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HRM Practitioners and the Meaning of Work: The Turkish Case

Fuat Man

ABSTRACT

Although “work” is a critical concept for almost all social science disciplines, apart from industrial sociology, none of them takes the concept as a “core” one. On the other hand so many disciplines talk over “work” in a subordinate way. So, work-related discussions are available in almost all social science disciplines. This paper aims to present Turkish HRM practitioners’ approaches about “work” concept using a theoretical framework created by John W. Budd. This framework takes work in ten-conceptualisation which includes almost all social sciences approaches to work. To reveal Turkish HRM practitioners’ perspectives on work, interviews with HRM practitioners from Turkey, which appear in HR Magazine [*HR Dergi*], have been analysed via the software MaxQDA.

KEY WORDS

work, HRM practitioners, Turkish case, the meaning of work

JEL Code: J5

1 INTRODUCTION

It’s not so easy to put the meaning of work clearly. Rather, defining work on an unquestionable ground is almost impossible because of its nature and of how people or scholars from different academic traditions see it. While the mainstream economic thought sees work or labour as a commodity that could be bought and sold in labour markets, many others can approach work in out of an economic framework. Thus that paper intends to provide the meaning of work from the viewpoint of HRM practitioners in Turkey. The main purpose of doing that is to examine the nature of HRM via the Turkish experience. The research is grounding on the work concepts that are provided by John W. Budd. In his prominent study [*The Thought of Work*] Budd examines the meaning of work under ten different conceptualisations on work. Therefore the paper is trying to find how Turkish HRM practitioners see work and their approach run into which category. For that purpose, at first the paper will provide a general conceptual framework of Budd’s study, then, depending on the ten-conceptualisation-approach the data from HRM practitioners via a periodical, *HR Dergi* [*HR Magazine*] that publishes the interviews with those practitioners were collected. And finally the paper intends to put a critics on the nature of modern human resource management.

2 HOW THE MEANING OF WORK HAS BEEN SHIFTED?

Under the Nazi Regime, so many concentration camps had been established in Germany during the Nazi rulership. There was a same statement on the gates of all these camps in German: *Arbeit macht frei* (work makes you free). This German phrase brings so many important questions on the table: Is this scene reflecting just a Nazi ideology? Has work had such an importance during the whole human history? If not, when and how a transformation in the meaning of work has been happened?

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At first, it needed to be emphasised that, the statement on the gates of concentration camps reflects not just the Nazi ideology but also a labour ideology of modernity or its economic world, capitalism. On the other hand, this perspective on work is not valid for the whole human history or for the all cultures. A well-known paradigm about the thinking on the meaning of work is the Greek paradigm. Although there is not a consensus on the paradigm, frequently it is treated as a paradigm that sees work as a virtueless activity (Meda, 2005). Here is a quotation from Aristotle (1985: 91 -1277a1/35): "Now we speak of several forms of slave; for the sorts of work are several. One sort is that done by menials: as the term indicates, these are persons who live by their hands; the vulgar artisan is among them. Hence among some peoples the craftsperson did not share offices in former times, prior to the emergence of [rule of] the people in its extreme form." And a quotation from Aristotle's teacher Plato (2003: 54,371e):

"And there is still another group of people, I think, offering a service. We certainly would not want them as partners or associates for their mental attributes, but they possess physical strength suitable for manual labour. This they offer for sale, and the price they put on it they call their hire. That, I imagine, is why they in turn are called hired labourers. Isn't that right?"

Thus, the approaches toward labour, especially manual labour, were quite negative in ancient ages. This perception maintained a long period, till middle ages. Even during the middle ages, for example, the negative view of manual labour could be seen in the medical professions (Conner, 2005: 308): "medical practitioners organized themselves professionally in a pyramid with physicians at the top and surgeons and apothecaries nearer the base, and with other healers marginalized or vilified as 'quacks'". The position of surgeons in the pyramid reflects the position of manual labour.

On the other hand, perceptions of labour has changed completely in modern capitalist societies. While the Greek paradigm saw work as an activity that makes people unfree because of its nature that includes an obligatory condition, modern labour ideology takes work as an activity that makes people free just as stated on the gates of the Nazi's concentration camps. So, the key question is that: what is the main reason under that transformation of the work perception? Of course this question implies a wide-range debates, but shortly we can say that the material conditions or necessities lead to or feed new discourses that serve for these conditions or necessities. Therefore, the main factor under that discursive transformation has been the transformation of economic structure in which a shift from a subsistence economy to a capitalist economy has occurred. Several great developments such as protestant reformation, scientific revolution (and Enlightenment) and Industrial Revolution have paved the way for new labour discourse that see work as a great virtue. Thus, classic and neo-classic economic thought approached to labour just like any other commodity. One of the most important critics against that perspective was put by Karl Marx. In his prominent work *Capital*, he present a detailed explanation that demonstrate this commodification of labour stand on an exploitation ground (Marx, 1992).

Thus, standing on neoclassic economic theory mainstream modern labour economics also see labour just as any other commodity and analyse labour market such as any other markets by supply-demand and price (wage) laws. Under that circumstance the meaning of work would had been transformed into one that see work as a great virtue. The roots of modern labour ideology that sees work as a virtue activity could be simply seen in a well-known novel written in early seventeenth century by Daniel Defoe (2003), *Robinson Crusoe*. Robinson is a quite well iconic-fictional figure who reflects so many characteristics of modernity and modern economic man. The novel can be analysed in vary aspects but for the purpose of that paper, it would be useful to present some Robinson's characteristics about labour. One of the most apparent characteristics on novel is a clear representation for the importance of working on nature. Working on nature reflects the motive of modernity on conquering or transforming nature into one that serves mankind's aims. Robinson transformed the environment in which he lives into a safer place or a less hazardous one and the main activity under that transformation is his working. The text places work in a position that is quite different from its position in Ancient Greek paradigm on labour.

On the other hand, the some measures taken by public authorities and some ethic codes against idleness also strengthened the importance of work. Michel Foucault (1988) presents a clear explanation on banning of mendicancy in his *Madness and Civilization*. Thus, while once upon a time a beggar was an agent to reach the God via charity, now he or she is an unwanted person who is seen as idler or a person who is a bad example for society. Additionally, work ethic also served for to constructing a new meaning of work. Because it says to employees that maximizing your benefit is less important to be more productive for your company (Bauman, 2004). So, when during the consolidation of capitalism till today, a meaning of work that is totally different from the Greek paradigm has been widespread. Especially an economic approach that see just paid employment as work has a wide acceptance in mainstream economics. To form a theoretical basis for the paper, in the next part the conceptualisations on work that are delivered by John W. Budd (2011) is going to be presented. The importance of the Budd's work is its multidisciplinary approach that try to deliver a literature collection about work from nearly all social science disciplines. Therefore this framework is a quite clear one.

3 TEN CONCEPTUALISATIONS ON WORK

In the mainstream economics, work is just an activity under employment relations. In the other words, just paid works or jobs are entitled to be or named as “work”. But in sociology of work literature this tendency has been criticized because sociological perspective tries to conceptualize work in a quite broad sense. This approach tries to go beyond dichotomies on work such as private (domestic works) / public spheres (paid employment), market / non-market divide or production (public-market area) / reproduction (private area) fields (for details see. Williams, 2010; Taylor, 2004). One approach that blur all the borders between these dichotomies is “total social organisation of labour” by M. Glucksmann (Williams, 2010: 404).

A recent report by UNDP approach work partly in a conventional tendency. Overview part of the report begins as (UNDP, 2015: 1):

“Work enables people to earn a livelihood and be economically secure. It is critical for equitable economic growth, poverty reduction and gender equality. It also allows people to fully participate in society while affording them a sense of dignity and worth. Work can contribute to the public good, and work that involves caring for others builds cohesion and bonds within families and communities.”

This perspective on work imply a more-market side explanation of work. But in the following sentences, report open a door slightly to a broad conception of work, it goes as (UNDP, 2015: 1): “The Report takes a broad view of work, including voluntary work and creative work, thus going beyond jobs.”

That paper will stand on the conceptual ground that was presented by John W. Budd. In his prominent book, *The Thought of Work*, Budd, presents the meanings of work in a quite broad perspectives, in ten different conceptualizations.

Table 1: Conceptualizing work

Work As	Definition	Intellectual Roots
1. A Curse	An unquestioned burden necessary for human survival or maintenance of the social order	Western theology, ancient Greco-Roman philosophy
2. Freedom	A way to achieve independence from nature or other humans and to express human creativity	Western liberal individualism, political theory
3. A Commodity	An abstract quantity of productive effort that has tradable economic value	Capitalism, industrialization, economics
4. Occupational Citizenship	An activity pursued by human members of a community entitled to certain rights	Western citizenship ideals, theology, industrial relations
5. Disutility	A lousy activity tolerated to obtain goods and services that provide pleasure	Utilitarianism, economics
6. Personal Fulfillment	Physical and psychological functioning that (ideally) satisfies individual needs	Western liberal individualism, systematic management, psychology
7. A Social Relations	Human interaction embedded in social norms, institutions, and power structures	Industrialization, sociology, anthropology
8. Caring for Others	The physical, cognitive, and emotional effort required to attend to and maintain others	Women’s rights, feminism
9. Identity	A method for understanding who you are and where you stand in the social structure	Psychology, sociology, philosophy
10. Service	The devotion of effort to others, such as God, household, community, or country	Theology, Confucianism, republicanism, humanitarianism

Source: Budd (2011: 14)

As seen in the table (for a brief explanation see Budd, 2011: 14-18) the first conceptualisation takes the work as a curse, the second conceptualisation, in the words of Budd, “shows how work can be seen as a source of freedom. The third conceptualisation depends largely on mainstream economic thought that see labour as commodity just like any other commodity that can be sold and bought. The fourth conceptualisation approaches work as occupational citizenship (“an activity undertaken by citizens with inherent equal worth who are entitled to certain rights and standards of dignity and self-determination irrespective of what the market provides”). With the fifth conceptualisation, work is seen as “an instrumental, economic activity that is tolerated because of the resulting

income and extrinsic rewards but that lacks psychological satisfaction and other intrinsic rewards and is therefore not enjoyed.”

In the sixth conceptualisation work is come up as personal fulfilment. Under that conceptualisation work is held as a beneficial activity “for an individual’s physical and psychological health.” This conceptualisation has another importance for its relation to human resource management practice because it presents an intellectual ground for human resource management, “which seeks to enhance worker effectiveness by recognizing the satisfying and dissatisfying aspects of work.” So this conceptualisation is also one of the most important ones for that paper, because so many dimensions which have relation with that conceptualisation have been emphasised by HRM practitioners who consist the sample of that paper.

And in turn, the seventh conceptualisation approaches work as a social relation that present a view which go beyond an economic exchange; the eighth conceptualisation takes work as caring for others that is not a central conceptualisation for that paper; the ninth conceptualisation see work as a part of personal identity which is also a weak conceptualisation for that study. And finally the tenth conceptualisation consider work in a way that go beyond an individual needs. Under that conceptualisation work is seen as service for a broad field such as society or God. For that paper emphasises on social responsibility or environmental concerns have relations to that conceptualisation.

4 A BRIEF STATEMENT ON THE MEANING OF HRM

Now we need to focus on the nature of HRM and its relation to these conceptualisation on work very briefly. Discussions on HRM provide a bunch that consisted of vary approaches, which is not possible to present all of them in here. Yet as some writers do, we can put these approaches under some categories. Looking at HRM through these categories makes easier to think on the nature and meaning of HRM. Kaufman’s brief frame on these categorisation is going to be presented in here but similar categorisations are available in another text on HRM nature (e.g. see, Collings and Wood, 2009: 1-16).

Kaufman (2004: 322-324), presents various HRM definitions that allows “nearly a dozen different conceptualisations or dimensions of HRM” and then his final point as “a careful reading of these pages yield at least three different conceptualisations of HRM.” The first definition conceptualise HRM as “a generic management activity or function in business firms.” So in that perspective HRM is “largely equivalent to personnel management in that both are a generic functional management activity, although HRM is distinguished by a broader range of concerns and practices that are sometimes considered at a higher management level in the firm” (p. 322). In another world through this perspective HRM is no more than personal management, which is pointed as “old wine in a new bottle” by Armstrong in his an early study (2007: 18).

The second approach presents some distinctions between HRM and personal management. For instance personal management implies that employees are an organisational cost. “On the other hand, HRM emphasizes the potential of employees as organizational assets.” This definition puts a great difference for my paper. Because seeing employees either as a cost or as a potential requires quite different two perspectives, and HRM see workers as potential to be developed in that definition.

And the last definition is the most comprehensive one: “Human resource management is the science and the practice that deals with the nature of the employment relationship and all of decision, actions, and issues that relate to that relationship. In practice, it involves an organization’s acquisition, development, and utilization of employees, well as the employees’ relationship to an organization and its performance (Ferris et al. 1995: 1-2). This definition is quite useful for purpose of that paper especially the emphasis on utilisation of employees imply a broad frame that include some work-conceptions from the ten-conceptualisation base such as commodity which stand on human potential in employment relations.

5 PROCEDURE, DATA AND OBJECTIVES

That paper is trying to bring two controversial concepts, work and HRM, together. The main aim of the paper is to look at how work is seen through HRM practices and so to revisit the debates on HRM nature. For that purpose the paper is looking at the human resource management practitioners from Turkey by using the archive of a relatively long-lasting magazine, HR Dergi (HR Magazine). The magazine is generally a monthly periodical and has a twenty-year history, has been publishing since 1996. The magazine is not an academic journal, but is a periodical that share the current development in the human resource management world in Turkey. The target group of the magazine is the practitioners: “The % 67 of our readers are middle and senior executives” (HR Dergi, 2016). Almost all issues include one or more interviews with HRM practitioners, so the sample of the research is consisted in that archive.

Determining the sample, all issues from the first volume to the volumes published in the year of 2015 were scanned. In that period 193 issues of HR Dergi have been published and subscribers can access the all issues via internet. Totally 140 interviews from all these issues were retained and 67 interviews were selected randomly. The interview selection table is as following:

Table 2: The reliability of the scales

Year	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	
Number of selected Issues	1	2	2	2	3	3	4	4	3	4	
Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
Number of selected Issues	4	4	4	4	4	4	4	3	4	4	67

Then, all these 67 interviews with HRM practitioners were read to find out how Turkish HRM practitioners see employment relations or work issues. Doing that the main objective of course was not to try to get the ten-conceptualisation directly but more in indirect way by using MaxQDA 12 qualitative data analysis software. In another word, the interviews were read via some codes that created by the author to derive work conceptualisations of Turkish HRM practitioners in indirect way.

The construction of codes for MaxQDA: Analysing the interviews for the purpose of the paper, sixteen sub-codes under five main groups were created. A brief explanation about the coding design is shown in the table below. As you see there are only five categories, not ten, because all the conceptualisations mentioned above from Budd are not available in the interviews selected for the sample of the paper. Another point that needed to be presented is an explanation about the main codes. All main codes (except one, post-Fordism) are labelled as in the Budd's framework but the sub-codes under post-Fordism serve for several purposes: First of all some of these sub codes have relations with other conceptualisations from our "ten", for instance the connection between these sub-codes and "fulfilment" is also a possibility. Thereby, secondly, the reason of constructing a main-code such as post-Fordism is also to see something about "the nature of HRM" from lens of practitioners.

Table 3: Main codes and sub-codes

Main Codes	Explanation	Sub-codes
Post-Fordism	These sub-codes are also for "the nature of HRM" in perspectives of practitioners.	Corporate-employee consistency Flexibility Team Outer customers Total quality
Commodity	All these sub-codes imply a human potential that could be changeable in the labour market.	Traning Skilled personnel Performance Human potential
Fulfillment	That main-code implies a great mission for HRM practices to construct a unitarist employment relationship.	HRM as bridge Private life / working life HRM-human aspect Employee satisfaction
Service	Actions for environmental protection and social responsibility imply a service for society.	Environment Social responsibility
Identity	Although there is a quite limited space in interview for "identity" I used it as a main-code because there is an important debate in literature on "work-related identity".	Identity

6 FINDINGS

In that part of the paper some analysis depends on the statistics or frequencies that derived from MaxQDA will be presented. Table 3 presents detailed information of frequencies for both main-codes and sub-codes. The table supplies a chance to see the percentage of any sub-codes in main-codes and among all codes and also the percentages of main codes in all main-codes.

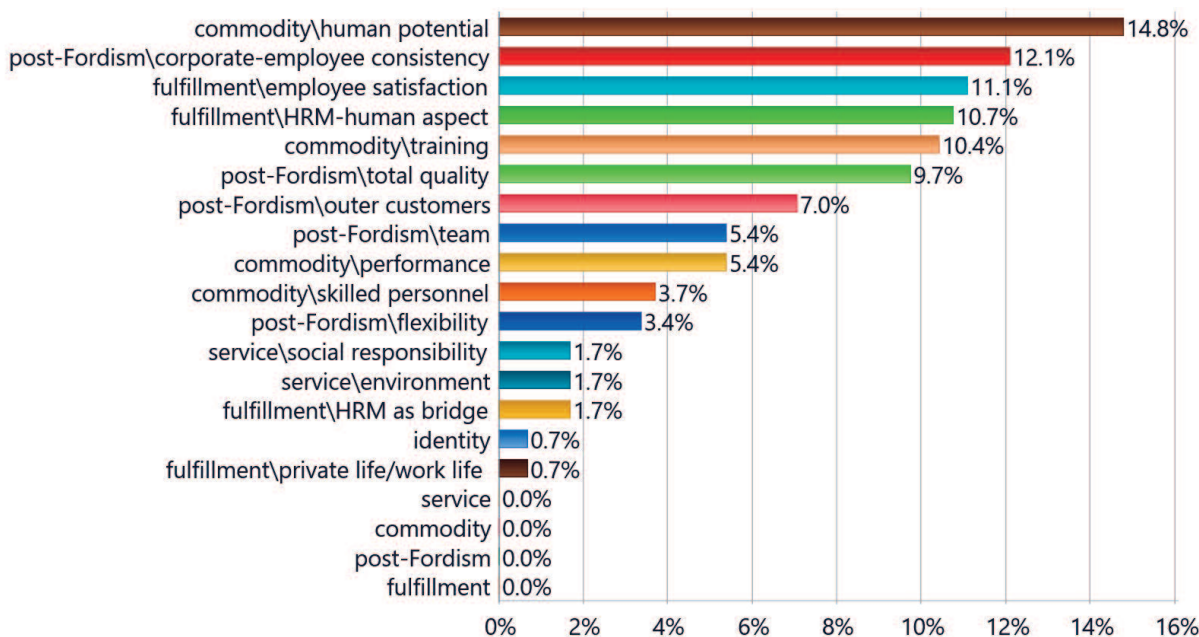
Table 4: Frequencies of main-codes and sub-codes

Main Codes	Sub-codes	Frequency	Frequency	Frequency
Post-Fordism	corporate-employee consistency	36	32.14	12.1
	total quality	29	25.89	9.7
	outer customers	21	18.75	7.0
	team	16	14.29	5.4
	flexibility	10	8.93	3.4
	Total		112	100.00
Commodity	human potential	44	43.14	14.8
	training	31	30.39	10.4
	performance	16	15.69	5.4
	skilled personnel	11	10.78	3.7
	Total		102	100.00
Fulfillment	employee satisfaction	33	45.83	11.1
	HRM-human aspect	32	44.44	10.7
	HRM as bridge	5	6.94	1.7
	private life/work life	2	2.78	0.7
	Total		72	100.00
Service	environment	5	50.00	1.7
	social responsibility	5	50.00	1.7
	Total		10	100.00
Identity	Identity	2	100.00	0.7
Total	Total	2	100.00	0.7
		298		200.0

To see a comparison between all sub-codes Figure 1 is a useful visual. And lastly Figure 2 presents the percentages for each main-code. Now looking at all these data, it's easy to grab a narrow conceptualisation of work and also a narrow-dimensional view toward HRM. The conceptualisation ground, ten conceptualisations, presents a quite wide or rich perspective to see work activities. But as it's seen in the data presented here just several conceptualisations of "ten" came in sight from the interviews with HRM practitioners, and just three of them have a meaningful frequency size. The three biggest main-code categories consist 96 percentages of all codes. So the other two main-codes have quite small value in the analysis. If so, what do these three main categories that compose almost all codes mean?

The codes and their frequencies show that the corporate-related issues have the most important priority comparing with ideological discourse of HRM. In narrative level HRM ideology bring the importance of human as human fore while the importance of human is realised in practice but as source that could make contribution to corporate strategy. In the data, "HRM-human aspect" stands in the fourth rank but I put some emphasises on such as communication, employee-voice into that code but this emphasises on human aspects in HRM have primarily concerns of corporate strategy. An interviewee presents this perspective very clearly: "The strategy, aims and perspective of top management are necessary to come down to our friends who are working in the plant. They are playing a critical role for us. Thus, the construction of firm, tight and healthy communication channels by middle level managers is so important."

Figure 1: Frequency distribution percentages of sub-codes

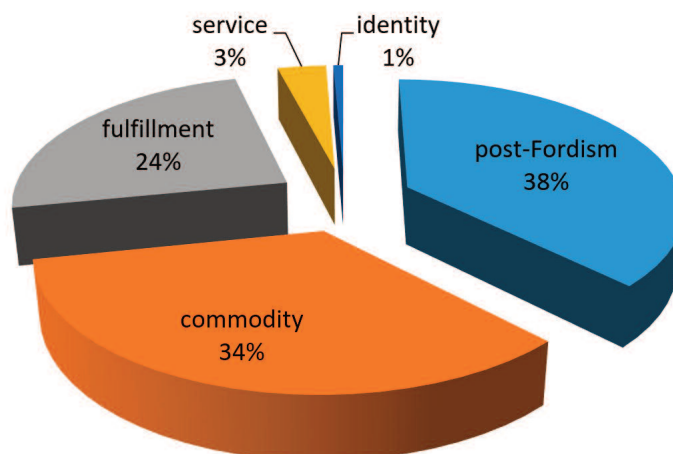


As stated above the main-category post-Fordism is a mixed category that is not available under the same label in our ‘ten-conceptualisations’. Thus, if that category excluded, the most striking main-code group would be “commodity”. This conceptualisation in our ten implies an exchange in labour market and see labour just as a commodity that has a changeable potential nature. Because of that potential, employers exploit, control or monitor it during working time to expand that potential till its end point. First ranking of “human potential” sub-code in our analysis shows that HRM practitioners are aware of the value of human potential at work. Another important sub-code, training, also demonstrate the importance of expandable that potential via developing practice.

Third important main-code category is fulfillment that point to employee satisfaction in a broad sense. Especially the sub-code employee satisfaction is ranking number three among all sub-codes. This reflects a tight relations with the ideology of modern HRM practice which aims to maintain and rise employee engagement as an interviewee puts: “As HR team, our priority is to keep the employee engagement in a highest level.”

Last two main-code fill a quite limited room in the paper. One of them is about to seeing work as service for whole community or country. Recently corporation and thereby HRM practitioners began to emphasise this dimension by a discourse on environmental protection and social responsibility. But nevertheless this emphasises are just available in five interviews. On the other hand work-identity relations that is a quite significant debate on the meaning of work is also not available, just two interviewees mentions something on that issue –one of them is quite indirect and just one emphasise the importance of identity. The date of this last one goes back to 1997. I emphasise the date because according to some argument work-identity relation is getting weaker especially for the transformation of work in post-industrial process (for details see Strangleman and Warren, 2007). Thus the frequencies on that sub-code also show that this issue is certainly not a priority for HRM practitioner in our case.

Figure 2: Frequency distribution percentages of sub-codes



7 DISCUSSION AND CONCLUDING REMARKS

Conclusion: The main category post-Fordism is on the first rank among all main-code categories. This title and the sub-codes that place under that title implies significant issues in relation with employment relation and the nature of HRM. The sub-codes under that title point to a new working world that is not similar to one under Fordism. Total quality practices, flexibility and working with teams are new concepts and reflect effective conclusions on labour control. Thus, these sub-codes reflects also important implications about the nature of HRM.

As stated in the definitions of HRM presented above, the second and especially the third definition are presenting a quite wide borders for HRM that put a clear distinction for HRM comparing with traditional personal management. The second definition was emphasising “the potential of employees” and the third definition was approaching to HRM as an area that “deals with the nature of the employment relationship and all of decision, actions, and issues that relate to that relationship.” Hence, looking at the data derived from the interviews with HRM practitioners, these last two definitions are seen very clearly. On the other hand a lexical search in the interview text also presents a similar conclusion. The numbers of words searched through all the interviews text are as following: training 776, performance 443, customer 257, team 138; while employee voice 52, employee satisfaction 21, social right 7. These numbers reflect a picture on the nature of HRM.

What about the meaning of work? As seen very clearly above, the broad meaning of work can't be seen in the interviews with HRM practitioners. Just several main-categories that have direct relation with markets and profit come to the forefront, in the other word analysis of our data present just the economic dimension or the economic meaning of work. Therefore, one of the important conceptualisations of work, identity, also is almost not available in these interviews. Shortly, the narrow meaning of work that is just stand on an economic understanding is quite widespread in HRM practitioners' world, so seeing meaning of work on an economic ground as mainstream is the case.

The interdisciplinary nature of work: One of the most useful concepts for understanding sociological thinking presented by Zygmunt Bauman is “hiding in the light”. In the first letter form *44 Letters From the Liquid Modern World*, Bauman (2010: 3) put the concept as: “Nothing escapes scrutiny so nimbly, resolutely and stubbornly as ‘things at hand,’ things ‘always there,’ ‘never changing.’ They are, so to speak, ‘hiding in the light’ –the light of deceptive and misleading familiarity! Their ordinariness is a blind, discouraging all scrutiny. To make them into objects of interest and close examination they must first be cut off and torn away from that sense-blunting, cosy yet vicious cycle of routine quotidianity.”

The concept “hiding in the light” is also so useful for thinking on work matter as well. Although work constitutes large part of any ordinary man's or woman's life in modern employment societies, it is not a core issue in every day agenda. However it's vital for also any member of society, it's just rarely seen on news streams. Thus work is, so to speak, hiding in the light. Probably this is a critical point to understand why work matter is spread through into so many disciplines, from theology, philosophy, economics, and political thought to management, industrial relations, human resource management and psychology. All these approaches focus on work issue from their own angle and thereby present a different work frame. Thus mainstream economics take work issue as a commodity, following that path mainstream management is also approaching work in the same way, psychology take work as a way to personal satisfaction etc. One easy way to grasp all these approach is John W. Budd's frame –ten conceptualisations. So, using that frame is not ignoring to all other approaches, contrary, studying work with Budd's conceptualisations is an attempt to widening perspective on work issues.

Discussion: What are all these findings telling us? And is there anything to do for companies and public authorities to achieve an employment with a human face? The world of work has been under a great transformation in last several decades. The safety nets of working class have been eroding, expenditure of welfare state has been cutting down, typical employment contracts are becoming an exception, and on the other hand flexible work pattern is widespreading and therefore national labour law regulations are being shaped by these trends. The conclusion of this story for employees is not seen as good. In another word all these trends point an inevitable unsafe world of work: precarisation. According to a recent report appeared in *The Guardian*, precarisation treat is quite clear for a central capitalist country, UK (Booth, 2016):

“The number of workers in the UK in precarious positions where they could lose their jobs at short or no notice has grown by almost 2 million in the past decade, as businesses insist on using more self-employed workers and increasingly recruit staff on temporary and zero-hours contracts, analysis for the *Guardian* has revealed.

More than one in five workers, some 7.1 million people, now face precarious employment conditions that mean they could lose their work suddenly – up from 5.3 million in 2006, according to analysis of official figures conducted by John Philpott, a leading labour market economist. Half of the biggest group – the self-employed – are in low pay and take home less than two-thirds of the median earnings, according to the Resolution Foundation thinktank. Two million self-employed people now earn below £8 per hour.”

What about Turkey and HRM? The same trend is existing in Turkey as well. With the beginning of new millennium new Turkish labour law which is consonant with this transformation adopted; national employment strategy that focus on flexibility has been put into practice. These neoliberal paths bring new managerial strategies

and tools. One of these tools is HRM and its discourse. Although HRM emphasises the importance of human being it also stand on a “unitarist ground” and focus on productivity to a large extent. So, the findings derived from interviews with HRM practitioners also present the same approach -mainstream economics, management and HRM perspective- that always prioritise efficiency in working life.

Now, the second question, is there anything to do? This is a quite critical question and also it’s difficult to present an answer. Critical approaches like Marxism supply highly radical solution in the face of the commodification of labour and generally declare capitalism or capitalist class as a unique evil. This approach also see HRM area as a “hegemonic” tool to control employees. The author of “ten-conceptualisation” present an important way for the question above: balancing the interests of both sides, labour and capital. In his prominent study John W. Budd (2004) suggest a balance between three objects of employment relationship. According to Budd (2004: 13-31) there are three objectives of employment relationship: efficiency, equity and voice. All these objectives are so important in employment world and none of them can be given up at the expense of the any other. To achieve an “employment with a human face” there is a necessity for “balancing efficiency, equity and voice”. Thus, this approach has a potential for an employment with a human face in that work is not seen just as a pure commodity or an economic tool for productivity but also as a humanistic activity.

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Is Informal Employment a Safety Net in Times of Crisis? Evidence from Serbia

Anna Jaskova

ABSTRACT

This paper deals with the analysis of movements and causes of the informal employment in Serbia from the period of 1990s until the present time. Based on the results of the survey, it is not possible to confirm the assumption that informal employment rises in the years of economic crises and falls during economic recovery. Since informal employment can have the same trend as formal employment i.e. to fall in the times of crisis, it cannot be the safety net for those who are formally unemployed. Economic growth, however, cannot secure the decrease in absolute nor relative level of informal employment. Inadequate economic policies and labour market institutions can countermand the positive impact of economic growth on the labour formalisation. Therefore, the creation of proper labour market policies and institutional environment should be the central goals for policymakers in both economic crisis as well as economic growth periods.

KEY WORDS

informal employment, formal employment, economic crisis, institutions

JEL Code: J01, J08, J21

1 INTRODUCTION

The investigation of informal employment is relatively new area of the economic research initially developed in 1970s. The existence of unregulated work in large cities conducted by low- paid workers was previously recorded by a few eminent economists- Marx and Engels, Lewis, Myrdal (Samal, 2008, p. 23-24). However, its features and structure remained unknown until the empirical analysis of the employment in Africa conducted by Hart in 1971. Hart presented his results in the same year at the Sussex conference, where term "informal sector" was used in scientific literature for the first time (Chen, 2012, p. 2, Hart 2005, p.7). In his largely influential work from 1973, Hart described the variety of informal legal and illegal informal activities consisting informal sector, such as rentier activities, shoemakers, barbers, musicians, bribery, petty theft etc., unable to get employment in formal sector (Hart, 1973, str. 69). According to the author himself, the main contribution of his paper was to show that people working in the informal sector were not unemployed as previously conceived by policy makers and authorities (Hart, 2005, p. 7).

Hart's view on the informal sector as a way of earning for a living in a circumstances where formal economy (formally established firms and state) do not create enough working places was accepted by International Labour Organization (ILO). In highly influential report on the employment mission in Kenya, dealing mainly with the informal sector, ILO indicated its efficiency and innovativeness, as well as its role in creating employment (ILO, 1972, Bangasser, 2000, p. 8-10). With their positive attitude toward informal sector, Hart and ILO were first to stress the importance of informal sector as source of employment in the circumstances of low formal employment possibilities.

In the following years, ILO continued with the research on the informal sector as well as the development of its statistical monitoring. The formal conceptualization of the informal employment was formulated in the Resolution concerning decent work and informal economy, where it was defined as all employment that lacks legal or social protection, whether in informal enterprises, formal enterprises or households (ILO, 2013, p. 1).

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The goal of this paper is to analyse whether informal employment serves as a safety net for those who cannot find or have lost their jobs in formal sector. The presumption on the informal employment as a safety net is in line with the above mentioned results of Hart (1973, 2005) and ILO (1973). Furthermore, the experience of the countries in transition (Johnson, et. al., 1998, Enste & Schneider, 2013, p. 56) as well as some developing countries i.e. Zimbabwe (Saungweme, et. al. 2014) shows that informal employment can mitigate the consequences of economic crisis by providing employment opportunities for a large number of formally unemployed people. On the basis of the previously stated, we can formulate the following research question: *Does the informal employment rise in the period of economic crises and decline during the years of economic recovery?*

In respect to the research question, the movements in the informal employment in the Serbia economy will be investigated during three different periods: i) civil war and economic crisis in 1990s ii) economic reforms and prosperity (from 2000 to 2007); iii) the period starting with the Global Economic Crises (from 2008 to 2015). Taking into account the nature and the goal of the survey, we have chosen to use historical and comparative analysis as the main scientific methods, with the stress on qualitative analysis, descriptive statistics as well as trend analysis. Since there was no continual statistical monitoring of informal employment in Serbia prior to 2008, the collection of the data on its level and trends was especially challenging. The movement and causes of informal employment in this period were analysed on the basis of the results of various separate researches and reports. Starting with 2009, the data on informal employment in Serbia have been regularly provided by Statistical Office of the Republic of Serbia and presented in the Labour Force Survey report. This report was the main source of data for the research on the period from 2008 to 2015. In order to get detailed insight into the structure of informal employment, additional informal employment indicators were calculated on the basis of the data from the Survey for each year. The level and trend of the informal employment for all of the three analysed periods are explained in the context of macroeconomic situation in the country in order to answer the research question that tackles its rise in the period of economic crises and its decline during the years of economic recovery. The paper is organized as follows. The first part deals with macroeconomic trends in the last decade of the previous century, as well as with their influence on the grey economy and informal employment. The second part of the paper refers to the period of transition reforms at the beginning of the 2000s until the onset of the economic crisis. In the third part, movements in the amount of informal employment, as well as its structure in the years after the economic crisis will be analysed in detail. The last fourth part refers to final considerations and policy recommendations.

2 THE LAST DECADE OF THE 20TH CENTURY: INFORMAL EMPLOYMENT AS A WAY OF SURVIVAL

The breakup of the Socialist Federal Republic of Yugoslavia was very difficult for the economies of all republics that comprised it and caused economic and social crisis in these countries. Political events in the 1990s were crucial for the economic situation in Serbia, including the occurrence and development of grey economy and informal employment. Its high growth in this period was affected not only by internal but also by external shocks. One of the most important factors was the sanctions imposed by the UN in the period 1992-1995. The embargo, from which only food, medications and humanitarian aid were excluded, as well as the hyperinflation which occurred in the same period, caused shortages of almost all products, the decline in economic activities and great impoverishment of the population, which resulted in blooming of grey (informal) economy. The informal economy was most widespread in 1993 when it reached the level of 54.4% of the GDP. After the sanctions had been lifted, the sharp decline to the level of 40.8% occurred and in 1997, it amounted to 34.5% of the GDP (Krstić et. al., 2002, p. 116). During this period, the state also contributed to spreading of informal economy, not just by tolerating it (Uvalić, 2012, p. 91) but also through direct participation in the field of customs and foreign trade (Arandarenko, 2015, p. 7).

The unfavourable situation in the economy also affected labour market developments. The official unemployment rate in 1994 was 22.5% (World Bank). However, this information does not give a real picture of the number of people who were really out of work for two reasons: firstly, the category of employed people in this period did not include persons who worked in the informal sector and secondly, the calculated percentage of unemployed people did not include workers on "forced leave". The huge fall of production, especially in the industrial sector that employed the largest number of workers then, the policy of "forced leaves" and devaluation of real incomes due to hyperinflation, represent the most significant macroeconomic factors that affected the growth of informal activities. Furthermore, many employed workers were forced to find additional jobs, most often in informal economy, because of very low wages in the formal sector. The decline in real earnings was mostly caused by hyperinflation, which lasted for two years (1992-1994). It is estimated that the number of people involved in the informal economy was 2.3 million, including almost one third of formally employed persons (Krstić et. al., 2002, str. 119). Farming and dealing with other areas of agriculture, primarily for own needs, was one of the ways to overcome problems of large shortages and poverty. The phenomenon of a peasant -worker existed in other countries of the Eastern Europe but at the

territory of the former Yugoslavia during the years of armed conflicts, it was much more widespread (Sörensen, 2006, p. 325).

One of the most important institutional factors that encouraged informal employment was the *Labour Relations Act* of 1996. This Act contributed to the rigidity of the formal labour market, which greatly complicated employment but also the dismissal of workers. This was a particular problem for companies that due to difficult economic conditions were considerably weakened and the reduction of costs was necessary for their strengthening. The restrictive legal regulations which were aimed at achieving the highest possible employment had completely opposite effects on the private sector. In order to avoid legal restrictions, private companies opted for informal employment, employment through youth employment agencies, temporary employment, as well as for the conclusion of other informal or quasi-formal contracts with employees (Mijatović, 2005, p. 300).

Consequentially, in the 1990s, the informal economy was extensively widespread and included almost all social classes. As opposed to other former socialist countries, the high prevalence and growth of informal employment was not the result of transitional recession but rather the result of armed conflicts, sanctions, hyperinflation and inadequate institutional environment. Based on the example of Serbia, we can conclude that although informal employment is generally undesirable, in some specific circumstances, it can have positive effects: during the war and difficult economic circumstances in the 1990s, informal employment represented the only source of income for a large part of the impoverished population.

3 THE BEGINNING OF THE NEW MILLENNIUM AND TRANSITION REFORMS: (UN)EXPECTED GROWTH OF INFORMAL EMPLOYMENT

At the beginning of the 2000s, there were radical changes in political and economic spheres in Serbia, which marked the continuation of transition towards market economy that stagnated during the entire previous decade. Until the economic crisis in 2008, Serbia was going through a period of a relatively intensive economic recovery. The average growth of real GDP from 2001 to 2008 was 5.4% whereas there was positive growth trend during the whole period (National Bank of Serbia - NBS). Political changes enabled definite withdrawal of sanctions, as well as Serbia's membership in international organisations. Inflation, which was in the previous decade one of the biggest causes of macroeconomic instability and drastic fall in real earnings remained at a relatively high level, especially in 2001, when it was 91.8%. However, in the following years, there was significant decrease of inflation whereas the average inflation rate for the period 2002-2008 was 12.56% (Ministry of Finance). Despite relatively high inflation, there was also high positive trend of real wages growth. The average growth of real net salaries from 2001 to 2008 was as much as 13.91% (Ministry of Finance). Although there is a possibility that data on the growth of real wages in this period were overstated, it is certain that inflation did not bring to their devaluation. In addition to important economic changes, there was progress in the democratisation of the society by gradual return of confidence in state institutions, as well as in the process of their reforms. On the basis of above mentioned data about economic and political situation at the beginning of the 2000s, it can be concluded that there was great progress in reducing major causes of informal economy and employment during the 1990s: the GDP increased significantly, inflation stabilised, real earnings in the formal sector were growing, the efficiency and thrust in institutional environment also grew. However, transition reforms did not have substantial positive effects on reducing either informal economy or informal employment.

According to the research undertaken by Krstić and Sanfey (2011), the informal employment in 2002 was 27.6% out of the total employment while in 2007 it was at the level of 34.9%. In addition, it is also determined that salaries of employees in the informal economy were significantly lower than in the formal sector: after education, employment in the informal sector represented the most important factor of inequality in earnings in 2007 (Krstić & Sanfey, 2011, p.16). From this, it follows that informal employment has taken on a completely different character in relation to the period before the beginning of transition reforms. While average incomes in the formal sector in the 1990s were not significantly higher than in the informal sector (Krstić et. al., 2002, str. 118) at the beginning of the 2000s, employees in the informal sector were at the bottom of the distribution of salaries. One of the reasons for that can be found in already mentioned high growth of real salaries in the formal sector, primarily in the public sector.

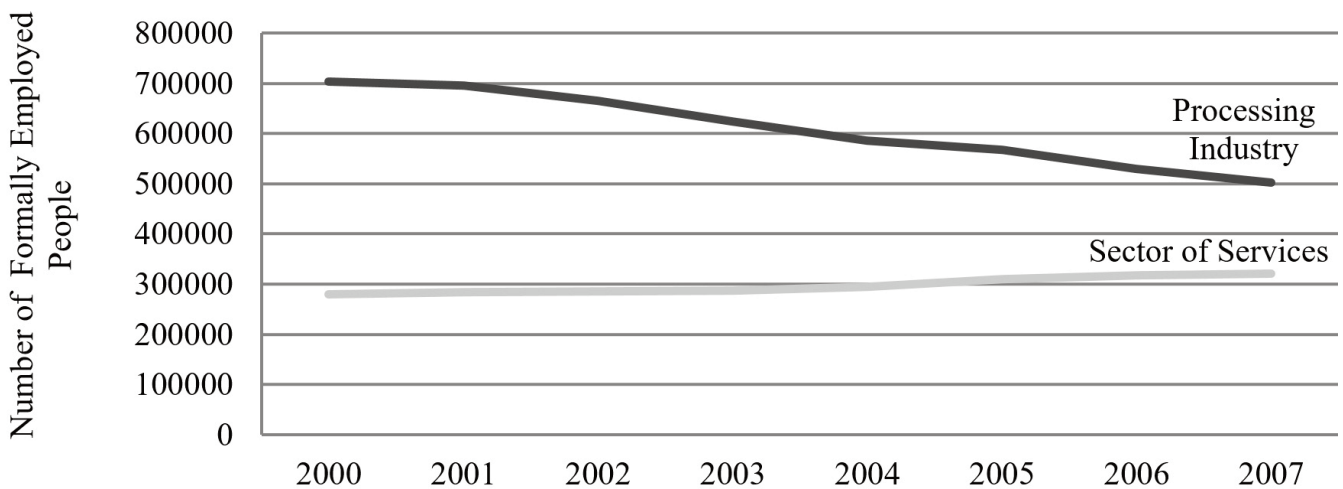
Taking into account significant improvement of economic, political and social circumstances in relation to the previous decade, such a high proportion of the informal employment represents, at the first glance, an unexpected result. In addition, the proportion of the grey economy in relation to the GDP is only slightly lowered from 33.2% in 2001 to 30.1% in 2008 (Schneider et. al., 2015, p. 54). It is possible to identify several factors that contributed to the growth of informal employment in this period:

1) *Regressive tax on salaries* - The system of the taxation of salaries in Serbia in the period from 2001 to 2007 had a regressive character. At the level below 40% of the average salary the regressivity existed due to: 1) the lack of tax deduction up to a certain fixed level of income; 2) the existence of the mandatory minimum base for social

security contributions (SSC) (Arandarenko, 2011, p. 156). These specific characteristics of the tax design (lack of tax deduction, mandatory minimum SSC base) had negative effect on the formalisation of low-paid jobs (Arandarenko & Vukojević, 2008), which is also evidenced by the results of the survey conducted by Randelović and Žarković Rakić (2013): the abolishment of the mandatory minimal SSC base would lower both Effective Marginal Tax Rate (EMTR) and Average Marginal Tax Rate (EATR), specially for lower income groups. That could lead to decline in tax evasion (Randelović & Žarković Rakić, 2013, p. 171), respecting informal employment. High tax burden at the bottom of salary distribution is one of the potential reasons for a drastic decline in formal employment in processing industry of 24.55% in 2007 compared to 2002 (SORS), which means that the number of formally employed persons decreased by 163,229 workers. Such a fall of formal employment was not recorded in branches in which employed workers had higher levels of education and higher salaries such as financial activities, sectors of information and communications, innovations and technical activities and the like (Diagram 1).

Although this change in the sectoral structure of employment cannot be fully attributed to tax incentives, they represent an important factor in the process of decision making about investments, restructuring, new employment and/or reduction of employment. Apart from negative impact on investments and formal employment in labour intensive branches, the regressivity of the wage system is considered to be one of the main factors for the overall growth of informal employment in this period (Krstić & Sanfey, 2011).

Diagram 1: Movement of formal employment in processing industry and in the sector of services



Source: SORS: Registered Employment 2000-2014, Revised Data

2) *Inadequate labour market institutions*- In the previous section, some of the shortcomings of the Labour Relations Act of 1996 are indicated. Since this Act represented serious institutional obstacle for formal employment in the private sector, at the beginning of the reforms, a new Labour Law of 2001 was passed. This Law enabled substantially greater freedom of decision making by employers relevant to recruiting and dismissing workers. The enactment of this Law was an important step towards the liberalisation of economic activities, as well as for achieving greater flexibility of the labour market. However, relatively liberal Labour Law of 2001 was not in force for long. The new Labour Law of 2005 significantly increased employees' rights and their protection. Also, the new Law provided for some unusual restrictions on employment. On the occasion of workers transfer from one company to another, a new employer was required to observe the provisions of the contract that the worker had with the previous employer for the period of at least one year, as well as the provisions of the collective agreement concluded with the previous employer. The aim of this provision was to protect workers from the possibility of reduced salary after the transfer to a new company. However, this reduced the mobility of workers in the labour market by means of negative incentives for taking over workers from other companies.

One of specific provisions of this Law referred to severance payments. The Law prescribed that severances were paid on the basis of the total years of service and not on the basis of service with the relevant employer. Although the aim was to protect workers with many years of service that were transferred to other companies, this provision had negative consequences on these workers. The not-intended effect of this Law was the cautiousness of employers in hiring workers with longer work experience (Arandarenko, 2011, p. 179).

From the above stated, it is possible to conclude that the Labour Law of 2005 protected employees much more than in relation to the first reform law from 2001 and limited the flexibility of the labour market. According to empirical researches, the increase of regulation in the labour market and the protection of employees positively

affects the growth of informal employment (Heckman et. al., 2000; Lehman & Muravyev, 2012). In order to avoid legal restrictions, the employers have opted for informal employment of workers. These workers do not have any legal protection taking into account the fact that they are “invisible” from the standpoint of competent authorities. In this way, specific policies aimed at providing greater security and protection of employees, can have completely opposite effects. Therefore, greater protection of employees after changed law can be one of the factors for the increase of informal employment in 2007 compared to 2002.

3) *Slow reforms and private sector growth*- The beginning of transition started in Serbia with a relatively rapid process of reforms but, it was soon greatly slowed down. In the period 2000 -2007, more than two-thirds of reforms were achieved during the first two years and less than one-third over the next five years (Cerović, 2012, p. 603). Slow reforms, as well as some additional problems (e.g. regressive tax system, restrictive labour market policies) caused relatively low inflow of Foreign Direct Investments (FDI), as well as their unfavourable structure: in the period from 2004 to 2007, only 18% of FDI went to processing industry while “greenfield” investments almost did not exist (Uvalić, 2011, p. 248-249). The private sector, which was supposed to be the main driver of growth and employment, was growing very slowly. Its proportion in the total GDP was raised only by 15 pp in the period from 2001 to 2007 whereas at the end of the relevant period, it amounted to 55% (EBRD). The low level of Foreign Direct Investments, their unfavourable sectoral structure, slow growth of the private sector, as well as the lack of adequate employment policies, resulted in the decline of formal employment and the rise of unemployment, which after 2004 exceeded the level of 18% (Ministry of Finance). The fact that the private sector employed less than 950,000 workers in 2007 (out of totally 2,650,000 employees and nearly 5 million working age population) (Arandarenko, 2009) indicates relatively small capacity of the private sector to contribute to the growth of employment. Unfavourable developments on the labour market and the inability of workers to find formal employment have lead to a situation that workers “do not have other choices” but to accept to be employed informally .The long-term absence of employment opportunities in the formal sector can be one of the reasons for the growth of informal employment in this period.

Above mentioned three factors (regressive tax on salaries, inadequate institutions of the formal labour market and slow reforms and growth of the private sector) are just some of the potential reasons for the increase of informal employment. In addition to these, some other explanations are also possible, such as freewill (voluntary) transfer of workers in the informal sector, what can occur if the employer is willing to offer higher salary as a compensation for lost benefits that a worker would have as formally employed. In case of inadequate inspection control, failure to implement laws and inefficient judicial system, formal institutions do not present great “threat” for business operations in the informal economy. However, definite conclusions about the factors affecting the growth of informal employment in this period require further research of these issues.

4 ECONOMIC CRISIS AND ITS CONSEQUENCES

The global economic crisis that began in 2008 has had considerable negative effects on the growth of the Serbian economy. One year after the onset of the crisis, the GDP was for the first time in decline (-3.1%). In the following years, its mild recovery followed but the economic growth was again negative in 2012 and 2014. This suggests that the crisis has had long term consequences on the economic progress in Serbia. The decline of economic activities has further worsened already unfavourable trends in the labour market. In 2009, the unemployment rate was 16.1% whereas it was constantly increasing until 2012 when it reached the level of 23.9%. After that, there was a fall of the unemployment rate but it remained at a high level (above 16%) until the end of the observed period. The unemployment of young people has grown the most. It was the highest in 2011 and 2012 (over 50%). The rate of total employment was declining up to the level of 35.5% in 2012 and after that, it started to grow gradually. Negative trends in overall economic activities, as well as in the labour market, have affected developments in the informal employment.

Finding information about the amount of informal employment represents a great challenge for researchers. The most reliable data can be obtained on the basis of surveys according to which respondents can be categorised into formally and informally employed persons. Since 2008, information on the amount of informal employment has been contained in the report of the Labour Force Survey (LFS) conducted by the Statistical Office of the Republic of Serbia (SORS). According to the definition of the SORS, informal employment includes:

- 1) Employees of the non-registered firm
- 2) Employees of the registered firm however, without formal employment contract and without social and pension insurance
- 3) Unpaid family workers

This concept is based on the possession / non-possession of formal employment contract: persons who work without formal employment contract are *informally employed* and the *informal employment rate* represents their proportion in the total number of employees.

According to the methodology of European Social Survey (ESS) which was applied also by Hazas (2011), informal employment should also include those who are *informally self-employed* i.e. employers with 5 or fewer workers and all non-professional self-employed. Although the definition of informal employment by the ESS does not include self-employed professionals, it is assumed that their number is relatively low. Therefore, the movement of overall self-employment can be a good approximation of the movement of informally self-employed persons according to the previously mentioned definition.

Informal employment will be also calculated as the difference between the total number of employed persons (LFS) and revised data of the number of formally employed persons (SORS). This is at the same time the oldest and the simplest way for estimating its amount. Informal employment calculated in the above manner represents in fact *residual employment*. However, it is necessary to bear in mind that such a procedure will produce only an approximate number of informally employed persons. In this case, it is important to observe its trends and not its absolute figure. The proportion of residual employment in the total employment represents the *informal employment imputed rate*.

On the basis of information on the size of informal employment (LFS) and its sectoral structure, it is also possible to obtain information about *non-agricultural informal employment* (informal employment outside agriculture), as well as *non-agricultural informal employment rate* (the proportion of informal employment outside agriculture in total employment outside agriculture). And the last, for the purpose of getting an insight into movements of *informal employment outside households* (the sum of employed persons in non-registered firms and employees in registered firms without formal contracts and pension and social insurance), we are going to calculate its absolute amount (the difference between the total informal employment and the number of unpaid family workers) and based on that, *the rate of informal employment outside households* (the proportion of informally employed persons without unpaid family workers in the total number of employed persons without unpaid family workers).

Table 1: The amount of informal employment

	2009	2010	2011	2012	2013	2014	2015
Total Employment	2,616,437	2,396,244	2,253,209	2,228,343	2,310,718	2,421,270	2,558,407
Informal Employment (LFS)	559,918	469,664	423,603	389,960	445,969	533,723	497,899
Informal Employment Rate according to LFS (%)	21.4	19.6	18.8	17.5	19.3	22	19.5
Self-Employment	609,250	583,276	499,137	509,017	572,048	584,557	563,155
Total Employment (LFS)	2,616,437	2,396,244	2,253,209	2,228,343	2,310,718	2,421,270	2,558,407
Formal Employment (SORS)	1,984,740	1,901,198	1,866,170	1,865,614	1,864,783	1,845,494	N/A
Residual Employment	631,697	495,046	387,039	362,729	445,935	575,776	N/A
Informal Employment Imputed Rate (%)	24.14	20.66	17.18	16.28	19.30	23.78	N/A
Informal Employment Outside Agricultural Sector	156,069	112,042	111,875	105,494	138,499	N/A	N/A
Total Employment Outside Agricultural Sector	1,993,214	1,863,275	1,775,098	1,761,239	1,818,766	N/A	N/A
Non-Agricultural Informal Employment Rate (%)	7.83	6.01	6.30	5.99	7.61	N/A	N/A
sUnpaid Family Workers	231,602	192,717	179,129	168,206	177,590	213,377	207,409
Informal Employment (without Unpaid Family Workers)	328,316	276,947	244,474	221,754	268,379	320,346	290,490
Total Employment (without Unpaid Family Workers)	2,384,835	2,203,527	2,074,080	2,060,137	2,133,128	2,207,893	2,350,998
Informal Employment Rate (without Unpaid Family Workers) (%)	13.77	12.57	11.79	10.76	12.58	14.51	12.36

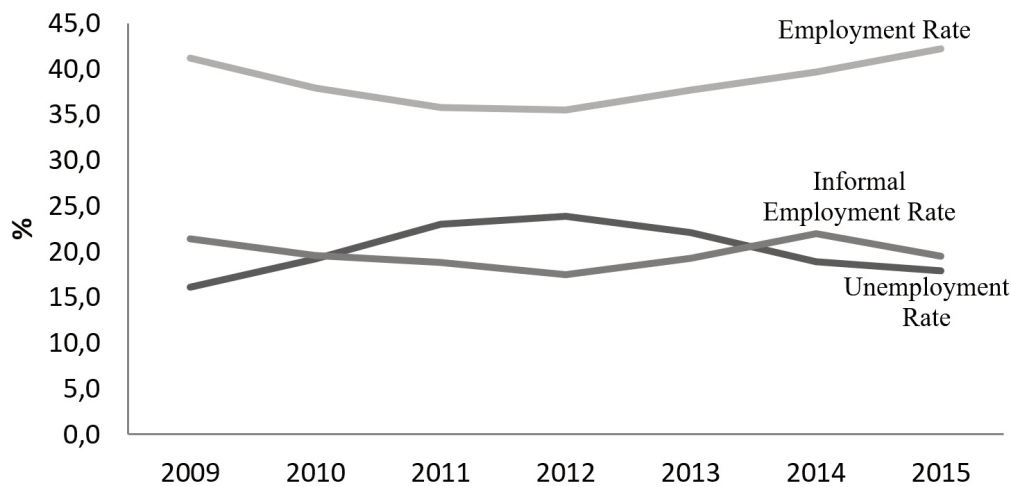
Source: Calculated according to the information provided by the Statistical Office of the Republic of Serbia: Labour Force Survey (2009-2015); Formal Employment 2000-2014 (Revised Data)

According to the information in the LFS, several years after the onset of the crisis (until 2012), *informal employment* decreased both in absolute and in relative numbers. The number of informally employed persons was lower by 170,000 in 2012 compared to 2009, which represents a drop of 30%. If workers with formal employment contracts but without paid social security contributions were included in the informally employed persons, the

informal employment rate would be increased to 26% in 2010 and to 24% in 2011 (Krstić, 2012, p. 308), but the trend would remain negative. Taking into account the fact that the same methodology for the calculation of informal employment has been used in above mentioned paper of the authors Krstić and Sanfey (2011), the last stated data are comparable with the results from 2002 and 2007. By their comparison, we can conclude that the informal employment rate was reduced by as much as 11 pp in 2011 compared to the period immediately before the crisis (2007), whereas its level was also lower in relation to 2002 when it amounted to 27.6%.

In the observed period (2009-2015), the total employment rate was reduced and the unemployment rate was increased. Data about the movement of absolute amount of the residual employment, as well as Informal Employment Imputed rate also show downward trends, which confirms the credibility of obtained results regarding the fall of informal employment. Informal employment was at the lowest level in 2012 at the same time when overall employment was at its minimum and when unemployment reached its maximum. In the following year, basic indicators of the labour market (employment rate, unemployment rate, activity rate) were improved but also the participation of informal employment was increased (Diagram 2).

Diagram 2: Rates of employment, unemployment and informal employment



Source: SORS

Informal employment followed total employment trends, as well as formal employment trends until 2013 when formal employment dropped and the informal employment increased compared to the previous year (SORS). This indicates the existence of a *complementary connection* between informal and formal employment which was prominent in the period immediately after the crisis. Since informal employment was in decline after the onset of the crisis, it could not have the role of a “safety net” for workers who were left out of formal employment due to difficult economic situation. Moreover, percentage decrease of the number of informally employed persons was significantly higher than the percentage decrease of the number of formally employed persons (until 2013) thus, suggesting that informal employment was much more affected by the crisis and/or it was more “vulnerable” than the formal employment. It is estimated that the main reasons for its reduction in that period were the contractions of aggregate demand and supply of informal jobs, as well as the high negative impact of the crisis on the building construction sector (Krstić, 2012, p. 306).

The movement of *self-employment* has also been significantly changed. In contrast to the pre-crisis period when the self-employment grew (Arandarenko, 2009), in 2009 the number of self-employed persons decreased by 100,000 compared to the previous year and it had a negative growth trend until 2012. The percentage decrease in the number of self-employed persons in 2011 compared to 2008 (28%) was higher than the fall of total employment (20%), which indicates that the crisis has had relatively severe consequences on this category of (informally) employees. High sensitivity to the crisis indicates the unsustainability of the pre-crisis growth of the number of self-employed persons who opted for this category not because of the quality of the workplace and lucrative business but primarily because of the fact that they did not have any other possibilities (Arandarenko, 2009). In other words, the high number of self-employed persons in Serbia (over 20% of total employment) is not an indicator of numerous profit making opportunities for entrepreneurs but of the lack of jobs in a more stable, formal sector.

As a rule, informal employment is generally very high in the agricultural sector in all countries, while in Serbia, over 60% of those who are employed in agriculture falls into this category. Based on these data, it is possible to conclude that the formalisation of work in agriculture is at a relatively low level. Taking this into account, it is clear that for the reduction of the volume of total informal employment, it is crucial to formalise employment in the the agricultural sector. When it comes to the informal employment outside this sector and/or *non-agricultural*

informal employment, it is relatively low in comparison to the total informal employment. Its proportion in the total non-agricultural employment is 6-7%, whereas in the period from 2009 to 2013, it did not change much.

The relatively high proportion of informal employment (about 40%) comprises of *unpaid family workers*. According to the definition of the SORS, this category includes “persons who help to another member of the household in running family business or agricultural household and at that they are not paid for their work”. An important piece of information is that over 90% of unpaid family workers performs their work in agriculture. Also, there are much more women than men (the proportion of women employed in households who do not get salaries is 13-14% while in case of men, this percentage is around 3-4%). Unpaid family workers belong to a particularly vulnerable category of employed person because they do not get any income for their work. Based on data from the LFS, we can see that the number of unpaid family workers was decreasing until 2013, which means that it had the same trend as the total informal employment. Since there was unemployment growth in this period, as well as due to general economic conditions, it is quite possible that one part of these workers tried to find some kind of a paid job and was, therefore, moved into the category of unemployed persons. In case unpaid family workers are excluded when calculating informal employment, it will be possible to obtain the number of *informally employed persons outside households*. These employed persons acquire income by working informally, but not all the benefits which formally employed persons obtain (e.g. pension and health insurance). Their proportion in the total employment and/or the informal employment without unpaid family workers was in the range between 10% (2012) and 14.51% (2014).

At the end, it is important to emphasise that the level of informal employment regardless of its fluctuations was at a relatively high level during the whole observed period. Also, it is necessary to bear in mind that the definition of informal employment by the SORS is fairly “narrow” which can be illustrated by the following example: if a person has a formal employment contract but his employer does not pay social security contributions, according to the methodology of the SORS, he is still formally employed. If we apply the “wider” concept of informal employment, which includes all employees who have formal employment contracts but not paid social security contributions (see Sanfey & Krstić, 2011), the rate of informal employment would be undoubtedly much higher.

5 CONCLUSION

Difficult economic and political situation of the last century has contributed to the growth of the grey economy and informal employment in Serbia during the last decade of the nineties. Unlike other former socialist countries, their growth was not the result of the transitional recession but of armed conflicts, sanctions, hyperinflation and inadequate institutional environment. In this period, the informal employment had the role of a safety net for workers who lost their jobs in the formal sector as well as for a large number of those who were on a “forced leave”. At the beginning of the 2000s, transition reforms that stagnated in the entire previous decade were continued. In this period, there was great progress in reducing the major causes of the informal economy and employment during the 1990s. However, the positive influence of these changes did not lead to the decrease of informal employment. Regressive tax on salaries, inadequate labour market institutions, as well as the slow pace of reforms and the growth of private sector are identified as the main factors of informal employment increase during this period. In the years after the onset of the economic crisis in 2008, informal employment was declining faster than formal employment, which indicates its greater sensitivity to adverse economic shocks. Because it was also in a relatively high decline, informal employment could not mitigate negative consequences of the economic crisis on labour market trends.

On the basis of above stated results, *it is not possible to confirm the assumption that informal employment rises in the period of economic crises and declines during the years of economic recovery*. Its rise in the period of considerable economic growth in the beginning of 2000s, as well as its fall after the onset of the Global Economic Crises in the case of Serbia clearly contradicts the starting assumption. The implications for the economic policy are clear: policy makers should not count on informal employment as a safety net during the periods of crises. Contrary to the conventional belief, the informal employment could be more vulnerable to decrease in the aggregate demand that follows the downturn in the overall economic activity. The formulation of the adequate labour market policies are indispensable instead. Lowering tax on wages and social contributions, tax reliefs for the employees in the case of hiring new workers and entrepreneurship support are some of the policies that could moderate negative labour market trends in the crisis periods. Furthermore, economic growth does not inevitably lead to the fall in the absolute nor relative level of informal employment. Adverse economic policies, such as inadequate tax system, labour law and other labour market institutions can neutralize or even overcome the positive impact of economic growth on the labour formalisation, as indicated in the case of Serbia. High level of informal employment, however, means lower government incomes as well as poor safety and social protection of the workers. Therefore, the employment formalisation should be one of the high priority goal for policymakers. Consequently, future surveys should be oriented on finding the most effective labour market policies for stimulation of the employment in the crisis and post-crisis periods.

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Employees' Counselling as a Mechanism for Healthy Post-Work Transition: A Preliminary Survey

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ABSTRACT

This study analyzed employees' counselling as a mechanism for managing unexpected workplace transition. The objectives were to determine the current awareness level of employees' counselling as a mechanism for healthy workplace transition and to ascertain the readiness of both management and employees to adopt employees' counselling as part of their strategies in managing unexpected exit from the organization. In order to achieve these objectives, the study adopted quantitative approach using First Bank of Nigeria Plc. as a case study. The result shows that awareness level of employees' counselling is low and that First Bank of Nigeria is yet to adopt employees' counselling in helping victims of unprepared exits to cope with the challenges of such experience. However, the study revealed that the workers believed that employees' counselling would help them grapple with the challenges posed by unexpected exit from the organization. Thus, the study emphasized the need to incorporate employee counselling into the functions of the Human Resource (HR) Department of the organization.

KEY WORDS

employee counselling, exit counselling, layoffs, redundancy, retirement, retrenchment, termination

JEL Code: J26, J63, M12

1 INTRODUCTION

Increasingly, organizations globally are faced with many difficulties threatening their survival. The recent economic meltdown forced many companies to close shops, while others adopted different restructuring strategies which included cost-cutting through downsizing and layoffs. Specifically, the years 2010 and 2011 witnessed a rise in unexpected job losses in Europe and America with many people pushed to the streets without any prior preparation for such unexpected transition. The situation in Nigeria was not different as the last one year of President Muhammed Buhari has witnessed economic downturn plugging Nigeria into yet another recession. This has led many companies, especially banks and communication companies to lay-off many of their workers as part of their survival strategies. In doing this, little or no attention was paid to the possible socio-psychological implications for the exiting employees who more or less have been deprived of their source of livelihood. The policy trust of many affected organizations was 'save the company and not the worker'. This situation brought many crises into the life of the affected employees such as marriage break-ups, family disorientation, and withdrawal from school and even death. The traumatic experience arising from losing one's source of income with no hope of replacing it with another accounted for family crisis or even death of victims of downsizing.

Notwithstanding, many organizations still do not have any intervention mechanism for managing workers in crisis situation arising from layoffs/redundancies, termination, retirement, resignation etc. Such measure that can be used as stress reducing and shock absorbing mechanism is counselling. Studies have shown that counselling can be used in the workplace to reduce employee's stress and problems (Carroll, 1996: 3). In Carroll (1996:3) words: "change is never easy: it disrupts, disorients, causes grieving and takes time. Support is needed for individuals and teams as transitions in organizations are managed. Counselling is one way of supporting employees as they cope with organizational change." Responsive organizations use different Employees' Assistance Programs (EAP) to support employees during crisis times. One of such programs is counselling especially when the organization incurs the cost by employing the services of professional counsellors. McLeod (2003) describes Employee's Assistance Programs

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(EAP) “as an external service which comprises face-to-face counselling, a telephone helpline, legal advice and critical-incident debriefing.”

Thus, this paper’s approach could be considered novel in this part of the world as victims of unexpected exit from the organization in Nigeria are virtually left to their fate. The paper therefore aims to examine the awareness level of employee counselling (which is defined within the context of workplace counselling as the provision of brief psychological therapy for exiting employees of an organization, which is paid for by the employer) as a mechanism for managing unexpected exit employees from the workplace. Effort is therefore directed towards understanding how counselling can be used to ameliorate different degrees of disorientation that arise from layoffs/ redundancies, termination, retirement, resignation etc. This is on the premise that both voluntary and involuntary exit from work involves a great deal of emotion and difficulty for employees (Penn Behavioural Health Corporate Services, 2008).

The rationale behind this paper is the paucity of existing research on workplace counselling, especially exit counselling. Thus, McLeod, (2001) points out the importance of recognizing the limitations of the existing research-base for workplace counselling. In his words, “this is a field in which research has been constrained by commercial considerations” (McLeod, 2001). The motivation of this paper comes from the lack-lustre attitude of many organizations towards this all-important concept of exit counselling. Being that there is little information about workplace counselling, there has not been a consensus model for delivering workplace counselling (Claringbull, 2006:1). Therefore, this paper will examine these issues and find out how counselling can be used to help exiting employees cope with likely challenges of their transition.

2 LITERATURE REVIEW

Counselling is “a process through which one person helps another by purposeful conversation in an understanding atmosphere. It seeks to establish a helping relationship in which the one counselled can express their thoughts and feelings in such a way as to clarify their own situation, come to terms with some new experience, see their difficulty more objectively, and so face their problem with less anxiety and tension. It’s basic purpose is to assist the individual to make their own decision from among the choices available to them” (British Association for Counselling, Rugby 1989).

However, there are different types of counselling which can be applied to different situations and different occasions. Counselling in a school or in a sporting event is different from counselling in the family or at the workplace. In addition, general counselling also differs from psychological counselling. The former is in the form of “advising, consoling and sharing, happens in all spheres of life and does not need a specialized counsellor” (Joshi, 2002). Even in organizations, this kind of Counselling usually happens at all levels (Joshi, 2002). But Psychological Counselling “is a process that emphasizes a formal relationship between the counselee and the counsellor. The focus of the relationship is achieving specific goals, that is, solving the problems as disclosed by the clients” (Joshi, 2002). Therefore, psychological counselling is the category under which workplace or employee counselling falls.

2.1 Conceptual Framework of Employees’ Counselling

Employees’ counselling “is a process which is initiated by the counsellor or the manager to assist the employee or subordinate to gain knowledge, understanding and insights on a performance concern” (Tong Hing Tham, 1998). This definition failed to capture all the aspects of the employee’s needs that may require counselling. Its emphasis on using counselling as a tool in helping employees improve their performance fails to address other aspects of psychological challenges that employees are likely to suffer like termination or other forms of unprepared exits. However, employee counselling goes beyond providing timely professional and confidential aid for employees whose personal problems might otherwise lead to work impairment, absenteeism, reduced productivity etc. to psychological trauma arising from redundancy, termination and even retirement. Even where employees’ counselling is deployed to solving personal problems that could lead to reduction in performance or helping an exiting employee cope with the current challenges of transition, employee counselling generally is meant to provide effective means of dealing with problems in the workplace.

Employees’ counselling is more relevant to those employees leaving the organization. There are different ways employees exit from the organization such as layoffs, termination, retirement, and resignation. Exit counselling therefore is a service which organizations that care for their employees provide for exiting employees to help them cope with certain psychological effect of changes and transition process. In this context, exit counselling refers to psychological counselling that involved the services of an independent professional counsellor contracted by the organization to help the affected employees cope with the trauma of leaving the organization.

Retirement counselling appears to be similar to exit counselling as many potential retirees (though aware of their retirement) may not know how to manage the transition. Retirement could be voluntary, compulsory and

forced (Alutu, 1999). Whatever form it takes, retirement has been variously described as “occupational death” when contrasted with biological death, which is terminal (Carew, 2004); as physiological atrophy which unavoidably accompanies an active life (Olayinka & Omoegun, 2002). This suggests that retirements like layoffs and terminations comes with certain stressful and depressing conditions which employees’ counselling in the form of retirement counselling addresses. Retirement counselling “is the process of providing prospective retirees with factual information needed to make a pleasant transition from world of work into the world of less rigorous occupational schedules – retirement” (Asonibare & Oniye, 2008).

Existing models try to explain employee counselling in different ways. There are as many workplace counselling models as there are different theorists in this field of study. Theorists are yet to arrive at an integrated workplace counselling model. Instead, authors over the years have suggested ways to model the workplace counselling (Coles, 2003). However, the challenge is that employee counselling involves different stakeholders and integration of these stakeholders only creates a complex model of counselling. With this understanding Claringbull (2006) suggested “that in order to try and control or overcome this problem, it might now be necessary to find some different, possibly systematic approaches to modelling workplace counselling.”

According to Beer (2003) “much of workplace counselling is delivered via Employee Assistance Programmes (EAPs).” Obviously, this has been the traditional practice for most organization that recognized the importance of managing psychological problems in the workplace. Employee Assistance Programmes play a vital role in helping exiting employees to cope with the trauma of transition and also serve as a palliative measure. Research by Claringbull (2006) has shown “that many EAP clinical managers see individual case managers as vital and central in any workplace counselling provision.” “The clinical managers argue that case managers should always occupy a pivotal position in any workplace counselling model (Claringbull, 2006).”

Admittedly, EAP holds certain merits in addressing some of the problems of exiting employees, but it has been found inadequate in addressing the varied stakeholder’s interest in the workplace. Lammers (1999) identified four major interests that any workplace counselling programme should cover. According to Lammers (1999), “there are four key stake-holders that are involved in a typical therapy-focused workplace counselling.” These stake-holders include the organization, the counsellor, the client and the clinical supervisor. The State could also be included as part of the stakeholders as it owes it a duty to give support to the other stakeholders in a bid to ensure hitch-free implementation of EAP. However, the interests of these stake-holders are not mutually exclusive, rather they are interconnected.

2.2 The Effect of Unplanned Exit from Work

Unplanned exit from work comes in form of termination, redundancy, layoffs, forced retirement and forced resignation. The news of these unexpected exits come with strong emotions like shock, anger, rejection, relief, guilt and apprehension. These feelings might be latent or deliberately suppressed by the victim who may want to pretend that all is well. Most discussions in the literature on the effect of unplanned exit from work revolve around three key areas – psychological, social and financial. These effects are not mutually exclusive, rather they are inter-connected. Luther (2011) points out that “whether the person you lay off is someone just starting with your company or a seasoned worker with seniority, a layoff will affect your employee’s self-esteem. The employee might feel slighted and less valuable than workers that you retained. In addition to the blow to his ego, the laid-off employee faces the prospect of being separated from meaningful work, co-workers and the worst possible financial scenario – lack of steady income.” These effects go beyond the laid-off workers to those who are retained. This view is consistent with the view of International Finance Corporation (2005) “that it is evident that retrenchment will have a substantial impact on the workers involved.

However, the effect can be much more widespread. Those employees who are left behind and managers who deal with retrenchment can be affected by the process, especially if it is badly handled or creates unnecessary conflict” (International Finance Corporation, 2005). The loss of income impacts on the victim’s family life and social status, especially if the affected worker is the breadwinner of the family. In a family where the source of livelihood or economic sustenance comes from the father (as in most patrilineal society such as Nigeria), the loss of income through unplanned exit from work will diminish the employees’ ego, prestige and respect as the family head. His inability to continue to sustain his family is likely to result to family crisis. For example, most marriages in Nigeria have failed as a result of loss of job of the breadwinner, brilliant students withdrawn from schools, threat of eviction by landlords amongst others.

2.3 The Importance of Employees’ Counselling

Exit from a job comes with many challenges including unanticipated ones. Especially, unplanned exits (whether through layoff, termination or forced retirement) come with psychological, social and financial challenges that are capable of causing a total disorientation. The thought of loss of income and status due to loss of one’s job is capable

of triggering chains of negative events in the life of the victim. Thus, the importance of employees' counselling lies in its provision of cushioning effect to a perceived ugly situation. For the prospective retirees, retirement counselling helps in providing the necessary information in relation to review of insurance policies, management of personal income during retirement, social security, medical care coverage and acquisition of life skills needed for optional adjustment to retirement roles (Asonibare & Oniye, 2008).

Accordingly, Parker (2008) explained that: "Counsellors recognise that being made redundant can cause psychological reactions that are similar to grief. The process starts with shock and disbelief at losing something important, then it moves on to anger followed by fantasy and a sense that it's not really happening, and finally, feelings of guilt and depression. Counselling will help understand these emotions and the mental process the affected persons are going through, allowing you to move on to the important positive stages of acceptance and action. If you don't look for help early in this process, reaching these later stages will take a lot longer" (Parker, 2008). Migwe, Gachunga and Iravo (2017) reported that employees believe that workplace counselling reduces rate of absenteeism, grievances hearing and dismissal.

For victims of redundancy, redundancy counselling will help them adjust to the new realities by helping them to remain positive and plan ahead instead of fighting back through litigation process against their employers, which may be of little or no help to their current situation (Parker, 2008). Even where the victims of redundancy or manpower contraction embark on litigation process against their employers, it will take a long time to yield result due to the dilatory nature of the judiciary system in Nigeria. In equal vein, the chances of success by the litigants may also be slim. In addition, Labour Act in Nigeria allows the employer to embark on redundancy exercise especially during period of recession provided the following conditions are met; (a) the employer shall inform the trade union or workers' representatives about the reason(s) for the exercise and the extent of the anticipated redundancy; (b) the principle of "last in, first out" shall be adopted in the discharge of the workers to be affected; and (c) the employer shall negotiate redundancy benefits to be paid to the discharged workers.

2.4 Intervention Strategies to Unplanned Exit from Work

Retrenchment, redundancy or layoffs are inevitable given changing circumstances that organizations sometimes face, for example, during recession. Luther (2011) also concurs that "employee layoffs might be inevitable due to recession, overseas competition or any number of business factors that affect a company's bottom line." However, the focus is then on what can be done to manage the affected workers and help them cope with their predicament or the psychological dilemma they may find themselves. Intervention strategies therefore, are deliberate effort by a concerned and caring employer aimed at helping victims of retrenchment, layoffs, redundancy, forced retirement etc. to overcome imminent consequences of their pre-matured exit from work. Prominent among these strategies is the Employees Assistance Programmes (EAPs), which has proven helpful to exiting employees.

However, various forms of employees' counselling can be of great help in mitigating the painful effects of unprepared exit from work. Pre-retirement counselling is useful in helping potential retirees prepare themselves for the new status of living a retired life. One of the counselling strategies for managing pre-retirement anxiety is Rational-Emotive Behaviour Therapy (R.E.B.T). Rational Emotive Counselling is appropriate counselling therapy for instilling rationality in adult workers regarding their perception of retirement (Asonibare & Oniye, 2008). "Taking for granted that humans are fallible, Rational Emotive Behaviour Therapy attempts to help people accept themselves as creatures who will continue to make mistakes; yet at the same time learn to live more at peace with themselves" (Asonibare & Oniye, 2008).

Another form of intervention strategy to exit from job, especially exit through termination, redundancy, retrenchment or layoffs is outplacement. According to Encyclopaedia of Applied Psychology, "outplacement is an extension of the termination process. It typically includes two elements: counselling the employee who has lost his/her job for emotional stress resulting from trauma of termination, and assisting in job search." "Outplacement can help to address these emotional issues. It provides firing managers the training and procedures to minimize trauma to the affected workers and disruption within the affected departments. It helps survivors to see the organization as a fair and considerate employer. Among the employees downsized, outplacement can mitigate the damaging effect of unemployment on family life by incorporating the terminated employee's spouse in counselling sessions" (Asonibare & Oniye, 2008).

3 METHODOLOGY

The research design for this paper is exploratory in nature. As van Wyk (2010) had explained, research design shows the purpose of the inquiry which could be exploratory, descriptive, explanatory, predictive, evaluative, historical or a combination of any of the designs. In particular, exploratory design is considered most appropriate

and useful for addressing issues of high level uncertainty and ignorance (Wyk, 2010). This paper's approach is considered novel in this part of the world as victims of unexpected exit from Nigerian organisations are virtually left to their fate.

The study involved sample drawn from the head office branch of one of the foremost financial institutions in Nigeria, First Bank Nigeria Plc, Lagos. Participation was anonymous and voluntary. In addition to access to the respondents, the choice of the study population was based on the issues under consideration. For instance, Williams, Etuk and Inyang (2014), identified our population of interest as one of the organizations that experienced "crises and retrenchment which swept across the Nigerian banking sector". Moreover, such bank workers are noted for feelings of inequity, anger, insecurity and uncertainty (Kurebwa, 2011).

The stratified and systematic sampling methods were employed in the study to select the sample. Stratified sampling involved the selection of the study population from a list of commercial banks in Nigeria with experiences of retirement, termination, redundancy and retrenchment in the last 10 years while systematic sampling involved dividing the entire study population by 10 and respondents selected at particular intervals (Kerlinger & Lee, 2000 as cited in van Wyk, Boschof, Nieman, van Vuuren & Pretorius, 2009). This process gave rise to a sample size of 120 participants. The Questionnaires were personally administered to the selected respondents during their break time over a period of 30 days.

Although it is an exploratory study, it used questionnaire as the main instrument. The study instrument comprised of two sections. Section A was made up of 4 items designed to assess the Demographic profile of the respondents. The items in this category included *Gender, Age, Years in Service and the respondents' position* in the organisation. Section B was made up of 9 items with 3-point rating scale. The items were constructed for the purpose of this study and were informed by extant literature in the study area. However, the researchers ensured that the issues relevant to the focus of the study were properly captured taking into consideration the Nigerian work environment.

In order to validate the instrument, 25 items drawn in the first version of the questionnaire were given to experts with background in psychology and human resource management for content validation (Nunnally, 1967). The experts were requested to indicate on a scale of 1 to 5, the extent to which they considered the items as valid measures of the issues under focus. Out of the original 25 items, 14 items with scores of 3 and above were accepted as valid. As a measure of testing the reliability of the study instrument, the 14 items were further subjected to item-total correlation wherein 9 items were retained based on coefficient range of 0.37-0.94 (Rust & Golombok, 1995). The reliability coefficient value of the study instrument was 0.93. Descriptive statistics was used as the method of data analysis. Interpretation and discussions were based on the result that emerged from the analysis. In general, the study was based on quantitative approach.

4 FINDINGS

Table 1 presents the participants' background information. The demographic characteristics of the sample showed that out of the 108 participants, 44 (40.7%) were female, and 64 (59.3%) were males. The finding showed that there are more male than female in the organization. This situation reflects the inflexibility of working hours in the Banking industry in Nigeria, thereby, making it a less preferred job by females, who find it difficult to combine their job demands with childbearing and rearing and also other domestic responsibilities. The age distribution of the participants ranged between 21 to 50 years with majority of the participants below 40 years. The average age of respondents was 34.5 years. The mean age distribution shows that the organization has a relatively young workforce.

The years of service of participants in First Bank of Nigeria Plc showed that 10 (9.3%) have put in less than 1 year; 48 (44.4%) have worked between 1 to 5 years; 22 (20.4%) have worked between 11 to 15 years; 12 (11.1%) have served between 11 to 15 years, and the remaining 11 (10.2) have worked between 16 to 20 years. However, there were 5 (4.6%) missing values representing participants that did not provide their service years with First Bank Nigeria Plc. Majority of the respondents therefore have spent not less than 5 years in the service of the organisation.

The distribution of the participants according to their job positions showed that 10 (9.3%) out of the 108 participants were Banking Assistants; 48 (44.4%) were Banking Officers, and the remaining 29 (26.9) were Managers. However, there was a missing value of 21 (19.4%) representing the participants that failed to include their current job positions. Therefore, majority of the sample that participated in the study were Banking Officers.

Table 1: Participants background (n = 108)

	Frequency	Percentage
Age		
21 – 30yrs	25	23.1
31 – 40yrs	60	55.6
41 – 50yrs	23	21.3
	Mean = 34.5 years	
Gender		
Female	44	40.7
Male	64	59.3
Service Years (With First Bank)		
Below 1yr	10	9.7
1-5yrs	48	46.6
6-10yrs	22	20.4
11-15yrs	12	11.1
16-20yrs	11	10.2
Missing value	5	4.6
Job Position		
Banking Assistant	10	9.3
Banking Officer	48	44.4
Manager	29	26.6
Missing value	21	19.4

Source: Fieldwork, November, 2016

Table 2: Descriptive statistics of the responses of the participants

Item	N	Yes	No	Not Sure	Mean	Std. Dev.
I am not aware of Exit Counselling	108	23 (21.3%)	75 (69.4%)	10 (9.3%)	2.12	.542
Some of my former colleagues were victims of redundancy, termination, forced resignation and untimely retirement	108	70 (64.8)	32 (29.6%)	6 (5.6%)	2.59	.597
My bank did not provide exit counselling for my colleagues who were victims of redundancy, termination, forced resignation, layoff, and untimely retirement	103	17 (15.7%)	40 (37.0)	46 (42.6)	1.72	.733
I am aware that exit counselling can be used to cushion the effect of unprepared exit from work	108	96 (88.6%)	-	12 (11.1%)	2.78	.631
There are many organizations that do not practice exit counselling	103	50 (46.3%)	-	53 (49.1%)	1.97	1.004
There is a perceived need for exit counselling in every organization	108	102 (94.4%)	-	6 (5.6%)	2.89	.460
Exit counselling should be an integral function of the HR Unit	108	96 (88.6%)	-	12 (11.1%)	2.78	.631
I am unaware of any organization practicing exit counselling in Nigeria	108	11 (10.2%)	53 (49.1%)	44 (40.7%)	1.69	.648
I believe Exit counselling will be beneficial to the organization	108	91 (84.3%)	5 (4.6%)	12 (11.1%)	2.73	.650

Source: Fieldwork, November, 2016

The result of the analysis in table 2 shows that 21.3% were not aware of any form of exit counselling, 69.4% were aware, while 9.3% are not even sure of any exit counselling. The mean score and standard deviation for this item (mean = 2.12, SD = .542) indicate that many workers seem to be unaware of exit counselling in the workplace. The frequency distribution for the second item shows that 64.8% of the participants agreed that some of their former

colleagues were victims of untimely and unplanned exit from work as a result of redundancy, termination, forced resignation, layoffs and untimely retirement. 29.6% stated that their colleagues have not been affected, while 5.6% were not sure whether any of their colleagues have been affected. However, the mean score and standard deviation of 2.59 and .597 respectively show that some of the workers were actually victims of unplanned and untimely exit from work. More striking is the finding that 15.7% of the participants reported that the Bank did not provide exit counselling for their former colleagues that lost their jobs through redundancy, termination, layoffs, forced resignation and forced retirement. On same issue, 42.6% reported that they were not sure whether such counselling took place. But on the contrary, 37% reported that counselling was provided by the Bank. However, the statistics showed that the Bank did not provide counselling for its employees (mean = 1.72, SD = .733).

The findings showed that 88.6% of the respondents supported the view that exit counselling can be used to cushion the effect of unplanned exit from work. 11.1% were not sure on whether exit counselling could cushion the effect of unplanned exit from work. The result of the statistics (Mean = 2.78, SD = .631) shows a reasonable agreement by the workers that exit counselling could cushion the effect of unplanned exit from work. In consideration of the number of organizations that practice exit counselling, 46.3% of the participants agreed that there are many organizations that do not practice exit counselling; while 49.1% were not sure of such organizations. The result of the statistics (Mean = 1.97, SD = 1.004) shows that many workers are not sure whether other organizations practice exit counselling. However, there is a greater consensus among the participants of a perceived need for exit counselling. Specifically, 94.4% of the participants perceived the need for exit counselling. The result of the statistics (Mean = 2.89, SD .460) is an indication that the workers perceived the need for exit counselling in the workplace. The workers gave various reasons and prominent among them were that it would enable the victims of unplanned exit from work to cope with the psychological effect, help in reducing litigations on unlawful exit, help in reducing unnecessary appeals for reinstatement, help in winning the loyalty of the remaining workers, help in cushioning the effect of unplanned exit from work and provide a good framework for handling grievances and complaints among others.

Furthermore, 88.6% of the participants agreed that exit counselling should be an integral function of the human resource department or unit in the organisation; while 11.1% were not sure. The result of the statistics (Mean = 2.78, SD = .631) revealed greater agreement among the respondents that exit counselling should be made an integral function of HR Department or Unit. In addition, 84.3% believed that exit counselling would be beneficial to the organization. However, 4.6% disagreed while 11.1% were unsure of the organization benefitting from exit counselling.

5 DISCUSSION

The finding from this study shows that the level of awareness of employee counselling especially for employees exiting the organization unprepared is low. The failure of management in providing counselling service to victims of unexpected exit could be attributed to avoidance of cost implications in engaging an external counsellor or the absence of professional counsellors within the organizations. These reasons notwithstanding, McLeod (2008) found that employees should be made to be aware of all workplace counselling policies and practices for easy evaluation. However, the low level of awareness of employee counselling in the study could be explained by near absence of the practice of employee counselling. The situation is not only common in Nigeria. For instance, in a similar study carried out in Mumbai by Raheja (2014), the results showed that 61% of the sample population were unaware of the concept of employee counselling. In furtherance of the low level of awareness concerning employees' counselling, earlier studies such as McLeod (2001) harped on the importance of recognizing the limitations of the existing research-base for workplace counselling. Unfortunately, it has been shown that there has not been a consensus model for delivering workplace counselling (Claringbull, 2006). Interestingly, this particular finding goes to show that workers seem not to be aware of any intervention mechanism for managing crisis situation arising from layoffs/redundancies, termination, retirement, resignation etc. Perhaps, the foregoing finding may have informed the conclusions reached by Asonibare and Oniye (2008) which advocated for factual information concerning pleasant transition from world of work into the world of less rigorous occupational schedules.

Although from our findings, employee counselling was not provided for employees exiting the organization, but the employees believe that it would help in cushioning the effect of post-work transition. Empirical evidence in literature also supports this view. For instance, while Beer (2003) construed workplace counselling as *Employee Assistance Programmes* (EAPs), Raheja (2014) in the same vein, found that 69% of the sample perceived the need for employees counselling in the organisation. In a related development, Parker (2008) reported that employee counselling is needful for victims of redundancy to help them adjust to the new realities by helping them to remain positive and plan ahead instead of maintaining adversarial postures with management which may offer little or no help to their current situation.

Evidence abound in literature on the widespread effects of layoffs, termination, retirement, and resignation on employees who are left behind and managers who deal with such issues, especially when such issues are badly

handled or left to fester (International Finance Corporation, 2005). This particular finding which indicated that the provision of counselling services would help in cushioning the effect of post-work transition is in consonance with studies such as Migwe, Gachunga and Iravo (2017) which linked workplace counselling with reduction in rates of absenteeism, grievances hearing and dismissal. Similarly, Mayor (2006) found that workplace counselling can achieve reduction in work-related stress in more than 50% of employees who have received counselling. In fact, a related study by McLeod (2008) found that 80% of the organisations that adopt employee counselling policies and practices were able to recommend or use counselling repeatedly or continuously.

Further exploration of the findings show that employees hold the opinion that employee counselling should be made an integral function of the Human Resource Department. They (the respondents) also posited that counselling should incorporate Employees Assistance Program (EAP). Basically, Employees Assistance Program (EAP) has been found to be effective in helping the victims of unprepared exit to cope with the trauma associated with such condition. Consequently, from the foregoing, 78% of the respondents in Raheja (2014) rated employee counselling as an important function of Human Resource Development while Beer (2003) as earlier stated construed workplace counselling as *Employee Assistance Programmes* (EAPs). Perhaps in what may appear as support for domiciling employee counselling functions or EAPs with the Human Resource Department (Beer, 2003), studies have shown that 50% of cases had improved absence and/or productivity at work after EAP adoption (Harlow, 2006) while 57% of cases had improvement in ability to work productively after use of EAP (Attridge, 2003). Thus, the foregoing evidence in literature underscores the importance of making counselling functions or EAP integral function of the Human Resource Department (Beer, 2003; Raheja, 2014) as Employee Assistance Programmes have been found to be effective in helping the victims of unprepared exit from the origination to cope with the trauma associated with such condition.

6 CONCLUSION

The findings from this survey revealed that many workers leave the organization when they least expected it and therefore, are always unprepared for such exit. As shown in this survey, cases of fellow workers who were victims of redundancy, termination, forced retirement or resignation will in one time or the other abound. However, it is unfortunate that many organizations in Nigeria are yet to imbibe the culture or practice of helping their employees who are victims of changes or organizational restructuring cope with the effect of traumatic experiences. As expressed by greater percentage of the participants, there is a perceived need for exit counselling to help workers overcome the possible challenges of unplanned exits. This calls for action on the part of management. Therefore, management should understand that for the organization to maintain a good brand name and also for it to win the loyalty of its employees, there is need for it to evolve different help programmes aimed at assisting its employees who might suffer from any of the unplanned exit forms or types – redundancy, termination, forced retirement and resignation and layoffs to cope with the unexpected transition. These programmes must be incorporated into exit counselling.

In addition, given the fact that this study is an exploratory study, its findings may not be generalized to the public sector and other industries in Nigeria. Therefore, there is the need for further studies on how employees counselling could be used to help employees experiencing similar work conditions in a bid to have a balanced view on this important subject that focused on the need for healthy post-work transition, especially at this period of recession.

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Flexible Human Resource Management And Firm Innovativeness: The Mediating Role Of Innovative Work Behavior

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ABSTRACT

The paper examines the relationship between Flexible HRM, Innovative work behaviors and Firm innovativeness. We developed a theoretical framework which links the constructs together. Innovative work behaviors, Flexible HRM along with its 3 sub-dimensions (HR practices flexibility, Employee skill flexibility and Employee behavioral flexibility) and Firm innovativeness along with its 3 sub-dimensions (Product innovation, Process innovation and administrative innovation) are interlinked. Using the sample of 153 collected from the top and middle managers of high technology companies, the data was analyzed whose findings proved that flexible HRM positively impacts innovative work behaviors. Further, innovative work behaviors positively impacts firm innovativeness.

KEY WORDS

flexible human resource management;
innovative work behaviors; firm innovativeness;
high technology companies

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1 INTRODUCTION

Digital age and knowledge economy have shaped heavy changes in the corporate world. (Chen & Li, 2015). Organizations are now facing tough competitions in the dynamic, uncertain, transforming and complex environment (Sanz-Valle & Jiménez-Jiménez, 2005). In order to achieve competitive advantage and even for the survival, firms heavily depends on their ability to adapt and respond to the environment, flexibility and introduction capability of new ideas and products (Jiang, Wang & Zhao, 2012; Beugelsdijk, 2008; Mumford, 2000; Chen & Huang, 2009).

A company that follows creative and innovative strategies should have employees who carry kind of entrepreneurial and innovative behaviors. So it's important to understand properly what actually makes individuals at workplace to behave innovatively and how the firms can shape that type of behaviors (Eenink, 2012).

Human Resource management is believed to be strongly embedded in the business strategies to effectively support the innovations (Kozlowski, 1987). Another emerging field that start producing research interest in Human resource management is Flexible human resource management, because it enables the firms to stretch and adapt to changing, uncertain and diverse requirements in both internal and external environment (Wright & Boswell 2002; Kumara & Pradhan, 2014). Flexible Human resource management is considered to be very important aspect of firm flexibility as it shapes the attributes of employees (skills, abilities, attributes and behaviors) according to changing environmental conditions (Ngo & Loi, 2008). Basically in flexible Human resource management employees are encouraged to utilize and assimilate new and effective knowledge from the environment and are given flexible adjustments in the structures, employment modes and plans of incentives and training (Chen & Li, 2015).

Flexible Human resource management (FHM) also impacts innovative work behavior as they are targeted towards employee skill, motivation, abilities and opportunities enhancement (Puikene, 2016). FHRM basically empowers their employees to show class their talent and deliver their output in the shape of innovative ideas by

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using the full potential of their knowledge, skills and abilities. (Chen & Huang, 2009; Prieto & Perez-Santana, 2013). As per definition, Innovative work behaviors is a multistage process and is concerned with generation, adoption and implementation of the novel ideas (Scott & Bruce, 1994; Kanter, 1998; Xerri & Brunetto, 2013).

Basically Innovative work behaviors are so crucial for innovation seeking companies because success of innovative companies lies in their employees whose behaviors are the most important source of leading towards innovations. (Abstein & Spieth, 2014). IWB are believed to be the major aspect in change management that actually leads organizations towards innovations and ultimately increasing their competitive positions (Puikene, 2016).

Although majority of the corporate leaders now view creativity and innovation as vital for the long term success of their business, but many of them are still following traditional approaches to innovation whose benefits seldom exceeds their cost, usually they failed or gone rendered (Molino et al, 2013).

HRM role in innovation remained an area of ignorance. According to (HR innovAsian Report, 2014) there are only 20% HR professionals who got engaged in the process of innovations in the corporate world. This figure depicts that organizations still not realize the importance of the role Human resources play in innovation process.

Furthermore, the key to innovative performances of organizations are the innovative work behaviors of their employees (Farr & Ford, 1990; De Jong & Den Hartog, 2010) but despite its importance firms are restricted in their possibilities, because they have very little knowledge about how to trigger their employees in such a way that they show innovative work behaviors (Jannssen, 2014)

Although role of human resource management in innovations has generated much academic output (Karlsson, 2013; Zhou et al, 2013, Jiang, Wang & Zhao, 2012) and some also have tested it empirically (Jimenez & Valle, 2008, Li, Zhao & Liu, 2006) but yet those studies have not clarified what kind of HR practices makes organization innovative. Furthermore those few studies which specified flexible Human resources (eg. Kumara & Pradhan, 2014; Ngo & Loi, 2008; Chang et al, 2012) do lack the behavioral perspective of employees which actually can be the main path or the ladder of leading the Flexible Human resources towards firm innovativeness.

The basic purpose of the study is to examine the relationship between Flexible human resource management, innovative work behaviors and firm innovativeness together. In addition to empirical analysis of their relationship, the paper will also attempt to provide logics how Flexible human resource management shape innovative work behaviors and how innovative work behaviors in turns enhance firm innovative capabilities. The study will tend to answer the following research questions

- 1) Does FHRM enhance the innovative work behaviors in the employees of the organization?
- 2) Do innovative work behaviors contribute in enhancing firm innovative capabilities?
- 3) Does FHRM enhance firm innovativeness?
- 4) Do innovative work behaviors intermediate the relationship between FHRM and firm innovativeness.

The corporate business environment throughout the world including Pakistan is facing immense market competition. In order to survive or compete in this globalization era, organizations in Pakistan especially high innovation seeking companies should have adaptive capability for incremental or radical change in the conditions (Ngo & Loi, 2008). The study will help to make them understand how crucial it is for them to attract, develop and retain effective and adaptive workforce having the innovativeness mindset in their work behaviors (Chan & Lui, 2004).

The study will help to make them understand that how flexibility in their human resource management can help them to respond effectively towards market changes and innovativeness.

The study will also add valuable contributions in the literature of flexible human resource management by linking it with the behavioral Perspective. The paper will provide the conceptual model that will depict the path how actually flexible Human resource management directly and indirectly leads towards firm innovativeness.

2 THEORITICAL INSIGHTS AND HYPOTHESIS DEVELOPMENT

Flexible HRM is an important element of strategic HRM, it's the internal capability of firms and considered as the prerequisite for the sustained competitive advantage (Kozica & Kaiser, 2012). Flexible human resource investigates the degree to which firms can quickly and effectively adjust according to the environment changes (Chen & Li, 2015). Flexible HRM concept was coined in the 1995. Sanchez (1995) defines this concept as the stretching capability of an organization for redefining of the product strategy, reconfiguration of resources chain and redeployment of those resources appropriately. Based on Sanchez work (Snell, Youndt & Wright, 1996) mentioned that flexible HRM focuses on enhancing flexibility of employee skills, behaviors and functioning according to the changing requirements of environment. This approach consists of series of HRM strategies that impacts psychology of employees, guide employees behaviors and also align together their personal and organization goals (Sanchez, 2011).

Chen & Li (2015) identified some major differences between Traditional HRM and Flexible HRM. According to them where traditional Human resource management focuses on effectiveness and efficiency of the whole organization, FHRM focus on improving innovativeness, competitiveness and dynamic adaptation ability of the organization. The major reason why firms use flexible HRM is their desire to compete in the changing environment (Kozica & Kaiser, 2012).

Wright and Snell (1998) identified that Flexible HRM has three distinct sub-dimensions which are employee behavior flexibility, employee skill flexibility and HR practice flexibility.

Employee skills flexibility refers to extent to which organization can utilize skills of employees in different situations and can reassign them quickly (Wright & Snell, 1998). It's about creating the environment which promote diverse learning of skills and enhancing their flexibility to adopt versatile skills so that they could take any task and perform in every situation. This can be achieved through cross functional teams, job rotations and project based assignments (Bhattacharya et al, 2015). In other words if organization having employees who possess broad variety skills, can perform different tasks in different situations then that organization has high degree of employee skill flexibility (Ngo & Loi, 2008). Based on RBV, (Bhattacharya et al, 2005) described employee skill flexibility as a source of competitive advantage because diverse skills employees are valuable and also difficult to imitate.

Kumari & Pradhan (2014) mentioned two distinct ways to have employee skill flexibility. First by having employees who possess broad variety skills, can use it in different situations. Second through employing specialist having wide variety who are capable of providing flexibility to the organization so that it can reconfigure the skill profiles to match the requirements of changing environment. So whenever the need arises, that flexibility allows the firms to recognize their employees to take the full advantage of their skill profiles in order to meet the changing demand (Neuman & Wright, 1999). In simple words skill flexibility basically describes how effectively and quickly employees are adapting and using diverse skills in different situations which firms provide them (Boxall, 1999).

Employee Behavioral flexibility refers to degree to which organization can adjust, enrich, autonomies and support employee diverse behaviors and their psychology of dealing with different circumstances (Sanchez, 2011). In other words it's the extent to which the employees of a firm possess versatile behavioral scripts that can easily be mold according to the situation specific requirements (Ngo & Loi, 2008). It basically represents adaptable behaviors instead of daily routine behaviors. It can be achieved through internal motivation or deliberately recruiting employees who possess versatile behaviors and adaptability capacity (Bhattacharya et al, 2015).

So if employees perform behavioral scripts under different conditions to deal with requirements instead of just following standard operating procedures, then their organizations will better able to deal with changing requirements of environments and can enhance their competitive positions (Wright & Snell 1998).

Behavior flexibility basically provides the value in terms of two ways. First the ability of employees to deal with different situations effectively enables firms to reduce the resistance to change and the cost associated with that resistance. (Lepine et al., 2000). Secondly it allows the firm to deal with verity of situations appropriately without hiring new employees with new skills to deal with changing environment (Battarchya et al.,2005).

HR practice flexibility is defined by Bhattacharya et al. (2005) as the degree to which HR practices of organizations can be quickly and effectively adapted and applied across different situations, businesses or departments. Similarly Kumari & Pradhan (2014) defined it as the extent to which firm has the ability to quickly and effectively alter its HR processes and structures. In simple words HR practice flexibility is how HR department viably, rapidly, timely, effectively and productively executing and adjusting new HR practices (Sanchez, 2011).

HR practice flexibility provides value in two ways. First it enables the firm to adapt its HR practices according to the required changing environment, Secondly it can induce flexible employee behaviors which are discussed previously (Battarchya et al.,2005).

Innovative work behaviors are believed to be an important factor in dealing with incremental and transformational changes and achieving the competitive advantage of organization (Jannsen, 2000). Different researchers described IWB and all described it in a sense of behaviors of individuals of exploring, generating, championing and implementing novel and effective ideas, products, processes or procedures (De Jong & Den Hartog, 2010; De Jong, 2007; Kleysen & Street, 2001; Ng, Feldman & Lam, 2010; Krause, 2004; Scott & Bruce, 1994). IWB is basically thinking out of box in alternative methods, looking for improvements, searching for new technologies, news ways to achieve assignments, trying new work methods and discovering and securing the useful resources in order to make an idea a reality (Prieto & Santana, 2013).

Jannsen (2000) referred IWB a three multistage process idea generation, idea promotion and idea realization.

IWB begun with **idea generation** stage which is creation of new and useful idea that comes under any domain or area (Jannsen, 2000). Mumford (2000) declared employee as the only source of novel idea at workplace. Effective idea generators are those employees who can approach performance or problems gap from unique dimension (Kanter, 1988). Basically it is referred to bringing new and unique ideas, procedures, processes for the purpose of solving any particular problem or might be for the purpose of bringing improvements (Pukiene, 2016).

The next stage of IWB is *idea promotion* where employees who generated novel ideas look for support for their novel idea by discussing it with colleagues, boss or even friends (Scott & Bruce, 1994; Kanter, 1988). The idea after generation has been sold. In this stage promotion of idea within the firm has been done to seek the further support (Pukienė, 2016). Innovative employees after generating ideas look for getting support from friends, subordinates and sponsors surrounding the idea (Jannsen, 2000).

Idea realization is the final stage of IWB which is converting novel ideas into effective outputs (Pukienė, 2016). Basically in this stage the idea is implemented and put into the action (de Jong, 2008). The idea then becomes prototype, reality or model which can be touched, experienced and brought into the use (Kanter, 1988).

Firm Innovativeness is basically an important factor for competing in the changing environment and even for the survival of the firms (Gopalakrishnan, 1999). Firm innovativeness is defined in literature as “the adoption of an idea or behavior, whether a system, policy, program, device, process, product or service, that is new to the adopting organization” (Damanpour et al., 1989).

Utterback & Abernathy (1975) mentioned three dimensions of firm innovations.

- 1) **Product innovation**- creation and commercialization of new products to meet the needs or wants of customers (Golparakarishnan, 2001).
- 2) **Process innovation**- creation of new processes or modifications of existing processes, methods or techniques in the firm (Leonard & Waldman, 2007).
- 3) **Administrative innovation**- placing effective routines and procedures in the firm administrative units, delivery, services and support (Brunsson et al., 2000).

Now we will explain how Flexible HRM can shape Innovative work behaviors. Basically Organizations where FHRM shapes the Knowledge, skills and attitudes of employees according to the various required situations are able to create more innovative employees (Shipton et al, 2006) actually doing this became a push factor for employees because having diverse skills, knowledge and abilities that could be stretched to act in any condition gave employees a feel of confidence in themselves thus it impacts their behavior to innovate. (Eenink, 2012).

Diversity in skills gave employees a sense of achievement, identity and self-development (Sánchez et al, 2011) which in turn impacts indirectly the psychology of employees and make them more confident to take innovative actions (Chen & Li, 2015) Prieto and Perez-Santana (2013) conducted a research by taking sample of 198 Spanish companies. Results of the study depicted that skill enhancing and motivation enhancing HR practices positively impacts Innovative work behaviors.

According (Bhattacharya et al., 2005) employees having behavioral flexibility are more engaged in non-routine behaviors such as risk taking, change and creativity. He further argued that those employees who have more adaptable qualities can adjust themselves in every novel and complex changed situation more appropriately and can effectively support implementation of change. Patterson et al. (2010) while mentioning the key characteristics of innovative people mentioned multidimensional behaviors as one of them. This versatility in the behaviors makes them to behave other than normal routine work thus allowing them to behave innovatively.

Flexibility in HR practices can also induce Innovative work Behaviors. Flexible HR practices give employees adaptable work plan making them motivated to perform adequately according to the demand of situation (Prieto & Santana, 2013). Organizations which carry HR practices flexibility basically create an environment in which its workforce can adapt to respond to changing environments more dynamically (Kumara & Pradhan, 2014). HR practices when flexible prepare their employees to act and mold in every soft and hard condition (Kohli, 2011) inducing diverse and versatile behaviors (Kumara & Pradhan, 2014) giving them a feel of self-reliance to act innovatively. Furthermore Shipton et al. (2006) argue that employees behave considerable more innovatively when their HR practices gave them autonomy and empowerment to make changes.

Following the above arguments we propose the hypothesis

H1: Flexible human resource management is positively related to innovative work behaviors

Now we will explain how Innovative work behaviors can shape firm innovativeness. Firm innovativeness depends heavily on the employees of the organization who are the main source of skills, knowledge and abilities and are the founders of innovative work behaviors (Youndt et al., 1996; Prieto & Perez-Santana, 2013; Chen & Huang, 2007) They basically generate and implement ideas for their firms (Kohli, 2013) that eventually leads organization towards innovation allowing them to gain a competitive advantage.

In order to innovate timely and effectively in the competitive environments organizations heavily depends on new idea generations which are actually developed by the individuals of the firms (Chen & Huang, 2009). Similarly ideas after the support or promotion when put into the reality enhances the probability that those ideas will result into something unique and effective entity that could be put into the market for gaining first mover advantage.

Thus we hypothesize

H2: Innovative work behaviors are positively related to firm innovativeness.

Similarly we believe FHRM to impact firm innovativeness directly as well. Flexible HRM enables organizations to acquire and develop diverse skills and behaviors (Chang et al, 2012). This versatile skills and broad ranged

behaviors enable organizations to solve problems, coming up with new solutions and new ways of doing things which ultimately leads to innovation (Simon, 1985). These firms having diverse pool of skills and behaviors more appropriately recognize and assimilate information from the external environment and its different segments (Gong, 2003; Huber, 1991) as they probably have prior related knowledge for every section (Ellis, 1965; Chang et al, 2012).

Mei (2010) conducted research which shows that Flexible HRM create HR allocation which is extremely difficult to imitate thus allowing them to gain sustainable competitive advantage. FHRM enables fast and timely responses through their employees to solve any issue or adapt to any condition thus enabling long term competitiveness (Nie, 2009) thus enabling the potential for expanding the scope of capabilities needed to innovate (Sánchez et al, 2011)

So we hypothesize that

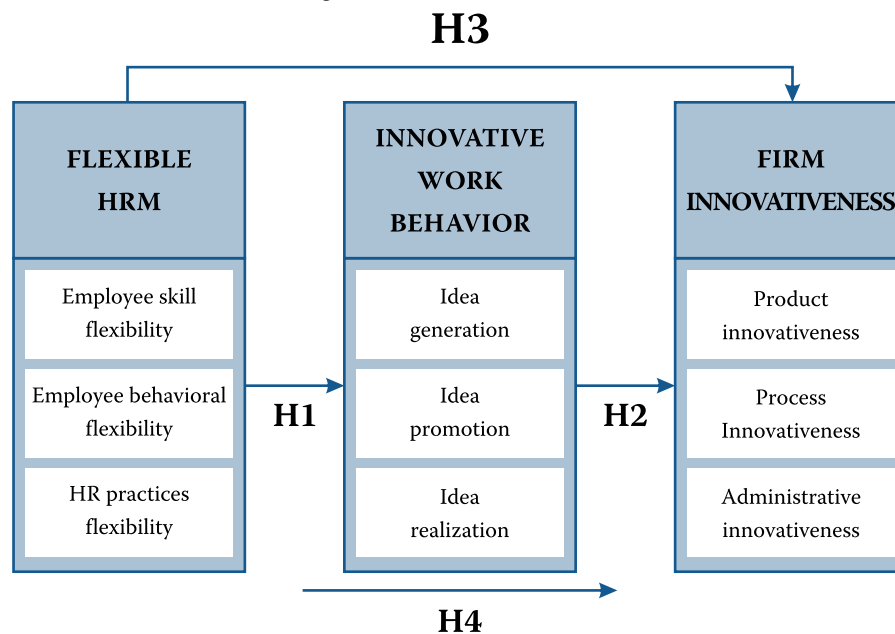
H3: Flexible human resource management is positively related to firm innovativeness.

Based on the all above literature we assume that innovative work behavior is playing an intermediary role between Flexible HRM and Firm innovativeness. By that it means that it is assumed in this paper that innovative work behaviors are influenced by the flexible Human resource management while innovative work behavior itself are influencing the firm innovativeness.

Thus we propose the hypothesis that

H4: Innovative work behaviors mediate the relationship between flexible human resource management and firm innovativeness.

Figure 1: Theoretical framework



Theoretical framework we constructed is illustrated in Fig. 1 above. The model shows the relationship between Flexible human resource management, innovative work behavior and Firm innovativeness. Model depicts that Flexible HRM impacts innovative work behavior and then innovative work behaviors lead the firm towards innovativeness. In other words Flexible HRM impacts firm innovativeness indirectly through innovative work behaviors. Further it also shows a direct relationship between FHRM and firm innovativeness as well.

Theories which support our Hypothesis and model are Resource based view, Dynamic capability theory and Behavioral perspective.

Dynamic capability supports it because Flexible HRM diversifies the ability to integrate, build, and reconfigure competencies to deal with rapidly changing environment. Flexible HRM is the dynamic capability which focuses on adapting attributes of employees i.e. skills, behaviors and functioning according to the changing environment situations (Wright & Snell, 1998; Wright, Dunford, & Snell, 2001).

RBV supports it because HR flexibility is the firm's internal resource or organizational capability that creates diverse skills, diverse behaviors and stretchable HR practices which are valuable, rare, difficult to imitate and substitute and leading towards firm innovativeness to gain a sustainable competitive advantage for the firm (Bhattacharya et al. 2005; Ngo & Loi, 2008).

Behavioral perspective also support it because here in this case FHRM is shaping the behaviors that are required by organization strategies i.e. innovation strategy.

3 METHODOLOGY AND MEASURES

As the paper is quantitative in nature so the survey as a research method is adopted. We collected the data from high technology firms operating in Pakistan which have formally established Human resource management and have at least 100 employees in place. Reasons to choose high technology firms as a target population is because our paper focuses on innovation and Flexible HRM so the companies from which survey collected should be innovation oriented and should have properly established Human resource department, HR executives and HR professionals in placed. Any particular industry was not preferred because FHRM, innovation and Innovative work behaviors are not industry specific (Pukiene, 2016).

Research instrument was questionnaire designed on likert scale from 1-5 rating scale.1=Strongly Disagree, 2= Disagree, 3=Neutral, 4= Agree and 5=Strongly Agree. A cover letter was attached with the questionnaire to explain the survey and research aim and to guarantee the full confidentiality of information and responses (Jimenez & Velley, 2008).

Data was actually collected from 14 high technology companies operating in Lahore from different industries i.e. telecommunication, IT, textile, home appliances and services. Since, our unit of analysis is the firm level, so only top managers and middle managers had been chosen as the respondents. It was a paper based survey in which questionnaires were handed over equally among the selected companies (i.e.20 questionnaires/company). After 2 weeks we have given reminder to the firms who had not yet responded. So after 3 weeks a total of 153 usable questionnaires were returned to us from the companies with a response rate of 54.6%.

FHRM: To measure FHRM, we used scale developed by Bhattacharya et al. (2005) having three sub-dimensions (employee skill flexibility, employee behavior flexibility and HR practices flexibility) and have collectively 16 items.

Firm Innovativeness: In order to measure firm innovativeness we adopted scale developed by Manu (1992). It includes three sub-dimensions (Product innovativeness, process innovation and administrative innovativeness) and has 9 items.

Innovative work behavior: To measure innovative work behaviors, scale developed by Scott and Bruce (1994) has been used having 5 items.

4 RESULTS AND ANALYSIS

Scale reliability was checked before performing any analysis and Cronbach's alpha reported ($\alpha = .829$) for the current study. Results and analysis has been done using the descriptive statistics, regression analysis, correlation analysis and mediation analysis. Descriptive statistics was used to check the frequencies of age, gender, sector and designations. It was also used to check the mean and Standard deviations of variables and their sub-dimensions. Correlation was performed to check the relationships between variables and their sub-dimensions. Regression on the other hand was performed to check the impact of variables and to prove the hypothesis. To prove the mediator, mediation analysis was performed using process macro by Andrew F. Hayes. Table 1 shows the number of High tech companies selected from each sector and the number of samples from each sector.

Table 1: Number of companies and sample drawn from sectors

Sectors	Number of companies	Sample
IT	4	44
Telecommunication	3	26
Home appliance	3	40
Manufacturing & textile	3	34
Services	1	9
Total	14	153

Source: Field survey, 2016

Furthermore, Descriptive statistics reported the frequencies of gender, designation and experience. Respondents include 120 males and 33 females. There were 119 middle managers and 34 top managers. As far as the experience is concerned 98 respondents are of 3-10 years' experience, 45 respondents have 11-15 years' experience while 10 respondents have more than 15 years of experience.

Table 2: Inter dimension correlation and descriptive statistics of FHRM, IWB and firm innovativeness (N=153)

	Mean	SD	1	2	3	4	5	6	7	8
1-FHRM	3.46	.55								
2-Employee skill flexibility	3.41	.68	.847**							
3-Employee behavioral flexibility	3.53	.66	.791**	.479**						
4-HR practices flexibility	3.43	.65	.841**	.611**	.481**					
5-IWB	3.55	1.08	.374**	.339**	.307**	.481**				
6-Firm innovativeness	3.38	.62	.623**	.531**	.528**	.483**	.352**			
7-Product innovativeness	3.42	.70	.594**	.512**	.498**	.462**	.287**	.791**		
8-Process innovativeness	3.31	.78	.484**	.415**	.420**	.364**	.328**	.827**	.455**	
9-Administrative innovativeness	3.40	.76	.469**	.375**	.393**	.375**	.255**	.854**	.534**	.568**

Correlations are significant at 0.01 levels

Source: Field Survey, 2016

Table 2 depicts that Innovative work behavior has the largest mean whereas the mean of process innovativeness is the least. Table shows that Flexible HRM is significantly associated with innovative work behaviors ($r = .374$, $p < .01$). Flexible HRM is also significantly associated with Firm innovativeness ($r = .623$, $p < .01$). Furthermore Innovative work behavior is significantly associated with firm innovativeness as well ($r = .352$, $p < .01$). Moreover the relationships between the all the sub-dimensions of variables are presented in the table which shows that all the relationships are positive and significant with each other.

Regression analysis which was performed to check the impact and prove the hypothesis shown the results presented in table 3. Before performing regression analysis the assumptions of regression analysis were checked which were acceptable according to the requirements. Shapiro-Wilk Normality test presented residual value ($p = .051$) which proved normality. To check whether there is problem of multicollinearity we performed multiple regression analysis and found that VIF values were even lesser than 2, the general understanding is that it should be less than 10 (Belsley, Kuh, & Welsch, 1980). Further autocorrelation value was in the acceptable range as the Durbin Watson value was 1.638 which is closer to 2.

Table 3 shows the results of regression analysis of first 3 hypotheses.

Table 3: Regression analysis for hypothesis testing (N=153)

Hypotheses	Linkages in model	R ²	β value	t value	Sig
H1	FHRM → IWB	.140	.736	4.95	.000
H2	IWB → Innovativeness	.124	.201	4.61	.000
H3	FHRM → Innovativeness	.388	.699	9.77	.000

Source: Field Survey, 2016

As shown in table 3, firstly regression analysis was performed by taking FHRM as Independent variable and innovative work behavior as dependent variable. Results ($\beta = .736$, $p < .001$) indicated that FHRM positively and significantly impacts IWB proving our first hypothesis that

H1: Flexible human resource management is positively related to innovative work behaviors

Secondly regression analysis was performed using IWB as independent whereas Firm innovativeness as the dependent variable. Results ($\beta = .201$, $p < .001$) shows that Innovative work behavior positively and significantly impacts firm innovativeness thus proving our second hypothesis that

H2: Innovative work behaviors are positively related to firm innovativeness.

Thirdly we used FHRM as the independent variable while taking Firm innovativeness as the dependent variable and performed regression analysis. Results of the analysis ($\beta = .699$, $p < .001$) present that Flexible HRM positively and significantly impacts firm innovativeness thus proving our third hypothesis that

H3: Flexible human resource management is positively related to firm innovativeness.

Then to check the fourth hypothesis which was based on mediation we performed mediation analysis using process macro plugin. Results are shown in table 4.

Table 4: Mediation analysis for the effect of FHRM on firm innovation through IWB (N= 153)

Hypotheses	Effect	SE	t	p	LLCI	ULCI
Total effect of FHRM on Firm innovativeness	.6985	.0715	9.7750	.0000	.5573	.8397
Direct effect of FHRM on Firm innovativeness	.6405	.0763	8.3977	.0000	.4898	.7912
	Effect	Boot SE	Boot LLCI	Boot ULCI		
Indirect effect of FHRM on Firm innovativeness	.0580	.1009	.0139	.3146		

Source: Field Survey, 2016

Table depicts that Total effect of FHRM on Firm innovativeness ($\beta = .6985$, $p = .000$) and indirect effect of FHRM on firm innovativeness after the induction of mediator Innovative work behavior ($\beta = .0580$, $CI = .01$ to $.31$) which shows that mediator is good and significant. So it proves our fourth hypothesis that

H4: Innovative work behaviors mediate the relationship between flexible human resource management and firm innovativeness.

5 DISCUSSION AND CONCLUSIONS

Our study was conducted to examine the relationships between Flexible HRM, Innovative work behaviors and Firm Innovativeness. Our study extended the theoretical arguments of the previous researchers (Wright & Snell, 1998; Bhattacharya & Gibson, 2005, Chang & Gong, 2013) on FHRM by linking this Flexible HRM with employee innovative work behaviors. We discussed Flexible HRM in terms of dynamic capability, resource based view and behavioral perspective.

Results of our study fully supported our all four hypotheses. We found that Flexible HRM enhance innovative work behaviors in the employees which in turn lead the organization towards enhanced firm innovativeness. Results also proved that our mediator is a good mediator which actually mediates the relationships between flexible HRM and firm innovativeness.

Results depict that FHRM positively and significantly impacts Innovative work behaviors (H1 proved, Research question 1 answered). So it shows that if organizations increase their flexibility in HRM in a way that they diversify and versatile their employee's skills, behaviors and functioning such that they could adapt and deal with changing requirements so it will then enhance the innovative work behaviors of their employees. Their employees will more able to generate, promote and realize new, creative and valuable ideas. Furthermore, Innovation depends on the innovative work behaviors, as our results show that Innovative work behaviors positively and significantly impacts Firm innovativeness (H2 proved, RQ2 answered) which is consistent with previous studies (De Jong & Den Hartog, 2010). So based on that result it can be said that when employees show innovative behaviors at work place then organization is better able to perform innovatively in both external and internal environment. They will be more able to bring timely new products, modify their rendered processes and change their administrative works in a valuable manner.

Moreover, the study results also show that Flexible HRM positively and significantly impacts Firm innovativeness (H3 proved, RQ3 answered) which is consistent with previous studies (Martínez-Sánchez, 2011; Chang & Gong, 2013). However as compared to previous studies, impact of FHRM on innovativeness in our studies is relatively higher. Further, results show that the innovative work behavior mediate the relationship between FHRM and Firm innovativeness (H4 proved, RQ4 answered). Basically our study fully supports the argument of Mumford (2000) that "ultimately innovation depends on generation of new and valuable ideas generated by employees and HRM can enhance this creativity among employees".

Our results demonstrate that Innovative work behavior has the largest mean while Process innovativeness which is the sub dimension of firm innovativeness has the lowest mean. It shows that managerial employees of High technology company believes that their employees have high level of innovativeness in their behaviors, they generate, promote and realize new ideas but their organizations have relatively less focus towards making innovations in their processes.

Findings of this empirical study have some implications for the organizations. Managers of the organizations have to realize the importance of flexible human resource management. They need to understand that to be innovative they should mold their human resource management as flexible. It will help them to produce a pool of innovative employees whose behaviors will depict urge for idea generation, promotions and realizations, these behaviors will take the firms towards high innovations. By that it means they will be more able to produce new products, processes and innovate their administrative works.

The study also has its limitations. First limitation in our study is that our study is relatively narrow in a sense that it highly focused on proving the relationships between variables and does not involved demographics information in the relationships testing, so future researchers can involve demographic information in the relationships testing such as comparing the responses of top managers and middle managers or even compare the responses of different sectors separately.

Secondly our study involved only main hypothesis and did not included any sub hypothesis. Future researchers can develop and test the sub hypotheses by involving the sub-dimensions of the variables as well.

Thirdly, we selected the high technology companies which are fast and flexible, future researchers can test it using the slow and status quo loving companies to check whether their non-flexibility in HRM impacts their innovative performance.

Lastly there are some firm level factors (i.e. organization culture) which might affect the relationships, so interested future researchers might test it by taking the moderator in the study.

Flexible HRM being relatively new construct attracting many researchers in the recent time. As explained earlier that little is known about which HR practices shape innovation, our study proved that it's the Flexible HRM which foster the firm innovativeness through the mediation path of innovative work behaviors.

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The Training of Technical Staff in Libyan Industrial Companies: Issues in Training Needs Analysis

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ABSTRACT

By implementing Training Needs Analysis (TNA), organisations can improve the training need-identification process and minimise the influence of social factors on nominations for training; such as kinship and friendship, which makes the managers exercised mediation "wasta" and favouritism when they perform their tasks. Therefore, paper presents the results of an investigation into current TNA practice in Libyan industrial companies (LICs), including the barriers that prevent its successful implementation and how it might be improved. A qualitative approach was adopted in collecting data by means of semi-structured interviews with 17 senior managers in two selected companies. The findings show that training needs are mostly identified through an analysis at the individual level only and that no consideration is given to organisational or operational levels. The paper contributes to existing knowledge on the application and effectiveness of TNA in industrial sectors by specifically investigating the implementation of TNA in the Libyan industrial context; it offers ideas and insights to those responsible for training in LICs to improve their understanding of the role of TNA and how they can manage the TNA process to help develop their employees.

KEY WORDS

training needs analysis, Libyan industrial companies, libyan iron and steel company, National cement company, methodology, interviews, senior managers

JEL Code: M12

1 INTRODUCTION

An organisation's success is dependent on many factors, both internal and external. A key internal factor is its employees', the ability to perform consistently at a level which is high enough to ensure the successful completion of all set tasks. Rapid changes in the economic environment have a potential impact on employees' skills requirements and related with ongoing technological advancements which are needed to have highly skilled staff. In a study carried out by Grais and Al-Habaibeh (2011) found that some Libyan companies are still facing many problems concerning maintenance activities of assets. This study suggested a new framework for Total Productive Maintenance (TPM) with identifying four key factors (motivation, training, internal factors, and external factors). Therefore, for implementing overall maintenance, companies should take into consideration those factors which including training. That the ability of any organisation to achieve optimum performance depends on the extent to which the skills, knowledge and attitudes of its workforce match the task requirements and organisational objectives. The importance of training for boosting an organisation's performance, expansion and profitability has long been acknowledged and the need to incorporate the training element in any organisational climate is being increasingly emphasised (Cosh et al., 1998; McClelland, 2002; Ghufli, 2014). Training is now seen as a vital part of the process of organisational development (Tung-Chun, 2001), but if it is to achieve the desired results, it needs to be tailored appropriately. This means considering identifying the desired effects on the behaviour, knowledge, and abilities of the recipients. Training employees effectively is not an easy task; several issues must be considered when designing and implementing training programmes. Training needs analysis (TNA) is crucial to the training process as it allows for consideration of these issues and maximises the chances of the training being effective (Goldstein & Ford, 2002; Salas & Canon-Bowers, 2001; Tung-Chun, 2001). This paper seeks to discuss the following questions: How is Training Needs Analysis (TNA) currently being conducted in the LICs? What are the barriers that hinder best practice? What needs to be done to make the TNA process more effective in the Libyan context?

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2 TRAINING NEEDS ANALYSIS

Identifying training needs is of utmost importance in any organisation. The process is usually based on an in-depth performance assessment, which considers a range of factors, including the company's mission objectives, the skills and knowledge of its staff, production, raw materials, and costs (Brown, 2002). The chances of the company receiving a return on its training investment are increased if it takes a systematic approach; that is, if it follows a series of formal steps when training and developing staff. The identification of training needs is the first of these steps; it is particularly vital (Som & Nam, 2009). As without it, it is difficult to determine whether training programmes have been properly designed (Anderson, 1994; Bowman & Wilson, 2008; Goldstein, 1993). According to Miller and Osinski (2002), a "need" can be conceptualised in various ways, but in general, it denotes a gap between what is currently available and what is currently required. Armstrong (1996:536) states that: "Training needs assessment is partly concerned with finding the gap between what is happening and what should happen. This is what has to be filled by training". The assessment aims to indicate the direction of the training, the personnel to be trained and the training content (Holden, 1991; Wexley, 1984). Thus, training needs diagnosis mainly involves gathering and analysing information. It has been suggested by some researchers that this investigation is more effective if it employs a range of techniques such as those based on both quantitative and qualitative data simultaneously (Leat & Lovelle, 1997; While, et. al., 2007).

TNA has been defined in several ways. Rossett (1987:3) put forward that with the use of relevant and appropriate data collection methods (e.g., surveys, interviews, and observations), training needs assessment can help to identify specific organisational issues while also identifying those that require some form of training solution. This is usually achieved by designing appropriate training interventions based on the gathered empirical data. Furthermore, according to Tracey (2004:457), training needs assessment incorporates the investigation of many ways in which instructional and informational schemes as well as materials can be designed and developed following the identification of a need to do so with the help of a performance analysis. Since "needs analysis" is more commonly used in the literature and the most familiar term to most training professionals this term is used in the current research.

TNA is only successful and beneficial process to organisations if the content of the training matches the identified training needs (Van Eerde et al., 2008). It is therefore vital that in the course of TNA, managers employ the information-gathering methods that will best allow them to identify the skills employees most need to develop (Shehu & Akintoye, 2008). In this way, TNA plays a crucial role in the development of both workforce and managerial skills (Liska & Weldzius, 2000; Pappas, 2004; Marzouk, 2009).

2.1 TNA Theoretical Framework

Numerous training theorists have pointed to the importance of TNA from both past and current literature (e.g. Goldstein & Ford, 2002; Salas et. al., 2001; Taylor & O'Driscoll, 1998; Reid & Barrington, 1997; Nelson, et. al., 1995; Wright & Geroy, 1992; Ostroff & Ford, 1989; Boydell, 1976; McGehee & Thayer, 1961). Inspired by the well-known tripartite-level of TNA, the O-T-P model adopts a very systematic approach to needs analysis, and this has allowed decisions about training needs to be taken on a basis of integrated macro into micro analyses. In other words, the model engages in analysis across various levels, moving from an emphasis on one individual employee (micro level) to the whole organisation as a system (macro level). In doing so, it allows the model to capture even minor changes within the organisational setting which could have an impact on training effectiveness. Hence this model is strongly founded in the evaluation of training needs to satisfy both organisational and task/job needs in line with the specific needs of the individual employee (Clarke, 2003).

In general, training needs analysis, as the first step in the training process, seeks to identify those performance gaps that can be remedied by training. It employs "surveillance, investigation and data analysis" (Tracey, 2004:678) to establish the organisation's current and desired performance levels, focusing particularly on the abilities of its staff and their support network. More recently, Denby (2010:148) explains that: "TNA will help an organisation to target specific business issues through designing bespoke training solutions".

TNA helps companies to ensure that they will get a good return on their training investment and enables them to avoid making errors in their training programmes (Elbadri, 2001). Nevertheless, as highlighted by Arthur et al. (2003), research on training with a specific focus on TNA is relatively limited and not enough is available in the literature, hence providing further support for the conduct of the current study to address this issue. Another motivation for the current study is the use of a theoretical framework in an endeavour to develop a better understanding of TNA (Mathews et al., 2001). Over the last three decades, both training theorists and researchers have repeatedly expressed concern about the tendency of organisations to make training decisions on an ad hoc basis rather than in accordance with a systematic approach. Surveys have shown that recommendations put forward by researchers are not being implemented and that a gap remains, even today, between theoretical assumptions and practice in the workplace (Taylor & O'Driscoll, 1998). Latham (1988) explains that this situation has arisen because of both theory and research failing to influence practitioners.

2.2 The Current Study

The main aim of this study is to investigate the training needs analysis and possibility of implement appropriate model to the Libyan industrial companies. Also, it aims to discover the problems facing those companies in Libya when you perform TNA process and identifying the key factors to improve the training activities performance. The main objectives of this study are to discuss the following three points to contribute to existing knowledge. They can be summarised as follows:

- a) To explore current TNA practice in Libyan industrial companies (LICs).
- b) To identify any barriers that hinder its successful implementation.
- c) To investigate ways in which TNA might be improved.

3 METHODOLOGY

Since the aim here was to explore in-depth current TNA practices in Libya, a qualitative research approach was adopted whereby semi-structured interviews were deemed as the most appropriate data collection method.

Research Design

This method was also chosen because it has been used with great success in Arab organisations, where managers often prefer to talk rather than to write and complete questionnaires (Altarawneh, 2005). Saunders et al. (2007) define an interview as a purposeful discussion between two people or more. In this study, the purpose of these discussions was to investigate current practices and barriers to TNA in LICs; the semi-structured format was used to guide the discussions, while open-ended questions allowed the interviewees to make the points they saw as significant and relevant. By incorporating a qualitative approach, that provide the researcher with the opportunity to explore the participants' perspectives, by adopting an 'insider's perspective', where the managers would be considered as being the experts in understanding and implementing TNA in their organisation (Berg, 1998).

The managers' participants were selected by the recommendation of the "Board of Directors" on the grounds that they have information which is not available to the rest of the workers and they are actual participants in training activities.

Participants

As shown in Table 1 below the interview sample comprised of seventeen managers (those responsible for training) from two large companies in Libya: nine from the Libyan Iron and Steel Company (LISCO) and eight from the National Cement Company (NCC). All the participants were approached through arrangements between the researcher and the managerial team in all factories.

Procedure and data collection

Prior to the conduct of the interview, a pilot study was conducted with three participants to check the timing of the interviews (1:15 minutes each) and to ensure that the questions were easy to understand. After gaining the informed consent of the participants in writing, all the interviews were carried out in a quiet room in both companies. A list of open-ended questions was asked in relation to the following: the companies' background; human resources development and organizational structure, plans, policies and strategies (e.g., participants were asked to state the body responsible for HR development and training within the company); needs analysis processes (e.g., the sample was asked whether or not the company distinguishes between technical, professional and behavioural skills when doing training); and the analytical methods of training needs (e.g., participants were asked to put forward some suggestions to improve the methods used for specifying needs). Seven of the interviews were recorded on tape, with notes being made on the remaining ten. At the end of each interview, the interviewee was given the chance to talk freely about their views and attitudes towards TNA. This allowed the participants to engage in more thinking in relation to their previous responses and even provided an opportunity to highlight any issues which were not raised in the semi-structured interview.

Table 1: The interviewees based on company and position

N	Company Name	Management Level		Total
		Senior Management	Middle Management	
1	Libyan Iron and Steel Company	4	5	9
2	National Cement Company	3	5	8
	Total	7	10	17

Data analysis

After the interviews, had been transcribed, the data was subjected to thematic analysis. This is an analytical method that allows the researcher to extract themes or ideas from a given text; these themes are linked to the research questions and main objectives (Braun & Clarke, 2006). The main purpose of this analysis is that it allows the representation of the participant's own perspective through his or her account of experiences, beliefs, and perceptions (Park, et. al., 2004); in this case, the all top managers of both companies.

4 RESULTS AND DISCUSSION

Following the thematic analysis, six main themes emerged: planning training; conducting TNA; methods of identifying training needs; improving methods for specifying training needs; providing training; and opportunities and challenges. The qualitative results are presented in the following six sections and each section outlines the main findings in detail. Moreover, these findings are also discussed in accordance with past literature on this topic. An overall conclusion is also included along with a list of recommendations for Libyan companies to take into consideration to improve the training need process.

Planning training

Eight of the seventeen participants explained that the major reason for setting up training for technicians in the company is that there is a perceived need. i.e. that the training plans are set according to the needs of the technical and other departments. In both companies, determining these needs is the job of the training department, which generally presents potential training plans in its annual reports or via a special committee. One participant suggested that training plans are produced: "...according to the annual suggestions by the various executive departments". More specific reasons for putting training plans in place include: "...any changes or adjustments that may arise in terms of the job description, or upon new employees joining the existing workforce, or advanced technologies and modern practices being introduced into the company". The regulations of training highlighted the basics of preparing the plan; set the project of annual training plan, the proposed budget, including the training and academic courses, symposiums, and conferences inside the country or abroad, the regular study in the Training Centre. This project should be approved by board of directors in September each year. The plan shall be put into action for example, from the 1st of January up to end of December.

Five of the participants stated that their company demands constant improvement in all sectors; training is geared towards improving employees' skills as this is a way of raising overall productivity. *"The company decides whether to pursue training or not based on the need; if there is a need, there is training. Certainly, the company does not do training for the sake of it; there is generally a reason behind it, be it improvement of productivity or catching up with developing technologies"*. These findings find support in previous empirical work by Cosh et al. (1998), McClelland (2002) and Ghufli (2014) which also emphasised the importance of incorporating training interventions in organisations to improve their performance, expansion, and profitability.

In contrast, two of the participants claimed that their company carries out training regardless of need; they suggested that some of the training is unnecessary and does nothing to improve the company: *"Although training is needed, many of the courses are unnecessary, but they are conducted anyway, so to say training is done based on need does not tell the full story. Some courses are pointless; there is no preparation or rationale behind them"* This means that there is no relationship between training and training needs. Similarly, Tung-Chun (2001) also recognised the importance of including training as a vital element of organisational development. However, the author also pointed out that to achieve the desired outcomes, such training must be tailored appropriately and in accordance with the needs of the company. As in the current study, although the importance of training is well recognised, there still seems to be a lack of training needs assessment to suit the purpose of the training put into place. That is, according to the above participants, there does not seem to be any attempt to identify the desired effects of the training on the behaviour, knowledge, and abilities of the employees; a prerequisite of any training intervention within an organisational setting (Tung-Chun, 2001). The absence of a training needs analysis (TNA) limits the chances of the

training being effective (Goldstein & Ford, 2002; Salas & Canon-Bowers, 2001; Tung-Chun, 2001). In other words, further research needs to be undertaken in relation to the assessment of the effectiveness of its implemented training scheme. In emerging markets, there is a shortage of skilled staff due to intense competition between companies in all economic activities (Newburry et al., 2014), whereas employee development is not necessarily limited to any specific job (Noe et al., 2014).

It was evident that in most cases, training is performed in response to perceived need, though most of the participants were unable to articulate what these needs are in any detail. This suggests that they may not be fully aware of the many reasons why companies should train their staff. In fact, research by Hassan, et. al., (2005) has shown that for any training to be effective, it must be based on the actual needs of the employees in this context, Jamil (2006) mentioned that the role of TNA is to ensure that the training is only provided for the eligible employees, as training is considered training when the needs of the employees are met otherwise it is not as effective. Based on the responses of the participant's a thorough and accurate assessment of actual rather than perceived needs seems to be lacking in the two Libyan companies investigated in the current study. In fact, whether these findings would also be reported in other Libyan companies would be worth investigating in future research.

Conducting TNA

Most participants had some experience of setting up training and analysing training needs, with more than half reporting that they had three or more years' experience in this area. This suggests that they should be familiar with the TNA process, but this was not evident in their answers, which gave little detail about the process of specifying training needs. Similarly, Alkinani (2013) reviewed the current literature on TNA in Arab countries and noted that most companies still struggle in relation to the adequate and accurate identification of staff training needs. In particular, Ghufli (2014) referred to a few researchers such as Al-Khayyat (1998) & Al-Faleh (1987), who observed that Arab organisations tend to suffer from some significant professional deficiencies such as no job descriptions, a lack of clear performance appraisals, and a rather undefined and unsystematic way of assessing development needs of employees. Therefore, based on these past research findings, it is of no surprise that the participants did not seem well equipped enough to address the process of specifying training needs. Having said that, this remains a significant organisational issue as shown by the findings of the current study.

Training needs are usually identified on an annual basis, following team meetings and annual reports and assessments. One participant explained that in his company, training needs are initially identified by the line manager, then passed on to the factory manager and then forwarded to the Human Resources department. Managers are responsible for nominating the employees to be trained (for example, new recruits to the company). *"The process of determining the training needs is carried out by the line manager, according to an application presented by the Productive Workforce department, in which trainees are nominated and the required training stated"*. Others explained that training needs are first identified by supervisors. Therefore, based on the above findings there seems to be a lack of a clear approach concerning the process of identifying training needs in the selected companies. However, this might not necessarily be an issue of great concern since according to some management scholars there can be a range of different formal and informal sources involved such as the senior management, the immediate supervisor (Mathews et al., 2001), trainers (Chiu et al., 1999) and trainees (Sims et al., 1989). According to Mahfod (2014), at the task level, TNA requires systematic gathering of information about a specific task, or set of tasks, in an endeavour to determine the knowledge, skills, and attitudes necessary for certain aspects of a specific job to be completed and, he pointed out, individuals vary in terms of their strengths, weaknesses, knowledge, skills, and aptitudes. As such, examining the nature and type of employees in need of training at an early stage during the process helps to boost the effectiveness of the organisation.

The company needs to be convinced that training is crucial to the productivity and development of personnel, so managers (or supervisors) are then required to investigate and collect information to justify the training. *"The basic rule in training is to see whether it is needed or not. This might be suggested by a manager or a supervisor who might think certain individuals should be trained, or that certain machinery will work better if training was provided. Following that it is the job of supervisors to survey and investigate if such training is needed."*

Three participants stated that the training department prepares a plan, covering everything from the type of training required to duration and cost, which it puts forward to the decision makers who are usually the senior managers. *"The HR department needs to show a full plan, based on evidence for the need. This plan, which should be comprehensive, is then put forward to senior management"*. If the plan is approved, the HR department takes over responsibility for delivery of the training. In fact, five participants saw this as the last step in the training process which draws attention to the important role played by HR in this domain: *"Deciding the courses or training and approval thereof is generally followed by the implementation and delivery of training, and that also falls within the responsibility of the HR department"*. In fact, based on past literature, HRD has been shown to be closely connected to, if not even defined as *"training and development"* (e.g., McLagan and Suhadolnik, 1989; Swanson, 1995).

However, two of the top managers were critical of the HR department's performance in this regard, arguing that training decisions are sometimes based on poor surveys and therefore inadequate knowledge. They felt that the HR department should be more professional: *"They know their role, but I am not sure that they reach the desired standards; there needs to be professionalism when taking training decisions"*. As such, it seems that HR and the management section were not working in parallel in this domain. It has been previously noted that for HRD to be effective in the Libyan context and to yield productive organisational outcomes, it is essential to build a partnership between governmental, educational and hotel sectors through workforce planning (Naama, et al., 2008). Perhaps this is a potential partnership to advocate in Libyan industrial companies to bridge the gap between HR and the management sector. This could be further explored in future research.

Methods of identifying training needs

The survey seems to be the method most often used by participants to identify employees' training needs. Questionnaires are the most common instrument, but performance reports (by supervisors) are also employed to indicate training needs: *"...through questionnaires and the opinions of the immediate or line managers"*. Interestingly, it was highlighted that these methods lack a critical approach, and that no mechanism exists to refine them: *"...ordinary routine methods, perhaps without much of a critical approach"*. It has been previously documented that questionnaires tend to be quite general and mostly applicable in TNAs with less specific goals and objectives, which can in turn undermine the accuracy of the assessment of the training needs of the organisations (McClelland, 1994). Such could possibly be a plausible explanation for the above observations made by the respondents of the current study.

The two companies also draw on annual reports and direct communication with supervisors and line managers to identify training needs. This is an interesting finding as some researchers have indeed pointed out that training needs identification is more effective if it uses more than one techniques in particular those based on both quantitative and qualitative data (Leat & Lovelle, 1997; While, et. al., 2007). Furthermore, in line with Shehu and Akintoye (2008), the TNA process should specifically underlie those information-gathering methods that will best allow managers to identify only those skills that employees need to develop the most (Akintoye, 2008). Perhaps in the current study the participants felt a gap between the tool selected for training needs identification and its perceived effectiveness.

With regards to the question of who makes the training decisions, five participants stated that the process for specifying training needs is mainly determined by line managers or supervisors because these people are best equipped to decide who needs training and who does not (implying that they also choose the candidates for training). Two participants explained that training is sometimes suggested by senior managers and then assessed for suitability by line managers: *"Supervisors are the best people to suggest the needs and propose them to senior managers, but at times the opposite happens. But it all depends on what the employees need and what improves their skills"*. Three of the participants provided generic answers, saying that training needs are decided in committee and that line managers have no say: *"Simply, training needs are decided in committees that sit a few times a year; they discuss them and decide there and then"*. Again, in line with previous findings reported in this study there does not seem to be any specific approach concerning making training decisions.

When asked whether they follow a specific training needs analysis technique, none of the participants said they adhered to any technique. *"I do not know whether we actually follow any technique, all I know is that we base training on productivity and efficiency; if training is needed, we conduct it. So, specifying the needs is decided based on supervisors who make judgements and proposals and the final decisions are made by the senior management committees"*. Another participant explained that the company's training policy does not stipulate the use of any specific technique, and this can lead to randomness and confusion: *"Certainly we do not follow any technique; if we did, it has to be written in the training policy. But maybe that explains the confusions often faced when deciding on training needs"*. At the extreme, one participant stated that in some areas, the same training is conducted annually, regardless of need. For example, he explained, simple training in basic computer skills is done internally without regard to its potential usefulness: *"Sometimes training takes place by default, whether there is a need or no need"*. These findings further reinforce the point made by Taylor & O'Driscoll (1998) whereby over the last three decades there has been concerns raised with regards to the tendency of organisations to make training decisions rather randomly without making use of a systematic approach, which also seems to be the case of the two companies investigated in the current study.

Improving methods for identifying training needs

When participants were asked how the methods for specifying needs might be improved, they made several suggestions. They highlighted the need for a separate training department instead of to follow the general management of HR as in LISCO or the management of productive forces as in NCC and argued for better evaluation of training courses and for educating employees about the importance of training. In fact, Iqbal (2011) postulated

that when conducting basic TNA, it might be good to allow employees to select the best way to meet their needs using their own judgement. This could help them in terms of feeling more empowered and active in resolving issues that they could have encountered following training (Schneier, et. al., 1988). Perhaps a similar and hence more active approach towards training needs specification would have been useful in the context of the two current Libyan companies.

They also wanted to see more scientific approaches being employed in TNA, and courses on TNA being offered to practitioners. They felt that those responsible for training need to be educated and trained themselves on what is the best way to determine training needs. Altogether, the above findings draw attention to the existing gap between theoretical assumptions and practice in the workplace (Taylor & O'Driscoll, 1998). As Latham (1988) explained, such could be the result of both theory and research failing to influence practitioners; as could possibly be the case of the two Libyan companies in the current study. With regards to Arab countries it has been observed that needs assessments are mostly based on *"wants rather than true needs"* (Aagnaia, 1996; Atiyyah, 1993; Al-Madhoun & Analoui, 2003; Altarawneh, 2010; Abu-Doleh, 2004). Such an approach can perhaps indeed explain the various discrepancies observed by the participants in this study.

Providing training

Participants stated several different reasons for offering training. Six participants said that the main reason for training is the adoption of new technology or equipment: *"Certainly there is a need when we buy new technologies or equipment for the factory"*. Interestingly, Denby (2010:147) stressed the need to consider training beyond its traditional purpose (as reflected in the above findings); that is, not restricted to just *"teaching"* new skills to employees and/or assisting them with regards to how they can *"do things better"*. However, whether this could have also been a major issue for the participants in the current study is still unclear. Five highlighted that the recruitment of new employees is a major reason for training, and this is normally done when they start work: *"I know that every new employee has to go through basic training depending on their capabilities"*. Another participant explained: *"Generally, we conduct training for those who are newly hired, and when we bring new equipment and mainly we think that training can lead to more productivity"*. As documented by Yaakub (1996), the right training can empower new employees in developing a very good understanding of their job requirements, and much quicker than if training was not provided. Three participants said that training is offered when employee evaluations show a gap in knowledge which is leading to underperformance: *"I actually decide or base my training needs analysis on how poorly I see employees perform; if that is the case, then I will nominate them for training"*. It has been previously recognised that indeed training can certainly positively affect the individual level, especially in relation to boosting employee productivity and loyalty (Yaakub, 1996) as well as their productivity (Clarke, 2003).

Two of the participants stated that there is a need to continually stay competitive in the market and thus, training is needed to update skills and knowledge: *"We live in a competitive environment which means that employees need to be constantly trained to meet such competition"*. Another participant explained: *"Sometimes the company has to adjust the methods used at work so training is provided; also, it is based on the assessment of managers"*. As explained by Syed et al. (2011), the importance of training cannot be undermined in industrial sectors since it enhances the development of human resource; perhaps a main reason as to why companies are investing massively to benefit from a highly equipped human asset. On the other hand, companies do not seem to offer training to promoted employees or when creating new work opportunities due to changes in technology and methods of work: *"...some well-known reasons for training, but I think newly promoted employees and new work opportunities do not receive training"*. This result may be needs more investigation through further research as there seems to be still gaps in knowledge in relation to why sometimes training is still not provided even if there is some form of change in the organisational setting. Thus, before the organisation can proceed to training it must conduct the process of training needs analysis, it's prerequisite steps is considered important to help in designing and implementing training programs (Bin Arshad et al, 2015).

Difficulties and challenges

In terms of the difficulties of assessing training needs, six participants felt that the main problem is managers' lack of experience. As one participant explained: *"There is a significant lack in terms of identifying training needs due to lack of experience. In other words, these needs are not studied well. In addition, there are hardly any specialised training centres"*. A study by Tlaiss and Krauser (2011) found that *wasta* (aspects of social networking or connections) is a key ingredient with regards to the career success of managers in the Middle East. In comparison to the West where social connections are usually relied upon to assist people, *wasta* in the Arab society seems to be deeply rooted in their culture and hence has an impact on the career success of managers. As such, the prevalence of *wasta* in the workplace Middle Eastern culture clearly highlights the importance of informal work relations and strong family connections (Metcalf, 2006). Therefore, may the *"wasta"* is considered the alternative way to ensure work effectiveness whereby Middle Eastern managers assign more importance to this

rather than formal training and rehabilitation. Such a theoretically based the argument could be empirically investigated in future research.

A further difficulty (cited by three participants) is that employees themselves do not realise how important training is to their ability to perform their jobs well. *"Some employees are not willing to participate, in addition to the limited number of training programmes"*. Two participants explained that some employees do not wish to leave their families for offsite training courses: *"Employees at times do not care about training, and that is a major difficulty, especially if it is far from the workplace"*. Three others spoke of employees as having a negative attitude towards training: *"Employees at times do not like to participate in training, especially if they think it is difficult or not convenient"*. Two of the participants suggested that this is because training is perceived as boring by employees, while two others argued that their attitude is explained by the fact that they are not involved in choosing the training courses: *"At times, employees just attend courses that are pre-designed by others and that explain why they dislike attending them"*.

Others saw managers and supervisors as being mainly to blame. Three participants said that they do too little to help employees appreciate the value of training, and that they need to put more effort into promoting it: *"Employees need to be encouraged to attend training and help with specifying the training needs"*. In line with the above findings, past research has noted cases where many industrial sectors indeed do not always benefit from their heavy investment in training, which perhaps is the result of a lack of clarity in relation to the identification of their internal needs, which subsequently leads them to find it difficult to design and implement the most suitable training and enhancement scheme for the organisation (Denby, 2010). It could be argued that managers must ensure that the importance of training is clearly conveyed to the employees to maximise the likelihood that the organisation as a whole is in a better position to experience the benefits of its training programs.

Five of the seventeen participants stated that their company has appropriate indexes of performance related to crucial factors of success in the form of annual/periodic reports: *"The company depends on the number of evaluation elements in the annual reports, which are general items, in addition to leadership evaluation and vocational assessment"*. However, three participants stated that their company either has no such indexes or that there is no follow up after training. They highlighted this as one of the main problems: *"Unfortunately, there are no written indicators according to which employees' performance is evaluated. Evaluation is carried out based on the criteria stated in the annual report"*. Overall, it seems that participants have little awareness on the indexes provided to assess performance and to choose annual reports as the best indication. Therefore, there seems to be a lack of a predetermined standardised procedure in relation to performance assessment both within and across the companies. This raises an issue that needs to be addressed in the Libyan industrial sector if the government aims at improving performance assessment regardless of the nature or type of company.

5 CONCLUSION AND RECOMMENDATIONS

This paper contributes to the debate literature by supporting existing available evidence on this topic and sheds light on novel issues which have not yet been explored such as mediation "wasta" and effectiveness of the TNA process and, how do we determine the right person for the right training. It presented the results from interviews with seventeen participants about current TNA practice in LICs, the challenges facing its implementations and how the process can be made more effective. The analysis shows that currently, training needs analysis in the selected companies is limited in several ways:

1. The companies do not design their own training programmes, but select programmes from lists offered by other local and foreign companies. These programmes are discussed with training specialists and an annual plan is prepared and presented to top management for approval.
2. There are no clear criteria for identifying needs for training programmes at home or abroad, and training is not linked to rewards or incentives. The process of identifying training needs for individuals is primarily influenced by economic factors.
3. No distinction is made between technical/professional skills and soft skills; there is no focus on amending individuals' behaviour.
4. At all levels, there is an apparent lack of awareness and understanding of the issues surrounding the identification of training needs, training implementation and training assessment.
5. Social relationships, kinship and friendship unduly influence the TNA process.
6. Since the clear majority of managers in these companies have no idea how to analyse of the performance to know the individual skills, knowledge, and abilities for employees, they are unable to assess his training needs by analysing his skill and knowledge in the performance of his duties.
7. Neither of the companies in the sample has a formal policy on needs analysis; training decisions are made on an ad hoc basis or in response to nomination by supervisors. In other words, these companies pay no attention to the analysis of the three levels integrated prior to the design any of training programmes.

This lack of focus on the organisational and operational levels can give the impression that the process of assessing needs was not properly implemented. Consequently, this certainly does not help much in designing training programmes that meet the actual needs of the technical staff and helps to achieve the desired objectives of the training.

The results of this study are useful as they provide a starting point for designing a TNA model to enable LICs to improve their training activities so that they are better able to improve their performance and hence their local and international competitiveness. Furthermore, research in this area is still maturing hence the findings of the current study are valuable since they can direct future research towards identified gaps in knowledge.

Furthermore, from the research conducted the following recommendations are proposed to help the selected companies address the problems associated with the TNA process and improve their training programmes:

1. They should recruit qualified, skilled specialists in needs analysis and training and make training managers part of top management.
2. More stringent procedures should be put in place for recruiting employees, along with clear standards for appraising performance and a suitable reward/incentive system.
3. Everyone in these organisations should have a clear job description, so that the companies can determine the training gaps between employees' current skills, knowledge, and abilities and what is required to achieve company targets.
4. Training needs analysis should be a systematic process that links training needs with the organisation's evolving strategies, plans and policies.
5. It may be appropriate there to be a productive relationship in training programmes between the Libyan government and the industrial sector in Libya.
6. There is a dire need to acknowledge the dearth in research on Libyan industrial companies and hence an empirical insight into the training situation of these companies would be desirable not just to develop an understanding of its work climate and training effectiveness but also to engage in some form of comparison between industrial sectors in Libya following the findings obtained from the current study as well as with the help of future research aimed at addressing the aforementioned gaps in knowledge.
7. As previously reported by Bowman & Wilson (2008), that the existence of a clear and transparent approach to the TNA process may help to boost trust in that process and the organisation. While also encouraging the HR sector and other managerial sectors to promote a nomination process for training. Such would also be a prerequisite for the effective and collaborative functioning of Libyan companies bearing in mind that they tend to operate under influence the mediation "wasta".
8. The role played by HR in Libyan industrial companies could be further advocated with an aim of filling in any existing gaps in communication between the managers, employees and any other personnel involved in the training process.

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Human Resource Management Practices and Organizational Performance: Evidence from Japanese and US Subsidiaries/Joint Venture in Bangladesh

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ABSTRACT

The purpose of this research is to examine the conditions of home and host country culture as well as country of origin effect of HRM practices and its result on organizational performance (OP). The empirical findings showed that Japanese and U.S subsidiaries and joint ventures adapt localization practices with their modifying home host technique with the local business environment. The findings recommend that managers in the US and Japanese subsidiaries and joint ventures in Bangladesh are more strongly influenced by its host country's national culture (as an adoptive host country national and corporate culture). Finally, it can be stated that foreign subsidiaries and joint ventures are trying to achieve the location advantage to create a particular type of HRM practices, with a combined and confined HRM practice that can fit for better organizational performance.

KEY WORDS

HRM practices, organizational performance, Japanese and US subsidiaries and joint ventures, Bangladesh

JEL Code: D12, L25, M51, O15

1 INTRODUCTION

Due to the rapid change of globalization, new technology, the mobility of human resources and cultural issues, managerial power and human resources management (HRM) practices also have been improved dramatically (Brewster & Tregaskis, 2003; Dowling, Welch & Schuler, 1999; Edwards, 1998). The principle of convergence is identified by the different theoretical concept of divergence/ convergence involving to the country and local framework, including enlightening variables, rigid environment, labor market attributes, skills supply and level, and industry formation (Porter, 1987). These may bind or aid accomplishment of strategic HRM practices. Although there is some variety of organization and potential analysis, e.g. 'organizational effectiveness' and 'high dedicated work cultures,' all these systems may help to improve an organization's performance. Insufficient concentration is given to the significance of organizational framework and enabling/disabling organizational factors (Jackson and Schuler, 1995; Marchington and Grugulis, 2000).

In the field of institutionalization approach is represented by the 'business systems' tactic (Whitley, 1992, 1996, 1999), the societal effect method (Maurice, 1979; Sorge & Warner, 1986) and, more recently, the analysis of 'varieties of HRM practices (Hollingsworth & Boyer, 1997; Kitschelt et al., 1999; Hall & Soskice, 2001). Both the cultural and the various materializations of the institutional approaches found modest extent for the cross-national merging of management practices. A country repeatedly referred to in this context is Japan. Its management representation and in exacting its HRM model has, at least until newly, been frequently depicted as very diverse from -style management, yet determined (Dore 2000; Kono & Clegg, 2001; Ouchi, 1981; Vogel, 1979). Though, significant and persisting differences in management methods have been recognized yet in the middle of countries, mostly involving the US and Europe (Brewster & Bournois, 1993; Brewster, 1995; Guest, 1990). Katz & Derbyshire (2000) examine an increasing convergence of various patterns of HRM practices among industrialized countries, simultaneous with the growing divergence of employment practices inside each country, a reality they call converging divergences.

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However, earlier research has also exposed that national cultural and institutional characteristics bound the transfer of HRM practices (Beechler & Yang, 1994; Ferner, 1997; Schuler & Rogovsky, 1998; Khilji, 2003; Myloni et al., 2004). One clear reason for a country getting the position of a leading model is better economic performance. More explicitly, if the strengths of a winning economy are concerned in industries which are characterized by intense international opposition – for example, complicated mass production sectors like automobiles and electronics – the consideration and the willingness to learn from it will be unusually high. Such industries are frequently the key point for important ‘best practices’ and the place where global standards of management practice are set. Taylorism, or ‘scientific management,’ has been the most famous example for a management notion claiming general authority. Other examples are inclining production, kaizen, re-engineering and management by objectives. According to Smith & Meiksins (1995), the USA and Japan are most commonly denoted to as role models, “as they present ‘best practice’ ideas from which other societies can borrow and learn.” As economic performance and development pathways vary over time, however, the role of a ‘leading’ economy also swaps among countries. In the 1950s, 1960s and most of the 1970s the American management approach was evidently dominant, and there was a common expectation that it would increase around the world, gaining function in many foreign countries. One principal arbitrator in diffusing ‘best practices’ internationally are MNCs as they are calculated to be mainly efficient in transferring information across national boundaries (Bartlett & Ghoshal, 1989). Therefore, in this study, the dominance effect is defined as standardization around management practices that are usually apparent as signifying ‘best practices.’

2 HOME AND HOST COUNTRY CULTURE AND HRM PRACTICES

For the period of the last few years, companies have been moved to a competitive environment. It has been argued that human assets are a promising source of spirited advantage for MNCs (Bartlett & Ghoshal, 1991; Schuler & Rogovsky, 1998). HRM is developing from being just a sustainable meaning to one of tactical significance (Teagarden & Von Glinow, 1997). Bartlett and Ghosal (1991) have shown that HRM policies and practices are very crucial for international operations because it is one of the primary mechanisms. Principles and HR systems help to shape organizational culture and the people who control within and pressure that culture; and MNCs therefore, try to move their HRM practices abroad. Conversely, it has also been argued that HRM constitutes a significant restraint when MNCs try to implement global strategies (Adler & Bartholomew, 1992). HRM can be seen as the component of the overall policy of the organization. Perlmutter (1969) shows that an MNC has three strategic choices: ethnocentric, polycentric and global. However, it’s hard to provide specific reasons when it comes to the transfer of HRM practices abroad. External factors like host country environment, limit the MNC's autonomy to choose among the above strategies. In practice, MNCs are using a mixed approach and, as Tayeb (1998) puts it, select the policy that suits best with each subsidiary's local environment.

In addition, recent research has focused on Japanese and US subsidiaries and human resources management which is already discard light on some of the factors that affect MNCs' choices of localization versus internal consistency of HRM practices (Beechler & Yang, 1994; Rosenzweig & Nohria, 1994; Guest & Hoque, 1996; Newman & Nollen, 1996; Bae et al., 1998; Ngo et al., 1998). This article is examining the way in which factors are originating from the cultural and institutional framework of a home and host country force on HRM transfer. To explain cross-national differences adequately, they used both approaches to detain a broad range of influences on HRM transfer. It can be argued that the cultural and institutional environment becomes even more vital for HRM transfer to host countries that are in an intermediary state. Recent research has exposed that companies in different countries are different from their HR policies and practices (Ferner 1997). It has also been noted that transferring HR policies, and practices to different countries can be pretty difficult (Rozenweig & Nohria, 1994; Hofstede, 1980; Yuen & Kee, 1993; Bae et al., 1998; Kovach, 1994). Some of the important complications are strictly related to the home and host country's cultural and institutional environment. The dominance of management theory has recognized universal management practices that can be useful anywhere. There is no single best way to manage an organization because there is the difference in local culture and managerial culture. Some foreign companies have accepted a cultural viewpoint on organizations (e.g. Hofstede, 1980; Laurent, 1983; Trompenaars, 1994; Jackson, 2002). Management and organization cannot be cut off from their particular cultural environment. As with most management practices, HRM practices are based on the cultural attitude that replicates the essential assumptions and values of the national culture in which organizations are rooted. Study leads to the question of what happens when MNCs want to transfer some of their HRM practices overseas when such practices do not fit with the cultures of the recipient host-countries. Inability to adjust HRM practices to a host country's culture can lead to adverse cost that prevents a subsidiary's performance. The present study provides facts that MNCs adapt to a convinced degree to national cultures in which they manage (Beechler & Yang 1994; Fay, 1996; Schuler & Rogovsky, 1998; Tayeb, 1998).

3 HYPOTHESIS DEVELOPMENT

Recruitment and Selection

Fair recruitment involves an essential basis for the employment tests (Huselid, 1995). The performance of human resource management needs a fair recruitment system (Bellingham, Cohen, Edwards & Allen, 1990; Huselid, Jackson & Schuler, 1997). It is a most important way of which a company can ensure that it has the right types of people are by hiring the right types of individuals in the right place (Opatha, 2010, acc. to Ekwoaba, Ikeije & Ufoma, 2015). On the other hand, if the company practices a standard recruitment and selection process, it increases employees positive work environment as they feel that employees judge by them, and finally, better organizational performance can be achieved (Ezeali & Esiagu, 2010; Huselid, 1995).

Hypothesis 1: Effective recruitment practices will be positively associated with organizational performance perceived by managers.

Merit based promotion

Merit based promotions are the most important form of pay for performance in many organizations. It is the primary goal by which workers can raise their long-run compensation and organization performance (Lazear, 1992; McCue, 1992). Best performers can only get a merit-based promotion (Gibbs, 1994; Medoff & Abraham, 1980, 1981). According to Tassema & Soeters (2006), there is a particular affiliation among the promotion practices and employee perceived performance. Organizations those are financially stable in the position such as HP (Hewlett-Packard) usage the merit-based promotion practices to advance their organizations (Truss, 2001).

Hypothesis 2: Merit-based promotion practices will be positively associated with organizational performance perceived by managers.

Paternalistic Leadership Style

In paternalistic leadership style, people in authority consider employees to an obligation and make sure to protect them (Aycan, Kanungo, & Sinha, 1999; James, Chen & Cropanzano, 1996). Thus, paternalistic leadership style provides both professional and personal guidance to employees (Gelfand et al., 2007). As a result, employees are more dedicated to their work which leads organizational performance. Research suggests that paternalism is an effective approach in many on- management styles (Farh et al., 2006; Martinez, 2003; Pellegrini & Scandura, 2006; Uhl-Bien et al., 1990).

Hypothesis 3: Paternalistic leadership practice will be positively associated with organizational performance perceived by managers.

Decentralized Decision Making

The appropriate or systematic approach of decision rights within an organization has been widely accepted because it increases employees' healthy working environment and better organizational performance (Friebel & Raith, 2001). Designation without authority is like forming many rules but no application of those standards. The level of trust of employee's increases as they get empowered (Moye & Henkin, 2006). According to Jarrar and Zairi (2002) when employers give power to employees in decision making that will increase their responsibility in an achievement of job satisfaction. The loyalty of employees towards organization is based on empowerment (Lee, Nam, Park & Lee, 2006). Empowerment is one of powerful technique that effects employee's commitment and better organizational performance.

Hypothesis 4: Decentralized decision-making practice of an organization will be positively associated organizational performance perceived by managers.

Employee Benefits

Researchers have detected that there is a strong relationship between employee benefits and organizational performance (Vu, 2014; Prasnikar, Ferligoj, Cirman, & Valentincic, 1999). Benefits or incentives can be different types of form like monetary remunerations or other types of incentive-based compensation such as stock option, share ownership, rewards, and bonuses. Employees' performance will be substantially better under benefit plans because it is supportive and innovative work practices (Ichniowski, Shaw & Prennushi, 1997). Thus, the employee feels committed to their jobs, and it results in organizational performance. Armstrong (2001) linked benefits to the achievement, motivation, productive and organizational performance. Ian, Jim and Will (2004) concurred that benefits should be designed such a way that an organization can use it effectively to increase work commitment to employees and overall organizational performance.

Hypothesis 5: Employee benefit practice of an organization will be positively associated with organizational performance perceived by managers.

Training and Development

Researchers have initiated that there is strong support for the impact of training on productivity and where employees and employers are both beneficial (Ballot, Gerard, Fakhfakh, & Taymaz, 2006; Conti, 2005; Dearden, Lorraine, Reed & Van Reenen, 2006). Moreover, Lynch and Black (1995) suggested that training improves employees' work commitment and organizational performance. Further established by Barrett and O'Connell (2001) extensive training is more effective than organizational specific training to the employee. Nankervis, Compton, and McCarthy (1999) showed that effective training not only improves employees' knowledge and skills to accomplish their job but also it increases employees' satisfaction level which leads final organizational performance.

Hypothesis 6: Extensive training and development practice of an organization will be positively associated with organizational performance perceived by managers.

4 METHODOLOGY

This research has been conducted in Bangladesh between US and Japanese MNCs subsidiaries and joint venture. In this research, prior studies, research questions have used to determine the perceived results. Using a survey system, we collected data from managers, assistant managers and HR executives of US and Japanese subsidiaries and a joint venture in Bangladesh. We followed mixed approach to ensure an acceptable number of replies since mail surveys have a record of low response rates (Harzing, 1997). The respondents also provided qualitative data on the organization's HRM practices during the interviews. Six areas of HRM practices are examined such as selection and recruitment, training and development, employee benefits, merit-based promotion, paternalistic leadership style and decentralized decision making.

Analysis

Data are analyzed using SPSS, version 20. Correlations, using Pearson's 'r' are completed to explore the relationship between HRM practices and organizational performance. Also, the multiple linear regression techniques are used to investigate the differential impacts of those approaches being tested.

The sample

In total, 35 US and Japanese subsidiaries and joint venture (20+15) were randomly selected in this study. Among 20 US subsidiaries and joint venture, 120 survey questionnaires were distributed to the manager HR, assistant manager HR and HR executives. We received 82 usable questionnaires from US subsidiaries and rests of 38 questionnaires were missing and incomplete. On the other hand, among 15 Japanese subsidiaries and joint ventures, 90 questionnaires were distributed to the manager HR, assistant manager HR and HR executives and returned 69 were usable, and 21 were missing and incomplete. Total distributed 210 survey questionnaires and total returned usable questionnaires for analysis 151 which are 71.9% of a total number of distributed. Total missing 59 which are 28.1% of total number where 15 questionnaires are incomplete, rest of questionnaires are not usable due to other data problem.

Measurement and scales

Several items were used to measure the variables, which capture aspects of HRM practices. Researchers have shown that how closely these items matched their organizational performance and current HRM practices, in most of the cases on a five-point Likert scale. Respondents were also questioned to answer a particular query regarding the degree of transfer that took place in each of these different groups of HRM practices. Moreover, following Hannon et al., (1995) and Rosenzweig and Nohria (1994), Conti (2005) the questionnaire included questions on the degree of subsidiary's interaction with HR practices and organizational performance.

The measurement scale of recruitment & selection developed by Schuler and Jackson (1987) to identify employees' work commitment related with a standard hiring process that leads final organizational performance. This measure asked different Japanese and US companies to rate on a 5 (Five) point scale, from 1 (strongly disagree) to 5 (Strongly Agree). These are Selection methods used (application forms, assessment centers, psychometric tests); Low / high importance of recommendation and personal acquaintance with the potential candidate; Internal/external recruitment, etc.

McCelland (2002) developed a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree) for training and development. The statements are; Attending training in past 12 months; individual plan for professional development; preferred learning styles; perceived training needs.

The measurement scale of merit-based promotion is developed by Shahzad, Bashir and Ramay (2008). Their research questions regarding promotional factors showed the fact of employees' work commitment that leads organizational performance. This measure asked different Japanese and US companies to rate on a 5 (Five) point scale. These are Presence of written and operational promotion policy; Provision of priority to seniority in promotion; Provision of precedence to merit in promotion; the Primary objective of employee promotion (performance improvement – career development).

Page and Tomson (2002) developed a five scale rating point of measuring employees' benefit policy that increases employees' work commitment and organizational performance. These are: Personal time and personal leave policies meet or exceed expectations; Work life services (legal, domestic partner benefits, fitness programs) meet or exceed expectations; Life and disability insurance meet or exceed expectations; The 401 (K) savings program meet or exceed expectations; Vacation benefits meet or exceed expectations.

Cheng et al., (2000) developed a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree) of paternalistic leadership. The statements are; Supervisor is like a family member when he/she gets along with employee; Supervisor devotes all his/her energy to taking care of employees; Beyond work relations, my supervisor expresses concern about employees' daily life; Supervisor ordinarily shows a kind concern for employees' comfort; Supervisor takes very thoughtful care of subordinates who have spent a long time with him.

Brown and Cregan (2008), Morehead et al., (1997) developed a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree) of decentralized decision making. The statements are: Employees are involved in decision making; Organization shares information with employees; Employees are actively committed to involvement; Employees have the power to make a major decision.

The organizational performance was measured using a five-point scale in which indicator items ranged from low performance (1), rather low (2), average (3), rather high (4) and high (5). A combined scale used from earlier research (Bird & Bechler, 1999; Huslid & Becker, 1997; Miah & Bird, 2007; Macduffie 1995; and Huselid & Backer, 1994) was adopted in this study for Organizational Performance. It consisted of seven items measuring the performance. The items are Relations between management and other employees, relations among employees in general, the satisfaction of customers, the presence of the ability to attract essential employees and ability to retain key employees. The factor analysis based on all managers showed that the five items of US and Japanese subsidiaries and joint ventures consist of one factor, with adequately alpha (α) = .70 coefficient.

Table 1: Factor analysis of HRM practices using for the present study

Variables	Loading	Eigen Values	Percentage of total variance explained	Cumulative percentage of variance explained	Cronbach alpha Value
Recruitment & Selection					
Selection methods used (application forms, assessment centers, psychometric tests)	.75	3.46	36.891	36.891	.79
Low / high importance of recommendation and/or personal acquaintance with the potential candidate	.78				
Internal / external recruitment	.76				
Selection criteria based on informal qualifications	.75				
Training & Development					
Attending training in past 12 month	.76	2.11	34.671	34.671	.77
individual plan for professional development	.54				
perceived training needs	.76				
Promotion					
Presence of written and operational promotion policy	.67	2.01	32.471	32.471	.74
Provision of priority to seniority in promotion	.77				
Provision of priority to merit in promotion	-0.20				
Primary objective of employee promotion (performance improvement – career development).	.49				
Employee Benefits					
Personal time and personal leave policies meet or exceed expectations	-.59	2.28	34.623	34.623	.75
Work life services (legal, domestic partner benefits, and fitness programs) meet or exceed expectations.	.71				
Life and disability insurance meet or exceed expectations	.60				
The 401 (K) savings program meet or exceed expectations.	.78				
Vacation benefits meet or exceed expectations.	.69				

Variables	Loading	Eigen Values	Percentage of total variance explained	Cumulative percentage of variance explained	Cronbach alpha Value
Paternalistic Leadership Style					
Supervisor is like a family member when he/she gets along with employee.	.61	1.77	32.532	32.532	.73
Supervisor devotes all his/her energy to taking care of employees.	-.62				
Beyond work relations, my supervisor expresses concern about employees' daily life.	.64				
Supervisor ordinarily shows a kind concern for employees' comfort.	.61				
Supervisor takes very thoughtful care of subordinates who have spent a long time with him.	-.49				
Decentralized Decision Making					
Employees are involved in decision making	.73	2.29	30.771	34.771	.76
Organization shares information with employees	-.57				
Employees are actively committed to involvement	-.46				
Employees have power to make important decision	.75				

Exploratory principal component factor analysis identified six HRM practice namely, recruitment and selection, training, promotion, decentralized decision making, paternalistic leadership style, and employee benefits. Results of factor analysis are at Table 1. The first factor was classified as recruitment and selection with accounted for (36.89%) of explained variance and considered as most vital. The second factor was 'training and development' explained (34.67%) variance and considered as most significant. The third factor 'promotion' explained (32.47%) variance which is considered another important. The fourth factor 'employee benefits' explained (34.62%) variance. The fifth factor 'paternalistic leadership style' explained (32.53%) variance and considered as most vital. The last and sixth factor 'decentralized decision making' accounted for (34.77%) variance and comprised of four scale items. Organizational performance accounted for (37.99%) variance and comprised of five scale items.

5 RESULTS

Table 2: Correlation matrix results of US and Japanese subsidiaries and joint venture

No	Criteria	USA		Japanese		1	2	3	4	5	6	7	8	9
		Mean	S.D	Mean	S.D									
1	Organizational performance	2.20	0.61	2.27	0.62	-	.33**	.30**	.15	.23**	.25**	.33**	.22**	-.15
2	Recruitment	3.68	0.71	3.57	0.70	.36**	-	.31**	.58**	.47**	.24**	.71**	-.11	.03
3	Training	4.31	0.62	4.29	0.64	.31**	.32**	-	.36**	.24**	-.22	-.23	.10**	.05
4	Promotion	4.25	0.89	4.11	0.82	.18**	.57**	.37**	-	.37	.12**	.24**	.21**	-.15
5	Employee Benefits	3.12	0.65	3.11	0.53	.12**	.33**	.26**	.22**	-	.26**	.14**	-.16	-.07
6	PLS	0.30	0.93	0.45	0.91	.15**	.28**	-.23	.16**	.12**	-	.28**	.42**	-.32
7	DDM	0.11	0.45	0.57	0.43	.09	.73**	-.21	.23**	.16**	.11**	-	.21**	-.03
8	Organization Size	0.57	0.31	0.21	0.30	.23**	-.19	.11**	.20	-.15	.44**	.18**	-	.11*
9	Age	2.51	0.46	2.59	0.44	.17**	.04	.07	-.19	-.08	-.33	.21**	.33**	-

Note: PLS = Paternalistic Leadership Style; DDM = Decision Decentralization

Table 2 exhibits the means, standard deviations, and correlations of US companies among the variables in this study. Six HRM practice (Recruitment and Selection, Training and development, Promotion, Paternalistic leadership style, decentralized decision making and employee benefits) has significant influences on the organizational performance perceived by managers of US and Japanese company in Bangladesh. Type of organization size and Age are found to be significantly related to organizational performance. It indicates that higher levels of organizational performance is positively related with recruitment and selection ($r = 0.36, p < 0.01$); training and development

($r = 0.31, p < 0.01$); merit-based promotion ($r = 0.18, p < 0.01$); employee benefits ($r = 0.12, p < 0.01$); paternalistic leadership style ($r = 0.15, p < 0.01$) of all managers respectively. Hypothesis 1,2,3,4 and 5 of the present study is accepted. However, decentralized decision making ($r = 0.09$) positively impacts on organizational performance and indicated this is positively related but not significantly impact on organizational performance. This weak correlation of decentralized decision-making found that the symptoms to decentralized decision-making errors. In this case, organizations are a failure to practice decentralized decision-making practices to perceive important organizational performance.

Table 2 shows that recruitment & selection, training, and development, paternalistic leadership style, employee benefits, decentralized decision making of a Japanese company is found to be significantly related to organizational performance. It indicates that higher levels of organizational performance is positively associated with recruitment & selection ($r = 0.33, p < 0.05$); training and development ($r = 0.30, p < 0.05$); employee benefits ($r = 0.23, p < 0.05$); paternalistic leadership style ($r = 0.25, p < 0.5$); decentralized decision-making ($r = 0.33, p < 0.5$) perceived by managers. However, promotion practices ($r = 0.17, p < \text{not significant}$) of Japanese company showed that insignificant, weak association with effective organizational performance. Therefore, it does not support Hypothesis 3. However, the Merit-based promotion has a positive influence on organization performance and not significant with organizational performance. This weak correlation of Merit based Promotion with better organizational performance found that there are some errors in promotion policy or practices in a Japanese company as they most focus on seniority-based promotion rather that merit based promotion.

Table 3: Correlation results among all variables used for the present research all sample managers

No.	Criteria	Mean	S.D.	1	2	3	4	5	6	7	8	9
1	Organizational performance	2.27	0.61	-								
2	Recruitment	3.57	0.72	.38**								
3	Training	4.29	0.63	.37**	.31**							
4	Promotion	4.11	0.84	.13	.52**	.37**						
5	Employee Benefits	3.13	0.47	.18**	.41**	.30**	.15**					
6	Paternalistic Leadership Style	0.45	0.95	.27**	.23**	-.23	.13**	.18**				
7	Decision decentralization	0.57	0.46	.08	.74**	-.21	.22**	.15**	.19**			
8	Organization Size	0.21	0.37	.23**	-.15	.11**	.21**	-.14	.45**	.21**		
9	Age of Employee	2.59	0.48	-.12	.06	.07	-.16	-.06	-.32	-.23	-.27	-

In Table 3 shows the overall correlation of HRM practices with organizational performance in both US and Japanese companies. Result found that recruitment & selection ($r = 0.38, p < 0.05$), training and development ($r = 0.37, p < 0.01$), employee benefits ($r = 0.18, p < 0.5$) and paternalistic leadership style ($r = 0.27, p < 0.01$) is positively associated with organizational performance in both US and Japanese companies. On the other hand, decentralized decision making and merit-based promotion positively influence on organizational performance but not significant with organizational performance.

The result of Table 4 shows that HRM practices consistently affect the organizational performance positively. Here $\beta = .31 (p < .001)$, $\beta = .39 (p < .001)$ for RS practices of US and Japanese company and overall $\beta = .35 (p < .001)$. Therefore, it means that recruitment and selection was positively significant with organizational performance. Again, training and development, employee benefits, paternalistic leadership style also have positive significance with organizational performance since training and development for the US and Japanese companies ($\beta = 0.32, p < .001$), ($\beta = 0.34, p < .001$) and overall ($\beta = .33, p < .001$) respectively. Employee benefits for US and Japanese companies ($\beta = 0.38, p < .001$), ($\beta = 0.37, p < .001$) and overall ($\beta = .37, p < .001$) respectively. Paternalistic leadership style1 for US and Japanese companies ($\beta = 0.39, p < .001$), ($\beta = 0.34, p < .001$) and overall ($\beta = .36, p < .001$) respectively. However $\beta = 0.34, (p < .001)$, $\beta = 0.22, (p < \text{not significant})$ for US and Japanese company respectively and overall $\beta = .33, (p < \text{not significant})$. It means that merit-based promotion is positively significant with organizational performance in US companies but in a Japanese company, it has positive influence but not important with organizational performance, and overall it has no positive significant with organizational performance.

Table 4: Hierarchical regression results on HRM practices and organizational performance (N= 151)

Category	Overall Company			US Company			Japanese Company		
Variable	β	t	Sig	β	t	Sig	β	t	Sig
Recruitment and Selection	.35	3.75	***	0.31	3.57	***	0.39	3.62	***
Training and development	.33	2.86	***	0.32	3.63	***	0.34	3.68	***
Merit based promotion	.33	3.69	n.s	0.34	3.68	***	0.22	3.66	n.s
Employee Benefits	.37	3.79	***	0.38	3.69	***	0.37	3.60	***
Paternalistic Leadership Style	.36	3.59	***	0.39	3.70	***	0.34	3.65	***
Decentralized Decision Making	.38	3.77	n.s	0.37	3.71	n.s	0.39	3.66	***
Organization Size	.16	3.55	n.s	0.26	1.66	***	0.28	1.62	***
Age of Employee	.22	2.40	***	0.28	2.63	***	0.26	2.63	***

Also, we can see that decentralized decision making is not significant with organizational performance though it has the positive influence on US companies ($\beta=0.37$, $p < \text{not significant}$). Again decentralized decision making for Japanese companies is ($\beta = 0.39$, $p < .001$) it is positively significant with the organizational performance but overall decentralized decision making is not positively significant with an organizational performance where ($\beta = .38$, $p < \text{not significant}$).

Table 4 also shows that company size is positively significant with organizational performance. For US companies ($\beta = .26$, $p < .001$); for Japanese companies ($\beta = .26$, $p < .001$) and overall ($\beta = .22$, $p < .001$). It indicates that company size is also important regarding HRM practices in US and Japanese subsidiaries/ joint venture. In contrast, large organizations have better HRM practices where small organizations do not practice HRM system correctly.

6 DISCUSSION

This study highlights the importance of HRM practices in US and Japanese companies in Bangladesh. It gives to considerate of the impact of HRM practices on organizational performance. In this study, six essential HR practice are recognized. These HR practices have evaluated to find out the relationship between HR practices and organizational performance. In this study, we have examined recruitment and selection and its effect on organizational performance. Recruitment is the process of finding and attracting desired candidates for a job vacancy, at present, it is a major strategic issue (Li, Liao & Chu 2006). An organization which wants to operate globally should have a good recruitment and selection practice in its host country to gain competitive advantage. This study found that recruitment and selection positively influence on organizational performance.

Tassema and Soeters (2006) determined that there is a positive relationship among the promotion practices and employee perceived performance as well as organizational performance. In our study, we have seen that promotion practice positively significant with organizational performance in US companies but in Japanese companies; it has positive influence but not significant with organizational performance as most of the Japanese companies practice seniority-based promotion practices (Teng, 2005).

According to Jarrar and Zairi (2002) decentralized decision-making increase employees' job satisfaction, work commitment, and organizational performance. Empowerment is one of the best HR practices that affect job satisfaction because sometimes employees prefer more self-respect rather than financial benefits. In our study result shows that decentralized decision making is significant with organizational performance in Japanese companies but not significant for US companies.

Employee benefits have grown in significance over the past few decades. In our study, we have found that employee benefits positively significant with organizational performance. Some studies revealed the result of employee benefits on organization performance and employee productivity (e.g. Beam & McFadden, 1988; Evers, 1998; Federico & Goldsmith, 1998; Steere, 2000; Laabs, 2000; Kurlander & Barton, 2003).

Training refers to activities that teach employees how to perform better in their current job. Many researchers have identified that training increase employee's skills, organizational performance, organizational survival (Koch & McGrath, 1996; Delaney & Huselid, 1996) and it keeps an organization to remain competitive (Barney 1991; McDuffie 1995; Salas & Cannon-Bowers, 2001). In this study also found that training positively significant with organizational performance.

In the organizational context, paternalistic leadership creates more morality and humanity in the workplace. In paternalistic leadership style, employers are more involved in employees' personal life rather than professional life. As a result work commitment and organizational performance is achieved. As Gordon (1998) and Warren (1999) showed that paternalism extracts employee commitment, productivity, and organizational performance.

7 CONCLUDING REMARKS

This study indicates the impacts of HRM practices on organizational performance in US and Japanese company in Bangladesh context. Review of the survey shows the strong support of HRM practices and organizational performance. This study also shows that how companies can be successful in host countries if they practice basic HRM policies and issues. In this research, we have shown that both U.S and Japanese companies have good HR practices. However, in some cases, companies are the failure to practice some HR functions which might not be beneficial to gain a competitive advantage in Bangladesh. This study, have identified that some HR practices that are significant with the organizational performance but companies do not maintain those properly. Lack of decentralized decision-making practices in US organizations and traditional promotion policy in Japanese organizations may lose their competitive advantage in Bangladesh. On the other hand, we have observed that how HRM practices are significant with organizational performance. Most of the previous study on the relationship between HRM practices and organizational performance has looked at the direct correlation (Huselid, 1995; Martin-Alcazar et al., 2005).

Therefore, managers should be concerned regarding the practice of basic HR functions to ensure work commitment as well as organizational performance. Moreover, this study also indicates the cross-cultural functions or dominance effect. US companies have their dominant model or HR practice, but to some extent, they try to localize their HR practices. However, the previous study showed that US companies adapt less localization strategy, and they are more flexible to follow their dominant model. Moreover, US companies try to transfer their home country HR practice to some extent in Bangladesh. Japanese subsidiaries in Bangladesh we found that they avoid localization practice and follow their dominant model as well as transfer home country culture to host country culture (Pudelko & Harzing, 2007). The recent study showed that both U.S and Japanese subsidies in Bangladesh are associated with the country of origin effect. It could be a positive sign for other MNC who want to globalize their business.

In Bangladesh U.S and Japanese, subsidiaries are relatively small. Another fact is the research was done only in subsidiaries with HR managers and executives. But it requires a more extensive discussion. Researchers selected their respondents as high-level HR managers because they are knowledgeable, and they have mass information regarding the organization. However, Bowman and Ambrosini (1997) argued using single respondents because observations might be biased by his/her emotional commitment to the organizational strategy. The same might be true in this study. HR managers might think of their dominant model in headquarters, but in their external communications, actual HRM practices are much more localized and adjusted to local circumstances. Sometimes managers do not provide much information regarding their organizational policies and practices. Wright, McMahan, Snell and Gerhart (2001) observed that HR executives are different from managers in their thinking of HR practices.

In spite of its constraints, it can be said that the study has made a significant enrichment to the convergence/divergence and standardization/localization issue. Moreover, it has also shown the connection between HR practices and organizational performance. Future research may include huge sample scale to avoid the methodological limitations. Future research should include other workplace proportions such as organizational politics and managerial practices which influence organizational performance. Furthermore, the research should also include other variables such as the relationship between the employer and employee on organizational performance. Comparative studies regarding professions, cultures, and industries are needed to understand clearly in future research. Moreover, a prospective study may also find whether U.S and Japanese subsidies are successful in retaining their dominant model in other regions or not like Bangladesh.

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Human Resource Management Practices and Employee Performance in Banking Sector of Bangladesh

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ABSTRACT

In the first growing banking sector like Bangladesh, there are 56 banks offered financial services with different stratagem and always looking for faster growth through employee performance by all means. Performance assessment is highly important while achieving the goals of the organization and determining the individual contributions to the organization. The purpose is to measure the effect of human resource (HR) practices on the employee performance in banking sector of Bangladesh. The research has performed through a sample survey on convenience sampling based data set about 328 different levels of employees from the banks in different locations of Bangladesh. A structured questionnaire was used to collect primary data related to some HR issues namely- Institutional Commitment and Motivation, Employee Relations, Compensation, Physical Work Environment, Training & Development, Promotion, Job Satisfaction (independent variables) and the employee performance (dependent variable) of the designed banks. The study revealed that all the HR practices except compensation and training & development have significant impact on the employee performance in the banking industry of Bangladesh. The findings of study provide a clear guidance to the banking practitioners/policy makers to take further steps in achieving the organizational goal through the employee performance.

KEY WORDS

HRM practices, employee performance, banking industry, Bangladesh

JEL Code: G21, M12, O15

1 INTRODUCTION

During the last few decades banking sector of Bangladesh plays a dominant role in the financial service industry. Financial service industry (FSI) contributes 3.74% to the total GDP, of which banks contribute 83.88% of FSI contribution (Bangladesh Economic Review, 2015). At present, there are fifty-six (56) schedule banks among those, four (4) are Nationalized Commercial Banks (NCBs), four (04) are Specialized Banks (SBs), thirty-nine (39) are Private Commercial Banks (PCBs) and nine (09) are Foreign Commercial Banks (FCBs) in Bangladesh. Among those 39 PCBs, there are 08 Islamic Banks (IBs) operating in Bangladesh. After June 2014, there are 8,794 branches of schedule bank in our country (Bangladesh bank Annual Report, 2013-2014). There are thousands of people working in this sector and the success of banking sector of Bangladesh depends on how to manage human resource effectively and to measure whether its employees are performing well or not.

In today's competitive business world, employees are one of the most important assets of an organization as they contribute to its growth and success (Danish & Usman, 2010) and satisfied employees are treated as the essential human capital. Malik et al. (2010) concluded that in the era characterized by rapid and continuous change, knowledge capital must be retained in order for organizations to be productive and responsive to the needs of their stakeholders. Though it is very easy to measure the financial performance of a bank by using various financial tools and techniques, but it is very difficult to determine whether the bank practicing the right human resource policies for its employees to remain satisfied and give them stimuli to improve their job performance in their workplace. Measurement of employee performance is an activity that is very important because it can be used as a measure of success in supporting the success of the organization's employees (Said, 2008). On the other hand, employee performance assessment is highly important while achieving the goals of the organization and determining the individual

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contributions to the organization (Nizamettin & Gokhan, 2008). The evaluation of employee performance is also a valuable tool and an essential element of the functioning of any company. Job performance of an employee can be evaluated against the set standards and by comparing with the job performance of other individuals within the organization; also it can be identified by the contribution which s/he has made to the organizational success or by the appreciation which s/he has received in the past from the supervisor.

Findikci (2003) defines the performance assessment as whatever role an employee has in an organization; it is the inspection of his works, activities, inadequacies, competences, excesses, and incompetence. Briefly, performance assessment is an inspection of the employee as a whole across all dimensions. Kaplan and Norton (2001) define the performance assessment as- a planned tool which is integrating the success of individual at a given task, his attitude and behaviors at work, his moral conditions and characteristics, and assessing employee's contributions to the success of the organization. The long-term viability and competitiveness of any organization depends on its ability to evaluate the performance of the employees and to examine their contribution in achieving the goals assigned them by managers. Therefore, to evaluate the performance of employees is always an important management task. Evaluations are used by managers as a motivational tool to communicate performance expectations to employees and provide them with feedback. The employee performance evaluation process also identifies areas where an employee needs to improve. It can also provide opportunities for recognition, positive reinforcement, and performance improvement of the employees.

Shikha (2010) conducted a study among 184 employees of three commercial banks of India and found a significant relation of employee productivity with human resource practices including selection, employee benefits, compensation, training and staffing practices. The study also suggested that the use of strategy-based HR policies and practices, banks can create a more competent and committed workforce, which in turn provides a source of sustainable competitive advantage. Zulfqar et al. (2011) investigated a study to examine the relationship and nature of relationship between HRM practices (compensation, performance evaluation, and promotion practices) and the employee perceived performance in the banking sector of Pakistan. The results of the study found that, the employee perceived performance and HRM practices has the positive and significant relationship. Further results based on analysis indicated that performance evaluation and promotion practices are significant but the compensation practices are not significant. A similar study on bank employees was conducted by Majumder (2012) to gain an insight into the current HRM practices (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) and its impact on employee's satisfaction on the private banking sector in Bangladesh. The study revealed that most of the employees were dissatisfied with compensation package followed by reward and motivation career growth, training and development, management style, and job design & responsibilities.

In Bangladesh context, Azad, Khan and Ahmed (2011) conducted a study to measure the perceived employee performance on the basis of three HR practices (compensation, promotion & performance evaluation practice) upon 92 respondents from the banking sector. The outcome of the study showed that HR practices were positively related to perceived employee performance. They also emphasized the importance of application of HR practices on banking sector, to increase the employee performance and develop positive behavior towards their customers. Halim and Safer (2013) was done a similar study on a Turkey's state bank and found salary, employee relationship, job satisfaction, promotion and title hadn't impact on employee performance but institutional belonging & motivation, physical work environment and administration had an impact on employee performance. A study by Saeed et al. (2013) tried to identify factors related to HR practices such as manager's attitude, organizational culture, personal problems, Job content and financial rewards affect the performance of employees at work place in the banking sector of Pakistan. The outcome of the study suggested that all of these variables had significant positive impact on the performance of the employees except personal problems of the employees that hindered the performance of the employees. A study was conducted by Talukder et al. (2014) to explore the extent of human resource management (HRM) usually practiced by five prominent commercial Banks of Bangladesh by using some descriptive statistics and found that most of the employees were less satisfied with HRM polices and practice, job analysis, IT facilities, job evaluation and performance measurement technique. They also suggested that the centrally managed HR department should be decentralized their HR activities in all branches and developed strong HR polices. In another study, Muda, Rafiki, and Harahap (2014) analyzed the determinants for employee performance in Islamic Banks in Indonesia. The findings of the study revealed that the employees' performance was explained by HR practices like- job stress, motivation and communication factors.

Thus, the above discussion shows that there have been several studies around the globe focusing on HR practices affect employee performance in banking sector. So far knowledge goes no in-depth study has yet been undertaken in examining the effects of HR practices on employee performance in banking industry like Bangladesh and other developing countries. All the studies are the mere attempt to measure the effect of HR practices on employee performance either in different context, or inadequate number of HR dimensions. So there is a lack of comprehensive studies in these regard. The present study is thus re-examining the relationship between the HR practices and

employee performance in an extensive manner in the context of Bangladesh. It is expected that the present study would contribute significantly in filling this gap in in-depth new knowledge of HRM practices on employee performance in the context of Bangladesh. Thus the main objective of the study is to measure the effects of HR practices on employee performance in banking industry of Bangladesh.

2 LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

HR Practices

Human resource management (HRM) refers to the policies and practices involved in carrying out the 'human resource (HR)' aspects of a management position including human resource planning, job analysis, recruitment, selection, orientation, compensation, performance appraisal, training and development, and labor relations (Dessler, 2007). HRM is composed of the policies, practices, and systems that influence employees' behavior, attitude, and performance (Noe, Hollenbeck, Gerhart & Wright, 2007). HRM practices have an effect on employee performance and competitive advantage of an organization (Guest, 2002; Balochi et al., 2010).

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. Out of these models, Guest Model of HRM is considered to be much better than other models (Aswathappa, 2008). The present study selected the HR practices such as Institutional Commitment & Motivation, Employee Relations, Compensation, Physical Work Environment (Tangibles), Training and Development, Promotion, and Job Satisfaction which were incorporated and adopted from the Guest Model, and the Society of Human Resource Management, USA (Yeganeh & Su, 2008; Absar, Azim, Balasundaram, & Akhter, 2010; Halim & Safer, 2013).

Employee Performance

Employee performance is a core interest for any organization as it reflects the organizational productivity by reflecting the employees' ability to attain the goals as planned. Pushpakumari (2008) stated that performance very much depended on perception, values and attitudes. Porter and Lawler (1974) defined performance as a function of individual ability and skill and effort in a given situation. In other words, employee's performance is the ability of the employees to work effectively and efficiently in order to accomplish the organizational goals and objectives (Kovach, 1987). Therefore, for the purpose of the study, the researcher defines the "employee performance" in terms of effort extended to the job by an employee.

Institutional Commitment & Motivation and Employee Performance:

Organizational commitment is a feeling of dedication to one's employing organization, willingness to work hard for that employer, and the intent to remain with that organization (Meyer & Allen, 1997). Raju and Srivastava (1994) described organizational commitment as the factor that promotes the attachment of the individual to the organization. Employees were regarded as committed to an organization if they willingly continue their association with the organization and devoted considerable effort to achieve organizational goals. The authors argued that the high levels of effort exerted by employees with high levels of organizational commitment would lead to higher levels of performance and effectiveness at both the individual and the organizational level.

Employee motivation is defined as an inner force that moves employees to improve performance to achieve personal and organizational goals. In the banking industry, there is a relationship between employee motivation and employee performance. Motivation is a psychological factor that directs employees' behavior towards the desired goal of an organization and enables the employees positively contribute to improve performance (Jones & George, 2008). Flippo (2001) mentioned that employee performance in institutions results in a more motivated work force that has the drive for higher productivity, quality, quantity, commitment and drive. Bank managers are more interested in making provision for the motivation and empowerment of their employees to perform toward the achievement of tasks (Kamery, 2004). Robison (2010) observed that motivated employees feel less stress, enjoy their work, and as a result have better physical and mental health. Furthermore, motivated employees are more committed to their institutions and show less insubordination and grievance. They are also more creative, innovative, and responsive to customers, thus indirectly contributing to the long-term success of the institution (MAN forum). Alalade and Oguntodu (2015) argued in the context of Nigerian banking industry that employee performance of any sort is a major function of incentive obtain from the organization and thereby improve and increase productivity. Based on the findings of the study, they inferred that workers' reward package matters a lot and should be a matter of importance to management and managers. On the basis of the above discussion the following hypothesis can be made:

H1. Institutional Commitment and Motivation have significant effect on employee performance.

Employee Relation and Employee Performance

Employee relation is all about communications between management and employees concerning work place decisions, grievances, conflicts, problem resolutions, unions, and issues of collective bargaining. Armstrong (2005) defined that Employee Relations is to manage relationship between employer and employees with ultimate objectivity of achieving optimum level of productivity in terms of goods and services, employee motivation taking preventive measures to resolve problems that affect adversely the working environment. Blyton (2008) revealed that employees do not put up their best performances at workplaces when they are un-happy with management, government, or even their fellow colleagues. Bad employee-employer relationship results in strike actions and lockouts. All these actions taken by employees to display their grievances only do the organization harm than good as productivity will be reduced drastically. Saeed et al. (2013) stated that manager's attitude affected the employees' performance in the banking sector of Pakistan. In another study by Muda et al. (2014) found that communication factor between managers and employees significantly affected employees' performance in Islamic Banks of Indonesia. The discussion therefore, suggests the following hypothesis:

H2. Employee Relation has significant effect on employee performance in banking industry of Bangladesh.

Compensation and Employee Performance

Dessler (2007) defined employee compensation as "all forms of pay or rewards going to employees and arising from their employment". In other word, compensation is a reward system that a company provide to individuals in turn for their willingness to perform various jobs and tasks within organizations (DeNisi & Griffin, 2001). A reward and compensation system is based on the expectancy theory, which suggests that employees are more likely to be motivated to perform when they perceive that there is a strong link between their performance and the reward they receive (Guest, 2002). Balochi et al. (2010) did a study about the HRM practices in order to examine their relationship with the perceived performance of employees in private and public sector banks of North-West Frontier Province (NWFP), and found compensation along with two other variables significantly correlated with employee performance. Good compensation and benefit package can motivate employees. Motivated employees can make the bank more profitable. Zahra et al. (2015) found that salary had a stronger relationship with job performance. Job performance of employees can be increased to a sufficient level by bringing a small increase in salary. In Bangladesh context, employees are heavily prioritizing salary more than something else. Other rewards and benefits attached to the salary can also result in greater change in job performance. Particularly in services firms like banks, financial strengthening has a tendency to produce a stronger impact on job performance. On the basis of the discussion the following hypothesis is proposed:

H3. Compensation has significant effect on employee performance in banking industry of Bangladesh.

Physical Work Environment and Employee Performance

One of the fundamental human requirements is a physical working environment that allows people to perform their work optimally under comfortable conditions (Roelofsen, 2002). Today's working environment differ from the past, it is due to the advancement of technology and the variety of roles played by the banking employees. Vischer (2008) stress that conducive environments should be prioritized as it provides support to the employees in carrying out their jobs. The physical work environment has effects on the productivity of employees. The conditions of physical work environment influence the employee's functions and it will determine the well-being of organizations. Physical Work Environment includes the internal and external office layout, temperature, comfort zone and also the office work setting or arrangement. In a study by Brenner (2004), asserted that the productivity of employees within an organization depends on the conditions of their work environment. The survey revealed that the quality of comfort in work environment determined the level of productivity of workers. Worker productivity cannot be optimal, if the conditions of work environment are not favorable.

Ismail, et al. (2009) showed in Malaysian settings that 80% of the sampled respondents agreed that the influence of physical work environment (comfort level, temperature) has a great influence on the productivity. Similarly, Hameed and Amjad (2009) pointed out that office design also impacts on productivity of the employee; however, female employees are more concerned about their workplace surroundings, whereas, their male counterparts are less concerned with it. A recent study by Awan and Tahir (2015) also revealed that working environment that has positive impact on employee's level of productivity in the banks and insurance in the Pakistani settings. On the other hand, working environment also impacts on job satisfaction as studied by Bakotic and Babic (2013) that employees prefer to work in working environment that is less risky. So, the following hypothesis can be made on the basis of the above discussion:

H4. Physical Work Environment has significant effect on employee performance in banking industry of Bangladesh.

Training & Development and Employee Performance

“Training and development” is defined as any effort to improve current or future employees’ skills, abilities, and knowledge (Aswathappa, 2008). Training is intended to modify individuals’ skills or attitudes (Herold & Fedor, 2003). Thus basic purpose of training is to help employees build their skills which will increase their performance and ultimately it will lead towards greater organizational productivity. Training & development is a systematic approach where individual can improve him/herself for the assigned job which ultimately create a good team building habits which is one of the most extensive human resources practice for any organization (Kraiger & Ford, 2007). Hoque (1994) unearthed that training and development had positive impact on organizational effectiveness in Bangladeshi context. Thang and Buyens (2008) through reviewing 66 studies conducted in different parts of the world opined that training and development leads to superior knowledge, skills, abilities, attitudes, and behavior of employees that eventually enhance organizational performance. In another study, Millar and Stevens (2012) mentioned that training enhances employees’ capabilities which are instrumental in improving overall organizational performance. Thus, the following hypothesis can be made:

H5. Training & Development has significant effect on employee performance in banking industry of Bangladesh.

Promotion and Employee Performance

Khan and Akkas (1990) explored some characteristics of a sound promotion policy on the basis of available literature and studied existing promotion system of the nationalized commercial banks and also examined views of the respondent employees in this regard. The study further found the promotion system could not reasonably satisfy a large number of employees and officers working in the nationalized commercial banks. Islam (2003) conducted a study on promotion policies and practices in the public sector banking in Bangladesh. The study observed that public sector bank management does not follow any straight or stated promotion policy. Here many scopes lie for adopting unfair means of promotion. Nepotism, favoritism and corruption take place in the promotion policy. All these have created some sort of negative attitude among the employees. Balochi et al. (2010) found promotion policy was significantly correlated with employee performance in Pakistani context. The discussion therefore, suggests the following hypothesis:

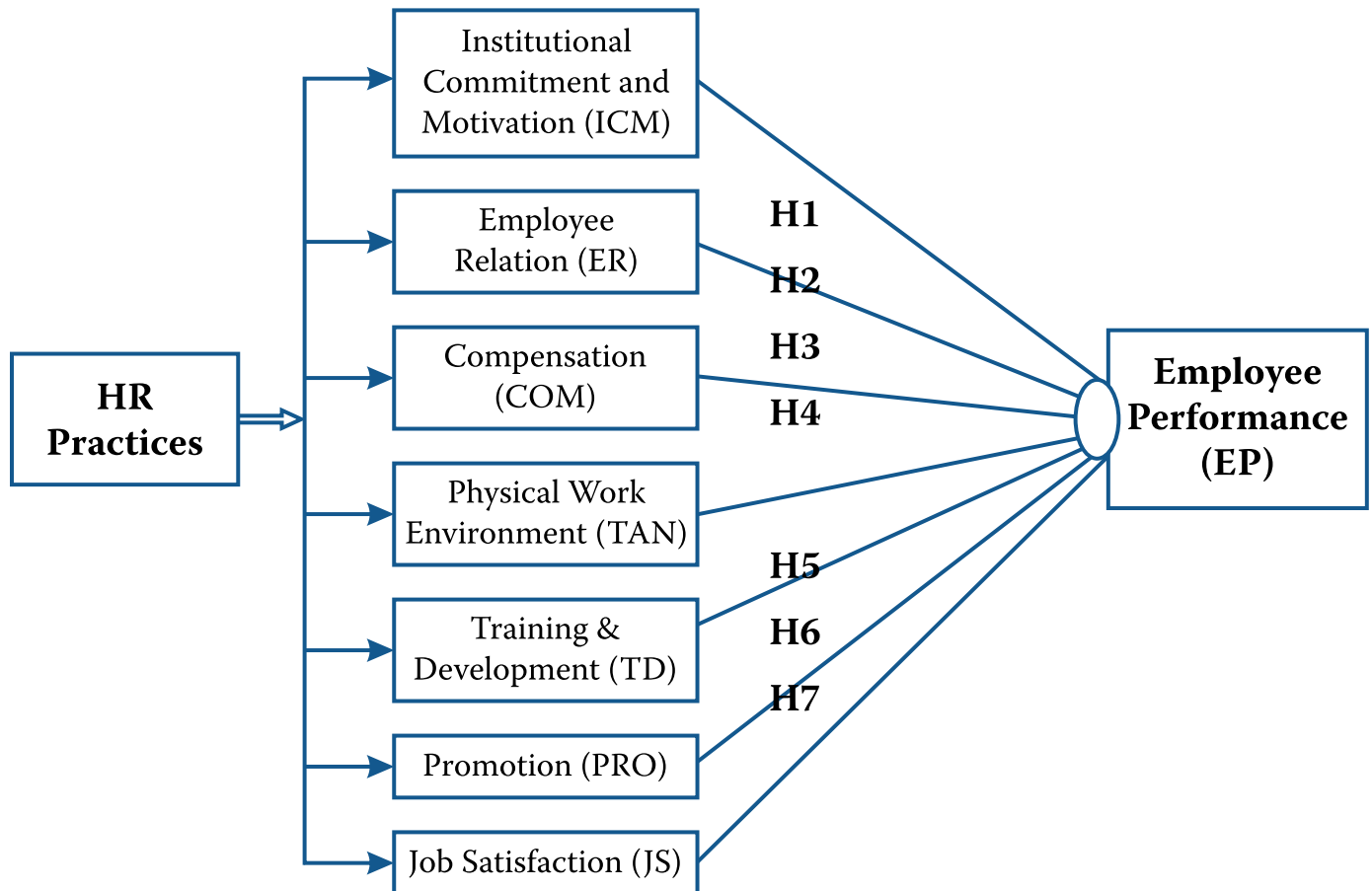
H6. Promotion has significant effect on employee performance in banking industry of Bangladesh.

Job Satisfaction and Employee Performance

Job satisfaction has been defined as a positive emotional state resulting from the pleasure a worker derives from the job (Spector, 1997) and as the affective and cognitive attitudes held by an employee about various aspects of their work (Wong et.al., 1998). Some review in 1950’s (Brayfield & Crockett, 1955; Herzberg et al., 1957) revealed that there is no relationship between job satisfaction and performance. This has opposed the popular ‘Human Relation View’ which maintains that a satisfied worker is a more productive worker. Hossain and Miah (1992) found that job satisfaction has significant influence on employee performance, in their study on public and private sector bank employees in Bangladesh. Rahman and Hossain (2000) conducted a comparative study on a nationalized and a private bank on the impact of satisfaction on absenteeism, turnover and productivity. The study revealed that the employees of the private bank are much more satisfied with their job than the employees of the nationalized banks. The reasons behind such low level of satisfaction include the nature of work, pay, promotional facilities, supervisors and co-workers to work with etc. The recent researches by Nimalathasan and Brabete, (2010) and Hira and Waqas, (2012) have shown that employee’s job satisfaction has positive impact on their work performance in People’s bank of Jaffna Peninsula, Srilanka and banking sector of Pakistan respectively. So, the following hypothesis can be made on the basis of the above discussion:

H7. Job Satisfaction has significant effect on employee performance in banking industry of Bangladesh.

Figure 1: Schematic diagram of the theoretical framework



3 METHODOLOGY

This study designed to investigate the effects of HR practices such as Institutional Commitment & Motivation, Employee Relations, Compensation, Physical Work Environment (Tangibles), Training and Development, Promotion, and Job Satisfaction (treated as independent variables) on Employee Performance (as a dependent variable) in banking industry of Bangladesh. In this research, the concepts of “employee performance” was described in terms of effort extended to the job by an employee, while in measuring the EP the emphasis was put on what the performance is at first, general attributes of the system formed while performing the performance measurement and the performance metrics used. Performance standards can be quantitative or qualitative as well. Here the author used the qualitative domain/variables by using continuous rating scale with special reference to SMART features. Since the hard data about employee performance are confidential and restricted to convey to other users except the Bank, the author relied on the perception of the employees in this case. Other HR practices are measured on the basis of the responses from the employees of the banks, i.e. attitudinal scale was deployed in this case.

For the fulfilling the research objective, primary source was used although secondary sources were utilized to review the existing past literature on the respective topic. Structured questionnaire method was used to collect the primary data. A convenient sampling procedure was used to select the sample units. The population of interest was all the employees worked in schedule banks in Bangladesh, where the sample size was 328; respondents were selected from the banks in different locations of Bangladesh on the basis of their willingness to respond to the questionnaire. The list of the representative banks is showed in Appendix Table A-1. The questionnaire was designed based on the study by Halim and Sefer (2013), and adjusted to measure the effects of HR practices on employee performance in Bangladeshi context. All the questions were asked to show the bank employees’ agreement or disagreement on a five point Likert scale with 1 as “strongly disagree”, 2 as “disagree”, 3 as “neutral”, 4 as “agree” and 5 as “strongly agree”. Descriptive statistics were utilized to summarize data. Mean and standard deviation (SD) of HR practices as well as employee performance had been calculated. Cronbach’s Alpha of each construct was measured to check the reliability of questionnaire. To investigate the relationship between the HR practices and employee performance, correlation analysis and multiple regression models were used to find out the effects of HR practices on employee performance. SPSS version 20.0 was used as the statistical data analysis tool as it offers greater flexibility and visualization.

4 FINDINGS AND ANALYSIS

Demographic aspects of the respondents

The demographic data reveal that out of 328 valid respondents, 255 (77.74%) are male and 73 (22.26%) are female. In case of educational qualification, among the respondents the highest number of the respondents 236 (71.95%) having postgraduate degree, 86 (26.22%) are graduate, and rest 06 (1.83%) having others degree. The respondents are serving in the banking industry ranges from 06 months to 18 years in the different post varying from assistant officer to vice-president of the bank and in the different departments. The banking statistics reveal that 33 (10.37%) are from the foreign banks, 17 (5.18%) from the nationalized public bank and 278 (75.45%) are from the private commercial banks including Islamic banks. In Appendix Table A-1 shows the distribution of respondents from the different banks.

Reliability Coefficient and Descriptive Statistics of the Variables

Table 1 depicts Cronbach's alpha, mean and standard deviation of all the dependent and independent variables under consideration. Cronbach's alpha is the most widely used method to measure the reliability of the scales. It may be mentioned that its value varies from 0 to 1 but the satisfactory value is required to be more than 0.6 for the scale to be reliable (Malhotra, 2002). In this study, author therefore, used Cronbach's alpha scale as a measure of reliability. All the reliability coefficients meet the standard, and indicate that all attributes are internally consistent.

Table 1: Reliability coefficient (Cronbach's Alpha) and descriptive statistics of the variables

Scale	No of items	Cronbach's Alpha	Mean	Standard Deviation
ICM	11	0.878	3.8661	0.64764
ER	05	0.839	3.7927	0.86353
COM	06	0.701	3.5264	0.64317
TD	06	0.869	3.8694	0.68014
TAN	04	0.844	3.8460	0.81340
PRO	03	0.742	3.7693	0.75821
JS	04	0.661	3.7241	0.68577
EP	06	0.824	3.8882	0.69159

Note: n=328 (Source: Survey data, July-2015)

However, the mean values ranges from 3.5264–3.8882 indicate that the overall response regarding all the factors/variables of the study fall within the agreeable level. The standard deviation for all the factors lies even below one which indicates well consistent responses.

Correlation Analysis

From Table 2, it can be inferred that all the dimensions of HR practice in banking sector of Bangladesh has a significant influence on employee performance (since the sig. value is less than 0.05), which indicates that all the hypotheses are supported. From the correlation value it can be observed that all the dimensions have relatively strong positive association with employee performance except employee relation and compensation; which indicates that the proposed model is applicable for measuring the employee performance in banking sector of Bangladesh. *Institutional commitment and motivation (ICM)* has the highest correlation coefficient ($r=0.661$, $p < 0.01$) which delineates that higher level of efforts would be exerted by employees with the higher levels of ICM in the context of Bangladesh, i.e. employees count more on the emotional attachment or psychological factors related to the service they perform for the employers/banks. *Job satisfaction (JS)* is the second ($r=0.626$) important factor that affects the employee performance, i.e. higher the level of job satisfaction of the employee, higher the employee performance. *Training & development (TD)*, *promotion policy (PRO)*, *physical working environment (TAN)*, *employee relation (ER) and compensation (COM)* are the other influential factors of HRM practice in order to their strength of association with the employee performance. On the basis of overall findings of correlation analysis, all hypotheses are supported, i.e. employee performance is significantly related to all the HRM practices. Since correlation coefficient indicates the strength and the direction of change between the independent variables and the dependent variable, to quantify the effect of each HR practice on the employee performance, it is required to run a regression analysis.

Table 2: Correlation matrix for HR practice dimensions and employee performance

Items	ICM	ER	COM	TD	TAN	PRO	JS	EP
ICM	1	.456**	.486**	.699**	.523**	.602**	.619**	.661**
ER	.456**	1	.246**	.546**	.604**	.300**	.343**	.427**
COM	.486**	.246**	1	.443**	.264**	.378**	.438**	.356**
TD	.699**	.546**	.443**	1	.702**	.585**	.629**	.590**
TAN	.523**	.604**	.264**	.702**	1	.427**	.493**	.521**
PRO	.602**	.300**	.378**	.585**	.427**	1	.585**	.569**
JS	.619**	.343**	.438**	.629**	.493**	.585**	1	.626**
EP	.661**	.427**	.356**	.590**	.521**	.569**	.626**	1

** Correlation is significant at the 0.01 level (2-tailed), Note: n=328 (Source: Survey data, July-2015)

Regression Analysis

Table 3 indicates that there is no multicollinearity problem since the Variance Influenced Factors (VIF) of collinearity statistics are less than 5 (Malhotra, 2002). The value of adjusted R Square shows that 54.3% of the variability in employee performance is explained by all seven factors of HRM practices. The model also shows that F value of the ANOVA table is 56.527 and p value is less than 0.001 which indicates that all the dimensions of HRM practices are associated with the employee performance. Thus, the banking industry can concentrate on all the HRM practices to improve the level of employee performance.

Table 3: Standardized (simultaneous) regression on employee performance

Model		Coefficients					Collinearity Statistics	
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Tolerance	VIF
		B	Std. Error	Beta				
1	ICM	.562	.185		3.038	.003		
	ER	.353	.063	.331	5.605	.000	.401	2.493
	COM	.067	.034	.083	1.981	.049	.593	1.688
	TD	-.070	.049	-.065	-1.423	.156	.671	1.489
	TAN	-.001	.069	-.001	-.014	.989	.306	3.263
	PRO	.096	.049	.113	1.971	.050	.428	2.334
	JS	.151	.046	.166	3.264	.001	.540	1.853
EP	.273	.054	.271	5.062	.000	.489	2.044	

Note: Dependent Variable: EP; Adjusted R2 = 0.543; F-value = 56.527 (Sig. Value=0.000)

Note: n=328 (Source: Survey data, July-2015)

Table 4: Assessment of hypotheses

Hypothesis	Factors	Correlation analysis		Decision	Regression analysis		Decision
		r	p <		B	p <	
H1	ICM	.661	0.01	Supported	.331	.01	Supported
H2	ER	.427	0.01	Supported	.083	.05	Supported
H3	COM	.356	0.01	Supported	-.065	No	Rejected
H4	TD	.590	0.01	Supported	-.001	No	Rejected
H5	TAN	.521	0.01	Supported	.113	.05	Supported
H6	PRO	.569	0.01	Supported	.166	.01	Supported
H7	JS	.626	0.01	Supported	.271	.01	Supported

Note: p < 0.05 (statistically Significant)

However, the effort must be concentrated on the Institutional commitment & Motivation (ICM) since it shows higher relative importance to the identified model of $\beta=0.331$ (Sig. 0.000) when compared to the value of other HR Practices. The result reveals that ICM is the most important determinant factor of employee performance. By keeping the other factors constant one unit change in ICM gives rise to 0.331 unit change in employee performance, i.e. keeping all other factors remaining unchanged, only ICM accounts the 33.1% change in employee performance Likewise, if other factors remain constant, job satisfaction (JS), promotion (PRO), physical work environment (TAN) and employee relation (ER) can explain the change of employee performance by 27.1%,

16.60%, 11.30%, and 8.30% respectively. The remaining two variables compensation (COM) and Training & Development (TD) are failed to prove the significance, although they found positively associated with employee performance in correlation analysis.

5 DISCUSSION TO RESEARCH FINDINGS

From the Table 4, it is revealed that all the hypotheses are accepted on the basis of the correlation analysis, i.e. it can be said that the proposed model can be applicable in measuring employee performance on the basis of the HRM practices in the banking sector of Bangladesh. But in regression analysis, compensation and training & development dimensions have found insignificant, which confront with the existing literature review.

However, *Institutional commitment & motivation* found to be the most dominant factors for the employee performance (EP) in banking sector of Bangladesh. Halim and Safer (2013) found one unit change in institutional belonging and motivation gives rise to 0.556 unit in employee performance in a state bank of Turkey. The employers and bank practitioners should be careful about their commitments to the employees. If employees found that the organization cares about their needs and bank managers are more interested in making provision for the motivation and empowerment of their employees to perform toward the achievement of tasks, then the employee performance can be even better.

Job satisfaction found second most influential factors of EP in this study, which counts about 27.1% of the employee performance in the banking sector of Bangladesh. Nimalathasan and Brabete (2010) and Hira and Waqas (2012) also have shown that employee's job satisfaction has positive impact on their work performance in the context of banking sector of Srilanka and Pakistan respectively. According to Ijigu (2015), employees' satisfaction on the job will reduce absenteeism and turn over intentions in public banks in Ethiopia. So, higher job satisfaction leads to employee loyalty, which result the better employee performance to achieve the bank's goal.

Promotion has the statistically significant impact on EP in banking sector of Bangladesh. This study shows that one unit change in promotion gives to rise 0.166 unit change in EP. Balochi et al. (2010) also found promotion policy was significantly correlated with employee performance in Pakistani context; although, Halim and Safer (2013) failed to prove the same in Turkish context. In Bangladesh, the bank employees have seen it as reward for better performance; since promotion can be given based on the qualifying the promotional examination arranged by HR division of both public and private commercial banks.

Although, Halim and Safer (2013) found one unit change in *physical working environment* gives to rise 0.158 unit fall in employee performance in a state bank in Turkey; but it is found that the Physical working environment has a statistically significant positive effect on employee performance in banking sector in Bangladesh, i.e. better the working environment higher the employee performance. As the banking sector has a better working place than the other sectors of Bangladesh in terms of modern centrally air conditioned multistoried corporate building, branches are equipped with modern facilities (including online banking system, modern security system etc.) and located in the prime locations in the country. In this study, it is found that 11.3% change in EP is explained by Physical working environment of banks in Bangladesh. Awan and Tahir (2015) also revealed that working environment had a positive impact on employee's level of productivity in the banks and insurance in the Pakistani settings.

Employee relation (ER) found the less dominant statistically significant determinants of EP in this study, which counts only about 8.30% change of EP. The similar relationship found by Saeed et al. (2013) in Pakistan and Muda et al. (2014) in Islamic Banks of Indonesia, both studies stated that manager's attitude towards subordinates and communication factor between managers and employees significantly affect employees' performance.

Although, Zahra et al. (2015) found that salary had a stronger relationship with job performance, but the remaining two variables of this study-*Compensation* (COM) and *Training & Development* (TD) are found statistically insignificant in the context of the banking sector of Bangladesh. The main reasons behind these issues may be that compensation is a hygiene factor, thus it may not provide any extra stimuli in comparison to the other factors of HRM practices to enhance the performance. As the compensation package in the banking industry is much higher and well-structured in comparison to the other sectors of Bangladesh, so compensation has little or even no impact on performance of banking employees. This outcome aligns with the findings of Halim and Safer (2013) in Pakistani context. The another issue related to training and development is so far not considered as a systematic vehicle to improve the employee performance, since it is not properly practiced and is somewhat undermined in HRM practice, which confront with the finding of Awan and Tahir (2015) in Pakistani settings. However, favoritism and nepotism are often found in selecting individuals for advanced or merit based training programs of service sectors in Bangladesh. Also, need based training programs those are normally provided to the less performing employees to recover their weakness for improving the performance, also not practiced in a consistent manner among the banks (especially in NCBs) in Bangladesh.

Progress of learning does not occur always at the constant rate. The magnitude of the progress varies according to the nature and complicity of the subject, expertise of the trainer and the capacity of the trainee to accept the learning process. On the basis of these, a sound training program is properly designed which can give guarantee to develop an efficient workforce and nominate right person to right training program for boosting the morale of the employees. On the other hand, it is true that compensation may not always be influenced factor for the performance. If employees are not agreed to perform their jobs eagerly or overburden with the work load or deprived from the equal opportunities from the employers then compensation may not excel their performance. In that case supportive HRM environment and stress maintenance programs for the employees may be the better ways to improve the employee performance than the compensation. Generally, compensation can have some influence on the entry/functional level of employees, but it may not have a bigger role on the performance of the higher level executives.

6 LIMITATION AND FUTURE RESEARCH DIRECTIONS

The study has some limitations despite some significant contribution to the field of HR practice. The first and the foremost limitation relates to the sampling method of the study. Since the population was structured (i.e. there was a complete list of employees for each bank), there was a possibility of conducting probability sampling method. However, due to the time and cost constraint, it was very difficult to go for any probability sampling method. As a result the researcher had to rely on the banks and respondents who were willing to participate in the survey. Thus, convenience sampling technique has been applied to collect the relevant data. Another reason for applying non-probability sampling is that practically it is hard to approach the banking stuffs where the researchers do not have any proper access. The study also used only 25 first growing banks. Further study in this area might be augmented by using random sampling method with larger sample size in order to facilitate generalizing the result, which may be the main motivation for future researchers. A comparative study can be done among Nationalized Commercial Banks (NCBs), Private Commercial Banks (PCBs) and Foreign Commercial Banks (FCBs) to compare the employee performance on the basis of the HR practices in banking sector of Bangladesh and other geographical locations.

7 CONCLUSION

In this study, seven major dimensions of HR practices are taken into consideration to measure the effect on the employee performance in the context of the banking sector in Bangladesh. This study confirms on the basis of the bankers' responses that institutional commitment & motivation, employee relations, physical work environment, promotion, and job satisfaction have the significant impact on the employee performance. Although compensation, and training & development are positively associated with the employee performance, they are not significant enough to be included the relationship (regression) model. Since, employee performance is an important factor that contributes to improve the productivity through better behavior and traits of the employees of a functional team in an organization. Also, employee performance is most important factor in an organization success therefore, there is needed to adopt effective human resource strategies that aim to improve employee performance and creates the culture of high performance in any organization based on human resource practices. Therefore, it can be concluded that employee performance through proper HRM practices can be an alternative way to escalate the banking sector of Bangladesh.

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APPENDIX

Table A-1: Distribution of respondents from the different banks

FCBs	No of respondents	(in %)	Total (in %)	PCBs	No of respondents	(in %)
Standard Chartered Bank	14	4.27		Southeast	15	4.57
Worri Bank	11	3.35		Mercantile	12	3.66
City Bank N. A.	15	4.57		Eastern	12	3.66
Alfalah Bank	13	3.96		Meghna	13	3.96
			16.16	UCBL	14	4.27
IBs				MTB	13	3.96
FSIBL	14	4.27		Standard	15	4.57
SIBL	12	3.66		Jamuna	11	3.35
IBBL	12	3.66		Bank Asia	11	3.35
Exim	14	4.27		Uttara	13	3.96
Union	14	4.27	20.12	IFIC	13	3.96
				Brac Bank	12	3.66
NCB				Prime	15	4.57
Sonali Bank	14	4.27	4.27	City Bank	13	3.96
				DBBL	13	3.96
Total (in %)			40.55			59.45

Note: n=328 (Source: Survey data, July-2015)



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On the Use of Mystery Shopping to Measure Competences

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ABSTRACT

Mystery shopping as a monitoring tool can be used for the measurement of the quality of personal sales and client service. The aim of this paper is to outline some methods and possibilities of mystery shopping conducted in respect to competence measurement. The theoretical background is supported also by an empirical survey in which 399 “shopping” acts were conducted. To measure competences we have selected 14 variables, which can be observed and evaluated in the process of mystery shopping. The objective of the study is to analyse internal structure of the related variables. To explore that, principal component (PCA) and Cronbach alpha analysis were utilized.

KEY WORDS

competency, measurement, observation, mystery shopping

JEL Code: M12

1 INTRODUCTION

Organization development consultants mostly agree that, after the era of engineers the era of economists followed and by today the period of behavioural science has arrived. Of course this does not mean that acquired and applied knowledge from before has lost its validity. The fact is that, engineering and economical approaches have become widely known by today and people have increasingly started implementing these into organisational-management practices so that further developments are now focusing on other areas, i.e. on behavioural science.

The sharper competition on markets and the fight for consumers in daily business and in science demands new approaches in economic science itself. According to János Kornai “twenty or thirty years ago an economist was able to take an empirical study seriously only if it was using ex post statistical data.” He believed that, using the method of questioning as the basis of an economic study is just not a serious approach. Only market researchers or maybe sociologists do these kinds of things but a serious and prestigious economist would not do that. Nowadays it is not like that. The industry has realised that we need to know how people think. What kind of expectations they have, what are their hopes, how they sense things, what kind of values have an effect on their thinking, how optimistic or pessimistic they are?” (Kornai, 2006: 953-954).

By focusing on consumer decisions Gábor Koltay and János Vincze compared the classical economic approach with the results of the new behavioural science discipline, the behavioural economics and have come to the same conclusion as Kornai. „Behavioural economics, as they say, is a reaction to the understanding of human being by neoclassical economics. Its main question is that, compared to the idealised neoclassical assumptions, how economic players really behave, i.e. the reality of behavioural assumptions attracted the main emphasis. We can conclude from researches of behavioural economics that, »intellect and emotions« often cannot be separated in consumer decisions. (Koltay & Vincze, 2009:495-496. and 521.)

Marketing conception is anyway closer to the areas of psychology and social psychology than to economics, i.e. primarily it does not assume general rationale from market participants and at its examinations it considers

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consumers as individuals. The approach of psychology and sociology that focuses on behaviour gave analytical tools into the hands of researchers and, indirectly, corporate executives to provide a better understanding of consumers. ...Consumer behaviour... basically depends on the context (Bauer et. al., 2014)

Within the marketing industry, “client and consumer behaviour, the increase of the number of loyal clients as well as paying attention to the satisfaction of customers” (Hofmeister-Tóth et al., 2003) have become more and more important because the retention of an existing client usually costs more than the acquisition of a new one. Marketing researchers often say that, it is estimated that, during purchases (upon products offered with similar conditions and upon interchangeable products) product characteristics determine the consumption of certain product or service, the decision of consumers and the satisfaction of clients only in about 30%.

In our research, by monitoring mystery shopping, we examined one of the most important ingredients of the remaining 70% determinant, the competences of sales representatives. For consumer satisfaction we considered politeness, helpfulness, open communication with customers, the endeavour for problem identification and problem solving, the individual’s personal needs for the tidiness of his/her environment and customer care to be important competences. Literatures (Deeter et. al. 2003; Munhurrun et. al. 2010.) mention these properties as basic requirements for sales representatives and administrators dealing with clients and customers. However, we were more interested in the question of how the monitored sales representatives can really meet these requirements.

2 EXAMINATION OF COMPETENCES OF “FRONT OFFICE” EMPLOYEES BY MYSTERY SHOPPING

The marketing phrase of “front office” in the title relates to all colleagues who get in direct connection with the consumers and buyers of the organisation or company, i.e. sales representatives, administrators, consultants, agents, etc. In this article, for simplicity, we will give an equal meaning to sales representatives and sales consultants.

„Personal sales is the most expensive contacting and communicational tool of the company” - concludes László Dankó (2009:165). For this particular reason companies try to replace it with other tools. In lights of its benefits and relatively high costs it is surprising that it does not attract a lot of attention (two examples of the rare literature in this respect are Furnham & Milner, 2013; Lombart & Didier, 2012). Meanwhile there are more and more signs showing that even in self-service shops, people need service, consultation and help more often. Or every one of us has heard complaints from people communicating with an automated voice on the phone saying: “I want to talk to a real person!”

In many fields of business it is essential to use different methods of personal sales. From consultants and agents to local sales representatives there are many employees with a task of getting in touch personally with clients and buyers. There are important expectations against the behaviour of sales representatives while exercising personal interactions. Of course these expectations depend on the type and situation of sales as well as on the type of the client, however there are some rules that each and every sales representative should follow at every type of personal sales. These are after all very simple behavioural rules: the sales representative should be polite, helpful, discreet, patient, a good judge of human nature, and should have the right personality for making contacts and the ability to express himself/herself. The sales representative is expected to have a tidy and clean appearance, appropriate knowledge, professional literacy, empathy and helpfulness. We defined these according to the classical grouping of sales procedures: greeting, approaching the client, presentation, product referral, closing and CRM.

In the definition of competences we relied on the results of researches on professional dedication of on-site sales representatives. An early example is a sociological research conducted in the 1960’s in the United States (Friedmann & Havighurst, 1962) saying that, professional pride of sales representatives at work was fed by the challenge they were feeling at work and by their own creativity. They felt their work like a service for helping customers so that they can find what they are looking for, even if sometimes the customers themselves do not know what they want. A good sales can reach something that „only love can reach: to scrutinise the most inner desires before the individual would recognise them by himself/herself” (Simmel [1908] 1964:62) Based on these findings we classified the competences of problem recognition and active problem solving, apart from politeness, to be amongst the most important and most basic competences.

According to Bathory and Falus (1997) competence is basically an intellectual (cognitive) quality, however motivational elements, skills and other emotional factors also play an important role in it. According to this definition it is obvious that we are facing a complex system as Vilmos Vass assumes (Vass, 2009). Further, competences can be considered as a sort of personal success and are in direct connection with high level performance (Fehér, 2011). Due to the nature of competences the competence definitions try to describe, define content of competences rather than giving an exact, operational description of them (Komor et al., 2010). The measurement makes it unavoidable to ensure the measurability of comprehensive and abstract concepts and divide them into empirically understandable components. Therefore we divided the examined competences into elements and we defined the elements as specific

behaviour components and we labelled the observed behavioural elements as behaviour mosaics.

We considered every behavioural mosaic as a sign of a possessed or lacking competence. For some competences more mosaic groups can refer to, whereas for others maybe only one or two. For instance we considered smiling, eye contact and the direction of communication (towards the partner or into the air) as an expression of politeness in behaviour. Of course the behavioural mosaics can be further expanded, particularly when we dig deeper into such types of personal sales that are less “mechanical”, such as consulting or agency. However, we would like to point out again that in our research we examined only the most basic and most common expectations and competences.

The most important question of the examined sales discounts is whether the buyer has left with satisfaction and good feelings. To measure this, two procedures have been adapted by the industry so far. One of these is when we ask for the opinions of the sales representatives or the customers in interviews or with the help of questionnaires about the realised purchase. This solution seems to be obvious but in terms of the examination it also has its disadvantages. The opinions may be based on post-purchase subjective impressions, they may be distorted and, which is the most important for us, they may be based on such impressions that make it not possible to identify the competences to be improved.

The other solution is when we send trained observers for the observation of the examined interactions. They can work as outsider observers (they only observe) or participating observers (active participants of the examined interactions), however it is the most important condition of the measurement in both cases that, these observations should be evaluated based on standardised, calibrated behavioural patterns and converted into comparable and measurable patterns with each other.

2.1 BEHAVIOURAL MOSAICS THAT CAN BE OBSERVED DURING MYSTERY SHOPPING

In our examination we chose the second option (participating observers), the so called mystery shopping. For the execution we found hardly any help from the Hungarian market research literature (i.e. Gordon, Langmaid, 1997; Hoffmann et al., 2000; Malhotra, 2009). The online terminology of the companies that offer mystery shopping emphasises the opportunities in this method but do not discuss the principles that ensure the objectivity and precision of mystery shopping. According to our knowledge the only scientific article in the topic of mystery shopping is the article of Papp-Váry és Kosztka (2006). Despite of its title, the article does not really discuss the theory of mystery shopping but rather its practical approach. This is not a surprise because the so called mystery shopping is a widely employed practice in the world but it lacks a generally approved theory and practice.

The literature considers the observation itself as such a “soft”, qualitative method whose point is the “understanding of the examined phenomenon and putting it into a wider social context” (Héra, Ligeti, 2005:136), and not making it to be measurable and to measure it. Therefore the practice of mystery shopping usually focuses on such easily observable factors like the tidiness of the retail shop, the freshness of the goods, the adherence to the regulations and not on the competences of the sales representatives manifested in their behaviour. Should it still consider behavioural factors, these are usually based on subjective general impressions and memories.

However, “since the majority of the shopping decisions (according to Winter & Grima (2014) is around 80%) are made in the store, the impressions that the buyers experience are not indifferent. Therefore everywhere where the customer service processes are standardised or where it is possible to standardise them, the execution must be (should be) controlled. “Without these sort of standards I think it is a complete waste of money” - says one of the affected users on the mysteryvisit webpage (www.mysteryvisit.hu).

Dusseldorp and Southwold (1994) provide useful advice for the “standardisation” i.e. categorisation and classification of the observed factors. Why do we need this standardisation? Because we can rarely observe social factors (including competences) directly, most of the time we can only approach these via indicators. For example, politeness can be observed via greeting and the method of communication.

In their article Papp-Váry and Kosztka quote Mark Michelson, president of the Mystery Shopping Providers Association, who believes that, in an ideal observation form we can choose only between »yes« and »no« answers and the “no” answer should be explained with the help of pre-defined categories (Papp-Váry & Kosztka, 2006:70). Cathy Stucker (2004) has a more differentiated opinion when she says, “as a mystery shopper you do not need to tell your thoughts about the things you experienced there. All you need to tell is what really happened. Most of the questions you need to answer as a mystery shopper are yes/no questions. Were you greeted within 30 seconds? Was your order satisfied in an appropriate manner? Did you receive an invoice/receipt?”

It is a question of our own determination whether we want to examine certain events by yes/no questions or by metric (to what extent, how soon, etc.) questions. According to two Australian researchers „some aspects of customer service can be measured the most by categorising tools like whether the sales representative gave a correct answer to the customer’s question. Others can be measured by scaling, such as friendliness” (Dawes & Sharp, 2000). Therefore they applied metric and category scales in their study.

In our study, as we will introduce it in the next chapter, we also gave up on the traditional categorisation practices.

By the definition of behavioural mosaics and their levels we tried to eliminate the subjectivity of the observation method as much as possible. Because at the traditional mystery shopping the mystery shoppers can judge only by their own subjective assessments because they do not have such an exact gauge that helps them to judge the underlying behaviour and its scale. Furthermore, at the post-event judgement stage, their personal habits, needs and their dominant mood at the time of the shopping event play a significant role. We improved the objectivity of mystery shopping in practice by the categorisation of competences into elements and by the definition of behavioural mosaics calibrated by different levels.

2.2 THE ISSUE OF MEASURING COMPETENCE PRINTS

Should we accept Michelson`s advice concluded from mystery shopping practices, on one hand it means that, the examination always contains subjective judgment elements that are based on general impressions, i.e. the measurement will be unreliably subjective. On the other hand the result of the examination will be such a nominal scale that will not make it possible to conduct serious analyses. Let us take an example of a general requirement cited in every text book, the smiling. In the instance of smiling what do “yes” and “no” mean? Some people smile at greeting, some other at saying good bye and there are people smiling all the time through the interaction. There are pleasant smiles, sarcastic smiles or challenging smiles... When and what should be written according to the “it happened”, “it did not happen” instructions?

The other problem of “yes” and “no” answers is that they provide a nominal scale and by that no mathematical operation can be conducted. Nominal scales, as most methodology books discuss it, are not really considered to be as scales. Even if we provide number codes for each of the categories, „in case of the nominal scales the numbers do not reflect quantity” (Malhotra, 2009:289).

For the measurement and deeper analysis it is of substantial importance that we should obtain higher level analysable units - at least ordinal scales. Therefore we defined different levels for the time period, the required effort or intensity of the observed behaviours. Further discussing the question of smiling we can say that levels number 1 and 2 mean the total lack of smiling, number 3 means an appearing smile at greeting, number 4 is for the smiling throughout the whole interaction whereas level 5 indicates an unnecessarily strong smiling or smiling that does not express kindness (e.g. ironic). Similarly, the first level of the so called problem recognition behavioural mosaic means that the sales representative did not want to deal with the problem indicated by the buyer at all. The second level shows that the sales representative personally did not try to explore the problem but he/she sent the consumer to someone/somewhere else (e.g. information desk). Levels number 3 and 4 mean that the sales representative asked the point and details of the problem whereas level 5 shows that he/she was saying irrelevant/intimidating things (gossiping). It is not to be mixed up with the competence of conflict management. This is about the problems of the consumer, e.g. he realises in the shop that the request of his wife (buy baker`s yeast) requires a decision from him due to the widely offered bakers` s yeasts (dry, fresh, instant, etc.). The reaction of the sales representatives can vary from “come back when you know what you want” to “if your wife wants to bake bread then you can buy the dry one but if she wants to bake croissant then you should take the fresh one”.

On one hand the derived scale still contains subjective judgment elements (which we were able to reduce by the thorough training of mystery shoppers). On the other hand, and this meant a bigger concern from an analysis point of view, the derived scale was higher level than the nominal one but it was only possible to consider it as an ordinal scale at most. However there are attempts for the examination of the validity and reliability of these sort of procedures (Roberts, Campbell, 2007; Liu, et al., 2014)

3 METHODOLOGICAL BACKGROUND

Our observation form covered 5-5 levels of 14 factors that can be described by behavioural characteristics. Of course we are aware of the fact that, the subject of observation varies from case to case. We need to observe different things at customer service desks of public institutions, at a retail shop purchase, at being a client at a ticket desk or at negotiations with sales agents. However in this article we only deal with competences that are significant at all types of personal sales. In the table below we can see the individual observation aspects. The trained mystery shoppers had to evaluate the different factors of the individual acts on a scale of 1-5. We gave a description to each and every scale value according to the scale of effort. The individual scale values can also be considered as “reward points” where 1 = low effort/performance and 5 = high effort/performance.

Table 1: Observation factors

Observation factors
receptiveness
eye contact
volume
articulation
direction of speech
attention
balance
politeness
problem understanding
problem solving
empathy
smiling
helpfulness
saying goodbye

Source: Own research

After the standardisation of the scale the reification of the “gauge” - i.e. the mystery shoppers - followed. After the mystery shoppers received the list of behavioural mosaics, they had to grade a simulated situation according to their own judgment. The evaluations were matching in 75% in spite of the fact that, they were prepared on the basis of the subjective general impressions of the observers. It is fair to say however that, in the first simulation we only asked for a nominal (“it happened”, “it did not happen”) evaluation.

As part of the next stage of the training we gave them a list of individual behavioural mosaics with levels and “grades” and with the new list they had to evaluate a new, simulated purchase situation. We had repeated the process up to the point when we could reach 80% matching with the new, detailed evaluation.

We warned the mystery shoppers that, they will need to observe several things at the same time so they should memorise the behavioural mosaics and the evaluation factors of different levels. It is the consequence of the method that, during the purchase they do not have the opportunity to record the observed events, they need to do the grading afterwards. 90% of the behavioural mosaics related to concrete actions. We asked the mystery shoppers to record these in their memories and after they had finished the purchase start the evaluation with the grading of these actions. After this they can start dealing with the questions regarding general impressions (so that their observation evaluations will be influenced minimally)

The results were based on 399 mystery shopping occasions and 1-5 grading of 14 behavioural mosaics. The data recording had happened between January and September 2016 at customer service offices of public service organisations. We tried to control the reliability, validity and consistency of the developed evaluation system by mathematical-statistical procedures. First we did the structural validation with the help of principal component analysis. We processed the data in IBM SPSS programme.

4 INTERNAL STRUCTURE OF VARIABLES

At the definition of the factors we considered the Kaiser criteria ($\lambda^2 > 1$) at the first run. The KMO indicator value is at 0.892 whereas the Bartlett test significance level is at 0.000. Based on these outcomes our system of variables is suitable for factor analysis. The values belonging to the main diagonal that is visible in the correlation section of the anti-image matrix are moving between 0.929 and 0.825 which just reinforces our previous assumption. The rotated factor structure after the first run is visible in the table below. We did not include factor weightings below 0.2. Amongst the 14 observation points 10 can be categorised clearly into factors, however in the cases of problem solving, problem understanding, smiling and receptiveness we see that, these variables can be allocated to more than one factor.

Table 2: First result of PCA

Variables	factor 1	factor 2	factor 3
attention	0.751		
empathy	0.734		
problem solving	0.611	0.466	
helpfulness	0.601		
problem understanding	0.543	0.503	
balance		0.759	
saying goodbye		0.735	
politeness		0.678	
smiling	0.386	0.534	0.336
direction of speech			0.753
eye contact			0.690
articulation			0.635
volume			0.585
receptiveness	0.433		0.572

Source: Own research

We conducted a new analysis for the clarification of the factor structure. Starting from that point we excluded the “smiling” and “receptiveness” variables from the analysis. At the second run we ignored the basic rule for the selection of main components that were considered to be significant, $\lambda^2 K > 1$ i.e. we did not consider only the main components that have an own value larger than 1 but almost as many as necessary to explain the 75% of the total variance. Accordingly, 4 factors were defined. Our decision was reinforced by the „scree test” and by the „a priori” rule. According to the result of the main component analysis run in our indicator system the KMO=0,858 and the empirical significance level belonging to the Bartlett-test is lower than 1%. The lowest value at the main diagonal in the anti-image matrix correlation section is 0.752. Considering all of these findings the indicator system is still suitable for multi-variable analysis. According to the results the four main components explain 73.37% of the total variance. The own value is 4.1 for the 1st main component, 1.4 for the 2nd main component, 1.04 for the 3rd main component and 0.8 for the 4th main component. For the clarification of the factor structure we used Varimax rotation. The results are in accordance with the initial expectations of the logical relationships. 4 factors were created in total which we named as “customer management”, “problem management”, “service”, “communication”. We can see the rotated factor structure in the table 3 as follows.

Table 3: Second result of PCA

Variables	customer management	problem management	service	communication
attention	0.769			
empathy	0.73			
helpfulness	0.624			
problem solving		0.715		
problem understanding		0.669		
balance			0.767	
saying goodbye			0.738	
politeness			0.666	
direction of speech				0.767
eye contact				0.674
articulation				0.657
volume				0.621

Source: Own research

5 CONCLUSIONS

We defined the main components according to the definitions as follows: “Service”: The sales representative is ready for service and has a polite behaviour while interacting with the client. “Problem management”: The sales representative is trying to explore and solve the problem of the client while exercising such a behaviour that considers the emotions and mood of the client. “Communication.”: The sales representative is using verbal and non-verbal tools that are appropriate in the situation. “Customer management”: The sales representative ready to pay attention, helps to customers and feels empathy.

Based on the results we assume that the coherent observation variables are the indicators of the same competence. In the next steps we examined the internal consistency of the scales created by the coherent observation variables. As indicator we chose the Cronbach alpha indicator. The value of alpha is 0.86 in case of the service factor, 0.89 for problem management, 0.75 for communication and 0.77 for customer management. We also examined how the value of alpha indicator changes when we exclude certain observation variables. The value of the indicator did not change substantially in any of the instances which refer to the internal stability of competences.

In this article we have discussed the fine-tuning of the instrument used for the data recording of mystery shopping and the measurement method of mystery shopping. We observed so called behavioural mosaics that can unfold whether the behaviour of sales representatives meets certain expected competences. At the evaluation process we did not stop at determining one or the other points of dichotomies regarding “there was / there was not” or “he/she did it / he/she did not do it”, but we rather determined certain levels that make the measurement possible.

At the principal component analysis of the results we were able to develop a relatively stable factor structure, based on which we shall conclude the structural validity of the valuation. We measured the internal consistencies of the developed competences by the alpha indicator which showed us a relatively acceptable value with the exception of one competence. We were able to reclaim 73% of the information of the original observation variables.

Our research has shown that mystery shopping, as a measurement methodology, is a valid method worth of further development efforts. One condition of the validity is the fine categorisation and appropriate calibration of the observed phenomena, i.e. the development of applicable measurement standards.

The limitations of our research are also worth noting. The sample was not based on probability calculation, it cannot be considered as representative. The validity and reliability of the individual competence scales should be checked by further measurements and examinations. Our aim for the future is to compare the introduced evaluation method with a standard competence measurement tool, for example with Captain Online test to analyse validity of competence measure instrument. Use of competency based mystery shopping, professionals could explore and survey training needs. Results of measurements support performance reviews and quality assurance of trainings.

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