? Please elaborate with examples.

28. Is the focus of the initiatives more long-term or short-term? Justify your response with examples.

29. Do you feel the HR function’s focus is on transactional or transformational activities? Please justify your response with examples.

30. Please indicate how responsibility is allocated between the HR function and the line in terms of how decisions are taken in the following areas. (The research kept marking the relevant columns).

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31. Did you find any intention on the part of line managers to take more responsibility for people management issues than that stated in the previous question? Why or why not?

32. What do you feel has impeded the devolution of HR activities? Which line issues can you highlight that are creating these issues? Which issues of senior management do you feel have created hurdles and why?

33. Are there any issues emanating from the function itself or its staff creating problems? Which are these issues and what problems are they creating?

**HR SKILL-SET**

34. Please indicate which three of the following list of competencies/capabilities you believe are (1) most important to establishing the function’s effectiveness and credibility in the organization, and (2) its biggest challenge in terms of acquiring or developing these skills:

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<tr>
<th>Competency</th>
<th>(1) Most Important</th>
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<td>Influencing /Political skills</td>
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35. What means are you adopting to narrow these skill gaps?

36. How have the changes to the way HR is organized influenced careers within HR? Please elaborate.

Source: Adapted from CIPD (2007), The Changing HR Function: Transforming HR.
Appendix C-II

Questionnaire for Line Managers

1. How can you best describe your job in broad terms?

2. Compared with five years ago, has your bank grown, stayed the same or reduced? Please elaborate.

3. Reference to the previous question, please share examples of the changes in the bank and the reason for the changes

   Prompt for: size, ownership, strategy, structure, Products.

4. Has your HR function changed its structure over the last five years? If so how?

   Prompt for: Have you added generalists? Specialists? Is there a corporate HR team? Shared Services etc?

5. Which drivers primarily resulted in the changes? Were they related to your concerns, HR managers concerns or senior managements concerns?

6. Reference to the previous question, can you please specify what these concerns were in detail and why they were considered significant enough to compel the changes?

   Prompt for: cost reduction? Improvement in service standards? Repositioning HR? increased business focus etc.

7. Reference to the previous two questions, can you prioritize these drivers in order of their significance?

8. Have you introduced centralized provision of administrative services (Shared services)? If yes how and if no why? Which are the obstacles which impeded this initiative?

9. If you have introduced centralized provision of administrative services, what benefits have you seen and how?

10. If you have introduced shared services, what problems have you faced and to what extent?
11. Have you introduced HR business partners?

Prompt for: Are there any other structural changes which may be similar to the positions of a business partner?

12. What, if any, benefits have you seen in introducing business partners? Explain in detail how they relate to changes in the orientation of the HR function role?

13. What, if any, problems have you had with the business partner role? Explain how they may have impeded the aspiration to become more strategic?

14. Have you introduced centre for specialist services? Why? Why not?

15. What, if any, benefits have you seen from introducing centres of expertise and specialist teams? Please give examples to clarify.

16. What, if any, problems have you had from introducing the specialist teams?

**HR’S ROLE AND ACTIVITIES**

17. What would you say is the primary role of HR in your organization? How do you define a strategic HR role orientation and what do you think entails this role?

18. What are the main objectives of the HR function? Please elaborate and prioritize your responses.

19. Please indicate how important you think each of the following is likely to be as driver of change in people management policies and practice in your organization in the next three years. (*The researcher kept marking the responses in the appropriate columns).*

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20. Is the HR function represented in the board of directors and management committees? Why? Why not? How do you think it has influenced its role orientation?

21. Do you think the personality of the HR Head has any influence in the direction of its role orientation? If yes, how does it influence the strategic role of the function?

22. Does the HR department participate in strategy formulation forums? Who participates and how often? Do you feel this participation is meaningful and to what extent?

23. Do you feel the HR function is proactive or reactive in nature? Why or why not? Please elaborate with examples.
24. Is the focus of the initiatives more long-term or short-term? Justify your response with examples.

25. Do you feel the HR function’s focus is on transactional or transformational activities? Please justify your response with examples.

26. Please indicate how responsibility is allocated between the HR function and the line in terms of how decisions are taken in the following areas. (The research kept marking the relevant columns).

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27. Did you feel any hesitance on the part of HR Managers to devolve HR activities to line? If yes, Why?

28. Are there any issues emanating from the HR managers in this regard? Are there any concerns of line managers which have impeded efforts of devolution?

**HR SKILL-SET**

29. Please indicate which three of the following list of competencies/capabilities you believe are (1) most important to establishing the function’s effectiveness and credibility in the organization, and (2) its biggest challenge in terms of acquiring or developing these skills:
Influencing /Political skills

Understanding of HR practices

Empathy/communication/listening skills

Leadership ability

Strategic thinking

Business knowledge

Negotiating skills

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<td>Negotiating skills</td>
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</table>

30. What means is the management/HR function adopting to narrow these skill gaps?

31. How have the changes to the way HR is organized influenced careers within HR? Please elaborate.

Source: Adapted from CIPD (2007), The Changing HR Function: Transforming HR.
VINTAGE Bank
Human Resource Department

CEO & President

Head Retail Consumer Banking

Head HR

GM – HR Strategic Planning, Resourcing, Comp. & Ben., RM HR Retail & Consumer

GM – HR Operations & Employee Relations

GM – Industrial Relations & Disciplinary Action

GM – RM HR (North)

RM HR International Banking

SM – RM HR Corporate Banking

SM – Relationship Management (Central), HR Strategies
CLASSIC Bank
Human Resource Department

CEO & President

Head HR

Division Head
Compensation & Training (South)
- Compensation Manager
- Department Head Training

Department Head HR Administration
- Executive Secretary
- Manager HR Associate Admin

Department Head HR Strategy Planning
- Manager HR Associate Strategy

Divisional Head HR Financial Services
- Manager Disciplinary
- HR Project & Policies

Department Head Employee Relations
- Manager Industrial
- Senior Manager Relationship
- HR Relationship Associate

Divisional Head OD & Recruitment
- Manager HR Policies, Development & Procedure
- HR Relationship Manager
- Manager HR Marketing, Branding &
- Manager HR Manpower, Planning an
GLOBAL Bank
Human Resources Department

CEO

Head HR

HR Regional Head MENA

Coordinator

Head of HR – CB (Business Partner)
Head of HR – GTO & Risk (Business Partner)
Head of HR – WB & Support (Business Partner)
Head of Resourcing & Reward (Centre of Expertise)
Head of Employee Relations
Head of HR Service & Delivery (Shared Services)
Head of Learning & Talent Development (Centre of Expertise)

RM - CE
RM - RISK
RM – Support
Recruitment Mgr-CB
Manager Mgr-CB
RM - North
RM - Central
Recruitment Officer

RM - Assets
RM – GTO
RM - WB
Manager Reward

Keys:
CB – Consumer Banking
GTO – Global Technology & Operations
WB – Whole Sale Banking
MENA – Middle East and North Africa

Manager Induction
Manager Benefits
Funds Officer
Manager People Soft
Manager Payroll

Asst Manager HR
Payroll & Final Settlement Officer
Payroll Officer

Manager L&TD
Manager L&TD
Manager L&TD
Manager L&TD
Manager L&TD
Subject: Request for conducting PhD research

Dear Sir,

I am a faculty member and have been serving at the Business School of the National University of Sciences & Technology (NUST) for the past ten years. I am currently enrolled in the PhD programme at the Manchester Business School (MBS), University of Manchester U.K.

I have successfully completed my coursework and am now in the fieldwork stage. I will be returning to serve at the university for a period of 05 years after completion of my studies. I have chosen the banking sector of Pakistan for conducting my research because I feel it will benefit the university and my students. Also, the knowledge which I hope to gain of the Pakistani organizations is most relevant in this regard. The approved topic of my research is “The evolution of the HR function role in the banking industry of Pakistan” and my supervisor is Prof. Damian Grimshaw who is a widely published researcher in the field. Further, I assure you of complete anonymity and confidentiality of the data obtained from your organization.

In view of the above, I request that you may kindly grant me approval to conduct research in your bank and assure you again of full confidentiality of data and information relating to your bank. I look forward to developing a healthy relationship with your organization.

Sincerely Yours

Naukhez Sarwar
PhD Candidate MBS
-- Dec 2008