

## THE HIDDEN CHAMPION – HOW HR MAKES YOUR STRATEGY WORK

### HR as a strategic element

Financial Institutions (and especially MFIs) often suffer from a high employee turnover, thus, an inability to retain qualified and talented staff. One of the overarching reasons to explain this phenomenon is that HR in Financial Institutions (FI) is often regarded as a purely administrative function. The consequence of such a view is that the benefit of HR (and relatedly the HR department) mostly remains intangible as this perception misses out on the strategic importance that HR has – especially for service providers such as FIs.



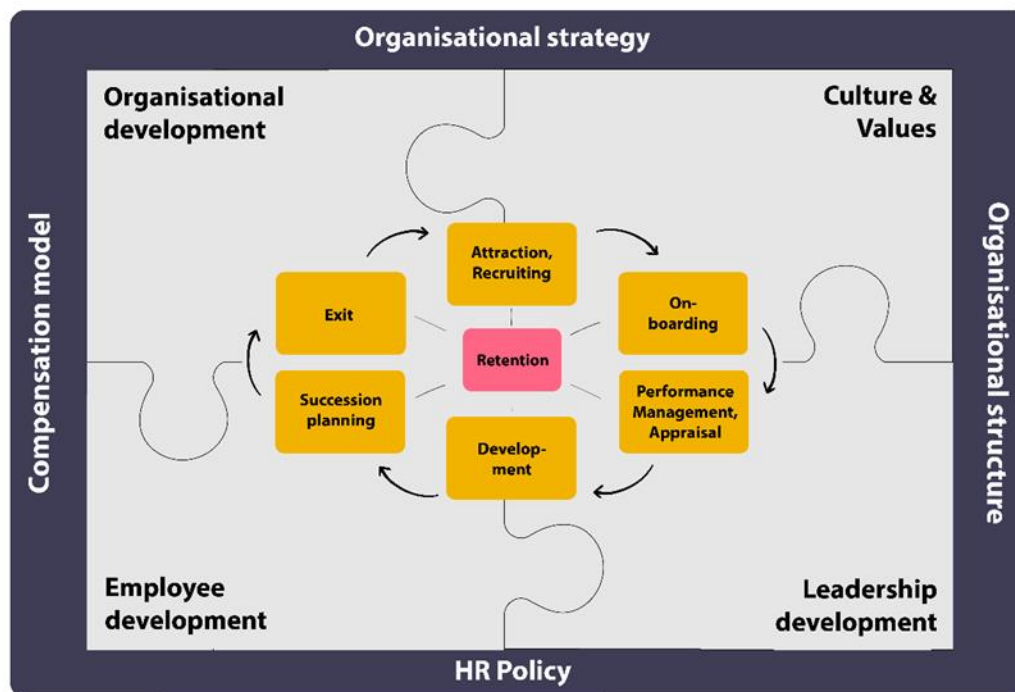
HR – including the attraction and ultimately retention of qualified and talented staff – is crucial for gaining and maintaining the FI’s competitive advantage as well as implementing its’ strategy. In fact, it is the employees who make the FI’s mission and purpose tangible in their daily interactions – they interact with customers, answer their queries and concerns, develop new products and services, and get customers excited about them.

Strategy implementation often needs organizational development (OD). However, OD will remain wishful thinking without backing it up with an effective HR strategy. In other words, strategy implementation requires the right people with the right skills and knowledge in the right roles. This can be achieved through employee development.

To quote the famous management scholar Peter Drucker “Culture eats Strategy for breakfast”. This implies that the FI’s culture always determines success regardless of how effective the FI’s strategy may be. And what determines the FI’s culture? Its people! Thus, the FI’s approach to HR has a direct effect on its culture including its leadership culture.

Finally, successful strategy implementation needs an adequate compensation mechanism and a suitable organizational structure, e.g., clearly defined functions and competencies that allow for implementing the FI’s strategy. These functions and competencies provide the building blocks for the FI’s HR strategy.

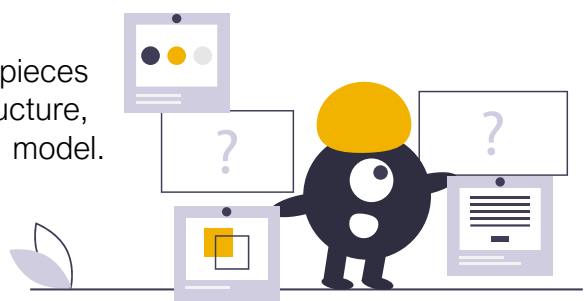
The following graph summarizes those interlinkages and dependencies.



In the light of the above and the need for well qualified and talented staff, what can the FI do to attract and retain talent? The Talent Management Life Cycle (TMLC) can offer interesting insights. The TMLC describes the stages that an employee passes during her/ his time working for the FI. The stages, visualized as orange boxes in the graph, can be read as *administrative tasks* that need to be executed by the HR department in a consecutive manner. However, we would like to stimulate a different view of HR: HR is placed in the centre of any service sector organization as it directly affects organizational success, through e.g., satisfied customers. At the same time, the FI's approach towards HR determines its culture, its approach to leadership, organizational development, and employee development. These interlinkages highlight the *dynamic nature of strategic HR*. Thus, beyond the purely administrative role of HR, it has an immense potential for making strategy work.

### Holding the pieces together

There is a securing framework that holds all these pieces together, i.e., the organizational strategy and its structure, and the HR Policy and the compensation model. The organizational strategy provides the orientation that is needed for developing the organisation, its employees, and leaders as well for a culture and values that are conducive for the FI's strategic goals.



The FI's organizational structure as well as its HR policy define the operationalization of its strategy and provide the framework for any effort to promote OD, employee development, leadership development as well as culture and values. Finally, the FI's compensation model ensures that organizational members are rewarded for their efforts. This is a so-called hygiene factor for job satisfaction, i.e., a fair and competitive compensation is a pre-requirement for attracting and retaining the talent that the FI needs to make their strategy work.

To conclude, HR is not an annoying accessory, but a crucial factor for successful strategy implementation. The TMLC shows a broad array of possibilities how the talent that is needed for this task can be attracted, developed, and retained.

This approach to HR forms the basis for all HR related consultancy activities of ADG International.

## ADG International

Our goal is to enable people to grow, shape and lead companies and organisations to reach their objectives. In our capacity building formats we provide participants with tools, fresh perspectives, and impulses, as well as practical knowledge to boost their skills and competencies.

ADG International is transferring experience of over 40 years in strategic personnel/HR and organisational development as well as training from the German cooperative sector to the international level.

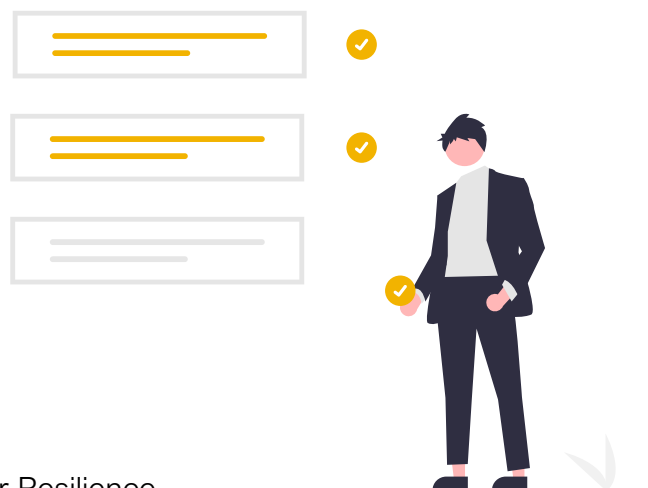


We do not rest on our history but rather are constantly adapting and transforming our training portfolio to keep it relevant, impactful, and continuous. We blend digital courses with live in-person and virtual learning to grow people.

## What we do

We work directly with partners from the cooperative, the microfinance, and the banking sector. Our training and learning formats target today's and tomorrow's leaders and specialists of cooperative banks, international cooperative associations, international donor organizations and its beneficiaries, as well as financial institutions from the microfinance and commercial banking environment.

- Internationally experienced in-house staff working as project managers and facilitators/experts/consultants in project implementation
- Pool of 800+ national and international experts
- More than 10 years of international and over 40 years of national experience in HR- and capacity building services
- Strategic organisational development consulting
- Technical topics such as Agricultural Finance or SME Finance
- Tailor-made HR development worldwide
- Skills and competency development in areas such as Leadership, Change Management or Resilience



Do you want to know more or discuss avenues for cooperation? We are happy to start an exchange. Get in touch with us!

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