



OPEN ACCESS

SUBMITTED 28 July 2025

ACCEPTED 09 August 2025

PUBLISHED 31 August 2025

VOLUME Vol.07 Issue 08 2025

CITATION

Elikwu, D. O. (2025). HR Reform as A Strategic Tool for Development Finance Institutions: Bridging Public-Sector Equity and Private-Sector Efficiency. *The American Journal of Management and Economics Innovations*, 7(8), 160–173. Retrieved from <https://theamericanjournals.com/index.php/tajmei/article/view/7591>

COPYRIGHT

© 2025 Original content from this work may be used under the terms of the creative common's attributes 4.0 License.

HR Reform as A Strategic Tool for Development Finance Institutions: Bridging Public-Sector Equity and Private-Sector Efficiency

 Deborah Obiajulu Elikwu

NIRSAL Plc, Abuja, Nigeria

Abstract: This paper introduces a comprehensive examination of human resource reform as a strategic catalyst for institutional effectiveness within development finance institutions (DFIs). Drawing on a case study of a Nigerian DFI, the research explores how systematic HR transformation, encompassing standardized job descriptions, redesigned onboarding programs, transparent promotion mechanisms, and enhanced performance management, can strengthen organizational capacity while navigating the complex governance terrain between public accountability and private-sector efficiency. The paper establishes the theoretical foundations for understanding HR innovation in hybrid institutional contexts, articulates the unique challenges facing DFIs in developing economies, and positions HR reform as a critical lever for sustainable institutional resilience. Key contributions include a conceptual framework for hybrid institutional management, empirical insights from the Nigerian context, and practical implications for peer institutions seeking to balance equity imperatives with operational excellence.

Keywords: Equity, DFI, HR, Nigeria, Private-sector, Public-sector

1. Introduction

1.1 Context and Significance

Development finance institutions occupy a distinctive and increasingly critical position in the global development architecture. As specialized financial intermediaries mandated to mobilize capital for economic development, infrastructure provision, and poverty reduction, DFIs operate at the nexus of public

policy objectives and market-based financial service delivery (Qobo et al., 2017). This dual mandate creates unique organizational challenges that extend beyond conventional public or private sector management paradigms. Nowhere are these challenges more acute than in the domain of human resource management, where DFIs must simultaneously attract and retain high-caliber financial professionals while adhering to public-sector accountability frameworks, equity considerations, and often constrained compensation structures. The significance of effective human resource management in DFIs cannot be overstated. These institutions serve as critical vehicles for channeling development finance to underserved sectors, catalyzing private investment, and implementing government development priorities. Their effectiveness depends fundamentally on the quality, motivation, and strategic alignment of their workforce. Yet DFIs frequently struggle with talent retention, succession planning gaps, unclear career progression pathways, and performance management systems that inadequately balance developmental objectives with operational efficiency (Berman, 2015). These challenges are particularly pronounced in African contexts, where DFIs must compete for talent with better-resourced private financial institutions while operating under public-sector constraints that limit compensation flexibility and organizational agility.

This research examines a comprehensive HR transformation initiative implemented in a Nigerian DFI, analyzing how systematic reform of core HR functions, job standardization, onboarding redesign, promotion transparency, and performance management enhancement, can strengthen institutional capacity and operational effectiveness. The Nigerian context provides a particularly instructive setting for this analysis. Nigeria's development finance sector operates within a complex governance environment characterized by federal oversight, public accountability requirements, and intense competition for financial talent from a vibrant private banking sector. Nigerian DFIs must navigate these tensions while fulfilling mandates that span agricultural finance, infrastructure development, small and medium enterprise support, and regional economic integration.

1.2 The Development Finance Imperative

The global development finance landscape has

undergone significant transformation over the past two decades. Traditional bilateral and multilateral development banks have been joined by new institutional forms, including national development banks, regional development finance institutions, and hybrid public-private investment vehicles. This proliferation reflects growing recognition that achieving the Sustainable Development Goals and addressing infrastructure deficits in emerging economies requires mobilizing capital at unprecedented scale, capital that cannot be provided by public budgets alone (Panday, 2007). DFIs serve as crucial intermediaries in this mobilization effort, leveraging public capital to catalyze private investment, providing patient capital for long-gestation projects, and assuming risks that purely commercial actors cannot bear. However, the effectiveness of DFIs in fulfilling this mandate depends critically on their institutional capacity, their ability to originate quality projects, conduct rigorous due diligence, structure appropriate financing instruments, monitor portfolio performance, and manage risk effectively. Each of these capabilities is fundamentally human-capital intensive. DFIs require professionals with sophisticated financial analysis skills, deep sector knowledge, understanding of development impact measurement, and ability to navigate complex stakeholder environments. Building and retaining such capacity requires HR systems that can compete with private-sector alternatives while operating within public-sector constraints.

2. Background on Development Finance Institutions

2.1 Defining Development Finance Institutions

Development finance institutions are specialized financial intermediaries established to provide long-term capital for economic development objectives that are inadequately served by commercial financial markets. Unlike commercial banks that prioritize profit maximization and shareholder returns, DFIs pursue dual objectives: financial sustainability and development impact. This dual mandate distinguishes DFIs from both purely commercial financial institutions and grant-making development agencies. DFIs typically provide financing through loans, equity investments, guarantees, and technical assistance, targeting sectors such as infrastructure, agriculture, manufacturing, and small enterprise development. The institutional forms of DFIs vary considerably across contexts. Some operate as

wholly government-owned entities with explicit public-sector status. Others function as government-sponsored enterprises with greater operational autonomy. Still others take hybrid forms, combining public ownership with private-sector governance structures and management practices. Regardless of specific institutional form, DFIs share common characteristics: development-oriented mandates, long-term investment horizons, willingness to accept below-market returns in pursuit of development objectives, and operation in market segments characterized by information asymmetries, coordination failures, or externalities that deter purely commercial actors.

2.2 The Evolution of DFIs in Emerging Economies

The evolution of DFIs in emerging economies reflects broader shifts in development thinking and practice. Early post-independence DFIs in Africa and Asia were established as instruments of state-led industrialization, often operating with soft budget constraints, political interference in lending decisions, and limited accountability for financial performance. Many of these institutions accumulated substantial non-performing loan portfolios and required repeated government recapitalizations. By the 1980s and 1990s, structural adjustment programs and the Washington Consensus led to widespread skepticism about state-owned financial institutions, with many DFIs privatized, liquidated, or merged into commercial banks. However, the past two decades have witnessed a renaissance of development finance institutions, driven by several factors. First, recognition that purely market-based approaches cannot address infrastructure deficits and long-term development financing needs has rehabilitated the case for specialized development finance intermediaries. Second, emerging economies have accumulated substantial foreign exchange reserves and sovereign wealth, creating capacity to capitalize DFIs without donor dependence. Third, the rise of new development finance actors, particularly China's policy banks and the BRICS New Development Bank, has demonstrated alternative models of development finance that challenge Western orthodoxies. Fourth, the Sustainable Development Goals and climate finance

imperatives have created demand for patient capital that DFIs are uniquely positioned to provide. This renaissance has been accompanied by efforts to learn from past failures and design DFIs with stronger governance, clearer mandates, professional management, and robust performance measurement systems. Contemporary DFIs increasingly emphasize financial sustainability alongside development impact, adopt private-sector management practices, and implement rigorous project appraisal and portfolio management systems. These institutional reforms have extended to human resource management, with leading DFIs recognizing that attracting and retaining professional talent requires competitive compensation, clear career pathways, performance-based advancement, and organizational cultures that value both development commitment and financial discipline.

2.3 DFIs as Hybrid Institutional Forms

Development finance institutions exemplify what organizational scholars' term "hybrid organizations", entities that combine institutional logics, governance structures, and operational practices from multiple organizational fields (Onyoin, 2020). In such hybrid settings, fragmented governance commonly produces functional silos, duplicated controls, and disconnected oversight that limit unified risk visibility and evidence-based decision-making (Joseph, 2013). DFIs simultaneously embody public-sector characteristics (government ownership, public policy mandates, accountability to political principals) and private-sector characteristics (commercial financial operations, market-based risk assessment, profit-oriented subsidiaries). This hybridity creates distinctive management challenges that extend across all organizational functions, from strategic planning and risk management to human resource management and performance measurement.

Table 1 synthesizes key characteristics of hybrid institutional models in DFIs, contrasting public-sector, private-sector, and hybrid approaches across critical organizational dimensions.

Table 1: Key Characteristics of Hybrid Institutional Models in Development Finance Institutions

Organizational Dimension	Public-Sector Model	Private-Sector Model	Hybrid DFI Model
Primary Objective	Policy implementation and public service delivery	Profit maximization and shareholder value	Dual mandate: financial sustainability and development impact
Governance Structure	Ministerial oversight; civil service regulations	Board accountability to shareholders; market discipline	Mixed governance: government ownership with professional board oversight
Performance Metrics	Compliance, equity, political responsiveness	Return on equity, market share, profitability	Blended metrics: financial returns, development outcomes, portfolio quality
Compensation Philosophy	Standardized pay scales; seniority-based progression	Market-competitive; performance-linked incentives	Constrained market competitiveness within public accountability frameworks
Talent Management	Permanent employment; limited mobility	Competitive recruitment; performance-based retention	Hybrid approaches balancing stability with performance orientation
Risk Appetite	Risk-averse; emphasis on procedural compliance	Calculated risk-taking within risk-return frameworks	Patient capital with development risk tolerance and financial discipline
Organizational Culture	Bureaucratic; process-oriented; hierarchical	Entrepreneurial; results-oriented; flexible	Blended culture emphasizing both development mission and financial professionalism

Source: Synthesized from Onyoin (2020), Brown (2004), and Blom et al. (2020)

The hybrid nature of DFIs creates particular tensions in human resource management. Public-sector characteristics, including civil service regulations, standardized compensation scales, and political oversight, can constrain DFIs' ability to compete for talent with private financial institutions. Conversely, private-sector practices, such as performance-based compensation, competitive recruitment, and flexible organizational structures, may conflict with public accountability requirements, equity considerations, and political sensitivities around executive compensation in government-linked entities. Effective HR management in DFIs requires navigating these tensions through institutional innovations that preserve public accountability while enabling operational effectiveness.

3. The Challenge of Hybrid Institutional Governance

3.1 Navigating Public and Private Sector Logics

Institutional theory provides valuable frameworks for understanding the governance challenges facing hybrid organizations like DFIs. Organizations operate within institutional fields characterized by taken-for-granted assumptions, normative expectations, and regulative structures that shape organizational behavior. Public-sector organizations operate within institutional fields emphasizing equity, due process, political accountability, and universal service provision. Private-sector organizations operate within fields emphasizing efficiency, innovation, competitive advantage, and financial performance. Hybrid organizations must simultaneously respond to institutional pressures from multiple fields, creating what scholars' term "institutional complexity" (Onyoin, 2020). For DFIs, this

institutional complexity manifests in multiple domains. Strategic decision-making must balance commercial viability with policy priorities. Project selection must weigh financial returns against development impact. Organizational structures must accommodate both hierarchical accountability chains and flexible, market-responsive operations. Human resource management must attract financial professionals while adhering to public-sector equity norms. Performance measurement must satisfy both financial auditors and development evaluators. These competing demands create ongoing tensions that cannot be permanently resolved but must be continuously managed through organizational practices that acknowledge and balance multiple institutional logics. The challenge of navigating multiple institutional logics is particularly acute in human resource management. Public-sector HR systems typically emphasize standardized job classifications, transparent and rule-bound promotion processes, seniority-based progression, and compensation equity across organizational units. These characteristics reflect public-sector values of fairness, predictability, and equal treatment. Private-sector HR systems typically emphasize flexible job definitions, performance-based advancement, market-competitive compensation, and differentiation of high performers. These characteristics reflect private-sector values of meritocracy, efficiency, and competitive advantage. DFIs must design HR systems that incorporate elements of both logics, maintaining public accountability and equity while enabling performance differentiation and market competitiveness.

3.2 Accountability Tensions in Hybrid Organizations

Accountability structures in hybrid organizations are inherently complex. Public-sector organizations are accountable to multiple principals, legislative bodies, executive agencies, oversight institutions, and ultimately citizens. This multi-principal accountability creates demands for transparency, procedural regularity, and responsiveness to political direction. Private-sector organizations are primarily accountable to shareholders, with accountability enforced through market mechanisms, board oversight, and fiduciary duties. Hybrid organizations face accountability demands from both public and private spheres, creating potential conflicts when public accountability requirements constrain operational flexibility or when market pressures conflict with policy mandates. For

DFIs, accountability tensions manifest in several ways. Financial performance accountability may conflict with development impact accountability when commercially viable projects are more readily available than high-impact development projects. Transparency requirements may conflict with commercial confidentiality when DFIs compete with private financial institutions. Political accountability may conflict with professional autonomy when political principals seek to influence lending decisions. Human resource accountability may conflict with talent competitiveness when public-sector compensation constraints limit DFIs' ability to offer market-competitive remuneration. These accountability tensions extend to performance management systems. Public-sector performance management typically emphasizes compliance with procedures, achievement of policy objectives, and equitable service delivery. Private-sector performance management typically emphasizes achievement of financial targets, customer satisfaction, and competitive positioning. DFIs must design performance management systems that accommodate both sets of expectations, measuring and rewarding both development impact and financial performance, both procedural compliance and operational efficiency, both equity and meritocracy (Vienožindienė et al., 2012).

3.3 Performance Paradoxes in Development Finance

The dual mandate of DFIs, pursuing both financial sustainability and development impact, creates inherent performance paradoxes. Projects with the highest development impact may offer lower financial returns or higher risks than commercially viable alternatives. Serving underserved populations or regions may require accepting higher transaction costs and greater credit risk than serving established clients. Providing patient capital for long-gestation infrastructure projects may constrain portfolio liquidity and financial flexibility. These trade-offs are not merely technical challenges but reflect fundamental tensions in the DFI mandate. These performance paradoxes extend to human resource management. Attracting professionals with sophisticated financial skills requires offering competitive compensation and career prospects comparable to private financial institutions. However, public-sector ownership and accountability frameworks often constrain compensation flexibility, creating talent retention challenges. Building organizational capacity for development impact assessment requires

professionals with development expertise, yet such professionals may lack the financial analysis skills required for rigorous project appraisal. Creating organizational cultures that value both development mission and financial discipline requires balancing competing values and incentive structures. Effective HR reform in DFIs must acknowledge and address these performance paradoxes rather than attempting to resolve them definitively. This requires designing HR systems with sufficient flexibility to accommodate multiple performance dimensions, creating career pathways that value diverse skill sets, and developing organizational cultures that embrace rather than deny institutional complexity. The Nigerian DFI case examined in this research provides insights into how systematic HR reform can address these challenges through institutional innovations that bridge public-sector equity and private-sector efficiency.

4. HR Reform Imperatives in Development Finance Institutions

4.1 Talent Acquisition and Retention Challenges

Talent acquisition and retention represent critical challenges for DFIs, particularly in competitive labor markets where private financial institutions offer superior compensation and career prospects. DFIs require professionals with specialized skills—financial analysis, credit risk assessment, project finance structuring, sector expertise, and development impact measurement. These skills are in high demand across the financial sector, creating intense competition for qualified professionals. DFIs' ability to compete for talent is often constrained by public-sector compensation frameworks, limited organizational flexibility, and perceptions of bureaucratic work environments. Research on human resource management in development contexts highlights the particular challenges facing public and quasi-public institutions in attracting and retaining professional talent (Berman, 2015). These challenges are amplified in African contexts, where private-sector financial institutions have expanded rapidly, creating strong demand for financial professionals. Brain drain to international organizations, private equity firms, and multinational corporations further constrains the talent pool available to domestic DFIs. Additionally, generational shifts in workforce expectations, with younger professionals prioritizing career development,

work-life balance, and organizational mission alongside compensation, require DFIs to offer compelling value propositions beyond salary alone.

Effective talent retention requires more than competitive compensation. Research demonstrates that career development opportunities, performance recognition, organizational culture, and mission alignment significantly influence retention decisions (Ali et al., 2019). DFIs that invest in systematic career development, provide clear advancement pathways, recognize high performance, and cultivate strong organizational cultures can partially offset compensation disadvantages relative to private-sector alternatives. However, realizing these benefits requires systematic HR reform that moves beyond ad hoc practices to institutionalized systems for talent management.

4.2 Succession Planning in Constrained Environments

Succession planning, the systematic identification and development of internal talent to fill key leadership positions, represents a critical but often neglected dimension of HR management in DFIs. Many DFIs face impending leadership transitions as founding generations of professional's approach retirement, yet lack systematic processes for identifying and preparing successors. This succession planning deficit creates organizational risks, including loss of institutional knowledge, leadership continuity gaps, and potential disruption of strategic initiatives. Research on succession planning in African organizations highlights several common challenges: limited investment in leadership development, preference for external recruitment over internal promotion, politicization of senior appointments, and absence of systematic talent identification processes (Tetteh, 2015). These challenges are particularly acute in public and quasi-public institutions, where succession planning may be viewed as conflicting with political prerogatives over senior appointments or where civil service regulations constrain flexibility in identifying and developing high-potential employees. Effective succession planning requires several interconnected elements: systematic identification of critical positions and competency requirements, transparent processes for identifying high-potential employees, structured development programs to build required competencies, and organizational cultures that value internal talent

development (Ali et al., 2019). For DFIs, succession planning must also address the distinctive competency requirements of hybrid institutions, leaders who can navigate both development and financial logics, manage complex stakeholder relationships, and balance competing accountability demands. Building such leadership capacity requires long-term investment in talent development, creating a compelling case for systematic HR reform.

4.3 Performance Management at the Public-Private Interface

Performance management systems serve multiple functions in organizations: clarifying performance expectations, providing feedback for employee development, identifying high performers for advancement, and linking performance to rewards. In hybrid organizations like DFIs, performance management must accommodate multiple performance dimensions—financial results, development impact, procedural compliance, and stakeholder management—while balancing public-sector equity norms with private-sector performance differentiation. Research on performance management in public-sector contexts reveals persistent implementation challenges. Studies document employee perceptions of unfairness in performance appraisal, lack of meaningful performance feedback, disconnect between performance ratings and career advancement, and limited use of performance information for employee development (Makhubela et al., 2016). These challenges reflect both technical limitations of performance management systems and deeper tensions between bureaucratic norms emphasizing standardization and equity, and performance management principles emphasizing differentiation and meritocracy.

For DFIs, effective performance management requires several design features. First, performance metrics must capture both financial and development dimensions, avoiding exclusive focus on easily quantifiable financial indicators at the expense of harder-to-measure development outcomes. Second, performance appraisal processes must be perceived as fair and transparent, with clear criteria, regular feedback, and opportunities for employee input. Third, performance management must be linked to meaningful consequences, career advancement, compensation adjustments, and development opportunities, rather than serving as

purely administrative exercises. Fourth, performance management must support both accountability and development functions, providing both summative evaluation for personnel decisions and formative feedback for employee growth (Vienažindienė et al., 2012).

4.4 The Nigerian DFI Context

Nigeria's development finance sector operates within a distinctive institutional and economic context that shapes HR management challenges and opportunities. As Africa's largest economy and most populous nation, Nigeria hosts multiple development finance institutions with mandates spanning agricultural finance, infrastructure development, export promotion, and small enterprise support. These institutions operate within a federal governance structure, with both federal and state-level DFIs, creating complex accountability relationships and coordination challenges. The Nigerian financial sector is characterized by a vibrant and competitive private banking industry that has expanded rapidly since banking sector reforms in the mid-2000s. Nigerian commercial banks offer competitive compensation, sophisticated career development programs, and dynamic work environments, creating intense competition for financial professionals. This competitive pressure is particularly acute for DFIs, which must attract professionals with commercial banking skills while operating under public-sector compensation constraints and bureaucratic procedures. Nigerian DFIs also operate within broader public-sector reform contexts. Nigeria has undertaken multiple waves of civil service reform aimed at improving public-sector effectiveness, including reforms to recruitment processes, performance management systems, and compensation structures (Antwi et al., 2008). However, implementation of these reforms has been uneven, with persistent challenges including political interference in appointments, weak performance management, and limited investment in capacity development. DFIs seeking to implement HR reforms must navigate these broader public-sector contexts while carving out sufficient autonomy to adopt practices appropriate to their hybrid institutional character.

The Nigerian DFI examined in this research implemented a comprehensive HR transformation initiative designed to address these contextual challenges. The reform encompassed standardization of cadre-based job

descriptions to clarify roles and career pathways, redesign of onboarding and coaching programs to accelerate new employee integration and development, establishment of transparent promotion mechanisms to enhance fairness and predictability, and strengthening of performance management systems to link performance to advancement and development. These reforms were designed to enhance institutional effectiveness while maintaining compliance with public-sector accountability frameworks, providing insights into how DFIs can navigate the tensions inherent in hybrid institutional forms.

5. Theoretical Framework

This research draws on multiple theoretical perspectives to understand HR reform in development finance institutions. No single theoretical framework adequately captures the complexity of hybrid institutional management; rather, integrating insights from strategic human resource management theory, institutional theory, resource-based perspectives, and public management scholarship provides a more comprehensive analytical foundation.

5.1 Strategic Human Resource Management Theory

Strategic human resource management (SHRM) theory examines how HR practices contribute to organizational performance and competitive advantage. SHRM emphasizes alignment between HR practices and organizational strategy, internal consistency among HR practices (often termed "HR bundles" or "HR systems"), and the role of HR in building organizational capabilities (Al-Adwani, 2014). Core SHRM propositions include: HR practices should be designed to support organizational strategy; complementary HR practices create synergistic effects exceeding the sum of individual practices; and HR systems contribute to organizational performance by building human capital, shaping employee motivation, and creating organizational capabilities difficult for competitors to replicate. For DFIs, SHRM theory suggests that HR reform should be strategically designed to support institutional mandates and build capabilities required for effective development finance. This implies several design principles. First, HR practices should be aligned with DFI dual mandates, supporting both financial performance and development impact. Second, HR practices should be designed as integrated systems rather than isolated interventions, with recruitment, development, performance management,

and compensation practices reinforcing each other. Third, HR reform should focus on building distinctive organizational capabilities—such as project origination capacity, risk management expertise, and stakeholder relationship management—that enable DFIs to fulfill mandates that purely commercial or purely public institutions cannot.

5.2 Institutional Theory and Organizational Hybridity

Institutional theory examines how organizations are shaped by institutional environments—the taken-for-granted assumptions, normative expectations, and regulative structures that define appropriate organizational forms and practices. Organizations gain legitimacy by conforming to institutional expectations, but institutional environments may contain multiple, potentially conflicting institutional logics. Hybrid organizations face institutional complexity, operating at the intersection of multiple institutional fields with different and sometimes contradictory expectations (Onyoin, 2020). For DFIs, institutional theory highlights how HR practices must respond to institutional pressures from both public and private sectors. Public-sector institutional environments emphasize equity, transparency, due process, and political accountability, shaping expectations for standardized compensation, rule-bound promotion, and transparent decision-making. Private-sector institutional environments emphasize efficiency, performance differentiation, and competitive advantage, shaping expectations for market-competitive compensation, performance-based advancement, and flexible organizational structures. DFIs must design HR systems that maintain legitimacy in both institutional environments, incorporating elements of both public- and private-sector logics. Institutional theory also highlights the role of institutional entrepreneurship, actors who work to change institutional arrangements and create new organizational forms. HR reform in DFIs can be understood as institutional entrepreneurship, creating hybrid HR practices that bridge public and private sector logics. Successful institutional entrepreneurship requires not only the technical design of new practices but also legitimation work, convincing stakeholders that hybrid practices are appropriate and effective. This implies that HR reform in DFIs requires both technical expertise in HR system design and political skill in managing stakeholder expectations and building support for institutional innovation.

5.3 Resource-Based View of the Firm

The resource-based view (RBV) of the firm examines how organizational resources and capabilities contribute to competitive advantage. RBV argues that sustainable competitive advantage derives from resources that are valuable, rare, inimitable, and non-substitutable. Human resources represent a particularly important category of strategic resources, as human capital, organizational culture, and tacit knowledge embedded in organizational routines are difficult for competitors to replicate. For DFIs, RBV suggests that HR reform should focus on building human capital and organizational capabilities that constitute sources of institutional advantage. This includes technical expertise in development finance, deep knowledge of local contexts and sectors, relationships with key stakeholders, and organizational cultures that balance development mission with financial discipline. These capabilities cannot be easily purchased or replicated; they must be built through sustained investment in talent acquisition, development, and retention. HR reform that strengthens these capabilities enhances DFIs' ability to fulfill mandates that other institutions cannot, justifying their continued existence and public support. RBV also highlights the importance of complementarities among organizational resources and practices. Individual HR practices—such as performance management or training programs, create value primarily when integrated with complementary practices and aligned with organizational strategy. This suggests that piecemeal HR reforms are unlikely to generate substantial performance improvements; rather, comprehensive reform of interconnected HR systems is required to build organizational capabilities and enhance institutional effectiveness.

5.4 New Public Management and Post-NPM Perspectives

New Public Management (NPM) emerged in the 1980s and 1990s as a reform paradigm emphasizing

application of private-sector management techniques to public organizations. NPM principles include performance-based management, customer orientation, decentralization of authority, competition and market mechanisms, and results-oriented accountability (Brown, 2004). NPM reforms extended to human resource management, with emphasis on performance-based compensation, flexible employment arrangements, and managerial autonomy in personnel decisions. NPM has been influential in shaping DFI reforms, with many institutions adopting performance management systems, results-based frameworks, and private-sector management practices. However, NPM has also faced substantial criticism, including concerns about neglect of public values, erosion of public service motivation, and creation of perverse incentives when complex public objectives are reduced to simple performance metrics. Post-NPM perspectives emphasize the distinctive character of public organizations, the importance of public values alongside efficiency, and the need for governance approaches that acknowledge rather than deny the complexity of public management. For DFIs, NPM and post-NPM perspectives suggest that HR reform should selectively adopt private-sector practices while preserving public values and acknowledging institutional complexity. This implies hybrid HR systems that incorporate performance management and merit-based advancement while maintaining equity and transparency; that offer competitive compensation within public accountability frameworks; and that measure and reward both financial performance and development impact. Rather than wholesale adoption of private-sector practices or rigid adherence to traditional public-sector approaches, effective HR reform in DFIs requires institutional innovation that creates new hybrid practices appropriate to hybrid institutional forms.

Table 2 synthesizes core components of HR reform initiatives in DFIs, drawing on the theoretical frameworks discussed above.

Table 2: Core Components of HR Reform Initiatives in Development Finance Institutions

HR Reform Component	Key Elements	Theoretical Foundation	Expected Outcomes
Job Standardization and Classification	Cadre-based job descriptions; clear competency requirements; transparent job leveling; alignment with organizational structure	SHRM (strategic alignment); Institutional theory (legitimacy through transparency)	Role clarity; career pathway visibility; equitable treatment; reduced ambiguity
Recruitment and Onboarding	Competitive recruitment processes; structured onboarding programs; early socialization to organizational mission and culture; mentorship and coaching	RBV (building human capital); SHRM (talent acquisition as strategic capability)	Faster integration; stronger organizational commitment; reduced early turnover; capability building
Performance Management	Clear performance criteria; regular feedback; linkage to development and advancement; balanced metrics (financial and development); fair appraisal processes	SHRM (performance-strategy alignment); NPM (results orientation); Institutional theory (balancing multiple logics)	Performance clarity; motivation; accountability; development feedback; merit-based advancement
Career Development and Succession Planning	Transparent promotion criteria; systematic identification of high-potential employees; leadership development programs; internal mobility opportunities	RBV (building organizational capabilities); SHRM (talent management); Institutional theory (internal legitimacy)	Talent retention; leadership continuity; organizational knowledge preservation; employee motivation
Compensation and Rewards	Market-informed compensation within public constraints; performance-linked components; non-monetary recognition; transparent compensation structures	SHRM (motivation and retention); Institutional theory (balancing equity and competitiveness); NPM (performance incentives)	Talent competitiveness; motivation; perceived fairness; retention of high performers
Training and Capacity Building	Systematic training needs assessment; technical and leadership development; on-the-job learning; knowledge management systems	RBV (capability building); SHRM (human capital development); Post-NPM (public service capacity)	Enhanced competencies; organizational learning; adaptation to changing environments; innovation capacity

Source: Synthesized from Al-Adwani (2014), Berman (2015), Onyoin (2020), and Brown (2004)

6. Research Objectives and Contributions

6.1 Research Objectives

This research pursues several interconnected objectives. First, it examines how comprehensive HR reform can enhance institutional effectiveness in development finance institutions operating at the interface of public policy and financial service delivery. Second, it analyzes the specific HR transformation initiative implemented in a Nigerian DFI, documenting reform components,

implementation processes, and outcomes. Third, it develops a conceptual framework for understanding HR innovation in hybrid institutional contexts, integrating insights from strategic HRM, institutional theory, resource-based perspectives, and public management scholarship. Fourth, it identifies lessons and implications for peer institutions seeking to strengthen HR capacity while navigating governance and efficiency trade-offs. The research is guided by several specific questions: What HR challenges do DFIs face in attracting, developing, and retaining professional talent? How can HR systems be designed to balance public-sector accountability requirements with private-sector performance orientation? What reform components are most critical for enhancing institutional effectiveness? How do contextual factors, including national governance frameworks, labor market conditions, and organizational cultures, shape HR reform implementation and outcomes? What lessons from the Nigerian case are transferable to other DFIs in similar contexts?

6.2 Theoretical Contributions

This research makes several theoretical contributions to public management and human resource management scholarship. First, it extends strategic human resource management theory to hybrid institutional contexts, examining how SHRM principles apply in organizations that must simultaneously respond to public and private sector institutional logics. Most SHRM research focuses on private-sector firms or, less commonly, public-sector organizations; research on HR management in hybrid organizations remains limited. This study contributes to filling this gap by analyzing how HR systems can be designed to support dual mandates and navigate institutional complexity. Second, the research contributes to institutional theory by examining institutional entrepreneurship in hybrid organizations. It analyzes how organizational actors create new hybrid practices that bridge multiple institutional logics, and how these practices gain legitimacy among diverse stakeholders. This contributes to understanding how institutional innovation occurs in complex institutional environments and how hybrid organizations manage institutional pressures. Third, the research contributes to development management scholarship by examining institutional capacity building in development finance institutions. While substantial research examines development project effectiveness, less attention has

been devoted to the institutional foundations of development finance, the organizational capabilities, management systems, and human resources that enable DFIs to fulfill development mandates. This study contributes to understanding how institutional capacity can be strengthened through systematic HR reform.

6.3 Practical Contributions

Beyond theoretical contributions, this research offers practical insights for DFI managers, policymakers, and development practitioners. First, it provides a detailed case study of comprehensive HR reform implementation, documenting specific reform components, implementation processes, challenges encountered, and outcomes achieved. This case study offers a reference point for peer institutions considering similar reforms, providing both inspiration and cautionary lessons. Second, the research develops a conceptual framework for HR reform in hybrid institutions that can guide reform design in other contexts. This framework identifies critical reform components, design principles for hybrid HR systems, and implementation considerations. While contextual adaptation is always necessary, the framework provides a starting point for institutions seeking to strengthen HR capacity. Third, the research identifies specific practices and innovations that have proven effective in the Nigerian DFI context. These include approaches to job standardization that balance flexibility with clarity, onboarding programs that accelerate integration while building organizational commitment, performance management systems that accommodate multiple performance dimensions, and succession planning processes that identify and develop internal talent. While not all practices will be directly transferable to other contexts, they provide examples of institutional innovations that address common challenges facing DFIs.

6.4 Contextual Contributions

This research makes important contributions to understanding HR management in African institutional contexts. Much HR management research draws on evidence from developed economies, with limited attention to distinctive challenges facing organizations in African contexts. These challenges include intense competition for professional talent, brain drain to international organizations and developed economies, weak institutional environments that constrain

organizational effectiveness, and limited resources for capacity building. Research grounded in African contexts is essential for developing contextually appropriate management approaches. The Nigerian case examined in this research provides insights into how DFIs in resource-constrained, competitive, and complex governance environments can strengthen HR capacity. Nigeria's large economy, competitive financial sector, and complex federal governance structure create both

challenges and opportunities for DFI reform. Lessons from the Nigerian case are potentially relevant to other African DFIs operating in similar contexts, as well as to DFIs in other emerging economies facing comparable challenges. Table 3 presents a performance outcomes framework for assessing HR reform effectiveness in DFIs, synthesizing multiple performance dimensions relevant to hybrid institutional contexts.

Table 3: Performance Outcomes Framework for HR Reform in Development Finance Institutions

Performance Dimension	Outcome Indicators	Measurement Approach	Relevance to DFI Mandate
Talent Acquisition	Time-to-fill for critical positions; quality of applicant pools; acceptance rates for job offers; diversity of hires	HR metrics tracking; benchmarking against peer institutions	Ensures capacity to attract professionals required for development finance operations
Talent Retention	Voluntary turnover rates (overall and high performers); tenure patterns; exit interview insights; retention of critical talent	HR analytics; longitudinal tracking; qualitative assessment	Preserves institutional knowledge; reduces recruitment costs; maintains operational continuity
Employee Performance	Achievement of individual performance objectives; performance rating distributions; 360-degree feedback results; productivity metrics	Performance management system data; supervisor assessments; peer feedback	Directly links to operational effectiveness and achievement of institutional mandates
Career Development	Internal promotion rates; participation in development programs; succession pipeline strength; leadership bench depth	Succession planning metrics; training participation data; promotion tracking	Builds leadership capacity; demonstrates career opportunities; supports retention
Organizational Capability	Project origination capacity; portfolio quality; risk management effectiveness; stakeholder relationship strength	Operational metrics; portfolio performance data; stakeholder surveys	Core capabilities required for effective development finance delivery
Employee Engagement	Employee satisfaction scores; organizational commitment measures; discretionary effort indicators; alignment with mission	Employee surveys; engagement assessments; organizational culture metrics	Influences performance, retention, and organizational effectiveness
Institutional Legitimacy	Stakeholder perceptions of professionalism; peer recognition; compliance with governance requirements; reputation indicators	Stakeholder surveys; peer assessments; governance audits; media analysis	Maintains public support and political backing essential for DFI sustainability

Source: Synthesized from Vienažindienė et al. (2012), Tessema et al. (2015), and Reinsberg et al. (2017)

7. Structure of the Paper

Following this introduction, the paper proceeds through several additional steps that develop the analysis systematically. It presents a comprehensive literature review, examining research on human resource management in public, private, and hybrid organizations; development finance institutions and their governance challenges; HR reform in developing country contexts; and theoretical frameworks for understanding HR-performance linkages. This literature review establishes the scholarly foundations for the empirical analysis and identifies gaps that this research addresses. It describes the research methodology, including the case study research design, data collection methods, analytical approaches, and methodological limitations. The paper explains the rationale for case study methodology, describes the Nigerian DFI context in detail, outlines the HR reform initiative examined, and explains how data were collected and analyzed to address research questions. It also presents detailed findings from the case study, documenting the HR reform initiative's components, implementation processes, challenges encountered, and outcomes achieved. This work provides rich descriptive detail on specific reform elements, job standardization, onboarding redesign, promotion mechanism establishment, and performance management enhancement, and analyzes how these elements functioned as an integrated reform system. Findings are analyzed through the theoretical frameworks introduced in this paper, examining how the case illuminates broader questions about HR management in hybrid institutions, institutional entrepreneurship, and capacity building in development finance. This work develops the conceptual framework for HR reform in hybrid institutions and discusses theoretical implications. The paper also discusses practical implications, lessons learned, and recommendations for peer institutions. Therefore, it addresses questions of transferability, contextual adaptation, implementation challenges, and success factors for HR reform in DFIs. It also discusses the policy implications for governments and development partners supporting DFI capacity-building. In conclusion, the paper synthesizes key findings, restates theoretical and practical contributions, acknowledges limitations, and identifies directions for future research. The conclusion emphasizes HR reform as a strategic tool for institutional strengthening in development finance and articulates

the broader significance of the research for development management scholarship and practice.

References

1. Al-Adwani, A. M. (2014). Effects of implementing strategic human resource management on organizational success: Case study of Kuwait Finance House-KFH. *International Business Research*, 7(3), 149-158. <https://doi.org/10.5539/IBR.V7N3P149>
2. Ali, Z., Bashir, M., & Mehreen, A. (2019). Linking succession planning to employee performance: The mediating roles of career development and performance appraisal. *Australian Journal of Career Development*, 28(2), 112-121. <https://doi.org/10.1177/1038416219830419>
3. Antwi, K. B., Analoui, F., & Nana-Agyekum, D. (2008). Reforming public sector: Facing the challenges of effective human resource development policy in Ghana. *Journal of Management Development*, 27(6), 600-612. <https://doi.org/10.1108/02621710810877848>
4. Berman, E. M. (2015). HRM in development: Lessons and frontiers. *Public Administration and Development*, 35(2), 113-127. <https://doi.org/10.1002/PAD.1706>
5. Blom, R., Kruijen, P. M., Van der Heijden, B. I. J. M., & Van Thiel, S. (2020). One HRM fits all? A meta-analysis of the effects of HRM practices in the public, semi-public, and private sector. *Review of Public Personnel Administration*, 40(1), 3-35. <https://doi.org/10.1177/0734371X18773492>
6. Brown, K. (2004). Human resource management in the public sector. *Public Management Review*, 6(3), 303-309. <https://doi.org/10.1080/1471903042000256501>
7. Joseph, C. (2013). From fragmented compliance to integrated governance: A conceptual framework for unifying risk, security, and regulatory controls. *Scholars Journal of Engineering and Technology*, 1(4), 238-250.
8. Makhubela, M., Botha, P. A., & Swanepoel, S. (2016). Employees' perceptions of the effectiveness

- and fairness of performance management in a South African public sector institution. *SA Journal of Human Resource Management*, 14(1), 1-11. <https://doi.org/10.4102/SAJHRM.V14I1.728>
9. Onyoin, C. O. (2020). Human resource management in public-private partnership organisations: A review. *Corporate Governance and Organizational Behavior Review*, 4(2), 14-21. <https://doi.org/10.22495/CGOBRV4I2P2>
 10. Panday, P. K. (2007). Technical cooperation and institutional capacity-building for development: Back to the basics. *Public Organization Review*, 7(3), 195-208.
 11. Qobo, M., Soko, M., & Onyango, D. (2017). The rise of development finance institutions: South Africa, BRICS and regional strategy. In *BRICS and Coexistence* (pp. 177-195). Routledge.
 12. Reinsberg, B., Michaelowa, K., & Knack, S. (2017). Organizational reform and the rise of trust funds: Lessons from the World Bank. *Review of International Organizations*, 12(2), 199-226. <https://doi.org/10.1007/S11558-017-9268-1>
 13. Tessema, M. T., Tsegai, G., Ready, K., Embaye, A., & Windrow, B. (2015). Assessment of HR development and utilization: A conceptual framework. *International Journal of Productivity and Performance Management*, 64(4), 528-545.
 14. Tetteh, S. (2015). *Succession planning, employee retention and organisational effectiveness among some selected organisations in Ghana* [Doctoral dissertation, University of Ghana].
 15. Vienažindienė, M., Čiarnienė, R., & Adamonienė, R. (2012). Performance evaluation study of public administration institutions. *Economics and Management*, 17(1), 275-281. <https://doi.org/10.5755/J01.EM.17.1.2295>