

An Analysis of Human Resource Management Practices in Some Financial Organizations of Bangladesh

Md.Motaharul Islam*

Abstract

The objective of this study is to analysis Human Resource Management (HRM) practices (i.e. recruitment and selection, training and development, performance appraisal, career planning system, employee participation and compensation system) in some financial organizations of Bangladesh. This research study is based on the universalistic perspective showing that a fixed set of best practices can create surplus value in various business frameworks. The most relevant HRM domain recruitment and selection, training and development, performance appraisal, career planning system, employee participation, and compensation system has been selected for the study. Human Resource Professionals working in different organizations like Interest based banking, Insurance company, Leasing company, Islamic banking and Investment company were selected for data collection. The demographic variables, industry type, organizational life, number of employees, gender, employee age, education and experience were used with the purpose to find out control variables. Results identified that all Human Resource Management practices were positively correlated with perceived organizational performance and perceived employee performance, while none of the HRM practice showed substantial contribution towards organizational financial performance. This study indicated that organizations using HRM practices effectively on a wider scale generate higher performance. To survive and sustain for the future it is important that the financial sector organizations should implement HRM practices to boost employee performance and the organizational performance index (OPI).

Keywords: Human Resource Management (HRM), Employee Performance, Financial Organization, Organizational Performance, HRM Professionals.

Introduction

At present the need for HRM is felt enormously, in order to ensure that the business units are to accomplish organizational objectives through people. The organizations have always aimed at a sound HRM system for success. However, very few organizations could establish separate autonomous HRM departments, owing to either affordability, fear or a lack of understanding of the worth and contribution of HRM activities in Bangladesh. The key objective of HRM is to ensure organizational success through a competent and motivated workforce. This is possible if there are rigorous procedural HRM practices such as recruitment and selection, training and development, performance appraisal, career planning system, employee participation and compensation system. The concept of HRM has attracted enormous attention and has stimulated significant debate between academicians and practitioners. Much of the discussion has been

* Associate Professor in Management, (on study leave), Bangladesh Open University & a Ph.D. Candidate, University of Malaysia Perlis, Malaysia.

around the meaning of HRM, yet there is no single universally accepted definition of the concept. Literature suggests a range of definitions; some of these equate Human Resource Management (HRM) with Personnel Development (PED), while others reflect altogether different concepts. The activities of recruitment, selection, rewards, training, compensation and others are viewed as separate individual functions. HRM aims to integrate all the personnel functions into a unified strategy. Furthermore, it deals with employees as individuals by maintaining their personal files and job related activities, while on the other hand it considers the entire organization as a focal point for analysis.

HRM is a planned and rational scheme for the development of population functioning in an organization that alone and together puts in the effort for the accomplishment of organizational objectives. HRM is a pool of unified policies, guidelines and procedures with ideological and rational foundations. The main focus of HRM is on four aspects i.e. a particular group of beliefs and assumptions, strategic thrust notifying choices regarding HRM, fundamental participation of line managers and dependence on a set of levers to form employment affiliations (Storey, 1989). Legge (1995) described HRM as based on the hard and soft aspects by distinguishing differences between Human Resource and material resource.

“HR should be defined not by what it does, but by what it delivers” David Ulrich. Influence of Human Resource Management practices on organizational performance in different developed economies has been a critical and important area of research. In the past, researchers focused on the effect of Human Resource Management practices on organizational productivity, turnover and financial performance (Choi, 2010). However, in Bangladesh this has remained an ignored area. Sett (2004) is of the view that since the mid-1980s, with the opening of economies in most South Asian countries, the industries underwent qualitative changes, making it imperative for the region that a comprehensive strategic approach to manage people be adopted. HRM in Bangladesh was adopted in response to the challenges posed by globalization to bring efficiency in the economic and business activities. However, the adoption of HRM is still in its preliminary phase in Bangladesh. For organizations besides cost reduction, quality enhancement and increasing product functionality, HRM is another core paradigm which will help you to acquire competitive advantage.

The world is rapidly changing in all fields of life due to globalization and technological advancements that are causing changes in working procedures of the organizations across the world. Active HRM practices can meet the challenges resulting from changes in the world of work and work process engineering, as an integral function can be a major activity towards organizational success. Therefore, implementation of HRM practices to strengthen an organization by increasing employees performance is a tricky but essential venture. Although in most of the developing countries, the main hindrance of organizational growth and profitability is either no or negligible use of professional HRM practices, but the struggle is continuing to find the best way to use these practices optimally. Bangladesh has been focusing on industrial growth for the last few decades. As a result, the different organizations are performing a momentous role in the economic management of the country. Despite their economic importance, different organizations suffer from a variety of structural and institutional weaknesses, which have constrained their ability to take full advantage of rapidly advancing process of globalization and HRM practices.

The Objectives of the Study

The following objectives were developed for this study:

1. To establish the link between different demographics with perceived organizational and financial performance.
2. To test the relationship of HRM practices with organizations perceived and financial performance.
3. To see the effect of HRM practices on organizations perceived and financial performance.
4. To test the mediating role of employees performance between HRM practices and perceived organizational performance.
5. To compare the effects of HRM practices on performance of sample organization.
6. To suggest organization's high weight HRM practices so that they can move towards strengthening the Organizational Performance Index (OPI).

Hypothesis of the Study

On the basis of extensive literature review the following different hypotheses are/have been developed:

H1: *Recruitment & Selection positively affect Perceived Organizational Performance.*

H2: *Training & Development positively affect Perceived Organizational Performance.*

H3: *Performance Appraisal positively affect Perceived Organizational Performance.*

H4: *Employee Performance mediates relationship between Employee Participation and Perceived Organizational Performance.*

H5: *Compensation System positively affect Perceived Organizational Performance.*

H6: *Demographic variables are having positive relationship with Perceived Organizational and Financial Performance.*

Methodology of the Study

In this study the primary data were collected from HRM professionals working in different financial organization in Bangladesh through questionnaires. Secondary data related to financial performance of the organizations are collected from published financial reports and web sites.

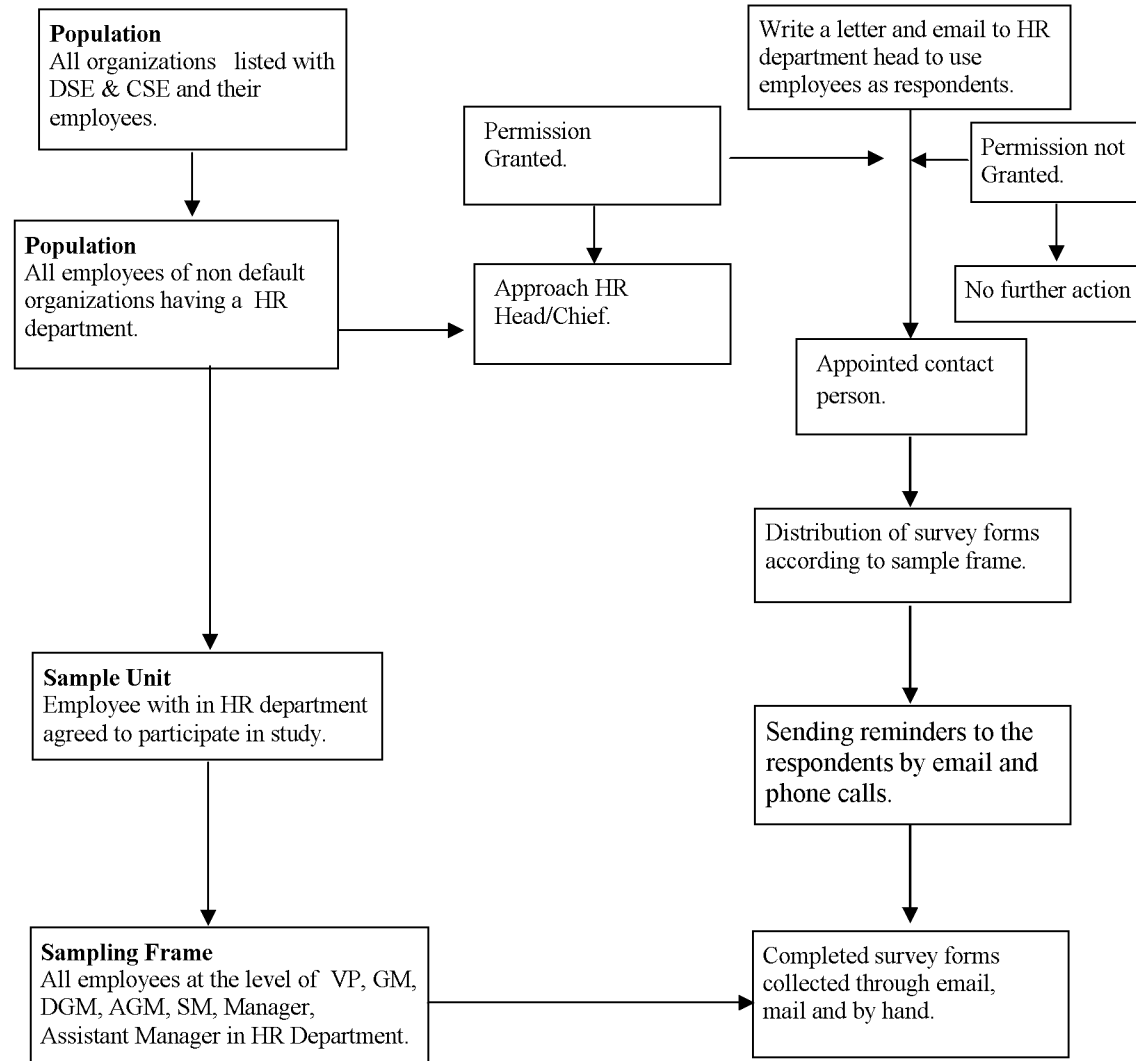
Population: Population of the study comprises near about all HRM professionals working in 65 listed financial organizations of Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) websites. Total 175 samples were considered for collecting data from those financial organizations.

Sampling: Purposive Sampling (PS) technique, a form of non-probability sampling was used. The target groups of the employees "HRM Professional" in different organizations were identified. Purposive sampling was applied because the respondents for this study were not common employees; rather they were employees posted at different positions in HRM departments.

Instrumentation: Both primary and secondary types of data have been used in this study. Primary data has been collected through a questionnaire, designed on seven points Likert scale

with options from strongly agree to strongly disagree. Each option was assigned a scale. 7 = strongly agree, 6 = agree, 5 = somewhat agree, 4 = indifferent, 3 = somewhat disagree, 2 = disagree and 1 = strongly disagree. To measure the HRM practices, the questionnaire was based on questionnaires used by Snell & Dean (1992), Boselie et al. (2001), Singh (2004), Laka (2004), Qureshi et al. (2007). The questionnaires were distributed amongst HRM professionals of 65 different financial organizations. Secondary data, relating to financial performance was taken from the financial reports of the organizations submitted to the Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE). The following process was considered for data collection (Figure-1):

Figure 1: Process followed from population to sampling to elements



Data Collection: For data collection a total of 175 HRM professionals of 65 organizations from 5 different financial organizations were contacted (Table-1). Initially mail survey strategy was adopted for this purpose. Through this method 41 responses were received, but some problems reduced the response rate efficiency. HRM executives from different organizations were not quick in answering the questions asked; as such the data collection was slow. To overcome this problem, personal and one to one, interviewing method was adopted. Organizations operating in the twin cities (Dhaka and Chittagong) were personally visited and the questionnaires were distributed to their HRM Managers and Executives. As a result of self-administered data collection technique, the response rate became better in respect of quality and quantity. *The number of sample has collected on the basis of the employees’ age, gender, education, job experience and organizational life.

Table-1: Number of Organizations.

SL	Type of Organizations	Sample *	Responses	Response %
1	Interest based banking	40	30	75
2	Insurance	30	24	78
3	Leasing	30	23	77
4	Islamic banking	55	48	88
5	Investment	20	12	60
		175	137	78

Organizations response rate: Out of the 175 questionnaires distributed, 60 went to the interest based and investment banks (response 42; response rate 75%), 30 to the insurance organizations (response 24; response rate 78%), 55 to islamic banking and mutual fund organizations (response 48; response rate 88%), 20 to investment organizations (response 12; response rate 60%), and 30 to leasing organizations (response 23; response rate 77%). Total response rate is 78 %.

Respondents characteristics
The following table contains demographic variables used in the study.

Table 2 : Demographic variables

Individual characteristics	Organizational characteristics
Age (in years)	No of employee
Gender	Life of organization (in years)
Education (in years)	Industry type
Experience (in years)	
7 Demographic variables used in the study	

Research Questions

The following questions were proposed as part of this research study:

- (i) What is the relationship between demographic variables and perceived organizational performance and organizational financial performance based on Marris, Tobin's Q, ROE and ROA, and to what extent do demographic variables affect different types of organizational performances?
- (ii) What is the relationship between Human Resource Management practices and perceived organizational and financial performance?
- (iii) To what degree do different types of HRM practices affect perceived and financial performance of the organizations?
- (iv) How does employee performance mediate between the relationship of different HRM practices and perceived organizational performance?

Literature Review

Theoretical Background: Many scholars and research centers have conducted massive research to find out the relationship between HRM practices, and perceived organizational performance and financial performance. The results varied and indicated that, majority of the studies in different countries of the world identified a positive relationship between HRM practices and organizational performance, but a few studies identified negative relationships. In this part the contributions of different researchers have been highlighted as Literature Review and guidelines for the study.

Mode of Theorization: This research study is based on the universalistic perspective showing that a fixed set of best practices i.e. recruitment & selection, training & development, performance appraisal, career planning system, employee participation and compensation system can create surplus value in various business frameworks. Delery & Doty (1996) justify the choice for universalistic perspective. The Harvard model developed by Beer et al. (1984) guided initial process of domain identification. The most relevant HRM domain, recruitment & selection, training & development, performance appraisal, career planning system, employee participation, and compensation system followed by universalistic perspective has been selected for the study.

Preceding Studies: Bartel (1994) identified that an investment in the execution of HRM practices eventually results in better organizational performance. In the field of Human Resource Management there is substantial research answering two main questions (i) Do HRM practices make a positive impact on organizational performance? (ii) What can be done to make HR a good thing? Rurcell et al. (2003). To establish the link between HRM practices and organizational performance, an extensive research has been carried out. Ulrich (1997) Human Resource practices appear to matter, as confirmed by survey results, though the degree of results varies in different populations and sample size. Huselid & Becker (1996) conducted a study of 740 organizations and concluded that the organizations having HRM practices were better performers. Budhwar et al. (2010) using correlation identified that there is a significantly positive relationship between different HRM practices, compensation and employee involvement with organizational performance.

Perceived Organizational Performance (POP): In literature various indicators of organizational performance have been used, perceptual measures of organizational performance were used by Delany & Huselid (1996) financial measures such as profit and financial ratios were used by Terpstra & Rozell (1993), the value added or sales of the organization per employee were applied by Black & Lynch (2001) and Cappelli & Neumark (2001) and physical measures of organizational productivity were used by Arthur (1994). According to Singh (2004) a disadvantage of a perceptual measure is that it can be highly subjective, both in the judgment of organizational performance itself and in the selection of a competitor organization. To make this study comprehensive organizational internal and market performance dimensions are measured jointly under perceived organizational performance variable.

Financial Organizational Performance (FOP): Greer (2001) examined financial performance of the organizations and HRM practices, exploring the significant relationships between the variables. Huselid (1995) studied 968 US organizations to explore the use of high performance work practices and found that productivity was influenced by employee motivation; financial performance was influenced by employee skills, motivation and organizational structures.

Recruitment & Selection (R&S): The recruitment and selection process is a sequence of precise steps used to make a decision about staff hiring (William B. Werther & Keith Davis). The main objective of recruitment and selection process is to obtain at the lowest cost, the quantity and the quality of the employees' necessary to meet the Human Resource requirements. The process of selection/recruitment can be categorized into four stages: (a) advertising methods (b) receiving applications (c) initial screening of applications and (d) final selection decisions (Derek & Jane 2003).

Training & Development (T&D): *"Training is something we hope to integrate into every manager's mindset"* (Chris Landauer) In organizations the training remains a major activity of Human Resource Management (HRM) practice (Nordhaug, 1989) for employee management and their competencies building (Gritz, 1993). To perform effectively, at a managerial position, the employees go through dynamic process of training and development (Baldwin & Padgett, 1994). Training organized for bilateral benefits (employees and organization) contributes to high effectiveness (Noe, 1986). Enhancing employees' performance is a high demanding and continuous practice that enables organizations to compete within the competitive marketplace.

Performance Management (PM): *"Maximizing performance is priority for most organizations today."* (Bob Cardy) In Human Resource Management, discipline and performance Management remains one of the most vital and criticized processes (Compton, 2005). One of the most important among the HRM practices is the performance appraisal system. Organizations can monitor the Management of desired employee attitudes and behavior through the use of the appraisal mechanisms. This appraisal-based information could be used for changing the selection and training practices in order to select and develop employees with the desired behavior and attitude (Singh, 2004). Finally, each Performance Appraisal may be used as a basis for coaching and counseling an individual employee by the superiors.

Career Planning System (CPS): *"A comprehensive process by which people determine their interests, skills and values is called career planning"* (Leibowitz, Farren & Kaye, 1988) Hall et al. (1986) describe Career Planning as a focused track for becoming aware of self, opportunities, limitations, choices and consequences, identification of career related goals, work, education, and

related managerial experience to provide the direction, timing and sequence of steps to achieve a specific career goal. Scholars and practitioners in the field of Human Resource Management have widely accepted that, performance feedback is an essential component for job performance and satisfaction (Denisi & Kiuger, 2000). Heckman & Oldham (1980) advocated that the performance feedback and motivation increases job satisfaction and motivation.

Compensation System (CS): *“Compensation is employee cheerfulness against the work they contribute in the company equity accounts”*. TMQ Any monetary or non monetary reward given to employees for their endeavors is called compensation. It plays an important role in an employees’ motivation and thus enhances organizational effectiveness (Lawler, 1971; Milkovich & Newman, 1996). There are different factors that need to be addressed while compensating any employee; i.e. work performance, relationship with coworkers, and relationship with managers, and personal needs. Compensation may be used to keep competent workers, boost or sustain satisfaction, encourage peak performance, decrease turnover and encourage company loyalty.

Employee Participation (EP): *“Coming together is a beginning. Keeping together is progress. Working together is success”* Henry Ford Ford & Randolph (1992) said that Management Style, where subordinates contribute extensively in decision making with their leaders is Participatory Management. Strauss (2006) said that participation is a process that allows employees to exercise some control over their work and the conditions under which they work. It encourages employees to participate in the process of making decisions, which have a direct impact on work environment.

Employee Performance (EP): Performance of work, in terms of quantity and quality, expected from each staff member is called the Performance of the Employees. These standards are the foundation for performance evaluation. According to job performance theory, Campbell (1990) performance is the behavior or people's actions that have an effect on the objectives of the organization. This behavior can be positive or negative and can be either provided as part of the work or outside the scope of the duties set forth.

Significance and Philosophy of HRM

Human Resource Management surfaced as a designed and methodical approach in the later half of the 20th century, while the evolution and origin of HRM can be traced back to the 1980s with the upsurge of Human Resources accounting theory. Before the accounting theory, Human Resources used in the production activity were paid equivalent to what they produced. Their importance and value was not perceived in terms of their skills and ability to deliver, mental and physical struggle that ultimately strengthened the financial power of the organization. Human Resource accounting theory reformed this ideology and brought fresh thoughts, that the people were the strategic asset of an organization, and they had to be treated in a proper way for enhancing their motivational level, that would ultimately increase organizational performance. Therefore, on the basis of this approach, Human Resource Management (HRM) reviewed the policies and practices needed to carry out the “people” or the Human Resource aspect of Management position, including selection, job definition, training, performance appraisal, compensation, career planning, and encouraging employee participation in decision making. From another point of view, HRM was defined as a process for the Management of abilities and

attitude of the individuals leading to personal growth and self-actualization, which enables individuals to contribute towards organizational objectives. The concept of HRM for understanding the needs and hopes of people, in a better way, is required to be developed and strengthened. This research is an attempt to explore the relationship of HRM practices with organizational perceived and financial performance in Bangladesh.

Result and Discussion

This part presents information obtained for this research study from the data collected through primary and secondary sources. It includes the findings in respect of demographic information of respondents, recruitment & selection, training & development, career planning system, performance appraisal, employee participation, compensation system, employee performance and perceived organizational & financial performance. Analysis is done in two parts; the first part pertains to demographic information of the respondents while second part contains analysis of respondents' answers to the questions. Excel 2003 and Statistical Package for Social Sciences (SPSS 20.0) were used to calculate descriptive statistics, ANOVA, correlation and regression analyses. The main focus of the study was to find out answers to the following questions.

- To what extent demographic variables affect different types of organizational performances?
- What is the relationship between demographic variables and perceived organizational and financial performance based on Marris, Tobin's Q, ROE and ROA,
- What is the relationship between Human Resource Management practices and perceived organizational and financial performance?
- To what degree different types of HRM practices affect perceived and financial performance of the organizations?
- What is the mediating role of employee: performance between different HRM practices and perceived organizational performance?
- How differently do HRM practices affect organizational perceived and financial performance in different financial sector industries?

Table-3 indicates different dependent, intervening, independent as well as demographic variables to be used in further analysis for finding answers to the research questions.

Table 3 Variables included in this analysis		
Independent Variables		
1	RS	Recruitment & Selection
2	TD	Training & Development
3	PA	Performance Appraisal
4	CP	Career Planning System
5	EPA	Employees Participation
6	CS	Compensation System
Mediating variable		
7	EP	Employee Performance

Cont. table

Perceived organizational performance variable		
8	POP	Perceived Organizational Performance
Financial performance variables		
9	ROA	Return on Assets
10	ROE	Return on Equity
11	TQ	Tobin’s Q
12	MR	Marris Ratio
Demographic variables		
13	InT	Industry Type
14	Gen	Gender
15	Age	Age
16	Edu	Education
17	EXP	Experience
18	OrL	Organization Life in Years
19	NEO	No of Employees in Organization

Results

Research Question 1: What is the relationship between demographic variables and perceived organizational and financial performance? How do they affect the perceived and financial performances?

All demographic variables were tested with perceived organizational and financial performance variables. Besides calculating means and standard deviation of independent and dependent variables, correlation (Table 4) and multiple regressions (Table 5) were calculated to answer the first question. Pearson correlation was calculated to find out how variables were related to each other.

Table 4: Pearson Correlation Coefficients between demographic variables and (OP), (MR), (TQ), (ROE) and (ROA)

	POP	MR	TQ	ROE	ROA	InT	Gen	Age	Edu	Exp	OrL	NOE
POP	1											
MR	.029	1										
TQ	-.028	-.243	1									
ROE	-.052	.003	-.021	1								
ROA	.081	.101	.54	.001	1							
InT	-.07	-.249	.054	.066	-.012	1						
Gen	.155(*)	.005	-.027	-.063	-.016	-.007	1					
Age	.093	-.011	-.154(*)	.103	-.045	-.022	-.337	1				
Edu	.154(*)	.11	-.132(*)	.043	.047	.016	.134(*)	.127(*)	1			
Exp	.093	-.024	-.117	.086	-.051	-.034	-.359	.898	.068	1		
OrL	-.062	.297	-.057	-.065	.099	-.183	-.132(*)	.058	-.06	.034	1	
NOE	.069	.176	-.037	-.068	-.030	-.187	.009	-.065	.085	-.122(*)	.283	1

* Correlation is significant at the 0.05 level (2-tailed).

The Pearson correlation matrix obtained for different variables including seven demographic variables, one perceived organizational performance and four financial performance variables is shown in (Table 4). Only two demographic variables, Gender type (.155 p < .05) and Education

(.154 $p < .05$) are significantly and positively correlated with Perceived Organizational Performance. Organizational Life (.297, $p < .01$) and number of Employees in the organization (.176, $p < .01$) are significantly correlated with Marris Ratio. None of the HRM practices is significantly correlated with Marris, Tobin's Q, ROE and ROA. The highest correlation is of Experience with Age and it has proved the argument that if a person is employed, then his age and experience move in the same direction.

Table 5: Multiple Regression Analysis of Demographics with (POP), (MR), (TQ), (ROE) and (ROA)

1 – POP					2 – MR				
	β	R2	$\Delta R2$	Sig.		β	R2	$\Delta R2$	Sig.
Gender	.0157	.024	.024	.011	Gender	.643	.012	.012	.07
Education	.4	.024	.024	.01	Education	.072	.000	.000	.936
3 - Tobin's Q					4 – ROE				
	β	R2	$\Delta R2$	Sig.		β	R2	$\Delta R2$	Sig.
Gender	-1.1727	0.017	0.017	.029	Gender	.29	.002	.002	.478
Education	-.893	0.001	0.001	.657	Education	-.107	.004	.004	.299
5 – ROA									
	β	R2	$\Delta R2$	Sig.					
Gender	-.007	.000	.000	.787					
Education	-.009	.003	.003	.398					

No correlation of any demographic variable with any performance variables was higher than (.297). If correlation was higher than (.75), there might be doubt whether or not the highly correlated variables are two different and distinct variables, and that might challenge the validity of responses (Sekaran U., 1994). Very high correlation variables could also create multicollinearity issue. Data were regressed on variable-to-variable basis. Gender had significant impact on POP ($\beta = .157$, $p = .01$, $R^2 = .017$) and MR ($\beta = .643$, $p = .07$, $R^2 = .012$). Education had only significant impact on POP ($\beta = .4$, $p = .01$, $R^2 = .024$). Results given in Table (5) show that variables Gender type and Education have positive effect but this effect is not significant.

Research Question 2: What is the relationship between Human Resource Management practices and perceived organizational performance and financial performance?

Correlation results are shown in Table (6). Correlations amongst variables are positive. Correlation interpretation is based on following five classical rules introduced by Franzblau (1985) to interpret correlation coefficient amongst different variables,

- ($r = 0$ to .20) indicates negligible or no correlation
- ($r = .20$ to .40) indicates positive but low degree of correlation
- ($r = .40$ to .60) indicates positive moderate degree of correlation
- ($r = .60$ to .80) indicates positive and marked degree of correlation
- ($r = .80$ to 1.00) indicates positive and high degree of correlation

All variables are treated symmetrically, i.e. there is no distinction between dependent and independent variables. Two variables are said to be correlated when they tend to simultaneously vary in the same direction. If both the variables tend to increase or decrease together, the correlation is said to be direct or positive. When one variable tends to increase and the other decreases, the correlation is said to be negative or inverse.

Table 6: Correlation results

	Range	Minimum	Maximum	Mean	Std. Deviation
POP	5.00	2.00	7.00	5.55	.90
EP	4.00	3.00	7.00	5.64	.91
MR	52.78	-22.09	30.69	2.12	5.19
TQ	134.52	.14	134.66	2.32	11.60
ROE	6.40	-1.94	4.46	.26	.59
ROA	1.63	-1.27	.36	.0366	.150
RS	4.00	3.00	7.00	5.71	.85
TD	4.00	3.00	7.00	5.76	.85
PA	4.00	3.00	7.00	5.64	.85
CP	4.00	3.00	7.00	5.59	.86
EPA	4.00	3.00	7.00	5.54	.83
CM	5.00	2.00	7.00	5.52	.95
Gen	4.00	0	1	.14	.35
Edu	4.00	14.00	18.00	16.09	.88
Valid N (list wise) 137					

Descriptive Statistics

Standard deviation is the balancing point for distribution. It serves as a basic measure of variability. Smaller value of the standard deviation indicates that most of the observations in a data set are close to the mean, while a large value implies that the observations are scattered widely about the mean. Table (6) is showing standard deviation and means values of different variables. For POP (Mean = 5.55, S.D = .90), for EP (Mean = 5.64, S.D = .91), for RS (Mean = 5.71, S.D = .85), for TD (Mean = 5.76, S.D = .85), for PA (Mean = 5.64, S.D = .85), for CP (Mean = 5.59, S.D = .86), for EPA (Mean = 5.54, S.D = .83) and for CM (Mean = 5.52, S.D = .95). All these values are indicating that there is a minute difference between answers given by HRM executives. A generic argument can be developed on the basis of small value of standard deviation and high value of mean are indicative of respondents, agreement with the options for all the questions asked from respondents.

Research Question 3: To what degree different types of HRM practices can predict perceived and financial performance of the organizations?

To answer this question, inferential statistical technique of Multiple Regression Analysis (MRA) was used. Kerlinger and Lee (2000) opined that regression analysis is a statistical method that relates one dependent variable to a linear combination of one or more independent variables. Regression identifies how much each independent variable has an impact on dependent variable. For each performance indicator separate data were regressed. Table 7 and Table 8 are depicting regression results. Multiple regression analysis calculates multiple correlation coefficients, R²; it is the proportion of variance in dependent variables explained by the independent variables. The contribution of independent variables towards dependent variables is measured by the Beta value and can be explained on the basis of p or t value.

Table 7: Regression Analysis (POP) as dependent and HRM practices as independent variable

	β	R2	$\Delta R2$	Sig.
STEP 1 (Control Variables)				
Gender type	.353	.042	.042	.024
Education	.139	.042	.042	.023
STEP 2 (HRM Practices)				
Recruitment & Selection	.362	.161	.119	.000
Training & Development	.280	.111	.069	.000
Performance appraisal	.347	.149	.107	.000
Career Planning System	.280	.113	.071	.000
Employee participation	.310	.121	.079	.000
Compensation system	.213	.090	.048	.000

Regression analysis of perceived organizational performance as dependent variable is indicating that all the tested variables are significantly contributing towards organizational performance. Recruitment and selection ($\beta = .362$, $R^2 = .161$ and $p = .000$), training and development ($\beta = .280$, $R^2 = .111$ and $p = .000$), performance appraisal ($\beta = .347$, $R^2 = .1149$ and $p = .000$), career planning system ($\beta = .280$, $R^2 = .113$ and $p = .000$), employee participation ($\beta = .310$, $R^2 = .121$ and $p = .000$) and compensation system ($\beta = .213$, $R^2 = .090$ and $p = .000$). Control variables gender type ($\beta = .139$, $R^2 = .042$ and $p = .024$) and education ($\beta = .353$, $R^2 = .042$ and $p = .023$) are significantly contributing towards perceived organizational performance. Therefore hypothesis H1, H2, H3, H4, H5 and H6 are fully accepted as all the tested variables predict perceived organizational performance.

Research Question 4: To what extent HRM practices effect different industries' perceived & financial performance in the financial sector?

To find out the answer to this question, the data for different industries were separately regressed. Regression analysis with organization performance as dependent variable and six HRM practices as independent variables were tested in different industries, i.e. interest based banking, insurance, leasing, islamic banking and investment companies. All tested HRM practices including recruitment & selection ($\beta = .662$, $P = .000$), training & development ($\beta = .471$, $P = .001$), performance appraisal ($\beta = .560$, $P = .000$), career planning system ($\beta = .471$, $P = .000$), employee participation ($\beta = .545$, $P = .000$), compensation system ($\beta = .298$, $P = .015$), are significantly contributing towards the performance of the interest based banking industry. Therefore an inference can be drawn that organizational performance in the interest based banking is significantly affected by HRM practices. Likewise in the insurance industry, 5 HRM practices are significantly related to Perceived Organizational Performance, which includes recruitment & selection ($\beta = .301$, $P = .040$), training & development ($\beta = .340$, $P = .053$), performance appraisal ($\beta = .471$, $P = .003$), career planning system ($\beta = .368$, $P = .011$), employee participation ($\beta = .516$, $P = .005$). Whereas, none of the HRM practices is significantly contributing in organizational performance of the leasing industry.

Table 8: Regression Analysis, (POP) as dependent and HRM practices as independent variable

	Interest based banking			Insurance Comp			Leasing Comp			Islamic Banking			Investment Comp		
	β	R2	Sig.	β	R2	Sig.	β	R2	Sig.	β	R2	Sig.	β	R2	Sig.
Recruitment & Selection	.662	.326	.000	.301	.091	.040	.163	.039	.190	.311	.072	.008	.464	.253	.012
Training & Development	.471	.172	.001	.340	.081	.053	.128	.024	.304	.139	.014	.243	.204	.062	.241
Performance appraisal	.560	.268	.000	.471	.180	.003	.019	.000	.907	.343	.109	.001	.053	.003	.807
Career Planning System	.471	.233	.000	.368	.134	.011	-.178	.027	.137	.233	.037	.061	.156	.042	.339
Employee participation	.545	.245	.000	.516	.160	.005	.016	.000	.913	.258	.048	.032	.134	.027	.446
Compensation system	.298	.098	.015	.299	.065	.083	.137	.023	.313	.172	.026	.112	.090	.032	.402

While in Islamic banking industry HRM practices Recruitment and Selection ($\beta = .311$, $P = .008$), Performance appraisal ($\beta = .343$, $P = .001$), Career Planning System ($\beta = .233$, $P = .061$) and Employee participation ($\beta = .258$, $P = .032$) are contributing significantly towards organizational performance. In the investment industry only Recruitment and Selection ($\beta = .464$, $P = .012$) among six HRM practices is contributing significantly in perceived organizational performance. Regression analysis with financial performance indicator Marris ratio as dependent variable and six HRM practices as independent variables were tested in different industries. Majority of the HRM practices have no significant contribution towards the financial performance of tested industries except recruitment & selection ($\beta = .1380$, $P = .008$), Training and development ($\beta = .1333$, $P = .004$), Compensation system ($\beta = 1.048$, $P = .029$) in Islamic banking. Regression analysis with financial performance indicator Tobin's Q ratio as dependent variable and six HRM practices as independent variables were tested in different industries. Majority of the HRM practices were not significantly contributing towards the financial performance of tested industries except employee participation ($\beta = 1.903$, $P = .057$) and compensation system ($\beta = 2.282$, $P = .011$) in insurance industry and performance appraisal ($\beta = .148$, $P = .104$) and compensation system ($\beta = .104$, $P = .183$) in leasing industry. Regression analysis with Return on Equity as dependent variable and six HRM practices as independent variables were tested in different industries. Majority of the HRM practices were not significantly contributing towards the financial performance of tested industries except employee participation ($\beta = .024$, $P = .154$) in the interest based banking industry, career planning system ($\beta = .422$, $P = .110$) and employee participation ($\beta = .486$, $P = .039$) in the leasing industry and compensation system ($\beta = .016$, $P = .509$) in Islamic banking industry.

Regression analysis with ROA as dependent variable and six HRM practices as independent variables were tested in different organizations. Majority of the HRM practices were not significantly contributing towards the financial performance of tested industries. In the interest based banking only two HRM practices, Recruitment & Selection ($\beta = .004$, $P = .079$) and employee participation ($\beta = .003$, $P = .132$) were significantly contributing towards the financial

performance of the interest based banking industry. In the insurance industry only Compensation System ($\beta = .043$, $P = .014$) and in islamic banking and investment companies only training & development ($\beta = .027$, $P = .032$), ($\beta = .027$, $P = .032$) respectively contributing towards financial performance. It can be generalized that majority of the HRM practices are not effecting the financial performance of the interest based banking industry.

Analysis of Findings

The first research question was about relationships of different demographics such as age, gender, education, experience, industry type, organization life and number of employees variables with perceived organizational and financial performances. The analysis indicated that some demographic variables had significant relationship with perceived organizational performance and with organizational financial performance indicators. Each of the selected demographic variables has been discussed in the proceeding.

The age demonstrated no significant relationship with perceived organizational and financial performance matching with Karatepe et al. (2006); who found non significant relationship of these variables with performance. Gender is significantly and positively correlated with Perceived Organizational Performance, contrary to the findings of Karatepe et al. (2006); but it is not correlated with any one of the financial performance indicators. According to the results, the organizational performance is significantly effected by gender type responses, education shows significant difference in perceived organizational performance, but insignificantly correlated with ROE, contrary to the findings of Karatepe et al. (2006); who found negative relationship between education level and employee performance. In this study majority of the respondents working in HRM field, had Masters or M. Phil degree, which appeared to be a healthy sign. This trend might bring new changes and innovative styles in HRM systems.

Experience of the respondents showed no significant relationship with perceived and financial performances of the organization. Organizational life indicated positive correlation with one financial performance indicator, Marris Ratio, but it did not have significant correlation with others. With Marris Ratio, the number of employees in the organization also had significant and positive relationship but insignificant correlation with rest of the variables.

The findings of this study suggested that demographic variables play relatively minor part towards perceived organizational and financial performances. The research study was carried out in order to examine the relationship and impact of Human Resource practices and demographics on organizational performance index comprised on, Perceived Organizational Performance, Marris Ratio, Tobin's Q, Return on Equity and Return on Assets in financial sector industries.

The second research question was about inter-relationship between HRM practices and organization performance. Although results indicated no correlation between HRM practices and organizational financial performance indicators i.e. Marris Ratio, Tobin's Q, Return on Equity and Return on Assets, yet there was a positively significant correlation between HRM practices and Perceived Organizational Performance. Recruitment & selection, based on well-defined merit and unprejudiced system developed through managerial expert opinions, using standardized test

to scrutinize the exact required attitude, skills and knowledge in potential candidates showed notable significant correlation with employee performance and Perceived Organizational Performance. Results were similar to the findings of Holzer (1987), Sels et al. (2003), Datta (2003), Singh (2004), Katou (2008) and also support the argument of Tseng et al. (2009) that identification of the right candidate with required skills to perform the job for achieving organizational performance is the output of sophisticated selection system.

Training & development programs in organizations based on training need assessment, performance appraisal, customization and practically applicable with skills imparting capability are indicating positive correlation with employee performance and Perceived Organizational Performance. These results were similar to the findings of (Russell, et al. 1985; Arthur, 1994; Huselid, 1995; Wan, et al. 2002; Patrick, et al. 2003; Sels, et al. 2003; Singh, 2004; Katou, 2008; Tseng, et al. 2009). Their findings supported the argument that training was an expensive activity but it could give different advantages i.e. improved employees performance, increased productivity and employee management.

A perception that the Career Planning System (CPS) is significantly correlated with employee performance and Perceived Organizational Performance is true if, the Career Planning System is based on clear career ladder, aligned goals with organizational vision, used for succession planning, transparent internal hiring, and equal unambiguous employment opportunity. Employee participation related to decision-making process based on opportunities to make company and self related decisions, suggestion collection for the betterment of organization and employee wellbeing as also on appreciation strategy has significant positive correlation with employee performance and perceived organizational performance. Results partially match with the findings of (Bryson, 1999; Addison, et al. 2001 & 2000; Singh, 2004; Katou, 2008; Tseng, et al. 2009; and Budhwar, et al. 2010).

Compensation system based on expectancy of employees, comparable with market packages, competency based, performance based, profit sharing based mechanism, covering both financial and non financial dimensions, is positively correlated with employee performance and perceived organizational performance. (Singh, 2004; Shahzad, et al. 2008; Katou, 2008; Qureshi, et al. 2009; Tseng, et al. 2009; and Budhwar, et al. 2010) also had similar findings.

Findings of this research study match with findings of (Arthur, 1994; Huselid, 1995; Huselid & Becker, 1996; Kelley, 1996; Ulrich, 1997a; Patterson, et al. 1997; Hoque, 1999; Khatri, 2000; Cappelli and Newmark 2001; Kaplan & Atkinson, 2001; Wan, et al. 2002; Batt, 2002; Sels, et al. 2003; Purcell, et al. 2003; Paul & Anantharaman, 2003; Deepak. et al. 2003; Singh, 2004; Pfeffer, 1994; Tzafrir, 2005; Huselid, 1995; Cho, Woods, Jang, & Erdem, 2006; Qureshi, et al. 2009; Tseng, et al. 2009; and Budhwar, et al. 2010).

The third research question was intended to determine the degree to which different HRM practices predicted perceived organization and financial performance. Results of multiple regression analysis showed weak predictions of organizational financial performance but strong perceived organizational performance. Results indicated that the six different HRM practices predicted perceived performance with high level of significance and substantial beta values.

Career planning was significant with Tobin's Q, compensation system was significant with Return on Equity; however the training and development contributed marginally towards Return on Assets. Recruitment & selection has significant impact on perceived organizational performance. Training & development has significant impact on Perceived Organizational Performance and Return on Assets (ROA). Performance appraisal system has significant and positive impact on Perceived Organizational Performance. Career planning system is showing significant impact on Perceived Organizational Performance and Tobin's Q. Employee participation has significant and substantial impact on Perceived Organizational Performance. Compensation system has significant and positive impact on Perceived Organizational Performance and Return on Equity (ROE).

The fourth research question was about the impact of HRM practices on performance of different organizations. Multiple regression models were tested to analyze data separately for each industry. The results indicated that recruitment & selection had positive and significant impact on perceived performance of interest based banking, insurance, leasing and investment companies. Additionally, it showed positive impact on Marris Ratio and Return on Assets (ROA) of islamic banking and interest based banking accordingly. Training and development has positive impact on perceived performance in interest based banking and insurance companies. The career planning system has positive impact on perceived performance of interest based banking and insurance companies. Employee participation has positive impact on perceived performance of interest based banking, insurance and islamic banking besides generating positive impact on Marris Ratio, Tobin's Q and on Return on Equity of islamic banking, insurance and leasing companies. Compensation system has positive impact on perceived performance of interest based banking, insurance and islamic banking, on Marris Ratio of insurance and islamic banking, on Tobin's Q and Return on Assets of Insurance company.

Perceived Organizational Performance in the financial sector measured through (quality of products or services, management of new products or services, ability to attract employees, ability to retain employees, satisfaction of customers and relations between management and employees, marketing activities, growth in sales, profitability and increase in the market share of the organizations) was tested with different six HRM practices. Delery & Doty 1996 said that larger exercise of specific HRM practices would always result in improved organizational performance. The results of this study were in conformity with the above findings. The sample represented organizations drawn from a variety of domestic industry sectors and from different geographical locations in the country. So the results were applicable to all geographical locations.

Contribution of the Current Study

This study is unique in nature due to a variety of reasons. Human Resource Management practices have been linked with Perceived Organizational Performance and perceived market performance without considering employee performance in numerous studies. In this study the Organizational Performance Index (OPI) has been created by measuring organizational performance through five different indicators; Perceived Organizational Performance, Marris Ratio, Tobin's Q, Return on Equity (ROE), and Return on Assets (ROA). Researchers studied

HRM practices and organizational performance, but comparison of different sectors was not made. Impact of HRM practices on different performance indicators in different industries and comparative analysis is another unique feature of this study.

This study is an addition to earlier research efforts in understanding the relationship between organizational performance and HRM practices. The study provides new dimensions in the research of management by opening a debate on the importance of HRM practices in organizational performance. Statistically significant correlations and regression results were indicated that different HRM practices, such as recruitment & selection, training & development, performance appraisal, employee participation, career planning system and compensation system are significantly related and make positive contributions towards perceived organizational performance. This study is also significant for the reasons that employee performance has been tested as mediator with organizational performance index consisting of perceived organizational performance, Marris Ratio, Tobin's Q, ROE and ROA dependent variables. Data obtained from organizations through the questionnaires were in the shape of perceptual measures about effective HRM practices, employee performance and organizational performance. Normally, instead of perceptual measures, the objective measures are more desirable and they are particularly more consistent. This study has thus considered both types of variables. Additionally, it appears that demographic variables of gender type and education have statistically significant role in organizational performance.

Recommendations

Empirical facts support the analysis, that HRM practices can manipulate perceived organizational performance and employee performance plays a mediation role between HRM practices and perceived organizational performance. Organizational performance needs appropriate employee handling so that they stay in the company. It needs a suitable career planning system. For making effective decision-making the employees should be given adequate chances of participation in decision-making, because sometimes, employees know, what the management does not. Most of the organizations in Bangladesh do not see employee participation as a catalyst to better employee performance and thereby higher financial growth. This research is indicating that it is one of the major contributory tools towards performance. Compensation is the reward for which majority of the people work. If it is paid on time, on merit and comparable with market packages, then it makes employees feel happier and they contribute more. The study indicated that the organizations that make use of effective HRM practices on a wider scale generate higher performance.

- Organizations should establish a process of identifying Return on Recruitment & Selection System (RORS), Return on Training & Development system (ROTD), Return on Career Planning System (ROCP), Return on Performance Appraisal System (ROPA), Return on Employee Participation system (ROEP), and Return on Compensation system (ROC).
- Organizations should think about launching a proper procedure for monitoring the implementation of HRM practices to gain higher performance.
- Organizations should also consider designing HRM practices with focus on employee performance.

Conclusion

Organizations having transparent selection systems, adequately scheduled training programs and employee participation in decision-making are high performers. These organizations become attractive for local and foreign investors for further investment that contributes considerable growth in the economic activities in Bangladesh. Since the employee performance is contributing the mediating role between HRM practices and POP, hence the motivating HRM practices can enhance their performance that increase company performance.

References

- Alberto, B.M., & M.C. Javier, (2002). Human Resource Management, Strategy and Operational Performance in the Spanish Manufacturing Industry. *Management*, 5(3), 175-199.
- Annette Cox, Stefan Zagelmehyer and ick Marchington (2006). Embedding employee invement and participation at work, *Human Resource Management Journal*, 16(3), 250-267.
- Arthur, J.B. (1994). Effects of Human Resources systems on manufacturing performance and turnover. *Academy of Management Journal*, 37, 670-87.
- Babbie, Earl R. (1998). The Practice of social research. *Wadsworth Pub. Co. (Belmont, CA)*
- Baird, Lloyd & I. Meshoulam, (1988). Managing two fits of strategic Human Resource Management. *Academy of Management Review*, 13 (1), 116-128.
- Baldwin, T.T. & M.Y. Padgett, (1994). Management Management: A Review and Commentary, in C. L. Cooper and I. T. Robertson (eds), *Key Reviews in Managerial Psychology (New York: Wiley)*, 270–320.
- Beer, M., S. Bert, R.L. Paul Mills, & R.E. Walton, (1984). Managing human assets, *New York: Free Press*.
- Campbell, J. (1990). Modeling the performance prediction problem in industrial and the impact of HR practices on the performance of business units organizational psychology, in *Handbook of Industrial and Organizational Psychology (2nd ed)*. M. Dunnette and L. Hough (eds). Palo Alto, CA: Consulting Psychologists Press.
- Cappelli, P., & D. Newmark, (2001). Do "high performance" work practices improve establishment level outcome? *Industrial and Labor Relations Review*, 54, 737-775.
- Derek S. Chapman, Jane Webster. (2003). The Use of Technologies in the Recruiting, Screening, and Selection Processes for Job Candidates, *International Journal Of Selection And Assessment*, 11.
- Ettington, R.D., (1997). How Human Resource practices can help plateaued managers succeed, *Human Resource Management*, 36(2), 221–234.
- Fernandez, C.J., (1992). Soldier quality and job performance in team tasks, *Social Science Quarterly*, 73, 253–265.
- Garry, A.G. & I. Mark, (2003). The Impact of Human Resource Management and Work Climate on Organizational Performance, *Personnel Psychology*, 56, 383-404.
- Hackman, J. (1980). Changes views of motivation in work groups. London: Hall, D.T., & Associates (1986). *Career Management in organizations*. (1st ed.). San Francisco: Jossey-Bass Publishers
- Harel, H.G. & S.S. Tzafrir, (1999). The effect of Human Resource Management practices on the perceptions of organizational and market performance of the firm, *Human Resource Management*, 38, 185–200.
- Jackson, S.E. & R.S. Schuler, (1992). HRM practices in service-based organizations: A role theory perspective, *Advances in Services Marketing and Management*, 1, 123-157.

- James, T. (1969). "Money and Income: Post Hoc Ergo Propter Hoc?," Cowles Foundation Discussion Papers 283, Cowles Foundation, Yale University.
- Macduffie, J.P. (1995) 'Human Resource bundles and manufacturing performance: Flexible production systems in the world auto industry'. *Industrial Relations and Labor Review*, 48, 197–221.
- Martell, K., & J.S. Carroll, (1995). How strategic HRM is, *Human Resource Management*, 34 (2), 253.
- Patrick, M.W., B.D. Benjamin, & A.S. Scott, (2001). Human Resources and the resource based view of the firm, *Journal of Management*, 701-721.
- Patrick, M.W., M.G., Timothy, & Lisa, M.M. (2003). The impact of HR practices on the performance of business units, *Human Resource Management Journal*, 13(3), 21-36.
- Roth, P.L. (1994). Missing data: A conceptual review for applied psychologists. *Personnel Psychology*, 47, 537-560.
- Performance of University Teachers in Pakistan, *International Review of Business Research Papers*, 4, 2 pp. 302-315.
- Singh, K. (2004). 'Impact of HR practices on perceived firm performance in India'. *Asia pacific Journal of Human Resources* 42(3) 301-317.
- Wan, L.H., (2007). Human Capital Management policies: enhancing employees' satisfaction, *Journal of European Industrial training* 31(4), 297-322.
- Weinert, Ansfried B. (1998). Organisations psychologie, Weinheim: Psychologie Verlags Union.
- White, L. & C. Doyle, (1997). Recruitment and selection in small professional firms and practices, *Selection and Management Review*, 13, 3-8.
- Whitener, E.M. (2001). Do "high commitment" Human Resource practices affect employee commitment? A cross-level analysis using hierarchical linear modeling, *Journal of Management*, 27, 515-535.