Tanzania Journal of Development Studies, Vol. 20, No. 2, 2022: 68–84

The Relationship Between Human Resource Competencies and Firm Performance: The Case of Financial Institutions in Tanzania

Elly Tumsifu[*]

Abstract

This paper sought to identify human resource competencies that influence the performance of financial institutions in Tanzania. The competencies were assessed based on five domains: strategic contribution, personal credibility, business knowledge, human resource delivery, and internal consultation skills. Otherwise, business growth, financial and market performance were used to assess business performance. The standardised multiple regression coefficients were used to determine the position of competencies in influencing the performance of financial institutions based on data collected from 118 respondents. The results show that strategic contribution is the most important competency influencing the performance of financial institutions. Internal consulting competency was the least important of the five competencies. Human resource delivery was more important than business knowledge and personal credibility in order of importance. The results suggest that recruiting and developing people who can make a strategic contribution to a business is important for growth, followed by the ability to ensure better human resource delivery, business knowledge and personal credibility in order of importance. The study extends the theoretical framework to the effect that while organisations or companies are man-made entities that rely on people to achieve their goals, the contribution of human resources consists of a set of competencies that are specific to a particular business environment. Based on the findings, we propose a model of human resource competencies that shows the range of human resource competencies and their impact on overall performance, and on specific performance indicators. In doing so, we find that competencies are not mutually exclusive, but rather mutually reinforcing, and that this interaction is the basis for economic rent, competitive advantage and performance.

Introduction

Economic liberalisation, combined with financial sector reforms, has led to an explosion of financial institutions and related financial services in Tanzania. Among the factors driving this growth is the ability to rapidly capitalise on alternative channels such as agency, mobile and Internet financial services (EY, 2021). As a result, competition between financial institutions is intensifying. This has increased the need for adequate human capital, whose capabilities and competencies are measured in terms of knowledge, skills and experience that define success (Kabuye et al., 2017; Nguyen & Leclerc, 2011). By focusing on competencies, we are able to

[*] University of Dar es Salaam Business School: elly@udsm.ac.tz, tom_tim2000@yahoo.com

link different types of competencies to the performance of financial institutions (Lubis et al., 2022). Yet, there are large differences in performance among providers in Tanzania (EY, 2021), suggesting an unbalanced growth in the financial sector caused by differences in human resource competencies (HRC) among financial service providers.

As competition increases, human resource (HR) studies that emphasise the role and HRC are essential (Lubis et al., 2022; Huselid et al., 1997). That is, competencies and capabilities are seen as relevant to adding value to organisations, especially in a changing environment where banks and other financial institutions are transforming to embrace, among others, the changes in technology that are also associated with customer-demand changes. The raison d'être is that human resource competence defines the other requirements of organisational resources, and realises their potential (Kohont & Brewster, 2014; Colbert, 2004). Therefore, a superior HR is necessary to manipulate other resources (Elly, 2011; Rivard et al., 2006). Ultimately, success is seen as the ability of an organisation to acquire, create and release the value of its resource endowment through its human resource base, which creates organizational capabilities necessary for task performance (Esho & Verhoef, 2020).

In the practise of human resource management (HRM), it is believed that people are the most important assets of organisations (Esho & Verhoef, 2020; Sparr, 2018; Armstrong, 2006); and that the performance of an organisation largely depends on the knowledge, skills, experience and motivation of its employees (Becker et al., 2001). Thus, the performance of an organisation depends on the type of human resources used to acquire, develop, nurture and release the potential and value of other resources (Elly, 2011). Consequently, human resources and their competencies determine the internal and external capabilities of an organisation, which in turn determine its competitive advantage and performance. The literature shows that organisations are operating in the age of human capital (O'Toole & Lawler, 2006), where effective management of human resources is critical to organisational performance. If human capital is indeed becoming increasingly important in financial institutions, one would expect those responsible for designing, developing, managing and—in some cases—providing the systems to attract, select, train, motivate and retain human capital, to be a critical resource for such organisations. Because of their knowledge of human performance, HR professionals are well-positioned to provide strategic leadership and contribute significantly to an organisation's competitive advantage (Khaw et al, 202; Sparr, 2018; Lawler & Mohrman, 2003).

For an organisation to survive and succeed in an increasingly competitive environment, it should efficiently use all the resources at its disposal to create value. This requires appropriate alignment of all activities (HR, marketing and finance, among others) to achieve the strategic goals of a company (Chadwick & Flincbaugh, 2021; Wright et al., 1994). This means that companies are only able to determine an appropriate course of action if the HR component has the appropriate competence (Chadwick & Flincbaugh, 2021; Chadwick, 2017). Human resource management practises suggest that employees are not just people, but valuable resources on which the performance of an organisation largely depends (Tran. & Vo, 2020; Armstrong, 2006). Financial capital, technology and organisational processes alone are of less use as they could also be easily acquired or bought and copied by potential competitors. The difference, therefore, lies in the relevant skills, knowledge and experience directed towards these resources and their use to create value. Competitive advantage, therefore, lies in the hands of people; and in the skills, knowledge and experience they bring to, and share with, a particular organisation (O'Reilly & Pfeiffer, 2000).

Chadwick and Flincbaugh (2021), and Buller and McEvoy (2012), point out the fact that previous research is inconclusive regarding the relationship between strategy, human resource management practises and organisational performance. Although the literature on human resources is rich in terms of the types of competencies that HR professionals should possess and the sources of HR competencies (Lubis et al., 2022; Huselid et al., 1997; Buckley & Monks 2004), it is lacking when it comes to the necessary competencies that would influence the performance of financial institutions. This paper seeks to identify, through an explanatory study, the necessary HRCs that determine the performance of financial institutions in the context of developing countries in general, and Tanzania in particular. Thus, it assesses and profiles HRCs that add value to the business performance of financial institutions.

Scope and Theoretical Context

Managers and supervisors who hold various positions in an organisation have a great impact on the success of an organisation. Their task is to build and nurture skills that help an organisation to select, develop and implement value-adding strategies. Clearly, these are the functions of key employees in the strategic positions of an organisation. This paper also argues that organisations that are better able than others to develop, nurture and implement these value-adding strategies will always have an advantage over others. In other words, the human resources of an organisation with such capabilities will be different from those lacking them, and this will be reflected in the performance of an organisation. In particular, authors from the resource-based perspective point out that such capability is useful to respond to market demand and important for value creation (Chadwick, 2017; Elly, 2011; Wade & Hulland, 2004; Sanchez et al., 1996). Chadwick and Flinchbaugh (2021) explain RBV as a strategic and broader perspective that includes HRM capabilities, intangible strategic assets and complementarities, among others. These firm-specific attributes explain the heterogeneity -- in terms of the human resource aspects -- of a firm in relation to performance. The tenants within the RBV framework are relevant in explaining the human resource competencies in the following discussion.

Competence is the ability to apply and transfer skills and knowledge in new situations or environments, with the intention of adding value to an organisation. Therefore, knowledge, skills, abilities, personality and attitudes that directly affect a person's performance are considered to determine competence (Becker et al., 2001). Both knowledge and the ability to apply that knowledge to meet stakeholders' expectations in a changing business environment form the basis of a person's competence. Therefore, one of the main tasks of an organisation is to develop competencies in line with its strategic directions. In other words, Salman et al. (2020) suggest that individual competencies are the basic unit of organisational competence. Chadwick (2017) further postulates that these idiosyncratic resources and capabilities enable organisations to generate human capital rents.

Moreover, we consider competence as the ability of a company to nurture and release other resources. Penrose (1959) thinks that a firm is an administrative organization and an accumulation of productive resources. In this resource-based view, a firm is seen as a bundle of resources, and its growth is determined by a management's search for the best use of the factors of production. The emphasis on the optimal use of resources suggests that human resources should rather be an important asset that defines the value of the resources available to a firm (see, also, Barney, 2001; Bharadwaj, 2000; Bhatt & Grover, 2005). A company gains a competitive advantage when it is able to implement a value-creating strategy that is not simultaneously implemented by its current or potential competitors. These resources include assets, capabilities, processes and procedures, attributes, knowledge and know-how that a firm possesses, and can be used to formulate and implement competitive strategies (Kabuye et al*.,* 2017; Barney, 2001). This suggests that competence is the intelligence, education and training that adds value to an organization through a better manipulation of its resources.

This view is based on two fundamental assertions: resource heterogeneity (the resources and capabilities that firms possess may vary), and immobility. Therefore, firms that possess or acquire these characteristics are—or will be—able to compete. In the financial sector, human resources are one component that can lead to the idiosyncratic and difficult-to-copy differentiators (Vokala et al., 2007). Other factors of production can be easily sourced from factor markets. However, when appropriate skills, experience and knowledge are embedded in the factors of production, unique capabilities emerge that define and differentiate organisational performance.

In the context of HRM, human resource systems could help sustain a firm's competitive advantage by facilitating the development of capabilities that are firm-specific, generate tacit organisational knowledge, and create complex social relationships embedded in a firm's history and culture. By adding, developing, integrating and releasing other resources over time, a unique advantage can be achieved. For financial institutions, competitive advantage comes not only from the accumulation of, or access to, assets, but from the use of such competencies/ capabilities; and the ability to leverage assets to create valuable products and services. Organisations create value by combining different types of resources (tangible and intangible), and supporting the interactions that can create financial potential.

Organisational competencies in the facets of HRM range from individual functions such as recruitment, performance management, strategic planning and designing organisational structure and culture. Therefore, there is a shift from viewing people as a workforce to a competitive force (Prastacos et al., 2002), and these specific competencies become essential in performing both technical and strategic functions of an organisation (Brockbank & Ulrich, 2003). These competences have an impact on business performance as they help HR professionals to respond to business strategy and create sustainable value. Five HR competencies are known for their potential to create value. These include: ***strategic contribution, personal credibility, business knowledge, HR delivery*** and ***internal advisory/consultation skills*** (Ulrich, 2016; Ulrich et al., 2012; Long, & Ismail, 2011; Brockbank& Ulrich, 2003).

Strategic contribution refers to the knowledge and ability to translate external business trends and stakeholder expectations into internal decisions and actions (Long & Ismail, 2011; Brockbank& Ulrich, 2003). It is about the ability to think and act from the outside at a strategic level. This attribute relates to, among others, culture management, ability to change quickly, making decisions strategically and market-driven orientation and connectivity (Long & Ismail, 2011). Due to the changing focus of various functions within an organisation, HR managers are not only tasked with the day-to-day management of people, but also with ensuring improved business performance by building sustainable business capabilities. They are expected to manage organisational culture, act as change champions (respond to rapid change) and build capabilities effectively. Demonstrating these capabilities requires a knowledge of the overall business conditions (social, economic, technological, political, environmental and demographic trends), customer segments, and the expectations of key stakeholders (customers, investors and employees). Ultimately, this capability empowers HR professionals to help shape the strategic responses and decisions of their organisations to ensure business success (Brockbank & Ulrich, 2003). Studies have found that strategic contribution is a significant part of the overall impact on organisational performance by facilitating rapid change, providing strategic input and creating customer-centric operations (Brock et al., 1999; Boselie & Paauwe, 2004; Brockbank& Ulrich, 2003).

However, ***personal credibility*** depends on the extent to which the professional and managerial staff of HR embody the values of the organisation and act with an appropriate attitude when addressing employees' problems to achieve results (Long & Ismail, 2011; Ulrich & Dale 1991). This is considered the second most important element of competence (Ulrich & Dale 1991). Its components can be grouped as social skills, integrity, accountability, confidentiality and ethical qualities (Ulrich & Brock, 1998). As activists, HR are expected to be proactive in responding to organisational needs, accepting challenges and taking initiatives. They are expected to be role models who keep promises, deliver results, have a reliable track record, help shape the profession of HR, and most importantly, build relationships with staff. With positive employee relationships, there will be clear, consistent and effective communication within an organisation that enables it to work effectively with others.

The literature indicates that ***HR activities*** are either strategic or technical in nature (Huselid et al., 1997). While strategic HR practises are designed to develop employees who support the business needs of an organisation, technical HR practises are administrative in nature and focus on traditional human resource management practises (Long & Ismail, 2011). Although traditional HR practises explicitly focus on recruiting, supporting, managing and rewarding workers, they can be considered strategic when used to achieve organisational goals such as improving the quality of, or developing, leaders. For companies to achieve better performance, it is the duty of HR professionals to ensure an effective delivery of such activities. These services include: employee development programmes through challenging work experiences and career planning services; facilitation of internal communication processes; organisational restructuring; measurement of HR practices, attracting, promoting, retention and transfer of suitable employees; and performance management through the design of performance-related measurements and reward systems, and the provision of competitive benefits packages (Long & Ismail, 2011;Boselie & Paauwe, 2004).

Business knowledge represents the effectiveness of a particular business. It serves as an important criterion for the design and implementation of human resource practises (Long & Ismail, 2011). If human resource practises are compatible with the business context, an HR department is more likely to be effective. According to Huselid et al. (1997), business knowledge is one of the broad competencies that help HR managers to act as business partners who develop effective HRM systems. Understanding the ins and outs of a particular industry helps HR employees to act as competence developers who can effectively define and build what a company is good at, and what it is known for. Examples of skills that HR professionals can create are excellent customer services, product and service development, speed of delivery, product and service quality, process and procedure efficiency, innovation and collaboration.

In addition, business knowledge helps to link HR practises to an organization's strategy. In this way, employees can help supervisors create meaningful work that connects to individual skills and values, eventually increasing employee motivation. This leads to high individual performance, and consequently better organisational performance. In this study, the following elements of organisational knowledge are adopted and adapted: understanding of corporate strategy and operations, value proposition, technological processes, organisational capabilities and the labour factor. Other elements of enterprise knowledge are in the areas of finance, marketing, operations and general management (Heisler, 2003). The HR competency is also considered from the point of view of internal consulting capability.

Firm Performance

Financial institution performance can be a broad concept that captures value for investors. However, there are a number of variables that have been used to measure firm performance (Elly, 2011). Financial measures such as profitability and profit ratios, market performance, cost leadership and differentiation have been suggested in the literature as ways to measure firm performance (Rivard et al., 2006). However, it is suggested (Dess & Robinson, 1984) to use non-financial measures when accurate objective measures are not available. Examples of non-financial aspects are the ratio of engaged to disengaged employees, customer loyalty index (customer satisfaction compared to competitors), and service quality index compared to competitors. This study adopts the performance measures of Rivard et al. (2006), Bhatt and Grove (2005) and Sheenan (2014), which present the financial, market and growth perspectives. These imply a host of financial and non-financial measures as further summarized in Table 1.

Table 1: Performance Measures Suggested by Different Researchers

SN	Author	Performance Measures
1	Droge et al.,(1993)	Return on investment (ROI), market share and market share growth, return on sales (ROS), sales per employee; return on Asset (ROA).
2	Bharadwaj, A. (2000); Barney, J.B. & Wright, P.M. (1998)	Market share; sales growth rates, productivity, profitability; customer satisfaction; market share)
3	Bharadwaj, A. (2000); Barney, J.B. & Wright, P.M. (1998)	Sales growth, profitability, customers satisfaction, market growth, firm growth and market share

Methodology

This study followed an explanatory research design that involved a cross-sectional survey of financial institutions operating in Tanzania. It looked at the performance of the financial institutions that is a reflection of over five-year period. Data was collected from 118 respondents representing financial institutions in Tanzania. According to the Bank of Tanzania (BoT) (https: //www.bot.go.tz/ Bank Supervision/ Institutions) Tanzania has 36 commercial banks, 760 microfinance service providers, and 4 microfinance banks. Out of these financial institutions, 35 commercial banks, 286 microfinance service providers and 4 microfinance banks operates mainly from Dar es Salaam. However, the final responses constitutes 27 respondents from commercial banks, 4 from microfinance banks, and 87 from microfinance services providers that were picked randomly to make a total of 118 respondents from Dar es Salaam-based financial institutions. The data collection tool consisted of the five competency areas (Long & Ismail, 2011): ***strategic contribution, personal credibility, business knowledge, HR delivery*** and ***internal advisory/consultation skills***. Performance was measured on three dimensions: financial performance, market performance, and business growth.

The five competency areas of HR comprised 40 items, which were subdivided as follows: strategic contribution (4 items), personal credibility (5 items), business knowledge (7 items), HR delivery (11 items), and internal consultation skill (12 items).

Company performance was measured by respondents' self-assessment in three areas comprising of 9 items: financial performance (3 items), market performance (3 items) and company growth (3 items). The collected data was analysed using correlation and multiple regression to test the influence of HR competencies on business performance. The regression model had the following parameters:

$$FP = \alpha + \beta_1 X_1 + +\beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon$$

Where

FP = Firms Performance
α = Regression intercept
β = Regression Coefficients
X_1= Strategic Contribution
X_2= Personal Credibility
X_3= HR Delivery
X_4= Business Knowledge
X_5= Internal Consultation Skills
ε = Error component

The reliability of the measurements was tested using Cronbach's alpha coefficients, as shown in Table 2. For all variables, the Cronbach's alpha values are greater than 0.5; and range from 0.683 to 0.927 (Frey et al., 2000). From the alpha coefficients obtained, it can therefore be concluded that the research instruments are reliable and consistent.

Table 2: Reliability Test

Variables	Items	Cronbach's Alpha
HR Competency		
Strategic Contribution	4	0.683
Personal Credibility	5	0.705
Business Knowledge	7	0.865
HR Delivery	12	0.859
Firm Performance		
Financial Performance	3	0.860
Market Performance	3	0.886
Firm Growth	3	0.696

The validity of the measurement was tested using correlation analysis. As shown in Table 3, correlation analysis (zero-order correlation) examines the extent to which HR competencies are correlated with organisational performance, and shows that the measurements are valid and measure what they claim to measure. The results show that all HR competencies are statistically significant. As expected, the directions of the relationships are positive, although there are some variations in the strength of the relationships.

Table 3: Inter-Correlation Matrix between HR Competencies and Firm Performance

	Variable	1	2	3	4	5
1	Firm Performance					
2	Strategic Contribution	.676**				
3	Personal Credibility	.394**	.655**			
4	Business Knowledge	.677**	.548**	.430**		
5	HR Delivery	.673**	.700**	.712**	.667**	
6	Internal Consultation Skills	.499**	.637**	.669**	.556**	.653**

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

Findings and Discussions

Introduction

The results discussed in the following sections are from the respondents, which included HR professionals, functional/line managers and department heads. Responses were received from 118 respondents, of whom approximately 56.9% were male and 43.1% were female. Respondents had human resource knowledge, and the vast majority had at least a Bachelor's degree. The results also show that about 59% of the respondents had work experience of 6–10 years, followed by those with experience of 11–25 years, and those with experience of 1–5 years (17%). The percentage of respondents with more than 15 years of experience was less than 6%.

Correlation analysis was used to determine the relationship between HR competencies and overall performance. The results (Table 4) show that all competency areas are statistically significant in terms of their correlation with financial performance. Strategic contribution received a Spearmen's rho value of 0.673 ($p < 0.000$), personal credibility (0.383, $p < 0.003$), business knowledge (0.650, $p < 0.000$), HR delivery (0.641, $p < 0.000$) and internal consulting skills (0.461, $p < 0.000$). These results are consistent with previous research by Boselie and Paauwe (2004) and Long (2008), and also Otoo (2019), where such strategic contributions were associated with financial competitiveness; while business knowledge was considered important for adding value to the HR function.

Table 4: Relationship of HR Competencies to Performance

Factors	Spearman's rho Correlation	Overall Firm Performance
Strategic Contribution	Correlation Coefficient	0.673**
	Sig. (2-tailed)	0.000
Personal Credibility	Correlation Coefficient	0.383**
	Sig. (2-tailed)	0.003
Business Knowledge	Correlation Coefficient	0.650**
	Sig. (2-tailed)	0.000
HR Delivery	Correlation Coefficient	0.641**
	Sig. (2-tailed)	0.000
Internal Consultation Skills	Correlation Coefficient	0.461**
	Sig. (2-tailed)	0.000

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

To further determine the contribution of HR competencies to financial institution performance, a three-outcome regression analysis was conducted to examine the relationship between HR competencies and financial, market and firm growth. The standardised coefficient values (beta) from the three regression models for the different HR competencies were assessed to validate the value of each HR competency on the above performance indicators.

Financial Performance

Table 5 summarises the results of the regression model used to examine the influence of HR competencies on financial performance. The results show that the five competencies of HR are responsible for about 54% of the variation in financial performance. The standardised coefficients indicate that business knowledge is the most important HR competency (β = 0.471). This is because the knowledge of environmental and organisational issues enables organisations to effectively tailor their human resource decisions to the complex and ambiguous environmental stimuli. Although these results are generally consistent with those of Heisler (2003), Boselie and Paauwe (2004), and Otoo (2019), they differ in the order and position they take with respect to each variable. Boselie and Paauwe (2004), for example, suggest that business knowledge adds value to the HR function rather than contributing directly to the financial performance of a company.

Table 5: The Influence of HR Competences on Financial Performance

Variable	Unstandardized Coefficients	Standardized Coefficients	Std Error	t-value	Sig
Strategic Contribution	0.254	0.229	0.160	1.588	0.118
Business Knowledge	0.589	0.471	0.166	3.545	0.001
HR Delivery	0.448	0.350	0.219	2.047	0.046
Personal Credibility	0.125	0.105	0.181	0.692	0.492
Internal Consultation Skills	0.231	0.205	0.160	1.441	0.156
Constant	2.138		1.128	1.896	0.064
F 12.222					
Adj.R^2 0.496					
R2 0.540					
P 0.000					
N 118					

Influence of HR Competencies on Market Performance

The results in Table 6 show that the five competencies of HR account for about 53.6% of the variance in market performance. The standardised coefficients show that strategic contribution is the most important HR competency (β = 0.449). These results partially support the findings of Brock et al. (1999) and Boselie and Paauwe (2004), who found that strategic contribution accounts for a significant portion of firm performance by facilitating the ability to adapt to changing environment and creating customer-oriented operations, thereby increasing a firm's market share. Also, Sampurnawati and Agustina (2021) established a positive relationship between the two.

Table 6: The Influence of HR Competences on Market Performance

Variable	Unstandardized Coefficients	Standardized Coefficients	Std Error	t-value	Sig
Strategic Contribution	0.619	0.449	0.200	3.100	0.003
Business Knowledge	0.261	0.168	0.207	1.261	0.213
HR Delivery	0.365	0.229	0.273	1.336	0.187
Personal Credibility	0.275	0.186	0.226	1.218	0.229
Internal Consultation Skills	0.200	0.144	0.200	1.002	0.321
Constant	1.041		1.408	0.739	0.463
F 11.998					
Adj.R^2 0.491					
R^2 0.536					
P 0.000					
N 118					

The Influence of HR Competencies on Financial Institution's Growth

Table 7 summarises the results of the study of the influence of HRC on growth. The results show that the five competencies of HR are responsible for about 51% of the variation in the growth of financial institutions. The standardised coefficients show that strategic contribution and personal credibility are the most important HR competencies influencing business growth (β = 0.455, 0.454). In addition, HR delivery would contribute significantly to the model. Kaufman (2015a, b, c) suggests that competitive advantage from HR rests on the ability of firms to capture rents created from human capital. This means that strategic contribution can lead to growth of financial institutions in terms of the number of employees, number of branches and number of products/services offered. In addition, the results show that internal advisory/consultation capability is the less important HR competency that influences the growth of financial institutions (β = 0.022).

Table 7: The Influence of HR Competences on Financial Institutions' Growth

Variable	Unstandardized Coefficients	Standardized Coefficients	Std Error	t-value	Sig
Strategic Contribution	0.550	0.455	0.180	3.062	0.003
Business Knowledge	0.344	0.252	0.187	1.842	0.071
HR Delivery	0.517	0.371	0.246	2.105	0.040
Personal Credibility	0.589	0.454	0.203	2.897	0.005
Internal Consultation Skills	0.027	0.022	0.180	0.151	0.881
Constant	3.024		1.268	2.385	0.021
F 10.832					
Adj.R^2 0.463					
R^2 0.510;					
P 0.000					
N 118					

The role of HR stems from its contribution in many facets of a business. Firms need to grow in terms of markets, products and/or services (mainly through product and service innovation) and business models. In addition, a company could grow through a change in spectrum that defines a new business model. All this assumes that a given company is able to define resource needs, sourcing and deployment in the right combination, and for the appropriate task(s). Behind such a capability is HR, which is able to develop and implement strategies. To maintain this edge, HR functions should be able to deploy the required talents, develop staff to keep pace with desired growth, and ensure effective and efficient delivery of business objectives. In this sense, Tisch et al. (2016) argue that maintaining competitive advantage requires specific competencies that promote forward-looking production and continuous improvement. We argue that growth strategies can fail if resources are not realigned to create new value in a changing market.

The Influence of HR Competencies on Overall Financial Institutions' Performance

The results in Table 8 provide an overview of the influence of HRC on the overall performance of financial institutions. The model accounts for about 64.1% of the variance. This means that the five competencies of HR account for about 64.1% of the variance in the performance of financial institutions. The standardised coefficients indicate that strategic contribution (β = 0.436) is the most important HR competency influencing the performance of a financial institution.

Table 8: The Influence of HR Competences on Overall Firm's Performance

Variable	Unstandardized Coefficients	Standardized Coefficients	Std Error	t-value	Sig
Strategic Contribution	0.474	0.436	0.139	3.424	0.001
Business Knowledge	0.398	0.325	0.144	2.766	0.008
HR Delivery	0.443	0.353	0.189	2.339	0.023
Personal Credibility	0.330	0.282	0.157	2.104	0.040
Internal Consultation Skills	0.001	0.001	0.139	0.008	0.994
Constant	2.068		0.977	2.116	0.039
F 18.852					
Adj.R^2 0.606					
R^2 0.641					
P 0.00					
N 118					

This result confirms Wright and Ulrich (2017), who found that HR strategy is positively associated with employee productivity, machine efficiency and customer orientation. Eckardt et al. (2020), Heisler (2003), Brock et al. (1999), Boselie and Paauwe (2004): all found that strategic contribution accounts for a significant proportion of the overall impact on firm performance. Given the increased demand for HR, strategic contribution to overall performance is seen as critical. Nowadays, HR is involved in setting organisational strategies, and plays an important role in implementing set objectives. Thus, human resources are part of the important team that sets the overall goals of a company, and also determines the personnel required to implement a company's plan. From the resource-based perspective, HR defines the unique feature that is embedded in other resources, processes and strategies.

This idiosyncratic characteristic of a company cannot be easily eroded by competitor initiatives, and can therefore be a source of value. The value-creation process results, among other things, from the HR alignment and fit of tasks. It is also about the ability to translate requirements and goals into actions that lead to a meaningful outcome that is valued by customers and other stakeholders. Taken together, these requirements are embedded in an articulated HR function that can form an important integral part of an enterprise. Otherwise, the standardised coefficients show that internal consultation skills ($\beta = 0.001$) are less important among the five competencies. However, HR delivery is slightly more important than business knowledge and personal credibility.

Conclusion

Based on the results, we present a model (Figure 1) showing the human competencies required for each performance indicator assessed. In contrast to previous research, this paper presents the areas of human competencies that have an impact on the overall performance of financial institutions, as well as those that are more relevant to specific performance indicators. However, as the framework suggests, these competencies are not mutually exclusive, but rather mutually reinforcing, such that their interplay forms the basis for the economic rent for competitive advantage and superior performance (Saridakis et al*.,* 2017; Saima et al., 2013).

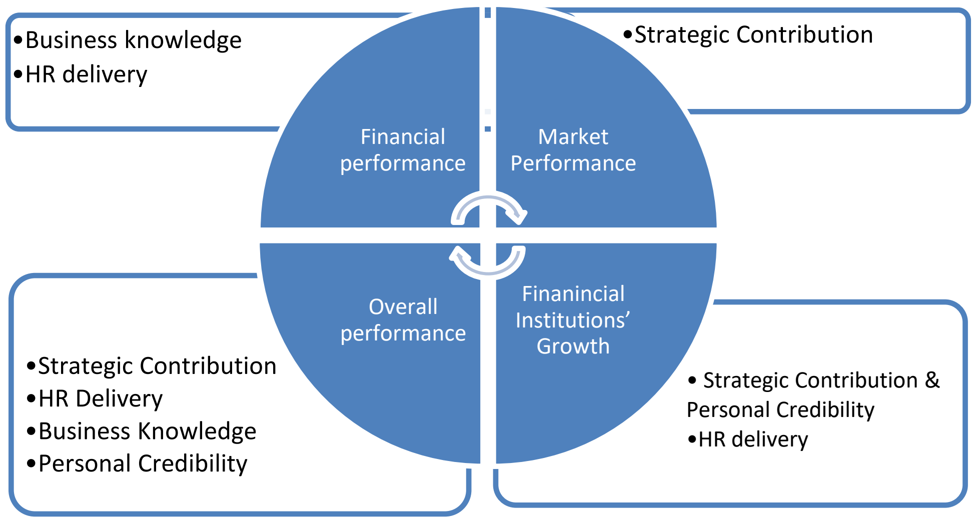

Figure 1: HR Competency and Financial Institutions Performance Scheme

The framework also reflects the assertion by Van Esch et al. (2018) and Salman et al. (2020) that HR is a valuable business resource that takes time to develop, making it a rare and unique resource that is useful for manipulating other factors of production. Therefore, developing human resource capability, in conjunction with an appropriate mix of tasks and other resources can take time, and first-timers have a greater advantage than others. From the perspective of financial institutions, strategic planning and aligning resources to execute plans is the core function that could determine performance. The role of employees is to develop such plans and execute them in line with the mission and objectives of an organisation, hence there is a positive relationship between competence and performance (Otoo & Mishra, 2018).

Thus, for a financial institution to grow, it is important to recruit or develop its human resources to contribute strategically to the business, followed by better provision of human resource delivery, business knowledge and personal credibility, in that order. In the case of financial institutions, the need to improve their financial performance suggests that the focus should be on business knowledge and the provision of human resource delivery. To achieve better market performances, financial institutions need to be strong in areas where their human resources make an important strategic contribution. The growth of financial institutions requires strong human resources that equally provide strategic contribution and personal credibility, while delivering better human resource performance.

References

Armstrong, M. (2006). *Strategic Human Resource Management*: A *Guide to Action*. Kogan Publications.

Barney, J. (2001). Is the Resource-Based View a Useful Perspective for Strategic Management Research? Yes. *Academy of Management Review*, 26(1): 41–56.

Barney, J.B. & Wright, P.M. (1998). on Becoming a Strategic Partner: The Role of Human Resources in Gaining Competitive Advantage. *Human Resource Management*, 37(1): 31–46.

Becker E. B., Huselid, A. M. & Ulrich, D. (2001). The *HR Scorecard: Linking People, Strategy and Performance*. Harvard Business School Press.

Bharadwaj, A. (2000). A Resource-Based Perspective on Information Technology Capability and Firm Performance: An Empirical Investigation. *MIS Quarterly*, 24(1): 169–196.

Bhatt, G. & Grover, V. (2005). Types of Information Technology Capabilities and Their Role in Competitive Advantage: An Empirical Study. *Journal of Management Information Systems,* 22(2): 253–277.

Boselie, P. & Paauwe, J. (2005). Human Resource Function Competencies in European Companies. *Personnel Review,* 34(5): 550–566. https: //doi.org/ 10.1108/ 00483480510 612512.

Brockbank, W. & Ulrich, D. (2003). *Competencies for the new HR,* Alexandria, VA: Society for Human Resource Management.

Buckley, F. & Monks, K. (2004). the implications of meta-qualities for HR roles. *Human Resource Management Journal*, 14(4): 41–56.

Buller, P.F. & McEvoy, G. G. (2012). Strategy, human resource management and performance: Sharpening line of Sight. *Human Resource Management,* 22: 43–56.

Chadwick C. & Flincbaugh C. (2021). Searching for Competitive Advantage in the HRM-Firm Performance Relationship. *Academy of Management Perspectives.*

Chadwick, C. (2017). Toward a More Comprehensive Model of Firms' Human Capital Rents. *Academy of Management Review*, 42: 499–519.

Colbert, B.,A. (2004). The Complex Resource-Based View: Implications for Theory and Practice in Strategic Human Resource Management. *Academy of Management Review*, 29(3): 341–358.

Dess, G, G. & Robinson, R. B. (1984). Measuring Organizational Performance in the Absence of Objective Measures: The Case of the Privately-held Firm and Conglomerate Business Unit. *Strategic Management Journal,* 5(3): 265–273.

Ebes, E. & G., Verhoef. (2020). A Holistic Model of Human Capital for Value Creation and Superior Firm Performance: The Strategic Factor Market Model. *Cogent Business & Management*, 7: 1, 1728998, DOI: 10.1080/23311975.2020.1728998.

Eckardt, R., Crocker, A. & Tsai, C.Y. (2020). Clarifying and Empirically Assessing the Concept of Human Capital Resource Emergence. *International Journal of Human Resource Management*, 1–28. Doi: 10.1080/09585192.2020.1800784.

Elly, T. (2011). The Nexus Between Information Systems Use and Firm Competitive Advantage. A Study of Small and Medium Tourism Enterprises in Tanzania. PhD thesis, University of Dar es Salaam.

EY. (2021). Tanzania Banking Sector Overview: A Review of the 2020 Calendar Year. Available at https: //assets.ey.com/content/dam/ey-sites/ey-com/en_tz/ey-tanzania-banking-sector-report.pdf.

Huselid, M.A., Jackson, S. E. & Schuler, R. S. (1997). Management Effectiveness as Determinants of Firm Performance. Academy*,* 40(1), 171–188.

Kabuye, F., Nkundabanyanga, S.K., Opiso, J. & Nakabuye, Z. (2018). Internal Audit Organisational Status, Competencies, Activities and Fraud Management in the Financial Services Sector. *Managerial Auditing Journal*, 32(9),924–944. https: //doi.org/ 10.1108/MAJ-09–2016–1452.

Kaufman, B.E. 2015a. Evolution of Strategic HRM as Seen Through Two Founding Books: A 30th Anniversary Perspective on Development of the Field. *Hum. Resour. Manag*., 54(3): 389–407.

Kaufman, B. E. (2015b). Market Competition, HRM, and Firm Performance: The Conventional Paradigm Critiqued and Reformulated. *Hum. Resour. Manag. Rev*., 25(1): 107–25.

Kaufman, B.E. (2015c). The RBV Theory Foundation of Strategic HRM: Critical Flaws, Problems for Research and Practice, and an Alternative Economics Paradigm. *Hum. Resour. Manag. J.*, 25(4): 516–40.

Khaw, K.W., Alnoor, A. & AL-Abrrow, H. et al. (2022). Reactions Towards Organizational Change: A Systematic Literature Review. *Curr Psychol*., https: //doi.org/ 10.1007/s12144–022–03070–6.

Kohont, A. & Brewster, C. (2014). The Roles and Competencies of HR Managers in Slovenian Multinational Companies. *Baltic Journal of Management,* 9(3): 294–313. https: //doi.org/10.1108/BJM-07–2013–0112.

Lawler, E. E. & Mohrman, S. A. (2003). HR as a Strategic Partner: What Does it Take to Make it Happen? H*uman Resource Planning*, 26: 15–29.

Long, C. S. & Ismail, W. K. W. (2011). An Analysis of the Relationship Between HR Professionals' Competencies and Firms' Performance in Malaysia. *International Journal of Human Resource Management*, 22(5): 1054–1068.

Lubis, A.S., Lumbanraja, P., Absah, Y. & Silalahi, A.S. (2022): Human Resource Competency 4.0 and Its Impact on Bank Indonesia Employees' Readiness for Transformational Change. *Journal of Organizational Change Management,* ahead-of-print. https: //doi.org/10.1108/JOCM-02–2021–0045.

Nguyen, N. & Leclerc, A. (2011). The Effect of Service Employees' Competence on Financial Institutions' Image: Benevolence as a Moderator Variable. *Journal of Services Marketing*, 25(5): 349–360. https: //doi.org/10.1108/0887604111114970.

Oehmichen, J., Heyden, M. L. M., Georgakakis, D. & Volberda, H. W. (2017). Boards of Directors and Organizational Ambidexterity in Knowledge-Intensive Firms. *International Journal of Human Resource Management,* 28(2): 283–306.

Otoo, F.N.K. (2019). Human Resource Development (HRD) Practices and Banking Industry Effectiveness: The Mediating Role of Employee Competencies. *European Journal of Training and Development*, 43(3/4): 250–271. https: //doi.org/10.1108/EJTD-07–2018–0068.

Otoo, F.N.K. & Mishra, M. (2018). Influence of Human Resource Development (HRD) Practices on Organizational Effectiveness: The Role of Employee Competencies. *International Journal of Management Studies,* 5(2/6): 110–124, Doi: 10.18843/ ijms/ v5i2(6)/13.

O'Toole, J., Lawler III, E. E. (2006). the *New American Workplace*. Palgrave Macmillan.

O'Reilly III, C. & Pfeffer, J. (2000). Unlocking the Hidden Value in Organizations. *Employment Relations Today*, 27(2): 63–80.

Penrose, E. (1959). *The Theory of the Growth of the Firm*. Oxford: Basil Blackwell.

Prastacos, G., Soderquist, K., Spanos, Y. & Van Wassenhove, L. (2002). An Integrated Framework for Managing Change in the New Competitive Landscape. *European Management Journal*, 20(1): 55-71.

Ramlall, S. (2006). Identifying and Understanding HR Competencies and Their Relationship To Organizational Practices. *Applied HRM Research*, 11(1): 27–38.

Rivard, S., Raymond, L. & Verreault, D. (2006). Resource Based View and Competitive Strategy: An Integrated Model of the Contribution of Information Technology to Firm Performance. *Journal of Strategic Information Systems,* 15(1): 29–50.

Rizvi, S., Teckchandany, S. & Ahuja, G. (2013). A Study of Competencies and Skill Sets Needed by Potential Recruiters in the Financial Sector for Management Graduates. *Management Dynamics*, 13(1): 54–69.

Salman, M., Ganie, S. A., & Saleem, I. (2020). The Concept of Competence: A Thematic Review and Discussion. *European Journal of Training & Development*, 44(6/7): 717–742. Doi: 10.1108/EJTD-10–2019–0171.

Sampurnawati, S. & Agustina, T. (2021). The Influence of HR Competence and Intellectual Capital on the Performance of MSMEs in Sasirangan Craftsmen . *Quantitative Economics and Management Studies*, 2(5): 326–334. Https: //doi.org/10.35877/454RI.qems277.

Sanchez, R., Heene, A. & Thomas, H. (1996). *Introduction: Towards the Theory and Practice of Competence-Based Competition.* Pergamon Press, Oxford.

Saridakis, G., Lai, Y. & Cooper, C. L. (2017). Exploring the Relationship Between HRM and Firm Performance: A Meta-Analysis of Longitudinal Studies. *Human Resource Management Review,* 27(1): 87–96. https: //doi.org/10.1016/j.hrmr.2016.09.005.

Sparr, J. L. (2018). Paradoxes in Organizational Change: The Crucial Role of Leaders' Sense Giving. *Journal of Change Management*, 18(2): 162–180. https: //doi.org/10.1080/ 14697017.2018.144669.

Storey, J., Wright, P.M. & Ulrich, D. (2019). *Strategic Human Resource Management*: A *Research Overview* (1st ed.). Routledge. https: //doi.org/10.4324/9780429490217.

Tisch, M., Hertle, C., Abele, E., Metternich, J. & Tenberg, R. (2016). Learning Factory Design: A Competency-Oriented Approach Integrating Three Design Levels. *International Journal of Computer Integrated Manufacturing*, 29(12): 1355–1375.

Tran, N. P. & Vo, D. H. (2020). Human Capital Efficiency and Firm Performance Across Sectors in an Emerging Market. *Cogent Business & Management*, 7(1): 1738832. https: //doi.org/10.1080/23311975.2020.1738832.

Ulrich, D. (2016). HR at a Crossroads. *Asia Pacific Journal of Human Resources*, 54(2): 148–164.

Ulrich, D., Younger, J., Brockbank, W. & Ulrich,M. (2012). HR Talent and the New HR Competencies. *Strategic HR Review*, 11(4): 217–222, https: //doi.org/10.1108/ 1475439 1211234940.

Ulrich, D. & Dale, L. (1991). Organizational Capability: Creating Competitive Advantage. *AMP*, (5): 77–92, https: //doi.org/10.5465/ame.1991.427472.

Vakola, M., Soderquist, K. E. & Prastacos, G.P. (2007). Competency Management in Support of Organisational Change. *International Journal of Manpower*, 28(3&4): 260–275.

Wade, M. & Hulland, J. (2004). Review: The Resource-Based View and Information Systems Research: Review, Extension, and Suggestions for Future Research. *MIS Quarterly*, 28(1): 107–142. Https: //doi.org/10.2307/25148626.

Wright, P.M., McMahan, G, C. & McWilliams, A. (1994). Human Resources and Sustained Competitive Advantage: A Resource-based Perspective. *International Journal of Human Resource Management*, 5(2): 301–326.

Wright, P. M. & Ulrich, M. D. (2017). A Road Well-travelled: The Past, Present, and Future Journey of Strategic Human Resource Management. *Annual Review of Organizational Psychology and Organizational Behavior*, 4: 45–65.