

HR Practices in Banking Sector on Perceived Employee Performance: A Case of Bangladesh

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Abstract

In the current scenario, HR practices play an important role in organizations to increase the employee performance. The purpose of the study is to focus on the finding relationship between perceived employee performance, compensation practices, performance evaluation practices and promotion practices. The destination of this study is to imply the repetitive activities performed in the context of an organization's normal, everyday operations. It is all about the use of perceived employee performance to design, analyze, and manage human resources and, where possible, to improve these practices.

The findings of the research show that the HR practices are positively related to perceived employee performance. The study suggests that the level of employment should be improved in the organizations of Bangladesh & employees will devote themselves to their work. Employee performance may effect positively & employee can get benefits from these HR practice. The systems of the banks show an impact on the organizations of Bangladesh so it is very important to apply these HR practices on banking sectors to increase the employee performance & develop positive behavior towards their customers. Organizations can take benefit from these practices and we should apply these practices to the banking sector of Bangladesh.

Keywords: HR Practices; Perceived Employee Performance; Banking Sector; Bangladeshl.

Introduction

HR practices are essentially the levers by which a pool of human capital can be developed (Patrick, et al., 1999). Companies need a unique set or bundle of HR practices to support their unique cultures and strategies (Khatri, 2000). HR practices seemed to be maximally related to firm performance only when paired with a participative system that allows employees to contribute their discretionary efforts towards positive organizational outcomes (Patrick, et al., 1999). An important issue that clearly needs more attention is the relative influence of direct effect of HR practices vise-a-versa the effect of HR strategy interaction of the company performance (Khatri, 2000). HR practices have a positive influence on firm performance but also articulate the mechanisms through which HR practices improve performance (Park, et al., 2003). These HR policies and practices may, in turn, have a direct effect on a firm's overall performance (Bamberger & Fiegenbaum 1996). Past research has provided extensive data on positive relationship between HR practices and organizational performance in an effort to demonstrate a positive impact of HR practices (Wright et al., 2005). Such research requires studying organization that are subject to a tremendous variety of variables that influence

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performance (Wright et al., 2005). HRM practices influence employee skills through the acquisition and development of a firm's human capital (Perez & Falcon, 2004). Local firms are relatively less interested in investing in HR at the individual level (Lau & Ngo, 2001). And those practices which are related to performance can be useful for the employees who want to work. For example, Park et al., (2003) explain that, Performance-oriented practices show that the organization will evaluate employees objectively and fairly on performance criteria, indicating that employees who perform well can succeed in the organization. Collins & Clark (2003) have argued that a system of specific network building HR practices can be used to manage the external and internal social networks of top managers, and that these employee based resources should have significant effect on firm performance. This stream of research seeks to demonstrate a relationship between HR practices & performance in an effort to provide decision makers with the causal inferences necessary to justify developing and implementing these practices in order to increase performance (Wright et al., 2005).

These findings of various researchers highlight importance of HR practices. However, when we review literature in this area almost nothing is available with reference to banking sector of Bangladesh. The findings of different cultural context cannot be used in Bangladesh. Hence, it is necessary to conduct a study that which HR practices are more applicable to Bangladesh. The finding of this research will truly help and assist the managers of banks in Bangladesh to effectively utilize HR practices (the bank of BD).

Literature Review

Perceived Employee Performance

It is important for the "high performance" movement & other work reforms efforts that focus on employee involvement to recognize the crucial role those job characteristics can play in shaping the performance of employee & ultimately of organizations (Cappelli & Regovsky, 1998). HR practices consistently influence firm performance via employee skills, attitudes or motivation (Park et al., 2003). The findings can help to address the concerns of Policy-makers about where to start and where to place the emphasis if they wish to Introduce HR practices designed to enhance performance and employee satisfaction (David guest, 2004). High performance HR practices have been promoted on claims that they provide major economic performance benefits and potential gains for both employees and organizations (Colvin et al., 2001).

Compensation Practices

Performance based compensation & employee participation had a significant positive effect on profitability (Khatri, 2000). Transformed industrial relation practices that promote joint decision making coupled with incentive based compensation have higher productivity than other similar nonunion plants (Black & Lynch, 2001). We cannot definitively exclude the possibility that higher levels of organizational performance may lead to both the adoption of high performance work systems and higher levels of compensation (Colvin et al., 2001). An improvement in employees' motivations is more associated with the use of performance based compensation & information sharing within the organization rather than with merit based promotions (Minbaeva et al., 2003).

Based on above findings we can argue that impact of compensation practices on perceived employee performance will be observed and compensation practices are the important determinant of HR practices. Therefore, it is important to measure the performance of the employee for better performance of the organization.

H1: Compensation practices positively affect perceived employee performance.

Performance Evaluation Practices

Set of practices that have individual, positive effects on performance may be a necessary but no sufficient condition for a larger effect on firm performance (Becker & Gerhart, 1996). A firm's management usually focuses on firm performance and profits (Bea & Lawler, 2000). HR practices seemed to be maximally related to firm performance only when paired with a participative system that allows employees to contribute their discretionary effort towards positive organizational outcomes (Wright et al., 1999). This variable indicates the degree to which firms adopting differentiation or focus strategies also employ high level of high performance work practices & vice versa (Huselid, 1995). The field would achieve greater contributions from studies at different levels of analysis where practices are more uniform and performance measures less distal from the effects of these practices (Wright et al., 2001). Performance management involves aligning the total set of an organization (Den Hartog et al., 2004). The RHM message about the importance of internal fit is then, first and foremost, about the practices that then makes up of compliment good job design (Wood, 1999). A system that combines both subjective & objective methods of evaluation in a self reflexive manner, aimed at maximum effectiveness appears most appropriate to a career oriented HR system (Glinow et al., 1983). The various HR practices then began to be aligned with the evaluation system itself and to each other (Heneman & Milanowski, 2004). The reward function of most organizations, in an integrated HR system, should derive from as well as influence the performance evaluation (Glinow et al., 1983). According to above literature review, performance evaluation practice is also an important determinant in which we have observed the perceived employee performance.

H2: Performance evaluation practices should be significantly and positively related to perceived employee Performance.

Promotion Practices

Although potential promotion ladders do not guarantee promotions, because they indicate to employees the value of retaining organization, specific skills that transfer between position should be positively related to performance measures (Huselid, 1995). Employees with firm specific skills are then retained by the firm that utilizes promotion from within as a primary mechanism for filling vacancies (Mc Grath & Marianne, 1996). These practices include using formal performance appraisals linking those appraisals tightly with employee merit and promotion decisions, (Delaney & Husehild, 1996). High performance HR practices have been promoted on claims that they provide major economic performance benefits and potential gains for both employees and organizations (Colvin et al., 2001). A firm that pays for training and that subsequently fails to promote from within is arguably failing to capitalize on its investment (MC Grath & Marianne,

1996). It is operationalized by adding the weighted number of formal training programs offered to employee groups & the extent to which promotions from within are used (Mcgrath & Marianne, 1996).

Based on our above literature review, we have searched out the impact of promotion practices on perceived employee performance.

H3: promotion practices are significantly and positively related to perceived employee Performance.

Methodology

This study is based on the sample of employee's workings in different banks of Bangladesh. The data was collected by using questionnaire distribution method. Since the target population for the study was banks, so all in all, 110 questionnaires were distributed to as many banks as possible out of which 92 valid responses were obtained leading to the response rate of 84 per cent. Within each bank, we gave questionnaires to measure the employees' performance, Compensation practices, Performance evaluation practices and promotion practices. The model, therefore, consists of three HR practices as independent variables and employees' performance as dependant variable. Respondents were asked to indicate the degree to which they agreed or disagreed to the HR issues. All the results were measured from the likert scale ranging from 1, 'strongly disagree' to 5, 'Strongly agree'.

Findings

Demographics

(I) Table 1

Description	Range	Frequency	Percentage %
Age	20-30	98	73.91
	31-40	10	10.86
	41-50	03	3.26
	51-60	10	10.86
	60-up	01	1.08
Tenure	1-5	78	84.78
	6-10	07	7.60
	11-15	01	1.08
	16-20	02	2.17
	21-up	04	4.37
Gender	Male	69	75
	Female	23	25
Qualification	Bachelors	45	48.9
	Masters	46	50
	M.phil/Ms	1	1.08
	Doctoral		
Martial status	Married	37	40.21
	Un-married	55	59.78

According to table # 1, 73.91% of the respondents are between the ages of 20-30 (n = 68). This indicates that many of the respondents are relatively young. The organizational tenure results show that most of the respondents have 5 years or less experience with the company i.e 84. 78% (n = 78), indicating short job history in their organization. The frequency of gender shows that 75% of the respondents are male (n = 69), and females are 25% of the total sample size (n = 23).

Results of table 1 show, 50% of the respondents have their masters degree (n = 46) whereas the remaining include 48.9% bachelor degree holders (n = 45) and 1.08% of respondents are M.phil. (n = 1). The marital frequency results show that 59.78% of the marital respondents are un-married (n = 55) while 40.21% are married (n = 37) and is a part of a family unit.

Correlations Analysis

Table: 2

	Mean	Standard deviation	Perceived Employee performance	Compensation practices	Promotion practices	Performance evaluation practices
Perceived Employee Performance	3.63	0.549	1.000	.602**	.366**	.120
Compensation Practices	3.63	0.726	.602**	1.000	.282**	.174
Promotion Practices	3.78	0.452	.366**	.282**	1.000	.222*
Performance evaluation practices	3.53	0.712	.120	.174	.222*	1.000
**Correlation is significant at the .01 level (2-tailed).						
*Correlation is significant at the 0.05 level (2-tailed).						

Table: 2 shows the correlation matrix between three independent variables: they are compensation, performance evaluation practice and promotion practices and one dependent variable i.e. employee performance. It indicates compensation practices show a significance of 0.602** (p< 0.01) performance evaluation practice indicates significance of 0.120 whereas promotion practices shows value of 0.366**.

Regression Analysis

Table: 3

	Beta (β)	t-value	p-value
Perceived employee performance	-	2.847	0.005
Compensation practices	0.545	6.317	0.000
Performance evaluation practices	-.023	-0.274	0.785
Promotion practices	0.217	2.495	0.014

N = 92, R square = 0.405
Adjusted R2 = 0.385 F = 19.982 (significance of f)

Table: 3 shows the results of relation between the independent variables with dependent variable. Perceived Employee performance shows t-value of 2.847. Compensation practice indicates 0.545 value, performance evaluation practice -0.023 and promotion practices shows 0.217 whereas p values of performance evaluation practices and promotion practices are 0.785, 0.14 ($p < 0.05$).

Discussion

This study was carried out to understand the role of compensation practices, employee evaluation practices and promotion practices on perceived employee's performance. We circulated our questionnaires in different banks and got the responses. We found out that a large number of the respondents were male and the percentage of female was relatively by less i.e. 75% male and 25% female. In our questionnaire, likert scale was used to measure the degree to which people agree or disagree to the HR issue. The employees gave their opinion about how far they have understood the practices role over perceived employee's performance. Most of the employees strongly agreed with the perceived employee performance in the organization, they were totally satisfied with the HR practices and had no problem and confusion about the HR issue. Our first independent variable of the research is compensation practices. Which effect on the perceived employee performance is determined?. The finding suggests that the value of correlation analysis of compensation practices over perceived employee performance is 0.602** (significant at 0.05) which shows that the value is highly significant and the employees are satisfied with the relationship between the compensation practices and perceived employees performance. Employee evaluation practices, the second independent variable of the research, also shows that the employees are satisfied with this practice, as the performance of the employee is evaluated by his supervisor and the decision is made, considering that evaluation is an important aspect of perceived employee's performance. The correlation analysis shows the value of performance evaluation practices as 0.120 which concludes that the value is significant and respondents agree with this practice. The third independent variable of the research is promotion practices. Our findings show that the relationship of promotion practices with the perceived employee performance is highly significant as the correlation analysis shows a value of 0.366**. Most of the employees in this sector are not satisfied with the promotion practices, as they don't get their promotion on merit basis which raises many biases.

In addition, the regression analysis is also carried out for these practices. We examined the values of these practices, the first independent variable, compensation practices $\beta = 6.317$, performance evaluation practices $\beta = -0.023$ and the last independent variable promotion practices have $\beta = 0.217$. Our findings suggest that the HR practices i.e. compensation practices, employee evaluation practices and promotion practices affect the perceived employee's performance in different ways.

Suggestions

HR practices play an important role in organizations to increase the employee performance. Organizations, whose HR practices and policies consistently portray a 'make 'orientation, expects employees to perceive the employment relationship as a long-term one, encompassing a number of factors (Sharon. R peck 1994). This study joins a growing body of research that attempts to open the black box by explaining how, when and to what extent HR practices affect performance at employee level (Tessema & Soeters, 2006). This is merely a suggestion, and research is needed to clarify the differences between more General perceived performance measures and more focused measures assessing more Specific perceptions regarding financial or market-related performance in their relation to high performance work practices (Den Hartog et al., 2004). One can argue that such an environment is likely to adversely affect the impact of HR practices on performance (Tessema & Soeters, 2006).

We also suggest that the level of employment should be improved in the organizations of Bangladesh & employees will devote themselves to their work. Employee performance may affect positively & employee can get benefits from these HR practice. We have two sectors of banks in Bangladesh, public sector & private sector. In public sector banks the behavior towards their customers is quite different from private sector banks because their customer satisfaction is very low. Although they earn very high salary but their performance is very dissatisfactory & the system used by the public sector is also not satisfactory but on the other hand, private sector banks use advance technology. The behavior of private sector banks is also different and satisfactory; that's why people prefer to go to the private sector banks. The systems of both types of banks show an impact on the organizations of Bangladesh. So it is very important to apply these HR practices to banking sectors to increase the employee performance & develop positive behavior towards their customers.

Organizations can take benefit from these practices & we should apply these practices to the banking sector of Bangladesh. Successful bank could afford to live with low staff commitment, but high firm performance was not sustainable in the long term (Hailey & Farndale, 2005). There are some more HR practices which we should not ignore which are also important and people can research on them, e.g. selection practices, training practices, appraisal practices, recruitment practices & development practices. If we apply these practices we can get better performance in our organizations.

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