

Strategic Human Resource Development: Shifting Paradigm in Nepalese Listed Companies

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Abstract

This paper explores the level of Human Resource Development (HRD), involvement of Human Resource (HR) managers in strategic decisions, sharing HR responsibility and changes of line management roles for HRD programs in publicly traded business corporation of Nepal. Data was collected using structured questionnaire from line management and HR managers of 105 organizations based on unit of analysis that have at least five years of establishment of age, and analyzed. It is observed that the mission statements crafted by most of the organizations at the corporate level do not follow any common trend while formulating HRD strategies. The selection rate of HR managers from internal sources of organizations is fairly larger while appointing HRD managers and the trend of involving HR manager for strategy formulation is increasing. This study contributes to the existing theory of HRD and helps to execute the policies and programs by Nepalese business managers, to accelerate the overall business performance.

Keywords: *Human Resource Management, Human Resource Development, Strategy, Organizational performance, Nepal*

1. Rationale to Examine HRD in Nepal

The pace of development of economic liberalization was slow in Nepal before 1990 though the process of economic liberalization was started in 1985. After the restoration of democracy in 1990, the government initiated major policy reforms to liberalize the economy. The Industrial Policy of 1992 emphasized deregulation, encouraging competition and reliance on market forces. Government of Nepal encouraged domestic and foreign investors through licensing, tax facilities, foreign direct investment, and institutional arrangements. Efforts were made to encourage private investors and to maximize utilization of managerial and technical skills, modern technology, and foreign capital in for promoting industries in the country. Although the

government initiated a number of reforms in the last 20 years, the economy has not responded positively in terms of GDP growth. Despite all these efforts, the process of liberalization and deregulation could not lead to substantial development (Adhikari, 2008).

Nepalese decision makers are now facing two types of challenges: on the external side, they have to cope up with many unexpected changes in external environment due to rising competition especially in the service sector, weak form of liberalisation and deregulation, longstanding political instability, lack of proper institutional mechanism for enforcing rules and regulations, rising unemployment and low growth rate are the major external forces exerting pressure in internal performance management systems. Internally, they

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have to take number of initiatives to rise capability of employees, making them ready to meet the external challenges.

There are challenges relating to strengthening employees' motivation, declining morale, deteriorating corporate culture, poor staff empowerment, lack of harmonious relations between management and employees and fewer initiatives in the development and implementation of equal employment opportunities (CRANET 2004). Organizations specifically indicated challenges relating to the development of senior managerial staff to raise their contributions to achieve organizational goals. Many employers have felt that they are having unproductive staff and therefore it is difficult to use them cost effectively (CRANET, 2004). Many organizations have provisions for training and developing potential of all employees through competence development, career development, training with specific reference to new technology and further training and education. However, very few of them have practiced these provisions. The money spent on training is very little in proportion to the annual payroll. In Europe, such investment is between 2 and 4 percent on an average (Brewster and Hegewisch, 1994). However, Nepalese organizations spend 0.5 percent of annual pay rolls to employee development programs (Adhikari and Gautam, 2006).

The Labour Act 1992 is not properly implemented at the organizational level because of the lack of proper HR and institutional mechanism (Adhikari and Gautam, 2010). For example, almost 61 per cent have not provided appointment letter, 77 per cent of organizations have not reappointed their temporary workers even after completing 240 days etc. as per the rules of Labour Act, 1992. There is no clear link between the corporate plan and the manpower plan, especially in public enterprises (Gautam, 2008). Training is still regarded as a cost factor. Devolvement of HR responsibility in line managers is likely to be limited by both the prevailing power structures and the limited skills (Gautam and Devis, 2007).

In public enterprise there is no link between the result of performance evaluation and other HR activities

such as, training and development, reward management etc (Adhikari, 1999). Except in joint venture banks, jobs are not interesting in terms of the challenges they offer to workers and employees in public enterprises (Adhikari, 1992). Workers are moderately satisfied with their working conditions. They feel little threat of layoff. A large number of supervisors and workers are not familiar with the current policy of the organization (Adhikari, 1992). The present level of pay is one of the most dissatisfying factors on the job for all workers. Workers are also dissatisfied with their personal life because of the large number of family dependents.

The above empirical facts show that the new HR roles are evolving in Nepalese organizations. Organizations give place to HR chiefs in board meetings; HR chiefs are also called to participate to contribute at the time of business strategy formulation; line managers are engaged in HR related activities; and majority of HR chiefs are recruited from the non-HR background. From the analysis it appears that, on the one hand there are a number of HRD challenges; on the other hand there are evidences of some new HRD initiatives. One of the reasons of less invitation to HR managers from the outset in the meeting of business strategy formulation is that they are unable to display the required competencies (Barney and Wright, 1998). In context of Nepal, Adhikari and Gautam (2007) found that HR managers lack the necessary skills to perform their duties competently that might be the reason of excluding large number of HR managers from early invitation in strategic business planning meeting.

2. Objectives of the Paper

Due to the continued development of public corporations, there is a need to examine the initiatives taken by authorities of these organizations regarding human resource development. In this regard, this study aims to elucidate the awareness and perceptions of top managers regarding the role of HRD in their organizations and to examine empirically the strategic linkage of HRD policies and practices in the publicly listed companies of Nepal.

3. Methodology

A survey-based exploratory cum descriptive research design is applied to undertake this study in publicly listed companies of Nepal. The structured questionnaire survey was undertaken assuming an individual organization as a unit of analysis. At the time of survey during the end of 2010 and beginning of 2011, there were 175 listed business organizations operating in Nepal according to Nepal Stock Exchange (NEPSE, 2011). Though, questionnaire is sent to the total population; only 105 valid questionnaires were received. Thus, the overall response received was 60 per-cent, which is fairly larger response. The profile of responding organizations and respondents is presented in Table 1.

To measure the different aspects of HRD, questionnaire were constructed by modifying the existing measures of established studies such as Brewster and Hegewisch, 1994; Budhwar and Sparrow, 1997; Jackson et al., 1989; Budhwar et al., 2002, Brewster et al. 2004.

Considering Nepalese organizational culture similar to Indian culture, the survey assistants scheduled time to meet senior managers (CEO or HR manager) of selected corporate organizations to collect data directly. A printed questionnaire was developed and provided to them to fill up and briefly explained at the time of that meeting. This method proved very effective to collect the relevant information because the survey assistants

can clarify any confusing question at the time of filling the questionnaire. Respondents were reminded many times through telephone and questionnaires were collected by meeting them. When the respondent misplaced some questionnaires, additional copies of the questionnaire were provided to them personally and followed by phone calls.

4. Analysis

All HRD related activities of the organizations are carried out by HR department of the organization except very few organizations established formal HRD department. Most of the respondent belief that the existence of effective HR department helps to lead towards more effective management of human resources that supports to achieve the development of coherent set of human resources. The formally existence of HR department by 67 percent of the sample organizations shows HRD related activities are managed by HRM department and 9 percent of the sample units have formal existence of HRD section mainly in large corporations. Similar to the results of Gautam (2008) it denotes that still some Nepalese business organizations (which are in the case of 24 percent of sample units) involve to maximum utilization of their human resources giving priorities to line management alone.

The study reveals that 62 percent of the respondents have worked with in the field of HRD or HRM in

Table 1. Details of responding organizations and respondents

Main Sector of Business	Total Population (N)	Number of Responding organizations (row wise %)	University Degree of respondents on Business Administration (row wise %)	HR Manager as respondents (percent)
Commercial Banks	23	15 (65)	80	12 (80)
Manufacturing and Processing	18	12 (66.7)	42	8 (66.67)
Insurance Companies	19	15 (78.9)	60	9 (60)
Finance Companies	62	44 (71)	59	22 (50)
Development Banks	39	8 (20.5)	50	6 (75)
Others	14	11 (78.6)	18	7 (63.6)
Total	175	105 (60)	55	64 (61)
Employees Organizations (%)		Years		
25- 50 43		Mean year of service of respondents		
51-100 23		Mean year of service of HR manager		
101-300 17		Mean year of age of organization		
More than 300 17				

their previous job recruited either from within HR department or from personnel specialist outside the organizations. The job titles of the respondents include HRM manager, head of HRD section, and personnel administrator. Much less than Indian practices (Budhwar and Boyne, 2004), 27 percent of sample units appoint HR/ HRD manager from personnel specialist outside the organizations.

Selection of HR managers from internal sources of organizations is a common practice while appointing HR/HRD manager fairly at a larger rate than Indian public and private companies. It supports the earlier argument of Gautam (2008); Adhikari and Gautam, (2006), because cost minimization strategy dominates rest of other business strategies (Table 2).

Literatures widely demonstrate a positive relationship between HRD and organizational performance (Koch and McGrath, 1996). Regarding the overall contribution of HRD in the organizational performance, 21 percent of the organization's respondent suggested that their HRD function has effectively contributed to the management. On the other hand 67 percent think that it has contributed only a small extent; 12 percent believe that HRD has not contributed at all to any change in their organizations. It shows that necessity of HRD has realized by Nepalese business organizations but the programs, policies and strategies related to HRD are not effectively formulated and implemented.

Seventy-one percent organizations studied have written mission statement, 52 percent have written

business strategy, and 26 percent have written HR/HRD strategy. These figures clearly state that although a large percentage of organizations have written and unwritten mission statements no similar pattern is followed to formulate written and unwritten business and HR/HRD strategies. This finding is different from previous CRANET (2004) study, which indicated that 56 percent organizations of Nepal have written HR strategy. As far as the involvement of HR/HRD department in the development of business strategy in Nepal is concerned, only 15 percent organizations are involving their HR managers from the outset. HR managers in Nepalese organizations are less consulted during business strategy formulation in comparison to Indian organizations (Budhwar and Sparrow, 1997). Still 39 percent organizations are not consulting HR/HRD managers at any stage of business strategy formulation. This result shows a poor opportunity for integrating HR/HRD issues in different stages of strategy formulation (Table 3).

Altogether 70 organizations (67 Percent out of 105 respondents surveyed) have HR/HRD department headed by manager in publicly listed business corporation of Nepal. Out of them, nearly forty percent organizations have not consulted their HR/HRD manager while formulating business strategies. Of those who consulted are on the phase of consultation and on implementation stage. Such a trend of less proactive personnel management is further evident from the less existence of written HR/HRD strategy and clear HR work programs for the implementation of HR strategy. This result reflects the strategic integration

Table 2. Source of selection of HRD Manager

Main sector of Business	From where HR/HRD manager recruited (%)				
	From within the HR dept.	From non personnel specialist of orgn.	From personnel specialist outside orgn.	From non personnel specialist outside orgn.	Others
Commercial Bank	47	7	40	6	-
Manufacturing and Processing	50	25	17	8	-
Insurance Companies	33	27	33	-	6
Finance Companies	27	25	21	16	11
Development Bank	50	13	25	12	-
Others	27	18	37	9	9
Total (N=105)	35	21	27	10	7

Table 3. Involvement of HRD Manager in the development of business strategy

Main sector of Business	Involvement of HRD manager while formulating business strategy (%)			
	from the outset	through consultation	on implementation	not consulted
Commercial Bank	33	27	20	20
Manufacturing and Processing	17	25	33	25
Insurance Companies	13	20	40	27
Finance Companies	9	16	23	52
Development Bank	13	12	50	25
Others	18	9	18	55
Total (N=70)	15	18	28	39

Table 4. Primary responsibility of HRM issues

Main Issues of HRM	Primary responsibility and decisions assigned to (%)			
	Line management alone	Line mgmt. in consultation with HR dept.	HR dept. in consultation with line mgmt.	HR department alone
Pay and Benefits	29	37	27	7
Recruitment and Selection	26	33	31	10
Training and Development	23	35	32	10
Performance Appraisal	23	33	31	13
Labor Relation	27	30	31	12
Health and Safety	27	39	24	10
Workforce Expansion/ Reduction	33	35	25	7

and proactive nature of organization, which is slowly recognizing and the trend of participation for formulation of business strategy either through consultation or through implementation (Table 4).

In Nepal, only eight percent organizations among surveyed, indicate that their HR manager has the place on board of directors which shows that HR issues are not prime agenda in board meetings. Further, all they mentioned that HR issues if raised in board meetings, CEO bears the full responsibility. It clarifies that most of the HR strategies, policies and programs are not formulated from the board, might be crafted from the top management with the consultation of HR department. This result widely differs with previous CRANET (2004) survey and much less than Indian practices (Budhwar and Sparrow, 1997). The conclusion reached because of bypass of HRM/ HRD department over strategic decisions might be wrong because Company Act-2006 (clauses 86 and 88) which is the main regulating act for public companies mentions the composition of BOD and there is very less chance for HR manager to reach in the place of BOD. The main challenges of HRD

are the lack of sufficient funds (73 percent), training to HRD staff (44 percent), unsuitable organizational climate (21 percent), and resistance of line managers to change (9 percent). The situation regarding the assignment of HRD responsibility to line managers is dominated by line management alone rather than expert's involvement.

The situation regarding the change in responsibility of line management for different HR functions in the past there years shows the trend of increasing role of line management over the three years while making primary decisions on pay and benefits, recruitment and selection, and training and development. The challenge for the future appears to lie in sustaining a balance between line management and HR department. Although the data support to some extent the level of shared responsibility between line management and HR department, there is no significant role of HR department to maintain the balance of partnership (Table 5).

Despite the general statement about the potential for partnership, it is also apparent that there is

Table 5. Change of line management responsibility over 3 years

Main sector of business	Organizations that change line management responsibility over 3 years on Major HRM issues (%)		
	Increased	Same	Decreased
Pay and Benefits	50	45	5
Recruitment and Selection	51	45	4
Training and Development	45	48	7
Performance Appraisal	50	43	7
Labor Relation	26	68	6
Health and Safety	35	60	5
Workforce Expansion/ Reduction	45	51	4

considerable uncertainty and disagreement that HR is integrated with the line management. This is due to the cutbacks in the size and resources for HR function. A question is raised as how insufficient resources invested can achieve an effective partnership. It could be well that this has led to a situation where line managers feel slightly less supported by HR department.

5. Conclusion

The existence of explicit form of mission statement in many organizations indicates that they are able to define their commercial rationale and target markets. Commercial banks of Nepal are more concerned to produce successful performance because they focus on business strategy to build a stronger long-term competitive position. Among the total respondents, only half mentioned that they have either implicit or explicit HR strategies in their organizations. Nearly fifty percent organizations indicate that they have either no or do not know about HRD strategy, which is much higher and uncomfortable. From this analysis, it can be concluded that all Nepalese business organizations are not felt necessary to design HRD strategies, though they are aware to formulate mission statement and to some extent business strategy. A review of Western literature on HR roles shows that the significant changes in the previous roles are noticed due to the changes in HR internal and external contexts as discussed earlier. Consequently, the role of HR professionals has also changed. Interestingly, like many developed countries of the

West, there have been changes in the HRD context in Nepalese businesses. They started to recognize strategic integration and felt the need of proactive for HRD strategies formulation and implementation. Data support to some extent the level of shared responsibility between line management and HR department, some organizations started to craft written and unwritten HR/HRD strategies. The main reasons for not proper formulation and implementation of HRD policies, program and strategies are lack of sufficient funds, rare training to HRD staff, unsuitable organizational climate, and resistance of line managers to change.

The development of HRD needed various skills that facilitate to raise meaningful participation of HR experts in the BOD, to contribute in business strategy formulation, to engage line managers in HR decision making and to develop mechanism implementing HR initiatives. Therefore, it is recommended to business executives of Nepal that HRD should utilize strategic planning methods and employ the technology of system analysis for a holistic approach to personnel development and performance management. In this dynamic environment of 21st century, HRD should focus on transformational management emphasizing institutional leaders to assist in the transition to the restructuring of Nepal and new work culture-preparing skilled leaders and change agent for the creation of information society. It should be decentralized in operation and accountability and placed high priority by corporate executives to synergistic training, education, and networking.

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