

Does Human Resources Management Practices Affects Bank Performance: An Empirical Study of Iraqi Banks

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Abstract : *The current study examined the relationship of HRM practices and bank performance. Moreover the mediation of employee satisfaction was also tested. A sample of 83 participant was selected from Iraqi banking sector. The data was collected using a close ended questionnaire. The data was analyzed using SPSS. The study findings suggest a significant role of all four HRM practices on organizational performance directly and through the mediation of employee satisfaction. The result found the hypotheses to be supported and the results were discussed in line with the previous study. The importance of HRM practices is found in organizational performance. Hence companies should work over better HRM practices. Future researches can be done employing mixed method research to develop the in-depth understanding of the phenomena. Moreover a comparative study can be performed to understand the relationship in different cultural contexts.*

Keywords: human resources management, bank performance, Iraq.

INTRODUCTION

Human capital development and improvement in its efficiency is one of the major goals of the organization in the contemporary work setting. This optimization of human capital is believed to benefit not only the individuals but also the organization. The study done in the field of strategic HRM and organizational psychology provides evidence that human capital development is directly related to the individual and organizational performance (Alsakarneh et al, 2019). Hence the micro economic perspective an important factor that leads to better organizational performance is human capital (Takeuchi et al, 2007).

HRM can be defined as the bundle of policies, organizational practices and systems influencing individual's performance. Moreover HRM also influences the attitude and behaviour of working professional. Numerous organizations allude to HRM as including "individuals' practices". One of the real difficulties that HR experts manage is choosing from a developing pool of splendid and negligible specialists (Kayode, 2012). With the developing requirement for capable high-gifted employees, companies must seek after human capital.

In the current environment; human resource management has emerged as a main component of the organization that becomes the strategic partner for the stakeholders and involve in the development of strategic goals for the organization (Darwish, 2013). The human resource management has brought the attention of the market towards competing through the talent management and capabilities of the individual to gain the competitive advantage while in the past employees were not considered as the asset for the organization but the phenomenon has been changed and employees are the main force that enable the organization to gain the competitive edge over others (Darwish, 2013). In the last two decades top management has changed the perception about the employees that they are the competitive strength for the organization that supporting services are the helping hands for them to produce efficiency and performance for the organizational success and meeting the strategic objectives (Shaukat et al, 2015).

According to Dessler, (2013) suggested that human resource management is based upon the policies and procedures to carry out the operations of the department which includes the recruitment, selection, compensation, training and development, public relations and others. On the basis of this it is required from the organizational perspective that employee capabilities, skills collectively considered as the human capital which enable the organization to gain and sustain their competitive advantage over others (Shaukat et al, 2015). Therefore; the requirement of the making the organization strong human resource management policies and procedures should be implemented and focus should be upon the employee they should follow the instructions accordingly. Performance of the employee is directly linked with the employee satisfaction (Haquec et al, 2013).

Most likely that banks universally is resolved for accomplishment and high benefit those in a similar industry. With the end goal of this, banks need to get and apply their human capital successfully and effectively. Banks must know about human resource need to think about HRM all the more practically and Banks need to stay up with the latest. Subsequently, management assume huge job to accomplish organization's objective and meet benefits, fundamentally the centre elements of

directors need to deal with the human resource such that correct number in right manner. This paper along these lines, analyses the impact of human resource management practices on bank performance in Iraq.

THEORETICAL FRAMEWORK AND HYPOTHESES DEVELOPMENT

Employee empowerment

The idea of strengthening is expected for the best management practices. It's the way toward empowering or approving and individual to think, carry on, make a move, and control work and basic leadership in self-governing way so it's a powerful method to amplify all-around work proficiency. Blanchard et.al,(1996) showed three keys that leaders must use for empowering the employees. These keys are: share data with everybody, make self-sufficiency through limits and supplant the old order with self-guided group.

Compensation

Compensation includes a wide range of rewards going to workers and emerging from their business (Dessler,2007). Compensation especially significant for worker since it is one of the principle explanation behind individuals to work. Also, media for company to influence inspiration in a few different ways so as to accomplish the particular objectives and targets of the company. A significant assemblage of work has given proof that put together pay has a significant with respect to firm performance (Oladipo, 2011) .

In order to motivate employees compensation is the important tool that are being used by the organizations to increase efficiency and productivity; that also increases the effectiveness and profitability of the organization (Casio, 2013). Internationally compensation system is being included the salary according to the individual abilities, skills, capabilities, performance, living allowances, inflation covered, offering bonus twice in the calendar year, along with this employees performance is also linked with it to get increased share of the pay and for the future prospective pension and provident fund is being the part of this plan (Conrad, 2009).

Training & development

Training and development of the employees is planned when the employees are hired or recruited in order to equipped them adequately to meet the challenges at the workplace and external environment as well (Al Saleem, 2010; Sharif et al, 2018). Training is the activity that brings change in the attitude and behavior of the individual to increase the capabilities, knowledge and skills to facilitate efficiency and effective learning; that enable the employees to meet the organizational objectives and working requirement in the organization (Bosninih and Al Farsi, 2003; Obaid and Eneizan, 2016a). Training is to focus upon the development in the attitude and individual efficiency (Obaid and Eneizan, 2016b). There are number of training provided by the organizations to the employees that are: on job training, orientation, safety, promotional, refresher, remedial and others increases the skills and capability of the employees (Choudhary and Lamba, 2013).

Training of the employees increases their confidence and skills that meet the future work requirement considerably, training is also considered as the professional education which is being provided to aim that employees will contribute in the attainment of strategic goals or objectives (Zuelv, 2003). The study suggested that based upon the content of the training and facilitating feature is that it should be according to the increasing the knowledge and expertise of the individual rather than providing those information or skills that are already equipped and embedded in the individual (Joudeh, 2010). The features of the training involve the time input to get training, training methods, subject of the training and trainees are given specific time to learn the knowledge and meet the objectives of the training that they should be having improved skills and capabilities that can increases their performance and efficiency.

Performance appraisal

Companies can watch the improvement of wanted worker frames of mind and conduct using examination instrument. A performance appraisal is a precise and intermittent procedure that evaluates an individual worker's activity performance and efficiency in connection to certain pre-built up and authoritative destinations (Mansa, 2009). The use of performance appraisal are advancement, end, test approval, and performance improvement. In this manner, improving performance evaluation for everybody ought to be among the most noteworthy needs of contemporary organizations (Muczky 1987). Performance appraisal is a measure that inculcates about the overall performance of the individual throughout the years and assessed the designated objectives are being achieved within the specific time period. There are different scales, rating and

test used to assess the performance of the individual (Murphy and Cleveland, 1995). The most important feature for the performance appraisal is that rater should not be biased and having enough knowledge to rate adequately. In the last three decades performance appraisal is having high concern for the human resource professional. The first industrial rating system back in 1800 was developed by Robert Owen at the Cotton Mills in Scotland (Heilbronner, 2011).

The mediation role of Employee Job Satisfaction

The mediation of employee job satisfaction between the HRM practices and organizational performance is being considered in the current study. The researches in the field of human behavior and HRM evident that motivated employee is satisfied from his job and hence he work as a human capital for the organization by adding value to the organizational performance (Vermeeren, Kuipers, and Steijn, 2011). Employee job satisfaction is the result of the facilities and care they are provided by the organization (Hackman and Oldham, 1975).

In this regard, how much HR practices are presented can be conceptualized as a marker of the degree to which a company esteems and thinks about workers. As noted above, past research has exhibited a positive connection among HRM and job satisfaction (Steijn, 2004) and between employee satisfaction and firm performance (Taris and Schreurs, 2009). These researches bolster the possibility that job satisfaction goes about as an intervening variable in the connection among HRM and performance. This relationship is generally contemplated in discrete parts and only here and there analyzed inside one structure. We will thusly think about the connections among HRM, job satisfaction and organizational performance in one model.



METHODOLOGY

The current study is proposed to identify the role of HRM practices on companies' performance in Iraqi banking sector. Moreover the study tries to find out the mediating role of job satisfaction in the relationship of HRM practices and organizational performance.

The current study is quantitative in nature and tries to examine the hypothetical relationship among constructs. For that purpose the quantitative data is required hence the study employed a questionnaire to collect the data and later analyzed it using SPSS.

Population and Sample size

The research comprises of the respondents from the Iraqi banking sector. The study sample was drawn on the convenience basis which is a non- probability sampling technique. Total 83 participants were selected to fill out the survey questionnaire.

Questionnaire Development

A structured questionnaire was used to collect the data containing close ended questions. The questionnaire had two sections. Section one comprised of demographic information of the study participants while section two included the questions regarding the study constructs. The questions related to the constructs were based on the five point likert scale.

Data analysis technique

To analyze the data we performed statistical testing using SPSS. The analysis included the descriptive analysis, reliability, correlation and regression analysis.

ANALYSIS AND RESULTS

Demographic Analysis

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-----------|-----------|-----------|---------|---------------|--------------------|
| Gender | Male | 48 | 57.8 | 57.8 | 57.8 |
| | Female | 35 | 42.1 | 42.1 | 100.0 |
| | Total | 83 | 100.0 | 100.0 | |
| Age | 20-25 | 21 | 25.3 | 25.3 | 25.3 |
| | 26-35 | 32 | 38.5 | 38.5 | 63.8 |
| | 36-45 | 22 | 26.5 | 26.5 | 90.3 |
| | Above 45 | 8 | 9.6 | 9.6 | 100.0 |
| | Total | 83 | 100.0 | 100.0 | |
| Education | Bachelors | 41 | 49.39 | 49.39 | 49.39 |
| | Masters | 34 | 40.9 | 40.9 | 90.29 |
| | PhD | 8 | 9.6 | 9.6 | 99.89 |
| | Total | 83 | 100 | 100 | 100 |

The above table shows that around 58% of the respondents were male and remaining 42% were females. The age of the respondents between 20 and 25 were about 25%, 26 and 35 were about 38%, 36 and 45 were about 27% while above 25 were only 9.6%. The qualification of the respondents were bachelors around 50%, masters around 41% and PhDs around 9%.

Reliability

The reliability of the constructs is shown in the table below.

| Constructs | No of Items | Cronbach's Alpha |
|----------------------------|-------------|------------------|
| Organizational Performance | 04 | 0.741 |
| Employee Satisfaction | 04 | 0.740 |
| Employee Empowerment | 04 | 0.767 |
| Compensation | 04 | 0.743 |
| Training and Development | 04 | 0.730 |
| Performance Appraisal | 04 | 0.755 |

The above table presents the reliability of the constructs in the model. The reliability was assessed using cronbach's alpha. The benchmark value for Alpha is 0.7 and all the value were found to be above the threshold value. Hence all construct have sufficient reliability.

| | Org_Per | Emp_Sat | Emp_Emp | Comp | Train_Dev | Per_App |
|-----------|---------|---------|---------|------|-----------|---------|
| Org_Per | 1 | | | | | |
| Emp_Sat | 0.81*** | 1 | | | | |
| Emp_Emp | 0.65** | 0.44** | 1 | | | |
| Comp | 0.55** | 0.51** | 0.11 | 1 | | |
| Train_Dev | 0.71*** | 0.28* | 0.09 | 0.10 | 1 | |
| Per_App | 0.45** | 0.39** | 0.08 | 0.12 | 0.08 | 1 |

Note: *** significant at 0.01 level, ** significant at 0.05 level

The above table of correlation depicts significant correlations of dependent and independent variables in the model. Moreover the correlation among the independent variables is lower and insignificant. The higher correlations among independent variables leads to the issue of multicollinearity which is not the issue here.

Regression Results (Hypotheses Testing Direct Relations)

| Direct Relationships | P-value | Result |
|---|---------|-----------|
| Employee Empowerment→Organizational Performance | 0.000 | Supported |
| Compensation→Organizational Performance | 0.000 | Supported |
| Training and Development→Organizational Performance | 0.000 | Supported |
| Performance Appraisal→Organizational Performance | 0.000 | Supported |

The above table shows the regression results regarding the direct relationships. The direct relationship comprised of H1 to H4. We can see the p-value of the above relationships are all less than 0.05 that shows that all the four hypotheses found to be supported. Hence we can say that there is a positive impact of HRM practices on organizational performance.

Regression Results (Hypotheses Testing Mediation Relations)

| Mediated Relationships | P-value | Result |
|--|---------|-----------|
| Employee Empowerment→Employee Satisfaction→Organizational Performance | 0.000 | Supported |
| Compensation→Employee Satisfaction →Organizational Performance | 0.000 | Supported |
| Training and Development→Employee Satisfaction →Organizational Performance | 0.000 | Supported |
| Performance Appraisal→Employee Satisfaction →Organizational Performance | 0.000 | Supported |

The mediation of the employee satisfaction was discussed above in the literature. The mediating role of the employee satisfaction was tested using H5 to H8 and the relationship found to be significant. Hence it can be said that employee satisfaction plays a mediating role in the relationship of HRM practices and organizational performance in Iraqi banking sector. The results of all the above mentioned relationships are discussed in connection to the relevant literature in the upcoming section.

DISCUSSION OF THE FINDINGS

The results showed the significant impact of all the above variables. The employee empowerment is associated with the recruitment, training and retaining the employees of the organization (Al Saleem, 2010). Employee empowerment is associated with the strategic planning of the organization to recruit right person for the right job, provide training and evaluate performance of the individuals in order to motivate them and urge them to produce quality results for the organization. It is required to collect the concrete and purposeful information that enable the organization to take effective strategic decision which enable the organizational success (Joudeh, 2010). Hence the results are aligned with the above said literature. In order to motivate employees compensation is the important tool that are being used by the organizations to increase efficiency and productivity; that also increases the effectiveness and profitability of the organization (Casio, 2013).

Training of the employees increases their confidence and skills that meet the future work requirement considerably, training is also considered as the professional education which is being provided to aim that employees will contribute in the attainment of strategic goals or objectives (Zuelv, 2003). The study suggested that there is a positive association among the variable of training with the job satisfaction. The job satisfaction of the employees are based upon the content of the training and facilitating feature is that it should be according to the increasing the knowledge and expertise of the individual rather than providing those information or skills that are already equipped and embedded in the individual (Joudeh, 2010). It is important that individual performance and team's performance enable to determine the overall organizational performance (Bratton and Gold, 2012). It is important that organization should focus upon the communication in the organization to get the performance appraisal system improved (Towell, 2012). The above literature supports the results of the study and hence it can be said that the study provides the evidence that employee empowerment, training, compensation and performance appraisal significantly effects the organizational performance. Moreover the researches in the field of human behavior and HRM evident that motivated employee is satisfied from his job and hence he work as a human capital for the organization by adding value to the organizational performance (Vermeeren et al, 2011). Employee job satisfaction is the result of the facilities and care they are provided by the organization (Hackman and Oldham, 1975). In this regard, how much HR practices are presented can be conceptualized as a marker of the degree to which a company esteems and thinks about workers. As noted above, past research has exhibited a positive connection among HRM and job satisfaction (Steijn, 2004) and between employee satisfaction and firm performance (Taris and Schreurs, 2009).

LIMITATION AND FUTURE RESEARCH

The above study is limited to the four Human resource management practices and a mediating role of employee satisfaction in relationship of HRM practices and organizational performance. In future research more functions can be examined. Moreover the study only include the close ended questionnaire as data collection tool hence resulting in a quantitative study. Future researches can be done employing mixed method research to develop the in-depth understanding of the phenomena. Moreover a comparative study can be performed to understand the relationship in different cultural contexts.

CONCLUSION

The current study examined the relationship of HRM practices and organizational performance. Moreover the mediation of employee satisfaction was also tested. The result found the hypotheses to be supported and the results were discussed in line with the previous study. The importance of HRM practices is found in organizational performance. Hence companies should work over better HRM practices.

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