

Human Resource Management Practices in Bangladesh: An Empirical Study on Employees' Satisfaction at Private Commercial Banks

Md. Kamrujjaman*

Mohammad Abdullah Al Mamun**

Sharmin Akter***

Abstract

The focus of this study is to gain an insight into the current HRM practices and its impact on employee's satisfaction at private banks in Bangladesh. For conducting this study, 100 bank employees were selected from 20 private commercial banks. The questionnaire was developed by using a five point Likert scale. In this study, some statistical measures such as Z-test mean and proportion analysis is used to examine employee's satisfaction. The study reveals that all HRM dimensions exercised in the private commercial banks of Bangladesh do not satisfy the employees equally. Most of the employees are dissatisfied with compensation package followed by reward and motivation, career growth, training and development, management style, and job design and responsibilities. So, these HRM dimensions quality should be improved for the betterment of the bank's success.

Keywords: HRM practice, Employees Satisfaction, Banking Sector, Developing Country.

1. INTRODUCTION

Dramatic advances of Information and Communication Technology (ICT), changing mix and personal values of the workforce, emergence of the knowledge economy and increasing global competition have created enormous challenges on organizations. To cope with the challenges efficiently, human resource has been considered as one of the most important factors in today's hypercompetitive market place.

* Lecturer, Department of Business Administration, Manarat International University, Dhaka, Bangladesh;

** Assistant Professor, School of Business Studies, Southeast University, Dhaka, Bangladesh &

*** Lecturer, School of Business Studies, Southeast University, Dhaka, Bangladesh.

HRM practices refers to organizational activities directed at managing the pool of human resources and ensuring that the resources are employed towards the fulfillment of organizational goals (Schuler & Jackson, 1987). The concept of HRM becomes popular in the early 1980s. Since then there has been increasing interest in the academic concept as well as in the research area. Early models of HRM were largely conceptual and not based on substantial empirical evidence for their validity (Beer, Spector, Laerence, Miles & Walton, 1984). Dramatic advances of Information and Communication Technology (ICT), changing mix and personal values of the workforce, emergence of the knowledge economy and increasing global competition have created enormous challenges on organizations. To cope with the challenges efficiently, human resource has been considered as one of the most important factors in today's hypercompetitive market place. In the context of a developing economy like Bangladesh, where the need for formation of capital is pressing, where developments in the field of industrial and bank management are dynamic, and where financial crises accompanying pangs of economic growth are frequent, the challenges posed by HRM are of great importance; and, as a sequel, exploring the possibilities of the application of HRM becomes a very relevant field of enquiry and research. Beardwell et. al. (1984) defined HRM as a strategic approach to the management of human resources that involves all management decisions and actions that affect the relationship between the organization and employees. Beardwell et al., (2004) regard HRM as the philosophy, policies, procedures, and practices related to the management of people within an organization. Senyucel's (2009) sees HRM as a combination of people-centered management practices that recognizes employees as assets and geared to creating and maintaining skilful and committed workforce for achieving organizational goals. HRM is a distinctive approach to employment management which seeks to achieve competitive advantage through the strategic development of a highly committed and capable workforce using an integrated array of cultural, structural and personnel techniques (Storey, 2001). Human resource measurement is about valuing the contribution people make to the success of an organization, and the term 'human capital' describes the contribution made by human skills and knowledge to the production of goods and services (Becker, 1993). From these definitions, it is clear that efficient HRM practices are inevitable factors in determining the growth and prospects of any organization. Human resource is the most precious asset and delicate factor of production. In this global competitive world, it is necessary to retain skilled workers in the organization by efficient HRM practices. Every organization operates its activities with the support of human resource which includes top level managers, executives, supervisors and other employees. The overall performance of any organization depends upon the extent to which human resource is effectively utilized. Highlighting the importance of people in organization, Khera (1999) opined that today when most business houses are obsessed with Total Quality Management (TQM) in order to stay ahead of competition, very few organizations realize that their most precious assets are their employees. Due to lack of efficient HRM practices reduces employee's satisfaction towards their organization and ultimately that affects their commitment to the organization.

2. LITERATURE REVIEW

Human resource management (HRM) is considered a critical organizational resource that helps an organization sustain its effective operation. It is an important area that influences a number of employees' attitudes and behavior such as intent to leave, levels of job satisfaction, and organizational commitment (Lee & Heard, 2000). Pfeffer (1998) suggested that soft or high commitment human resource management practices are those that generate trust in employees and these practices include giving employees empowerment and involvement in decision making; extensive communication about functioning and performance of the employees service; designing training for skills and personal development of employees; selective hiring; team-working where idea are pooled and creative solutions are encouraged; rewards system that commensurate with effort; reduction of status between the management and staff and all workers are valued regardless of their role. According to Macky & Boxall (2007), the scientific literature assumes a causal link flowing from HRM practices to organizational performance via the responses of employees. Organizations that do not pay equitably compared to others may lose their employee's because of the non-competitive compensation package (Adams, 1965). According to Lawler (2005), society has entered a new era in the relationship between organizations and their employees. In this new era, people are the primary source for a company's competitive advantage and organizational prosperity and survival depends on how employees are treated. The 'human' aspect of HRM is concerned with the relationship between employer and employee and is associated with the human relations movement and the concept of high commitment work practices developed till the day (Walton, 1985).

There are four top models of HRM, such as the Fombrun, Tichy and Devana model of HRM, the Harvard model of HRM, the Guest model of HRM, and the Warwick model of HRM (Bratton and Gold, 1999). The most referred definition of employee satisfaction was offered by lake (1976) who defined job satisfaction as a pleasing or positive emotional state resulting from the evaluation of a person's job (Haque and Taher, 2008). Job satisfaction is also defined as an individual's general attitude regarding his or her job (Robbins, 1999). Mullins (1993) mentioned that motivation is closely related to job satisfaction. Various factors such as an employee's needs and desires, social relationships, style and quality of management, job design, compensation, working conditions, perceived long range opportunities, and perceived opportunities elsewhere are considered to be the determinants of job satisfaction (Byars and Rue, 1997; Moorhead and Griffin, 1999). Job satisfaction has a significant influence on employees' organizational commitment, turnover, absenteeism, tardiness, accidents, and grievances (Byars and Rue, 1997; Moorhead and Griffin, 1999). According to Robbins (1999), a satisfied workforce can increase organizational productivity through less distraction caused by absenteeism or turnover, few incidences of destructive behavior, and low medical costs. HR practices and job satisfaction are studied widely in different parts of the world. It is assumed that HR practices are closely associated with job satisfaction (Ting, 1997). Because many scholars and practitioners believe that sound HR practices result in better level of job satisfaction which ultimately improves organizational performance (Appelbaum, Bailey, Berg and Kalleberg, 2000). Steijn (2004) found that HRM practices had positive effect on job satisfaction of the employees of Dutch public sector whereas individual characteristics such as age, gender, and education had insignificant effect on job satisfaction. Gould William (2003) showed that use of specific HR practices in local

government organizations in the United Kingdom (UK) was associated with a greater degree of job satisfaction, workplace trust, commitment, effort, and perceived organizational performance. The best Human Resource practices areas are recruitment and selection, socialization, job design, training, communication/participation, career development, performance management, employee reward and job security (Huselid, 1995). It is plausible that when employees judge the organization to be fair and supportive in their treatment particularly with regards to the availability and frequency of promotional opportunities, adequacy of pay and good supervision, positive feelings of well being will be created, which is likely to stimulate that to reciprocate by increasing their loyalty to the organization and reducing turnover (Nasuridin et. al., 2001). The motivation and opportunity focused bundles of Human Resource practices positively related to affective commitment and negatively related to turnover (Gardner et. al., 2007). Wayne et. al. (1997) suggested that HRM practices that signaled the organization's intentions to invest in employees (such as developmental experiences and training) produced higher levels of affective organizational commitment. HR practices such as pay, benefits and training are negatively related to turnover because they motivate employees and "lock" them to their jobs (Lazear, 1986; Madrian, 1994; Gruber & Madrian, 1994). Shaw et al. (1998) indicate that involuntary turnover is affected by staffing practices (recruitment and selection process) and employee monitoring (performance appraisal). DeCenzo and Robbins (1996) opine that employee training has become increasingly important as job have become more sophisticated and influenced by technological changes. Bernardin and Russel (1993) opine that over the years, training has become increasingly popular as HR tool for improving employee and managerial performance in organization. Buck and Watson's (2002) indicated nine important HRM practices such as decentralization, Compensation, Participation, training, development, employment security, social interactions, management style, communications, and performance appraisal. According to Klaus et al. (2003), through better job assignment or work design, employees may display greater commitment, leading to better job performance.

On the basis of the above literature review, the study consider the following dimensions of HRM practices have impacts on employees' satisfaction towards organization such as recruitment and selection systems, compensation package, job security, career growth, training and development, management style, job design and responsibilities, reward and motivation, and working environment.

2. OBJECTIVES OF THE STUDY

The objectives of the study are to measure employees' satisfaction on the HRM practices of private banking sector in Bangladesh. To that end, the specific objectives are:

- To provide an overview and analysis of HRM practices
- To focus the dimensions of HRM practices
- To propose a test for measuring employee's satisfaction by HRM practices
- To examine weak points of HRM practices which affects employees' satisfaction
- To provide some suggestions for improving HRM practices and employee's satisfaction.

4. METHODOLOGY OF THE STUDY

This study is based on both primary and secondary data. Primary data were collected through a structured questionnaire which was administered personally to the bank employees. Convenient sample technique has been used to interview the employees. The target population of this study was employees in Dhaka city who are serving as a banker of different private banks. Among various banks, this study only considered 20 private commercial banks. For conducting this research, 100 bank employees are selected from the chosen banks and out of this 88 employees responses properly, the response rate is 88 percent. The questionnaire consists of different questions on nine HRM dimensions such as recruitment and selection systems, compensation package, job security, career growth, training and development, management style, job design and responsibilities, reward and motivation and working environment. The questionnaire was developed by using a five point Likert scale, whereas 1= dissatisfied, 2 = somehow satisfied, 3 = satisfied, 4 = moderately satisfied, 5 = highly satisfied. But some secondary data have been used in the study. The secondary data used in the study have been collected from related journals, books, newspapers and internet, etc. In this study, some statistical measures such as Z-test mean and proportion analysis is used to examine employee's satisfaction.

5. HYPOTHESES OF THE STUDY

On the basis of the various factors affecting on HRM practices, the following hypotheses are developed for the study:-

H1: Employees' are satisfied on "Recruitment and selection systems".

H2: Employees' are satisfied on "Compensation package".

H3: Employees' are satisfied on "Job security".

H4: Employees' are satisfied on "Career growth".

H5: Employees' are satisfied on "Training and development".

H6: Employees' are satisfied on "Management style".

H7: Employees' are satisfied on "Job design and responsibilities".

H8: Employees' are satisfied on "Reward and motivation".

H9: Employees' are satisfied on "Working environment".

6. ANALYSIS AND FINDINGS

6.1 H1: Employees' are satisfied on "Recruitment and selection systems":

It is assumed from the hypothesis that employees are satisfied on the current recruitment and selection systems of their bank i.e. the recruitment system is fair and appropriate for the appointment to the job.

Table 1 shows that at 0.05 level of significance (two tailed test), table value (1.96) is greater than calculated value ($Z = 0.55$). So, the null hypothesis is accepted and hence, we conclude that employees are satisfied on recruitment and selection systems of their bank.

Table 1 Computation of Z value

Employees Satisfaction Dimensions	N	Mean	Standard Deviation	Standard Error	Z Value (Calculated value)	Mean Rank
Recruitment and Selection Systems	88	3.06	0.99	0.11	0.55	01
Compensation Package	88	2.03	0.99	0.11	8.82	09
Job Security	88	3.03	1.07	0.12	0.25	02
Career Growth	88	2.13	0.98	0.10	8.70	07
Training and Development	88	2.30	1.03	0.11	6.36	06
Management Style	88	2.49	1.03	0.11	4.64	05
Job Design and Responsibilities	88	2.54	1.00	0.11	4.18	04
Reward and Motivation	88	2.10	1.03	0.11	8.18	08
Working Environment	88	3.02	1.13	0.12	0.17	03

6.2 H2: Employees' are satisfied on "Compensation package":

This hypothesis indicates that employees are satisfied with present salary, increment allocation method and other compensation packages. Table 1 shows that at 0.05 level of significance (two tailed test), table value (1.96) is less than calculated value ($Z = 8.82$). So, the null hypothesis is rejected and hence, we conclude that employees are not satisfied on compensation package of their bank.

6.3 H3: Employees' are satisfied on "Job security".

It is assumed from this hypothesis that employees are satisfied with security to their job. Table 1

signifies that at 0.05 level of significance (two tailed test), table value (1.96) is greater than calculated value ($Z = 0.25$). So, the null hypothesis is accepted and hence, we conclude that employees are satisfied on job security of their bank.

6.4 H4: Employees' are satisfied on "Career growth".

This hypothesis indicates that employees are enjoying enough space for his/her career growth. Table 1 shows that at 0.05 level of significance (two tailed test), table value (1.96) is less than calculated value ($Z = 8.7$). So, the null hypothesis is rejected and hence, we conclude that employees are not satisfied on career growth of their bank.

6.5 H5: Employees' are satisfied on "Training and development".

This hypothesis indicates that training and development program are available in the bank and employees are satisfied on that program. Table 1 shows that at 0.05 level of significance (two tailed test), table value (1.96) is less than calculated value ($Z = 6.36$). So, the null hypothesis is rejected and hence, we conclude that employees are not satisfied on training and development of their bank.

6.6 H6: Employees' are satisfied on "Management style".

This hypothesis indicates that management style is very flexible for employees and they involved with the managerial decision making. Table 1 shows that at 0.05 level of significance (two tailed test), table value (1.96) is less than calculated value ($Z = 4.64$). So, the null hypothesis is rejected and hence, we conclude that employees are not satisfied on management style of their bank. *International Review of Management and Marketing, Vol. 2, No.1, 2012, pp.52-58 56*

6.7 H7: Employees' are satisfied on "Job design and responsibilities".

The hypothesis indicates that job is properly designed and employees can easily perform their task. Employees receive fair treatment, recognition and overall quality supervision from the boss. Table 1 shows that at 0.05 level of significance (two tailed test), table value (1.96) is less than calculated value ($Z = 4.18$). So, the null hypothesis is rejected and hence, we conclude that employees are not satisfied on job design and responsibilities of their bank.

6.8 H8: Employees' are satisfied on "Reward and motivation".

The hypothesis indicates that various financial and non-financial reward and motivation system is present in their bank, employees are satisfied on that system. Table 1 shows that at 0.05 level of significance (two tailed test), table value (1.96) is less than calculated value ($Z = 8.18$). So, the null hypothesis is rejected and hence, we conclude that employees are not satisfied on reward and motivation of their bank.

6.9 H9: Employees' are satisfied on "Working environment".

This hypothesis indicates that the physical working environment is very conducive for satisfaction at large. Table 1 shows that at 0.05 level of significance (two tailed test), table value (1.96) is greater than calculated value ($Z = 0.17$). So, the null hypothesis is accepted and hence, we conclude that employees are satisfied on working environment of their bank.

From the above hypotheses testing it could be assumed that employees are satisfied on some dimensions of HRM practices such as recruitment and selection systems (mean rank-01), job security (mean rank- 02) and working environment (mean rank-03).The hypotheses test also shows that employees are not satisfied on some dimensions such as job design and responsibilities (mean rank-04), management style (mean rank-05), training and development (mean rank-06), career growth (mean rank-07), reward and motivation (mean rank-08) and compensation package (mean rank-09).Therefore, it is clear that all dimensions are not equally satisfied to employees. It is also very clear from the Table 2 which dimensions highly satisfied or dissatisfied to employees.

Table-2 Percentage of employees on different levels of Satisfaction of HRM dimensions

	RSS ¹	CP ²	JS ³	CG ⁴	TD ⁵	MS ⁶	JDR ⁷	RM ⁸	WE ⁹
1 = Dissatisfied	7.95	32.95	9.09	30.68	22.73	13.64	11.36	31.82	9.09
2 = Somewhat Satisfied	17.95	40.91	19.32	37.5	42.05	45.45	43.18	38.64	22.73
3 = Satisfied	43.18	19.32	39.77	22.73	22.73	25	29.55	20.45	36.36
4 = Moderately Satisfied	25	3.41	22.73	6.82	7.95	10.23	11.36	5.68	20.45
5 = Highly Satisfied	6.82	3.41	9.09	2.27	4.55	5.68	4.55	3.41	11.36
Total	100	100	100	100	100	100	100	100	100

RSS1 = Recruitment and Selection Systems

CP2 = Compensation Package

JS3= Job Security

CG4= Career Growth

TD5= Training and Development

MS6= Management Style

JDR7= Job Design and Responsibilities

RM8= Reward and Motivation

WE9= Working Environment

Table 2 shows percentage of employees on different levels of Satisfaction of HRM dimensions. The table indicates that the highest 43.18 percent employees are satisfied on recruitment and selection systems followed by 39.77 percent on job security, 36.36 percent on working environment, 29.55 percent on job design and responsibilities, 25 percent on management style, 22.73 percent on career growth as well as training and development, 20.45 percent on reward and motivation and the lowest 19.32 percent on compensation package. Table 2 also shows that the highest 11.36 percent employees are highly satisfied on working environment and the lowest 2.27 percent on career growth. The study also indicates that the highest 32.95 percent of employees are dissatisfied on compensation package followed by 31.82 percent on reward and motivation, 30.68 percent on career growth, 22.73 percent on training and development, 13.64 percent on management style, 11.36 percent on job design and responsibilities, 9.09 percent on job security as well as working environment and the lowest 7.95 percent on recruitment and selection systems. Therefore, the analysis shows that employees are not fully satisfied on any HRM dimensions of their bank. So, the HRM dimensions quality should be improved for the betterment of the bank's success.

7. CONCLUSION AND RECOMMENDATIONS

This study tried to disclose the relationship between employees' satisfaction and various dimensions of HRM practices. In this study, we considered nine major factors which represented most of the human resources management practices followed by different private banks. The study reveals that all HRM dimensions exercised in the private banking sector of Bangladesh falls short to satisfy the employees equally. Most of the employees are dissatisfied with compensation package followed by reward and motivation, career growth, training and development, management style, and job design and responsibilities. It is obvious that HRM practices in the private banking sector of Bangladesh has not been fully developed and there is the urgent need to employ the services of HR professionals, consultants and researchers to help shape and develop new directional focus that will ensure an efficient and effective human resource practices.

We suggest the following recommendations for doing perfect HRM practices in the private banking sector of Bangladesh:

- Banks should introduce various financial and non-financial benefits to employees according to their performance. This will make them more devoted to the work and their satisfaction will be definitely high.
- Bangladeshi's economy allows the importation of new technologies to enhance HRM, but training is still a bit slow, thus employment of expatriates to handle such is still encouraged.
- The cooperation and coordination between management and employee should be developed because it is crucial for effective and efficient functioning of an organization.
- Attractive compensation package should be given to the employees.
- Management should make a clear cut career advancement path.

Finally, this paper suggest that bank should review existing pay practices so as to offer fair pay, provide challenging and meaningful work tasks, and foster positive co-worker relationships in order to create a good working environment.

References:

- Adams, J.S. (1965). *Inequity in social exchange*. In Berkowitz, L. (ed.). *Advances in experimental social psychology*. New York: Academic press, pp.267-299.
- Beardwell, I., Holden, L., Claydon, T. (2004). *Human Resource Management a Contemporary Approach*. 4th (edn.), Harlow: Prentice Hall.
- Becker, G.S. (1993). *Human capital: a theoretical and empirical analysis, with special Beer, M., Spector, B., Lawrence, P., Mills, D. and Walton, R. (1984). A Conceptual View of HRM in Managing Human Assets*. Free Press, New York.
- Bernardin, H.J., Russel, J.E. (1993). *Human Resource Management: An Experiential Approach*. Singapore: McGraw-Hill, Inc.
- Buck, J.M., Watson, J.L. (2002). 'Retaining staff employees: The relationship between Human Resources Management Strategies and Organizational Commitment', *Innovative Higher Education*, 26(3), 175-93.

- DeCenzo, D.A., Robbins, S.P. (1996). *Personnel/Human Resource Management*. 3rd ed. New Delhi: Prentice-Hall of India Pvt. Ltd.
- Gardner, T., Moynihanand, L. and Wright, P. (2007). *The influences of human resource practices and collective affective organizational commitment on aggregate voluntary turnover*. CAHRS Working Paper, Cornell University.
- Gruber, J., Madrian, B.C. (1994). Health insurance and job mobility: The effects of public policy on job-lock. *Industrial and Labor Relations Review*, 48(1), 86–102.
- Huselid, M.A. (1995). 'The impact of human resource management practices on turnover, productivity, and corporate financial performance.' *Academy of Management Journal*, 38, 635-672.
- Khera, S. (1999). *Just How Important Is It?* Business Age 1: 36.
- Lawler, E.E. (2005). Creating high performance organizations. *Asia Pacific Journal of Human Resources*, 43 (1), 10-17.
- Klaus, T., LeRouge, C., Blanton, J.E. (2003). *An examination of the relationships between select nature of work characteristics and organizational commitment of IT professionals*, Special Interest Group on Computer Personnel Research Annual Conference, Session 3.2, 147–149.
- Lazear, E.P. (1986). *Retirement from the labor force*. In Ashenfelter, O., and Layard, R. (Eds.). *Handbook of labor economics*, volume 1. Amsterdam: North-Holland.
- Lee, S. H. and Heard, A. (2000). A managerial perspective of the objectives of HRM practices in Singapore: an exploratory study. *Singapore Management Review*, 22, 65–82.
- Madrian, B.C. (1994). Employment-based health insurance and job mobility: Is there evidence of joblock? *Quarterly Journal of Economics*, 109, 27–51.
- Macky, K., Boxall, P. (2007). The relationship between 'high performance work practices' and employee attitudes: an investigation of additive and interaction effects. *The International Journal of Human Resource Management*, 18(4), 537-567.
- Nasurdin A.M., Ramayah, T., Osman, M. (2001). *Job Satisfaction and Organizational Commitment among the Malaysian Workforce*, Malaysian Publications: April 2006.
- Pfeffer, J. (1998). *The Human Equation: Building Profits by Putting People First*, Boston, MA: Harvard Business School Press.
- Senyucel, Z. (2009). *Managing Human Resources in the 21st Century*. Available at <http://www.bookboon.com>. Accessed on 23/11/2009.
- Shaw, J. D., Delery, J.E., Jr. Jenkins, G.D., Gupta, N. (1998). An organization-level analysis of voluntary and involuntary turnover. *Academy of Management Journal*, 41(5), 511–525.
- Steers, R.M. (1977). *Antecedents and Outcomes of Organizational Commitment*. *Administrative Science Quarterly*, 22, 46-56.
- Storey, J. (2001). *Introduction: From Personnel Management to Human Resource Management*, A critical Text, Thomson Learning. London.
- Walton, R. (1985). *Toward a strategy of eliciting employee commitment based on policies of Mutuality*. In R. E. Walton & P. R. Lawrence (Eds.), *Human resource management: Trends and Challenges*. Boston: Harvard Business School Press.
- Wayne, S.J., Shore, L.M., Liden, R.C. (1997). Perceived organizational support and leader-member exchange: a social exchange perspective. *Academy of Management Journal*, 40, 82–111
