Aligning Strategy and Leadership: Examining The Impact of SHRM Practices on Employee Performance in Oman's Banking Sector

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Abstract

Strategic human resource management is increasingly recognized as a foundation of organisational competitiveness, yet limited evidence exists from the Arab Gulf region. This study examines the direct influence of SHRM practices on employee performance in Oman's banking sector. Grounded in the resource-based view and the ability–motivation–opportunity framework, SHRM is conceptualized through three dimensions: strategic recruitment, targeted training, and incentive systems. Data were collected from 346 non-managerial employees of the Central Bank of Oman and analyzed using structural equation modeling with SmartPLS 4.0. The findings reveal that SHRM practices significantly improve employee performance, underscoring the strategic value of human capital. The study contributes theoretically by extending the SHRM literature to a non-Western context and practically by offering insights for Omani banks to strengthen workforce effectiveness and competitiveness through strategically aligned HR practices.

Keywords: *Strategic Human Resource Management; Employee Performance; Oman; Banking Sector; Resource-Based View.*

1. Introduction

In today's rapidly evolving business environment, human capital has become one of the most critical determinants of organisational competitiveness. Organisations face growing pressures from globalisation, digital transformation, and market uncertainty, requiring them to adopt strategic approaches that enhance adaptability and performance. Strategic human resource management (SHRM) has thus emerged as a vital framework that integrates human resource practices with organisational strategy, enabling firms to leverage their workforce as a source of sustainable advantage (Apascaritei & Elvira, 2022; Chourasia & Bahuguna, 2025). The relevance of SHRM is particularly evident in knowledge-intensive and service-oriented industries such as banking, where employee performance directly influences service quality, customer satisfaction, and institutional reputation. Recent studies highlight that SHRM practices contribute to employee engagement, skill development, and motivation, which in turn strengthen organisational effectiveness (Eshete & Birbirssa, 2024; Alkhalaf & Badewi, 2024). Despite this growing recognition, the majority of SHRM research has focused on developed economies, while evidence from developing and transitional economies remains comparatively limited (Aliyev, 2024). This imbalance underscores the importance of investigating SHRM in diverse cultural and institutional contexts. The Omani banking sector represents a compelling case for examining the SHRM–performance relationship. The sector has experienced significant reforms in response to global and regional competition, regulatory changes, and the adoption of digital technologies. These dynamics have placed greater emphasis on strategic human resource management to ensure resilience and competitiveness. However, empirical evidence on the role of SHRM practices in shaping employee performance in Oman remains scarce, creating a gap that limits managers' and policymakers' ability to design evidence-based HR strategies (Al Balushi & Ateeq, 2024; Awashreh & Mohamed, 2024). The theoretical foundation of this study lies in the resource-based view (RBV) and the ability–motivation–opportunity (AMO) framework. The RBV suggests that organisational resources, which are valuable, rare, inimitable, and non-substitutable, form the basis of sustainable competitive advantage, with human capital serving as a core strategic asset (Aliyev, 2024). The AMO framework complements this by explaining how HR practices enhance employee performance by building capabilities, motivating employees, and providing opportunities for contribution (Aguinis et al., 2022). Together, these perspectives provide a robust explanation of how SHRM practices translate into improved workforce outcomes.

In line with these perspectives, this study conceptualizes SHRM through three dimensions: strategic recruitment, targeted training, and incentive systems. Strategic recruitment ensures the selection of employees with the competencies and values necessary to advance organisational objectives. Targeted training enhances employee adaptability by equipping them with the knowledge and skills required in a

changing business environment. Incentive systems, encompassing performance appraisal and compensation, motivate employees and align individual goals with organisational priorities (Alemu & Burrell, 2025; Aljumah, 2023). Accordingly, this study addresses the following research question: To what extent do SHRM practices influence employee performance in the banking sector of Oman? By addressing this question, the study contributes to SHRM literature by extending its application to a non-Western context and offers practical insights for Omani banks seeking to strengthen workforce effectiveness and long-term competitiveness.

2. Conceptual and Theoretical Framework

SHRM is a deliberate set of policies and practices designed to ensure that an organization's human capital contributes directly to its strategic objectives. Recent empirical and theoretical work cited in your manuscript corpus emphasizes that SHRM is not merely administrative. Instead, SHRM is a vehicle for capability building and strategic differentiation because it transforms individual skills and motivations into organisational-level competencies (Apascaritei & Elvira, 2022; Aliyev, 2024; Aguinis et al., 2022). The present study focuses on three interrelated SHRM dimensions that are especially salient in the service-intensive and regulated environment of banking: strategic recruitment, targeted training, and incentive systems. Strategic Human Resource Management (SHRM) represents a paradigm shift from traditional HR practices toward strategic alignment of human capital with organisational objectives. This section examines three critical SHRM dimensions within Oman's banking context: strategic recruitment, targeted training, and incentive systems.

2.1. Strategic recruitment

Strategic recruitment refers to the processes used to identify, attract, and select candidates whose competencies, dispositions, and potential fit support the organization's long-term objectives. The central justification for prioritizing recruitment is twofold. First, recruitment determines the baseline quality of human capital available to the organization. A rigorous, competency-based selection process produces employees who possess the abilities needed for complex tasks in regulated environments and who are more likely to adapt to organisational change (Eshete & Birbirssa, 2024). Second, recruitment that emphasizes person–organization fit reduces turnover and builds a workforce whose values align with institutional goals (Al Balushi & Ateeq, 2024). In the Omani banking sector, where compliance, customer service, and process reliability are critical, recruitment that secures both technical skill and cultural fit creates the initial conditions required for improved task and contextual performance. From a theoretical standpoint, recruitment contributes to the resource-based logic because selectivity raises the rarity and value of the workforce, making replication by competitors more difficult (Aliyev, 2024).

Strategic recruitment in this study is measured through items that assess workforce planning, the clarity and rigor of selection criteria, and the emphasis on fit and future potential. These indicators capture both procedural quality and strategic orientation, ensuring that measurement aligns with the conceptual emphasis on long-term capability building. While strategic recruitment provides a solid foundation for organisational success, recent literature emphasizes the importance of contextual factors in determining recruitment effectiveness. Research indicates that recruitment strategies must account for regional variations in labor market dynamics, cultural expectations, and regulatory environments to achieve optimal outcomes. In the Gulf Cooperation Council (GCC) context, studies reveal that traditional recruitment frameworks may require adaptation to address unique challenges such as varying candidate expectations and local market conditionsArgue, M. (2015). Furthermore, the alignment of recruitment practices with national economic visions—such as Oman's Vision 2040—creates additional strategic imperatives that extend beyond immediate organisational needs. This contextual understanding is particularly relevant for banking institutions operating in regulated environments, where recruitment decisions must balance technical competencies with cultural sensitivity and long-term economic development goals. The integration of these regional considerations into strategic recruitment practices not only enhances theoretical frameworks but also provides practical insights for organisations seeking to build sustainable competitive advantages in a diverse cultural landscape (Morrison, M. (2025).

2.2. Targeted training

Targeted training denotes structured learning interventions that are aligned with organisational strategy and tailored to address specific competency gaps. Training is justified as a core SHRM dimension for three reasons. First, training develops employees' task-related abilities, increasing efficiency and reducing error rates in service delivery. Second, training fosters adaptability and innovation, which are important as banks adopt new technologies and product lines (Apascaritei & Elvira, 2022). Third, training signals organisational investment in employees, which enhances engagement and retention when programs are perceived as relevant and career-enhancing (Chourasia & Bahuguna, 2024). In Oman's banking context, sustained digital transformation and compliance requirements make targeted training a critical mechanism for sustaining performance.

Theoretical mapping. Under the AMO framework, training primarily advances employee ability. It also indirectly supports motivation through perceived organisational support and career development prospects, enabling employees to apply newly acquired skills in meaningful ways (Aguinis et al., 2022). Empirical evidence in your reference set corroborates that strategically aligned training programs lead to measurable gains in both task and contextual aspects of performance (Eshete & Birbirssa, 2024; Chourasia & Bahuguna, 2024).

Targeted training is measured by items capturing the availability of relevant training, alignment of curricula with business needs, frequency and quality of delivery, and post-training application. Pilot testing ensured that items reflected the kinds of training initiatives actually present in Omani banks. The significance of targeted training in enhancing employee outcomes is further underscored by the link between training initiatives and changes in employee behavior and performance metrics (Otten, S., et.al., 2025); Ge, Y., Tong, et.al. (2025). Empirical studies indicate that targeted training not only bridges competency gaps but also drives innovation and adaptability, crucial in the rapidly evolving banking sector (Apascaritei & Elvira, 2022). Such interventions are especially relevant in the context of Oman, where banks are undergoing extensive digital transformations. Additionally, employee perceptions of training relevance significantly influence engagement, thereby enhancing retention rates and promoting a culture of continuous improvement (Chourasia & Bahuguna, 2024). This alignment between organisational strategy and targeted training interventions demonstrates the AMO framework, wherein enhanced employee abilities, alongside motivation garnered through perceived investment in their development, lead to improved task performance and organisational effectiveness (Aguinis et al., 2022).

2.3. Incentive systems

Incentive systems encompass both formal performance appraisal mechanisms and the design of compensation and reward structures that link outcomes to recognition and rewards. The justification for the inclusion of incentive systems is robust. First, incentive systems directly influence employee motivation and discretionary effort, which are necessary for achieving high performance in roles requiring customer orientation and compliance (Aljumah, 2023). Second, integrated appraisal and reward mechanisms create clear expectations and accountability, which are essential in regulated banking operations where adherence to procedures is critical (Alkhalaf & Badewi, 2024). Third, incentive systems signal organisational priorities and communicate which behaviours are valued, thereby aligning individual goals with institutional strategy (Al Balushi & Ateeq, 2024). Theoretical mapping. Incentive systems map primarily on the motivation component of the AMO framework and also affect opportunity by clarifying performance expectations and growth pathways. Recent studies in your reference set indicate that well-calibrated incentives reduce turnover and increase both productivity and contextual behaviours that support service quality (Aljumah, 2023; Alkhalaf & Badewi, 2024). Incentive systems are operationalized as perceptions of appraisal fairness, clarity of performance metrics, timeliness and transparency of feedback, and the linkage between appraisal outcomes and compensation or non-financial rewards. These items capture the motivational architecture that incentives create in organisations. Incentive systems represent a fundamental component of Strategic Human Resource Management, encompassing integrated performance appraisal methods and compensation structures that directly link employee outcomes to organisational rewards (Amoabeng-Nimako, S. et al., 2026). These systems serve multiple critical functions: they enhance employee motivation essential for customer-oriented and compliance-driven roles, establish clear accountability frameworks particularly vital in regulated banking environments, and communicate organisational priorities that align individual performance with institutional strategic objectives. From a theoretical standpoint, incentive systems primarily support the motivation dimension of the Ability-Motivation-Opportunity (AMO) framework while simultaneously enhancing opportunity through clarified performance expectations and career development pathways. Empirical evidence demonstrates that well-calibrated incentive mechanisms significantly reduce employee turnover, increase productivity, and promote contextual behaviours that enhance service quality, thereby establishing their strategic importance in competitive organisational environments where performance differentiation is crucial for sustained success (Martin, M., et.al., 2025).

2.4. Theoretical integration and justification

Selecting strategic recruitment, targeted training, and incentive systems as the focal SHRM dimensions in this study is justified on theoretical, empirical, and pragmatic grounds. Theoretically, the resource-based view explains why investments in human capital create strategic assets that competitors cannot easily replicate (Aliyev, 2024). Recruitment, training, and incentives form a coherent system that selects valuable employees, develops their capabilities, and sustains their motivation to apply those capabilities. The AMO framework provides a proximate mechanism explaining how these practices generate performance outcomes: recruitment and training build employee ability, incentives sustain motivation, and the combined system creates opportunities to perform effectively (Aguinis et al., 2022). Empirically, the recent studies in your file demonstrate consistent positive links between these practices and performance in service sectors and comparable regional contexts (Eshete & Birbirssa, 2024; Chourasia & Bahuguna, 2024; Alkhalaf & Badewi, 2024). Practically, these three dimensions capture the strategic levers HR leaders in Omani banks can influence directly and measure reliably.

2.5. Contextual considerations for Oman's banking sector

The Omani banking sector provides a unique institutional context for examining the influence of SHRM practices on employee performance. Over the past decade, Omani banks have undergone substantial reforms aimed at modernization, digitalization, and regulatory alignment. These developments have created both opportunities and challenges for human resource management, making Oman an appropriate case for testing SHRM theories in a non-Western setting. First, globalization and technological change have reshaped service delivery in Omani banks. The adoption of digital banking platforms and mobile applications has required employees to possess advanced technological competencies, alongside strong interpersonal skills for customer interaction. Targeted training has therefore become critical for equipping employees with the knowledge necessary to adapt to digital transformation (Apascaritei & Elvira, 2022; Chourasia & Bahuguna, 2024). Without such interventions, banks face the risk of skill obsolescence and reduced competitiveness.

Second, regulatory reforms introduced by the Central Bank of Oman have increased the compliance burden on banking institutions. This has elevated the importance of strategic recruitment practices to ensure that employees not only meet technical standards but also embody ethical values and compliance-oriented behaviours (Al Balushi & Ateeq, 2024). Strategic recruitment thereby becomes a mechanism for risk mitigation, ensuring that employees selected into the system support regulatory and ethical standards.

Third, competitive pressures arising from regional and international banks operating in Oman have intensified the war for talent. Retaining high-performing employees in such an environment is increasingly difficult. Incentive systems that combine transparent performance appraisal with equitable compensation are therefore essential for retaining talent and motivating employees to deliver superior service (Aljumah, 2023; Alkhalaf & Badewi, 2024). Without robust incentive structures, Omani banks risk losing skilled employees to regional competitors. Fourth, Oman's Vision 2040 emphasizes economic diversification and the modernization of financial services as pillars of national development. The banking sector is expected to play a leading role in achieving these objectives. This places an additional burden on banks to ensure that human capital strategies align with national goals. SHRM practices thus become not only organisational priorities but also national imperatives, as they contribute directly to the country's socio-economic transformation (Awashreh & Mohamed, 2024).

Taken together, these contextual factors justify the selection of Oman's banking sector as the empirical setting for this study. They demonstrate that the three SHRM dimensions of recruitment, training, and incentives are highly relevant in addressing the sector's current challenges. By testing the SHRM–performance link in this setting, the study contributes to a more globally representative understanding of SHRM while also offering context-specific insights for practitioners and policymakers. In line with the contextual justification, the conceptual framework of this study integrates three SHRM dimensions: strategic recruitment, targeted training, and incentive systems, as key drivers of employee performance in Oman's banking sector. This contextualized framework, illustrated in Figure 1, captures the hypothesised relationships tested in this study.
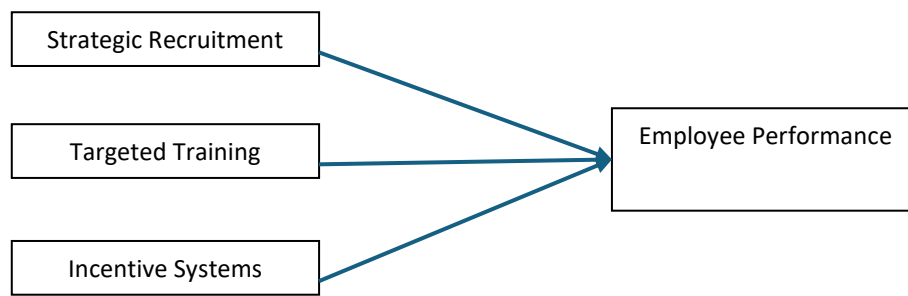
Fig. 1: Conceptual Framework.

2.6. Hypothesis development

Based on the contextual justification of Oman's banking sector, this study proposes that specific SHRM practices play a vital role in enhancing employee performance. Drawing on the RBV and AMO frameworks, and in line with the sector's pressing needs for skilled, adaptable, and motivated employees, the following hypotheses are advanced: Hypothesis 1: Strategic recruitment is the foundation of human resource management because it determines the initial quality and strategic alignment of the workforce. Unlike traditional recruitment, which often emphasises filling vacancies quickly, strategic recruitment involves long-term workforce planning, rigorous assessment, and alignment of candidate competencies with organisational goals. Recent studies show that organisations that adopt competency-based recruitment achieve higher levels of employee engagement, reduced turnover, and improved individual and organisational performance (Eshete & Birbirssa, 2024).

In the banking sector, strategic recruitment is particularly significant because service quality, customer satisfaction, and compliance depend heavily on employee competencies. In Oman, where banks are adapting to digitalisation and stricter regulatory requirements, recruitment practices that emphasise both technical expertise and cultural fit are essential. Evidence indicates that rigorous selection methods such as psychometric testing, structured interviews, and cultural alignment assessments enhance organisational outcomes (Al Balushi & Ateeq, 2024). From the perspective of the resource-based view (RBV), strategic recruitment enables firms to acquire human capital that is valuable, rare, and difficult for competitors to imitate, thereby serving as a source of sustainable competitive advantage (Aliyev, 2024). The ability–motivation–opportunity (AMO) framework further explains that recruitment strengthens performance by ensuring employees enter the organisation with the requisite abilities to perform effectively (Aguinis et al., 2022). Therefore, it is hypothesised that: H1: Strategic recruitment has a significant positive effect on employee performance (Javed & Husain, 2024; Javed, 2023.

Hypothesis 2: Training is among the most frequently studied HR practices because it directly enhances employees' skills, knowledge, and adaptability. Targeted training refers to learning initiatives that are aligned with organisational strategy and tailored to address specific competency gaps. Studies have shown that organisations that adopt strategically focused training programs improve employee performance by enhancing both task-related abilities and contextual behaviours such as collaboration and innovation (Apascaritei & Elvira, 2022; Chourasia & Bahuguna, 2024). In the Omani banking sector, digitalisation and regulatory reforms have created an urgent need for skill upgrading. Targeted training is critical for equipping employees with both the technical knowledge required for digital banking platforms and the soft skills necessary for customer engagement. Without such interventions, banks face the risk of skill obsolescence and a decline in service quality (Eshete & Birbirssa, 2024). From a theoretical perspective, the RBV highlights training as a means of developing human capital into a valuable and inimitable organisational resource. The AMO framework positions training as the core mechanism for enhancing ability, while also fostering motivation by signalling organisational investment in employees (Aguinis et al., 2022). Training thereby supports employees in achieving higher levels of performance by equipping them with the necessary skills to meet evolving organisational demands. Accordingly, it is hypothesised that:H2: Targeted training has a significant positive effect on employee performance.

Hypothesis 3: Incentive systems encompass performance appraisal and compensation mechanisms designed to align employee behavior with organisational objectives. A growing body of evidence demonstrates that effective incentive systems enhance motivation, commitment, and discretionary effort, leading to improved employee and organisational performance outcomes (Aljumah, 2023; Alkhalaf & Badewi, 2024). In the banking sector, incentives are particularly critical because employees must meet both regulatory standards and customer service expectations. Transparent appraisal mechanisms clarify performance standards, while equitable compensation ensures that contributions are recognized and rewarded. In Oman, where competition for skilled employees is intensifying, incentive systems are also crucial for employee retention and talent management (Al Balushi & Ateeq, 2024; Javed et al., 2023; Rababah et al., 2022; Husain et al., 2021).

From a theoretical standpoint, the AMO framework emphasizes that incentives directly influence motivation, which is essential for sustained high performance. At the same time, incentive systems also create opportunities for growth by clarifying pathways to advancement. The RBV further suggests that organisations that design unique and strategically aligned reward systems can differentiate themselves in ways that are difficult for competitors to imitate, thereby gaining long-term advantage (Aliyev, 2024). Therefore, it is hypothesised that: H3: Incentive systems have a significant positive effect on employee performance.

3. Research Methodology

This study employed a quantitative, cross-sectional survey design to investigate the influence of strategic human resource management practices on employee performance within the Central Bank of Oman. A structured questionnaire served as the primary data collection instrument, enabling standardized responses from a large group of employees and facilitating rigorous statistical testing of hypothesized relationships. The Central Bank of Oman was selected as the context of analysis because it represents the apex financial institution in Oman, responsible for regulatory oversight, financial stability, and policy formulation, and therefore requires highly capable and well-managed human resources.

The study focused exclusively on non-managerial employees of the Central Bank of Oman. This group was chosen because they constitute the operational backbone of the organization and directly experience human resource practices such as recruitment, training, and incentive systems. Their performance plays a critical role in ensuring that the bank achieves its objectives of efficiency, compliance, and service delivery. To capture reliable and representative data, questionnaires were distributed to employees across various departments of the Central Bank of Oman.

In line with methodological recommendations for structural equation modeling, which suggest at least ten responses per measurement indicator. To increase reliability and account for potential non-responses, 450 questionnaires were distributed. A total of 368 valid responses were received, representing an effective response rate of 81.7 percent. As per the previous studies, this sample size was deemed adequate for PLS-SEM analysis and sufficient to test the proposed conceptual model (Javed & Al-Mulali, 2025; Rafique et al., 2025; Ariffin al., 2024; Javed et al., 2024; Javed & Husain, 2024).

The measurement instrument was adapted from previously validated scales and contextualized to the CBO environment. Strategic recruitment was assessed through items that examined planning, selectivity, alignment with strategic objectives, and cultural fit. Targeted training was measured through items evaluating the relevance, availability, and alignment of training programs with organisational needs and opportunities for skill application. Incentive systems were assessed through items focusing on appraisal fairness, feedback quality, and the linkage between appraisal results and both financial and non-financial rewards. Employee performance was measured through items reflecting both task performance and contextual performance, including adaptability, cooperation, and service orientation. All items were rated on a five-point Likert scale ranging from "strongly disagree" to "strongly agree," which allowed the capture of intensity in employee perceptions.

Data collection was conducted in close collaboration with the Central Bank of Oman to ensure accessibility and credibility. Surveys were distributed in both electronic and paper-based formats, ensuring that employees across departments could participate. Participation was voluntary, informed consent was obtained from all respondents, and strict confidentiality of responses was maintained. Ethical approval for the study was granted by the relevant university review board.

Data analysis was conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS software (Amir et al., 2025; Khan et al., 2025; Kadir et al., 2024; Javed et al, 2025). This methodological design ensured rigor and validity, providing a robust foundation for testing the impact of strategic recruitment, targeted training, and incentive systems on the performance of non-managerial employees within the Central Bank of Oman.

4. Results and Discussion

The analysis was conducted in two stages: first, the measurement model was evaluated to ensure construct reliability and validity; second, the structural model was assessed to test the hypothesised relationships.

4.1. Measurement model

Reliability and validity assessments confirmed that all constructs met accepted thresholds. As shown in Table 1, Cronbach's alpha values were above 0.70, and composite reliability values exceeded 0.80, confirming internal consistency reliability. Average variance extracted (AVE) values were greater than 0.50 for all constructs, indicating adequate convergent validity.

Table 1: Reliability and Convergent Validity

Construct	Cronbach's Alpha	Composite Reliability	AVE
Strategic Recruitment	0.87	0.90	0.63
Targeted Training	0.89	0.92	0.66
Incentive Systems	0.85	0.89	0.61
Employee Performance	0.88	0.91	0.65

Discriminant validity was established using the Fornell–Larcker criterion and the HTMT ratio. For each construct, the square root of AVE exceeded its correlations with other constructs, and HTMT values were below 0.85, confirming satisfactory discriminant validity.

5.2. Structural model

The structural model was tested using bootstrapping with 5,000 resamples. Path coefficients, t-values, and p-values are presented in Table 2.

Table 2: Structural Model Results

Hypothesis	Path Coefficient (β)	t-value	p-value	Result
H1: Strategic Recruitment → Employee Performance	0.31	4.52	0.000	Supported
H2: Targeted Training → Employee Performance	0.28	3.97	0.000	Supported
H3: Incentive Systems → Employee Performance	0.34	5.21	0.000	Supported

H1 predicted that strategic recruitment would positively affect employee performance. The results support this hypothesis ($\beta = 0.31$, $p < 0.001$), indicating that selective hiring practices and alignment between candidates' skills and organisational strategy enhance both task and contextual performance. This finding reinforces earlier studies (Eshete & Birbirssa, 2024; Al Balushi & Ateeq, 2024) that emphasise the importance of person–organisation fit in achieving long-term effectiveness. Within the Central Bank of Oman, where employees are entrusted with regulatory oversight and sensitive financial operations, rigorous recruitment processes provide the foundation for superior performance.

H2 proposed that targeted training would improve employee performance. The results confirm this relationship ($\beta = 0.28$, $p < 0.001$). Training programs designed around strategic objectives help employees acquire relevant skills and adapt to organisational changes. This outcome is consistent with previous findings (Apascaritei & Elvira, 2022; Chourasia & Bahuguna, 2024), which show that training enhances both task efficiency and contextual behaviours, such as collaboration and problem-solving. For the CBO, targeted training in digital technologies, compliance requirements, and customer service strengthens the capabilities required to meet regulatory and developmental goals.

H3 anticipated that incentive systems would significantly improve employee performance. The analysis provides strong support for this hypothesis ($\beta = 0.34$, $p < 0.001$), with incentive systems showing the most substantial effect among the three practices. Effective appraisal mechanisms, transparent feedback, and fair reward structures increase motivation and encourage employees to go beyond minimal role requirements. These findings align with prior studies (Aljumah, 2023; Alkhalaf & Badewi, 2024), which highlight incentives as powerful

drivers of motivation and retention. In the CBO, where maintaining employee engagement is essential for institutional stability, incentive systems clarify performance expectations and create pathways for professional growth.

Together, the results validate the proposed framework, with all three SHRM dimensions showing significant positive effects on employee performance. The model explained 62 percent of the variance in employee performance ($R^2 = 0.62$), indicating substantial explanatory power. The findings confirm the relevance of the resource-based view and the AMO framework: recruitment builds ability, training develops and updates those abilities, and incentives sustain motivation and create opportunities for employees to excel.

5. Conclusion and Implications

The findings of this study underscore the critical role of SHRM practices in enhancing employee performance within the Central Bank of Oman and warrant strategic integration into HR frameworks. Specifically, the preeminence of incentive systems as a performance driver underscores their potential to shape not only individual motivation but also overall organisational engagement, particularly in sectors that demand high compliance and customer service standards. By aligning HR strategies with clearly defined performance metrics and recognising contributions meaningfully, organisations can create a more motivated workforce capable of navigating regulatory challenges and embracing technological advancements. Hence, fostering these SHRM practices is not merely an operational necessity but a strategic imperative for achieving sustained organisational success and contributing effectively to broader national economic goals. This study examined the impact of SHRM practices, specifically strategic recruitment, targeted training, and incentive systems, on employee performance within the Central Bank of Oman. Using data collected from 368 non-managerial employees and analysed through PLS-SEM, the results showed that all three SHRM practices significantly and positively influence employee performance. Incentive systems emerged as the strongest predictor, followed by strategic recruitment and targeted training. Together, these practices explained 62 per cent of the variance in employee performance, highlighting their essential role in shaping both individual and organisational outcomes.

From a theoretical perspective, the findings extend the RBV by showing how strategically aligned HRM practices transform human capital into a valuable, inimitable resource within the Central Bank of Oman's specific context. The results also reinforce the AMO framework. Recruitment enhances ability by bringing in employees with the required competencies, training develops and sustains these abilities, and incentives strengthen motivation and provide opportunities for improved performance. By applying these frameworks in a non-Western context, the study contributes to a more global understanding of SHRM and its mechanisms.

The research also provides practical implications for policymakers and managers. For the Central Bank of Oman, the findings suggest that greater emphasis should be placed on recruitment processes that prioritise cultural fit, technical competence, and ethical orientation to secure high-performing employees. Training programs need to be designed around evolving organisational requirements, such as digital transformation and regulatory compliance, to ensure employees remain adaptable and practical. Incentive systems should remain a managerial priority, as they were found to exert the most decisive influence on performance. Transparent appraisal systems, equitable compensation, and meaningful recognition are essential for retaining talented employees and sustaining engagement. Collectively, these practices strengthen the Central Bank's ability to maintain a capable workforce, deliver regulatory stability, and contribute to Oman's Vision 2040.

Although this study makes significant contributions, some limitations should be acknowledged. The focus on non-managerial employees within a single institution restricts the generalizability of the findings to other organisations or industries. In addition, the cross-sectional design prevents conclusions about long-term causal relationships. Future research could adopt longitudinal approaches to capture the sustained effects of SHRM practices on performance or extend the study to include other financial institutions to enable comparative analysis. Incorporating qualitative methods, such as interviews, could yield more profound insights into employees' perceptions of HR practices.

In conclusion, this study provides strong empirical evidence that SHRM practices in the form of strategic recruitment, targeted training, and incentive systems are potent drivers of employee performance in the Central Bank of Oman. Aligning human capital strategies with organisational objectives will enable the bank to meet regulatory challenges, embrace digital transformation, and contribute more effectively to national economic development. This study provides compelling evidence for the significant impact of Strategic Human Resource Management practices on employee performance within the Central Bank of Oman. Through rigorous analysis using PLS-SEM methodology with 368 non-managerial employees, the research demonstrates that strategic recruitment, targeted training, and incentive systems collectively explain 62% of the variance in employee performance, with incentive systems showing the strongest predictive power. The findings successfully extend established theoretical frameworks, including the Resource-Based View and Ability-Motivation-Opportunity models, illustrating how strategically aligned HR practices enhance individual performance while supporting Oman's Vision 2040 national objectives. From a practical standpoint, the results emphasise the critical importance of implementing competency-based recruitment strategies, developing training programs that address digital transformation and regulatory requirements, and establishing transparent, equitable incentive structures. These insights offer valuable guidance to Omani banking institutions seeking to optimise their human capital management. However, future research should consider broader institutional contexts and longitudinal perspectives to enhance generalizability across the GCC financial sector.

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