

**ORGANIZATIONAL PRACTICES, DEVOLUTION  
AND HUMAN RESOURCE MANAGEMENT  
(HRM) EFFECTIVENESS OF PRIVATE  
COMMERCIAL BANKS (PCBs) OF  
BANGLADESH**

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**UNIVERSITI SAINS MALAYSIA  
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BANGLADESH**

by

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## **ABBREVIATION AND ACRONYMS**

PCB	Private Commercial Bank
HR	Human Resource
HRM	Human Resource Management
e-HRM	Electronic HRM
HR-line	HR Managers and Line Managers
HRCOM	HR Competency
TOPMS	Top Management Support
SI	Strategic Integration
DEVOL	Devolution
GDP	Gross Domestic Product
BB	Bangladesh Bank
BBS	Bangladesh Bureau of Statistics
BBTA	Bangladesh Bank Training Academy
BIBM	Bangladesh Institute of Bank Management
IV	Independent Variable
DV	Dependent Variable
SEM	Structural Equation Modelling
PLS	Partial Least Square
AVE	Average variance extracted
CR	Composite Reliability
CB-SEM	Covariance-based SEM
SPSS	Statistical Package for the Social Science
DOPU	Drop off/ Pick up
CMV	Common Method Variance

**AMALAN ORGANISASI, DEVOLUSI DAN KEBERKESANAN  
PENGURUSAN SUMBER MANUSIA (PSM) DALAM KALANGAN BANK  
KOMERSIAL SWASTA (BKS) DI BANGLADESH**

**ABSTRAK**

Kajian ini bertujuan untuk mengkaji hubungkait antara amalan organisasi (sokongan pengurusan atasan, integrasi strategik, kompetensi sumber manusia, *e-HRM*, kolaborasi sumber manusia dengan pengurus bahagian dan sistem pengurusan insentif) dan keberkesanan pengurusan sumber manusia (PSM) (teknikal dan strategik) dan bagaimana devolusi (penurunan kuasa kepada pengurus bahagian) menjadi mediasi dalam hubungkait tersebut. Di samping itu, peranan sokongan PSM atasan sebagai variabel moderator juga dikaji dalam perkaitan antara devolusi dan keberkesanan PSM. Kajian ini menggunakan reka bentuk kajian rentas (*cross sectional*) yang mengumpul data menggunakan kaedah soal selidik. Data kajian ini mengambil kira persepsi pengurus bahagian tentang hubungkait antara amalan organisasi (sokongan pengurusan atasan, integrasi strategik, kompetensi sumber manusia, *e-HRM*, kolaborasi sumber manusia dengan pengurus bahagian dan sistem pengurusan insentif), devolusi, sokongan PSM atasan dan keberkesanan PSM dalam bank komersial swasta (BKS) di Bangladesh. Populasi kajian terdiri daripada semua pengurus bahagian yang bekerja di BKS di Bangladesh. Sampel dikumpul menggunakan teknik persampelan penilai (*judgmental*), yang juga merupakan sebahagian daripada jenis persampelan bertujuan non-probabiliti, disebabkan tiada senarai lengkap bagi pengurus bahagian. Sejumlah 365 soal selidik yang boleh digunapakai dengan kadar respon 45.62%. Perisian Pemodelan Persamaan Struktur (SEM) generasi kedua *Partial Least Square (PLS)* digunakan untuk menganalisa

hipotesis yang dibina. Keputusan kajian menunjukkan bahawa tiga amalan organisasi (kompetensi sumber manusia, *e-HRM* dan kolaborasi sumber manusia dengan pengurus bahagian) mempunyai pengaruh yang signifikan terhadap keberkesanan teknikal dan strategik PSM. Sebaliknya, tiga amalan organisasi lagi (sokongan pengurusan atasan, integrasi strategik dan sistem pengurusan insentif) tidak mempunyai perkaitan yang signifikan dengan keberkesanan teknikal dan strategik PSM. Empat daripada enam amalan organisasi (sokongan pengurusan atasan, kompetensi sumber manusia, *e-HRM*, dan kolaborasi sumber manusia dengan pengurus bahagian) mempengaruhi devolusi. Sementara itu, dua amalan organisasi lagi (integrasi strategik dan sistem pengurusan insentif) tidak mempunyai perkaitan dengan devolusi. Devolusi juga menunjukkan hubungan yang signifikan terhadap keberkesanan teknikal dan strategik PSM. Selain itu juga, devolusi menunjukkan keputusan mediasi yang positif dalam perkaitan antara tiga amalan organisasi (sokongan pengurusan atasan, *e-HRM* dan kolaborasi sumber manusia dengan pengurus bahagian) dengan keberkesanan PSM. Peranan devolusi sebagai mediasi antara amalan organisasi yang lain (kompetensi sumber manusia, integrasi strategik, dan sistem pengurusan insentif) dan keberkesanan PSM didapati tidak signifikan. Peranan sokongan PSM atasan sebagai moderator antara devolusi dan keberkesanan PSM juga didapati tidak signifikan. Sebagai kesimpulan, kajian ini menyediakan beberapa implikasi serta cadangan kepada pihak pengurusan BKS sedia ada, pihak berkuasa dan pembuat dasar, yang bertujuan menambah baik usaha mereka dalam meningkatkan keberkesanan PSM, dari aspek teknikal dan juga strategik.



**ORGANIZATIONAL PRACTICES, DEVOLUTION AND HUMAN  
RESOURCE MANAGEMENT (HRM) EFFECTIVENESS OF PRIVATE  
COMMERCIAL BANKS (PCBS) OF BANGLADESH.**

**ABSTRACT**

The present study aims to examine the relationship between organizational practices (top management support, strategic integration, HR competency, e-HRM, HR line collaboration and management incentive system) and HRM effectiveness (technical and strategic) and how devolution mediates that relationship. Moreover, the moderating role of HR management support in the relationship between devolution and HRM effectiveness is also sought. This study followed cross-sectional research design in which questionnaire survey method was employed to collect data. Data for this study included line managers' perceptions of the link between organizational practices (top management support, strategic integration, HR competency, e-HRM, HR-line collaboration, and management incentive system), devolution, HR management support and HRM effectiveness in the private commercial banks (PCBs) of Bangladesh. The population of the study comprised of all the line managers working in the PCBs of Bangladesh. The sample was taken using judgmental sampling technique, a part of the purposive sampling of nonprobability sampling design, because of the lack of a complete list of line managers. A total of 365 useable questionnaires were found with a response rate of 45.62%. Partial Least Square (PLS) second generation structural equation modelling (SEM) software was employed to test the hypothesized relationship. The result of the present study revealed that three organizational practices (HR competency, e-HRM and HR-line collaboration) have significant influence on HRM effectiveness in both aspects (technical and strategic). Other three organizational practices (top

management support, strategic integration and management incentive system) have no significant relationship with both technical and strategic HRM effectiveness. Out of six organizational practices, four (top management support, HR competency, e-HRM and HR-line collaboration) are found directly influencing devolution while, other two (strategic integration and management incentive system) have no direct relationship with devolution. The direct effect of devolution on HRM effectiveness (technical and strategic) was found significant. In addition, the mediation test showed that devolution played a positive mediating role in the relationship between three organizational practices (top management support, e-HRM and HR-line collaboration) and HRM effectiveness. Devolution as a mediator between other organizational practices (HR competency, strategic integration and management incentive system) and HRM effectiveness was found insignificant. Moreover, the moderating effect of HR management support in enhancing the relationship between devolution and HRM effectiveness was also found insignificant. Finally, the present study provided several implications and recommendation to existing PCBs management, regulatory body and policy makers, aiming to improve their efforts in HRM effectiveness in both technical and strategic aspects.

## CHAPTER 1

### INTRODUCTION

#### 1.1 Background of the Study

Traditionally, HRM was viewed as an expense-generator and administrative function related with employee management in the organization (Ramlall, 2003). Over the past few decades, HRM has witnessed significant changes that recognize the strategic importance of people and their systematic management to achieve organizational success through coordinated HRM around the business needs of the organization (Azmi, 2011; Caliskan, 2010). Similarly, Yusliza (2011) has also noticed many theorists and practitioners are suggesting that HRM be business-oriented, strategic-minded and change-minded along with a focus on people management. In this respect, researchers have shown how HRM is focusing on achieving better performance from both people management and business activities (Caliskan, 2010; Inyang, 2010; Keegan & Francis, 2010; Azmi, 2011; Van Buren, Greenwood, & Sheehan, 2011). Considering such possible changes in achievement, recent researchers view effective HRM as adding value to the organization through directing employee programs toward business success (Jahanian, Nawaz, Yamin, & Nawaz, 2012).

Some researchers have measured HRM success in terms of having a positive association between the use of HRM for employee management and firm success (Combs, Liu, Hall, & Ketchen, 2006; Andersen, Cooper, & Zhu, 2007; Katou & Budhwar, 2007; Katou, 2008; Ngo, Lau, Foley, 2008; Van De Voorde, Paauwe, & Veldhoven, 2010, 2012; Guest, 2011; Wood, Veldhoven, Croon & De Menezes, 2012). Thus, HRM has been found to be effective in achieving improved firm

performance through managing HR (Geare, Edgar, & Deng, 2006; Osman, Ho & Galang, 2011; Tiwari & Saxena, 2012). Moreover, HR and its effective management, as a source of competitive advantage, are also getting attention in HRM literature (Khandekar & Sharma, 2005; Kazlauskaitė & Buciuniene, 2008; Tiwari & Saxena, 2012). Achieving competitive advantage through the use of HRM is also a useful indicator to determine the overall effectiveness of HRM in terms of firm performance (Richard & Johnson, 2001).

Likewise, research evidence has also found that effective HRM helps achieve positive HR outcomes, such as, job satisfaction (Petrescu & Simmons, 2008; Khilji & Wang, 2007; Hunjra, Chani, Aslam, Azam, & Rehman, 2010; Wood et al., 2012; Den Hartog, Boon, Verburg & Croon, 2013; Vermeeren, Kuipers & Steijn, 2014), reducing turnover intention (Tessema & Soeters, 2006; Juhdi, Pa'wan & Hansaram, 2013; Long, Ajagbe & Kowang, 2014), increased commitment (Yu & Egri, 2005; Takeuchi, Chen, & Lepak, 2009; Savaneviciene & Stankeviciute, 2011; Bal, Kooij & Jong, 2013; Boon & Kalshoven, 2014), improved socialization (Antonacopoulou & Guttel, 2010; Saks & Gruman, 2014), improved retention and reduced turnover (Khilji & Wang, 2007; Chew & Chan, 2008; Hong, Hao, Kumar, Ramendran & Kadiresan, 2012), increased motivation (Kuvaas & Dysvik, 2009; Danish & Usman, 2010), better work-life balance (McCarthy, Darcy & Grady, 2010; Wang & Verma, 2012; Yuile, Chang, Gudmundsson & Sawang, 2012), improved employee well-being (Baptiste, 2008; Turner, Huemann, & Keegan, 2008; Alfes, Shantz & Truss, 2012) and career success (Stumpf, Doh, & Tymon, 2010; Shen et al., 2014). Consequently, effective HRM is viewed in terms of getting expected HR outcomes as well (Teo & Crawford, 2005; Azmi, 2011; Haris, Lambert & Haris, 2013).

Kane, Crawford, and Grant (1999) commented that to be seen as effective, HRM must meet the basic criteria of both HR outcomes as the administrative HRM focus and business outcomes as the strategic HRM focus. Huselid, Jackson, and Schuler (1997) also view effective HRM from the technical or administrative and the strategic perspectives. Corollary to this idea, contemporary HRM also have been found to have a focus on both people management and business achievement through a linkage between HRM and business strategy (Azmi, 2011; Biesalski & Abecker, 2005; Chen, Hsu, & Yip, 2011; Ramlall, 2003). Based on these conceptualizations, HRM effectiveness can be viewed from both employee management and business achievement perspectives.

Global research has shown that HRM can be effective if it can generate both better HR and business outcomes (Teo & Crawford, 2005; Azmi, 2011). Researchers have also found HRM has the most immediate or proximal impact on HR outcomes than on distal organizational business outcomes (Dyer & Reeves, 1995; Wright, Gardner & Moynihan, 2003; Azmi, 2011). Research evidence also has supported the notion that proximal HR outcomes often generate distal business outcomes (Teo & Crawford, 2005; Colakoglu, Lepak, & Hong, 2006; Azmi, 2011). Moreover, researchers have also considered HRM as effective HRM that can positively influence employee perceptions, attitudes and behaviours to generate HR outcomes as well as organizational outcomes (Gould-Williams & Mohamed, 2010; Macky & Boxall 2007; Nishii, Lepak, & Schneider, 2008; Sun, Aryee, & Law, 2007). Given such findings, the inference can be made that HRM effectiveness lies in managing HR and in achieving business success using HR.

Just as HR can influence the economic success of a company, HR can contribute strategically to the success of an entire nation (Pieper, 1990). Across the

globe, HRM researchers are examining HRM specific to a particular nation's requirements (Bartram, Stanton & Thomas, 2009; Bjorkman & Budhwar, 2007; Cooke, 2014; Guest, Michi, Conway, & Sheehan, 2003; Michelson & Kramar, 2003; Schular & Jackson, 2005). Similarly, HRM researchers are also exploring how national differences affect HRM policy making and HRM role to capitalize HR of a particular nation (Budhwar, 2012; Okpara & Wynn, 2007; Singh, 2004; Stumpf et al., 2010; Yu & Egri, 2005). The role and contribution of HRM to a nation's development is also recognized and reflected in Bangladesh. Bangladesh government is concerned with turning its large population into human capital/HR for the overall socio-economic welfare of the country and in line with vision of being an industrial nation (Haque, Rahman, & Hussain, 2011). As per the Bangladesh Bank Report (BB Report), 2011, in each of five-year plan of Bangladesh, emphasis is given on HR development of the country. The year 2021 will mark the golden jubilee of Bangladesh's independence (Bangladesh Government Vision 2021, BB Report, 2011). Considering this auspicious moment, the highest priority will be given to the development of younger generations and opportunity will be provided for them to participate in nation-building activities. Thus, HR management and development is at the core of Bangladeshi development efforts (Education Ministry, Bangladesh, 2012).

In an earlier study, Jahangir, Shill, and Haque (2007) asserted the need for exploring the possible benefits of the application of HRM in organizations of a developing economy like Bangladesh. Global research evidence has also shown that organizations in developing countries need to improve and develop HRM (Bartram et al., 2009; Okpara & Wynn, 2007; Tessema & Soeters, 2006). Budhwar and Debrah (2009) identify efficient HRM as a challenge for HR managers in Asian developing

countries. Moreover, to prove the global importance of HRM, HRM of organizations in developing countries should be studied more (Ghebreorgis & Karsten, 2007; Singh, 2004; Absar, Nimalathan & Mahmood, 2012). The aim of the present study is, therefore, to add to HRM study from Bangladesh perspective.

Additionally, to withstand increased competition and globalization, organizations in Bangladesh need to be more strategic and progressive in effective HRM for enhancing employee development and performance as well as organizational performance (Absar et al., 2012). Furthermore, in accordance with government policies, different sectors of the country must develop their own metrics for managing and developing their respective workforces so that the country's citizens become resources not burdens for the nation (Islam, 2013). In this respect, the present study locates Bangladesh within the specific focus of effective HR management of private commercial banking organizations of the country.

### **1.1.1 Banking Industry of Bangladesh**

After independence in 1971, the banking industry in Bangladesh started its journey with 6 nationalized commercial banks, 2 state-owned specialized banks and 3 foreign banks. In the 1980's, the banking industry achieved significant expansion with the entrance of private banks. At present, there are 52 scheduled banks in Bangladesh that operate under full control and supervision of Bangladesh Bank which is empowered to do so through Bangladesh Bank Order, 1972 and Bank Company Act, 1991 (BB Report, 2011). Scheduled banks are classified into the following types: 4 State Owned Commercial Banks (SOCBs); 4 Specialized Banks (SDBs), 26 local Private Commercial Banks (PCBs), 9 Islami Shariah-based local

PCBs, and 9 Foreign Commercial Banks (FCBs) (Bangladesh Bureau of Statistics, 2011; Islam, 2012).

Banks in Bangladesh comprise the core of the country's organized financial system having 95 per cent of the financial sector's total assets (Ahmed, 2012; Mahmud & Idrish, 2011). The banking sector of Bangladesh is relatively large with respect to the size of the economy with about 26.5 per cent of GDP (Bhuia & Baten, 2012). They not only mobilize the savings of people but also channel resources towards different sectors of the economy through investment and foreign trade, thus fostering the economic and social condition of the country (Islam, 2012; Chowdhury & Ahmed, 2009; Hossain, 2012; Rahman & Rahman, 2013). This sector employs more than 110,000 people (Ahmad & Khanal, 2007, BB Report, 2011). One major contribution of these banks is to bring foreign remittance into the country that adds about 10 per cent to the GDP (Rahman & Rahman, 2013).

Until early 1980s, Bangladesh had a highly repressed financial sector and the government fully owned banks and other financial institutions (Chowdhury, 2002). Financial sector reform in Bangladesh started in 1976 with privatization of the banks (Ahmad & Khanal, 2007). A rapid expansion of private banks has taken place from the mid-1990s (Rahman, Saha, & Gurung 2006). The expansion of the private banking business, along with customized services, has created a severe implied competition in this sector (Islam & Saha, 2001, Ahmed, 2012). Private banks typically offer better services to their customers, and thus a service gap has widened with public banks (Mahmud & Idrish, 2011). This growing sector requires highly skilled manpower to undertake the vast range of tasks in a strongly competing operating environment (Mahmud & Idrish, 2011).



Commercial banks in Bangladesh follow the most popular system of banking, which is branch banking (BB Report, 2011; Debnath, 2008). Actual banking functions are carried out at the branches. Branches have four broad functions, namely, general banking, credit, foreign exchange and account. Operational departments are the line departments having executive responsibilities for bank performance (Debnath, 2008). Managers head branches. A 2nd officer in charge assists the branch manager. Each functional department of branch is assigned to a particular officer having authority for supervising employees responsible for performing departmental tasks (Debnath, 2008). Branch managers, the 2nd officer in charge and operational departmental officers are considered line managers in PCBs (Debnath, 2008).

On the other hand, HR managers work closely with the top management of the banks in their respective head offices (Siddiquee, Parvin & Hossain, 2013). Human Resource Division (HRD) performs the activities related to administration and personnel. The main functions of HRD are: recruiting, training and development, compensation, employee benefit, leaves and service rules program and up gradation, placement and performance appraisal of employees, preparing related reports to the executive committee/ board on related matters, promotional campaign and press release, plan and manage human resources and development of human resources, arrange for selection, recruitment and induction of employees, arrange for promotion of employee performance appraisal report of the employees and transfer and posting of employees.

In relation to HRM policies of PCBs, Bangladesh Bank, as the supreme authority for banking organizations, has specific written guidelines and procedures aiming to improve HRM performance of the concerned banks. For instance, under

the supervision of Bangladesh Bank, the Bangladesh Bank Training Academy (BBTA) and the Bangladesh Institute of Bank Management (BIBM) are required to conduct training courses, workshops, and seminars regularly to develop bank employees' competency (BB Report, 2012). Bangladesh Bank has a policy guideline to form a review team comprising HR managers and line managers to monitor bank activities as well as employee performance (BB Report, 2012). Bangladesh Bank, the authority at the apex of bank management, is also concerned with HR matters of PCBs.

Recognizing HR as a vital resource for bank performance, Bangladesh Bank has prioritized good HRM of PCBs as an important strategic consideration to boost bank performance. Such a concern is illustrated by various initiatives the Bangladesh Bank has undertaken (BB Report, 2012). BB Report (2011, 2012) stated that PCBs should have their own policy initiatives to make proper use of their employees through revising and updating their HRM. These updates may include adopting new organizational procedures or norms or practices for creating a supportive HRM environment, involving top management, HR management and line management in devising and executing HRM and adopting new technology to provide HRM services.

### **1.1.2 Role of Line Managers in HRM**

The understanding of line managers' perceptions of HRM effectiveness is important because considering line management values and priorities with respect to HRM remains a neglected research area (Guest, 2011). Line managers represent an important employee group in the organization (Chen et al., 2011). Employee perceived HRM demonstrates the relationship among HRM, employee behavior and

business outcome (Alfes, Shantz, Truss, & Soane, 2013; Pugh, Dietz, Wiley, & Brooks, 2002; Tang & Tang, 2012). Hence, employee-perceived HRM is more important than that of HR managers' interpretation of HRM (Khilji & Wang 2006; Nishii et al., 2008; Gould-Williams & Mohamed, 2010). HR managers provide HRM data from a strategic and policy perspective that is insufficient to understand employees' experiences or beliefs about HRM (Conway & Monks, 2008; Snape & Redman 2010). Hence, it is important to examine HRM from the line managers' viewpoint as they represent an important employee group.

Today's line managers are enjoying increased status, authority and responsibility with an extended HR work load existing alongside regular operational activities (Bos-Nehles, 2010). Line managers are informed about HRM practices and, at the same time, are also empowered to operationalize those practices (Stanton, Young, Bartram, & Leggat, 2010; Kuvaas, Dysvik & Buch, 2014). Presently, many HR tasks are performed jointly by line managers and HR managers (Kulik & Bainbridge, 2006; Purcell & Hutchinson, 2007; Hutchinson & Purcell, 2010; Najeeb, 2013; Sikora & Ferris, 2014).

HRM researchers define line managers' involvement or empowerment in HRM as devolution (Andersen et al., 2007; Kulik & Bainbridge, 2006; Yusliza, 2011). HRM scholars also consider devolution a useful strategy for achieving HRM success and measuring HR managers' support of devolution and their strategic involvement (Sheehan, 2005; Teo, 2002; Teo & Crawford, 2005; Chen et al., 2011; Wright, McMahan, Snell, & Gerhert, 2001b; Ryu & Kim, 2013; Azmi & Mushtaq, 2015). Moreover, line managers are viewed as direct users and facilitators as well as evaluators of HRM both as employees and as managers (Chang & Huang, 2010;

Chen et al., 2011). Hence, line managers' involvement in HRM and their perceptions on HRM both are assumed critical to study.

The following section elaborates the current organizational practices that are ascribed to HRM of PCBs.

### **1.1.3 Organizational Practices and HRM of PCBs of Bangladesh**

Researchers have recognized the importance of knowing what makes HRM effective or good (Dharmashiri, 2010; Guest, 2011; Perry & Kulik, 2008). In this aspect, organizational environment play a crucial role to make HRM successful (Ramlall, 2003; Caliskan, 2010). Singh, Verbeke, and Rhoads (1996) examine organizational practices that specify attributes, norms or procedures for organizational activities and create an overall organizational environment congenial to providing success to that organization's activities. HRM as an organizational activity requires a supportive organizational environment consisting of specific practices to gain its success (Caliskan, 2010; Kim & Wright, 2010; Lawler & Mohrman, 2003).

Currently, HRM practices of PCBs have been found to be ineffective and not updated (Afroj, 2012; Majumder, 2012). Local researchers (Debnath, 2008; Khan, 2010) have identified the drawbacks in the current structures and practices of PCBs that may be held responsible for not getting HRM outcomes properly. Though PCBs of Bangladesh have initiatives, policies and procedures for employee management, they are not practicing them properly for good HRM (Newaz & Zaman, 2012; Rahman & Rrahman, 2013; Tabassum, Rahman, & Jahan, 2011). Additionally, local researchers have focused on factors that do not seem pertinent to an appropriate organizational environment for proper management of bank employees. For example, Afroj (2012) and Majumder (2012) found that bank management was interested in

HRM but lacked the strategic focus on HRM, creating both bank HR and business problems. Additionally, Debnath (2008) pointed out that, while PCBs had a HR manager present in the decision-making boards, those HR managers lacked dynamic and active involvement in integrating HRM with business strategies.

Debnath (2008) also found that, though branch managers can take part in performance management of their subordinates, they are not given the HR decision-making power to successfully use their employees to achieve business goals. Similarly, Khan (2010) observed that the absence of a decentralized decision-making process is responsible for not achieving HRM success in PCBs. Khan also found that a technology-based HR service delivery system was also non-existent in PCBs. Choudhury, Salim, Bashir, and Saha (2013) found that approximately 90 per cent of PCB branches use technology only to deliver customer-related activities but not for using HR services within the bank. Afroj (2012) recommend using the available technology to facilitate e-HRM in PCBs.

Researchers also found a significant influence of reward on employee performances in PCBs (Chowdhury & Begum, 2012; Tabassum et al, 2011). Thus, the inference can be made that PCBs can promote incentive systems to generate HRM success of their respective HR actors. However, existing incentive system of PCBs is not good enough to create improved performance among bank employees (Joarder, Sharif & Ahmmed, 2011; Mahmud & Idrish, 2011). Furthermore, Hossain (2014) revealed that PCBs lack appropriate training and development programs to develop competency that is an important concern for bank performance. In this context, Mahmud and Idrish (2011) and Majumder (2012) mentioned that employee development practices are outdated and insufficient to improve bank performance.

Moreover, many PCBs have been found to lag behind the guidelines for practicing HRM that Bangladesh Bank has established (Debnath, 2008; BB Report, 2012). Of serious concern for PCBs is whether they avail themselves of opportunity for developing their own practices based on Bangladesh Bank policies for employee management (Rahman & Rahman, 2013). Similarly, Rahman and Iqbal (2013) showed that Bangladesh banks lag behind in updating their HRM related policy and procedures.

Since, the Bangladesh banking sector has become one of the most rapidly growing industries in the region, more foreign investors are increasingly interested in participating in this sector (Bhuia & Baten, 2012). The Bangladesh government is permitting the opening of new private banks in the country (BB Report, April, 2012). In the future, government will also permit new banks because 45 per cent of the population remains unbanked (BB Report, 2012). There are few more PCBs in the process of getting approval from Bangladesh Bank (Rahman & Rahman, 2013). The opening of new banks combined with existing banks and the possible upcoming of even more will further intensify the competition in the banking sector of Bangladesh (Ahmed, 2012). Consequently, in an increasingly competitive environment, the need for developing and implementation of effective HRM is getting more attention from researchers and bank management in Bangladesh (Afroj, 2012; Ahmed, 2012).

Next section elaborates the problems of HRM of PCBs for which the present study is intended to conduct.

## **1.2 Problem Statement**

### **1.2.1 Lack of Theoretical Studies in This Area**

Despite the fact that Bangladeshi PCBs are getting the attention of both local and foreign investors (Bhuia & Baten, 2012) and are contributing to the functioning of the economy (Hossain, 2012; Rahman & Rahman, 2013), the outcomes of HRM in PCBs are not effective and significant in meeting the challenges of both HR and business success (Mahmud & Idrish, 2011; Newaz & Zaman, 2012; Rahman & Iqbal, 2013). Local researchers have highlighted the importance of HRM and the consequences of its ineffectiveness in banking organizations, namely, in employee work-life balance (Newaz & Zaman, 2012); job satisfaction and morale (Islam, Mohajan & Datta, 2012; Ahmed & Uddin, 2012; Majumder, 2012); turnover intention (Rahman & Iqbal, 2013); employee training effectiveness (Rahman & Rahman, 2013; Kabir, Ullah, & Chowdhury, 2013); commitment (Newaz & Zaman, 2012); organizational citizenship behavior (OCB) (Begum, Waziri & Sarker, 2012) and employee performance (Islam, 2012). More importantly, local researchers have shown that current HRM practices of PCBs are unable to influence employee attitudes, behaviours and performance to promote bank success (Islam, 2012; Rahman & Iqbal, 2013). Therefore, PCBs clearly are not enjoying HR success through the practice of HRM. As line managers are an important group of HR of PCBs (Debnath, 2008), the presumption is that PCBs are also suffering from not getting good HRM outcomes from line managers' perspectives as well.

Apart from HR outcomes, the lack of efficient HRM has also been found to be an important indicator of inconsistent performance in the area of profit maximization, investment management and operating activities in the PCBs of Bangladesh (Rashid & Nishat, 2009). Currently, overall management including

HRM of PCBs are not satisfactory to ensure the success of bank performance (Chowdhury & Ahmed, 2009). Balasundaram (2008) revealed that, due to the lack of sound administrative and employee management, the expenditure-income ratio of PCBs was high (90 per cent). Siddiqi (2011) found that the HR development programs of PCBs were unsatisfactory in providing personalized customer services to get satisfied and loyal customers.

Considering HRM impact on HR and organization as stated just before, it can be claimed that HRM cannot be seen as effective in the PCBs of Bangladesh. Given the importance of PCBs to the Bangladesh economy and the relevance of HRM to banking performance, PCBs need to feel the urgency of developing efficient and effective HRM (Afroj, 2012; Majumder, 2012; Rahman & Rahman, 2013; Newaz & Zaman, 2012). Local researchers have also argued that HRM has the potential to achieve and sustain the success of PCBs (Mahmud & Idrish, 2011; Newaz & Zaman, 2012). As good performance of HRM of PCBs remain mostly uninitiated (Majumder, 2012; Newaz & Zaman, 2012; Newaz et al., 2007) seeing their seeming indifference in following Bangladesh Bank initiatives and developing their own organizational initiatives for HRM (BB Report, 2011; Rahman & Iqbal, 2013), this is not a good sign for PCBs overall performance. The ineffective HRM scenario has sparked the interest of this current study to explore new avenues for improving HRM success of PCBs of Bangladesh.

### **1.2.2 Lack of Empirical Studies in This Area**

The achievement of HRM effectiveness is considered a critical drive to improve both operational and financial performance of the organizations (Sikora & Ferris, 2014). However, different scholars have noted that HRM still needs to prove



its contribution and justification in the organization (Caliskan, 2010; Guest, 2011), since empirical results have found inconclusive results on HRM performance (Kaufman, 2010; Thompson, 2011; Guest, 2011). Hence, it is necessary to move a step further, and offer more models to clarify HRM-performance association (Garcia-Carbonell, Martin-Alcazar & Sanchez-Gardey, 2015; Sikora & Ferris, 2014).

In view of the present context of PCBs, local researchers have pointed out some relevant and critical aspects for performing HRM properly. For example, Afroj (2012) recommended that bank management concerns for strategic integration between HRM and business might bring expected HRM outcomes. Moreover, the author suggests that top management of PCBs should give priority to (and recognition of) the contribution of HRM to promoting business success. Khan (2010) proposed that decentralized management and the use of technology in PCBs could further create supportive organizational context for effective HRM. Talukder (2011) suggested a partnership approach between HR managers and line managers to enhance HRM in Bangladesh. Ahmed and Khannal (2007) advised that a better approach to an incentive system might promote better employee performance in PCBs and inferred that a good organizational incentive system could positively influence HRM success.

Since HRM depends on contextual factors, HRM researchers also claim room still exists for examining organizational environment for HRM success (Gautam & Davies, 2007; Perry & Kulik, 2008; Sheehan & Cieri, 2012; Sikora & Ferris, 2014; Zhang, Long, Wu, & Huang, 2015; Fay, Shipton, West, & Patterson, 2015). The present researcher has intended to meet HRM scholars' call for more studies on HRM effectiveness and its relevance with organizational environment consisting of relevant practices and that this is an area of great interest in the context of

Bangladesh. Considering line managers' roles in HRM and their evaluation of HRM success in the PCBs of Bangladesh, the present research seems significant.

Based on the above consideration, the present study examines the impact of top management support, strategic integration, HR competency, e-HRM, HR-line collaboration, and management incentive system as organizational practices for achieving HRM effectiveness in PCBs of Bangladesh. As bank line managers are involved in HR decision making like selection, training and development, performance appraisal and promotion (Jahangir, 2003; Debnath, 2008; BB Report, 2012), the present study will further examine the mediating role of devolution (line managers' empowerment in HR) in achieving HRM effectiveness. The current study also examines the moderating effect of HR management support on the interaction between devolution and HRM effectiveness. In achieving so, the present study will examine line managers' perceptions as they present an important constituent of HRM, and measuring their perceptions is deemed critical but found less studied (Chen et al., 2011). In the end, it is hoped that the present study will fill a gap in the literature in this area and that it will be a useful reference for scholars, researchers, and practitioners in Bangladesh's Banking sectors.

### **1.3 Research Objectives**

The research objectives of the present study are as follows:

1. To examine the relationship between organizational practices (top management support, strategic integration, HR competency, e-HRM, HR-line collaboration, and management incentive system) and HRM effectiveness (technical and strategic effectiveness);

2. To examine the relationship between organizational practices (top management support, strategic integration, HR competency, e-HRM, HR-line collaboration, and management incentive system) and devolution;
3. To examine the relationship between devolution and HRM effectiveness (technical and strategic effectiveness);
4. To examine the mediating effect of devolution on the relationship between organizational practices (top management support, strategic integration, HR competency, e-HRM, HR-line collaboration, and management incentive system) and HRM effectiveness (technical and strategic effectiveness); and
5. To identify the moderating effect of HR management support on the relationship between devolution and HRM effectiveness (technical and strategic effectiveness).

#### **1.4 Research Questions**

In order to achieve the above objectives, the present research attempts to answer the following questions:

1. Do organizational practices (top management support, strategic integration, HR competency, e-HRM, HR-line collaboration, and management incentive system) have a relationship with HRM effectiveness (technical and strategic effectiveness)?
2. Do organizational practices (top management support, strategic integration, HR competency, e-HRM, HR-line collaboration, and management incentive system) have a relationship with devolution?
3. Is there any relationship between devolution and HRM effectiveness (technical and strategic effectiveness)?

4. Does devolution mediate the relationship between organizational practices (top management support, strategic integration, HR competency, e-HRM, HR-line collaboration, and management incentive system) and HRM effectiveness (technical and strategic effectiveness)?
5. Does HR management support moderate the relationship between devolution and HRM effectiveness (technical and strategic effectiveness)?

### **1.5 Significance of the Study**

This study intends to contribute to the body of knowledge related to the organizational practices, devolution, HR management support and HRM effectiveness and attempts to provide insights on both theoretical and practical implications of developing HRM effectiveness. The theoretical contribution of this study includes a better understanding of the strategic importance of the organizational practices, devolution and HR management support for HRM effectiveness of PCBs, an area in which empirically tested evidence remains scarce, especially in the Bangladeshi context. In addition, this study will provide theoretical contributions to researchers looking to gain more in-depth knowledge in organizational practices, devolution, HR management support and HRM effectiveness in the service sector.

Moreover, this study is designed to meet the call of HRM researchers who have suggested more studies on justifying HRM in the organization, identifying ways for measuring HRM success and looking for practices that improve HRM (Caliskan, 2010; Lawler & Mohrman, 2000, 2003; Lawler, 2005; Guest, 2011). Furthermore, this study also aims to provide practical contributions that will be beneficial to

practitioners and policymakers who want to improve HRM to help achieve organizational success.

Therefore, this research aims to accomplish two main purposes; first, to contribute to proving the effectiveness of HRM and to identify what makes HRM effective (Caliskan, 2010; Guest, 2011); second, to support early researchers' suggestions for conducting research on HRM in a developing country like Bangladesh (Khilji, 2012; Budhwar & Debrah, 2009). Concentrating on these ideas, the present study should provide new thoughts to the theoretical and practical contributions of HRM effectiveness analysis. The theoretical and practical significance of the study can be summarized as follows:

### **1.5.1 Theoretical Significance**

This research helps fill the need identified in literature for research and theory building about the banking sector on HRM and will do so by working closely with the HRM of banks that have a number of branches (Guest, 2011). There is a dire need to fill this gap given the importance of HRM performance of the banking sector to the wellbeing of the nation, and this research contributes to the literature by examining and analysing the HRM effectiveness of PCBs through the lens of organizational practices, devolution and HR management support.

Moreover, this research attempts to explain the conceptual relationship among organizational practices, devolution, HR management support and HRM effectiveness through the light of the constituency theory. Based on constituency theory (Crow, Hartman, Koen, & Epps, 1995), HRM, as organizational task, needs to satisfy its internal stakeholders. Moreover, according to this theory, an organization needs to make HRM successful in the eyes of internal stakeholders (Crow et al.,

1995; Huselid et al., 1997). Line managers are an important internal stakeholder group (Huselid et al., 1997). Their satisfaction with HRM will, in turn, also satisfy other internal stakeholders, namely, top management and employees, with HRM (Chen et al., 2011). The present study will investigate the organizational practices for effective HRM through the mediating effect of devolution. In doing so, line managers' perspectives will be considered because measurement of line managers' expectations and perceptions of HRM is very limited but critical (Chen et al, 2011; Guest, 2011).

Hence, this current study may contribute to the development of a good theoretical foundation for a greater understanding of how both organizational practices and line involvement in HRM support HRM effectiveness from line managers' perspectives. Thus the present study will enrich constituency theory by adding line managers' expectations and perceptions on HRM effectiveness to the body of knowledge.

### **1.5.2 Practical Significance**

The research will assist organizational leaders, HR practitioners and line managers in understanding what organizational practices are and how devolution can make HRM better. Furthermore, it will provide practical knowledge about how HRM can improve the performance of PCBs in Bangladesh.

More specifically, the study should assist practitioners and experts in the following ways. For top managers, the findings will provide guidelines regarding organizational practices to carry out HRM for using available human resources in today's highly competitive business arena of PCBs of Bangladesh. For line managers, the study will suggest how to consider organizational practices and HR

support for performing their HR duties in managing their own subordinates for whom they are the management representatives and organizational leaders. HR managers can get an avenue to strengthen their presence in the organization by being involved in strategic integration and in assisting line managers. Altogether these findings should increase the likelihood of HRM effectiveness in the organization. In particular, they may help all levels of managers develop their HR-mindedness to create a systematic and effective HRM.

Additionally, this study will shed light on new concept testing in a developing economy. Local evidence would offer a better basis for action (Yusliza, 2009). Thus, the present study will promise a better guide to achieving HRM effectiveness through organizational practices and devolution to local Bangladeshi organizations and managers.

Moreover, the present study will be conducted in a non-Western country. Building upon evidence of Bangladesh, similar countries may further explore HRM effectiveness based on country and cultural differences.

For these reasons, the research has significant value, namely (1) an empirical study on the relationship among organizational practices, devolution, HR management support and HRM effectiveness from the constituency theory perspective in PCBs of Bangladesh that will extend existing academic knowledge, (2) insights gained from the examination of the aforementioned relationships will provide guidelines and suggestions to the PCBs management to make well-informed decisions to make HRM effective and to gain HR success as well as business success, and last, (3) this study will shed light on key management decisions concerning HRM effectiveness of other service organizations as well.

## **1.6 Definition of Key Terms**

**HRM Effectiveness** measures the extent to which an organization's HRM functions deliver high-quality strategic and technical HRM activities (Huselid et al., 1997). Technical HRM effectiveness measures perceptions of how well HRM functions perform traditional personnel management activities such as recruitment and selection, training and development, performance management and compensation administration. Strategic effectiveness refers to the perception of how well the HRM function develops human skills to meet business needs including teamwork, communication, involvement, enhancing quality and developing talents to meet future business needs.

**Top Management Support** comprises top management priority, preferences and positive attitudes in achieving effective HRM practices (Kane et al., 1999).

**HR Management Support** refers to HR managers' responsibility for providing expert knowledge, up-to-date information and other content related advice to line managers to support line managers' HRM performance (Gilbert, Winne & Sels, 2011a).

**HR-Line Collaboration** is conceptualized as the extent to which HR managers and line managers jointly participate in HR decision-making issues and cooperate each other in performing HR tasks (Chen et al., 2011).

**Strategic Integration** is the degree to which the HRM issues are considered to be a part of the formulation of the business strategy (Brewster & Larsen, 1992; Budhwar, 2000).

**Management Incentives System** includes recognition and reward for achieving HR performance (Gilbert et al., 2011a).



**E-HRM** refers to automating the transactional aspects of HR functions through using information technology (Lawler & Mohrman, 2003). Perceived ease of use and usefulness are critical to using technology for HRM (Bondarouk, Ruel, & Heijden, 2009).

**HR Competency** refers to the extent to which HR managers show competency in professional areas, business areas, interpersonal relationship and in change management (Han, Chou, Chao, & Wright, 2006).

**Devolution** is the distribution of decision-making power or empowering line managers in the HR area (Cunningham, Hyman, & Baldry, 1996). Devolution is also viewed as an empowering strategy to give line managers authority in HR tasks (Yusliza, 2009).

## **1.7 Organization of the Chapters**

The thesis is organized into sequentially related chapters. Chapter 1 presents the background of the study being conducted, highlighting the research problems, research objectives and the research questions, significance sought in the study and the definitions of the key terms that will be used in the study.

Chapter 2 is the literature review that presents a summary of pertinent previous studies and their findings on the issues of HRM effectiveness, top management support, strategic integration, HR competency, e-HRM, HR-Line collaboration, management incentive system, devolution and HR management support for line managers. This chapter also presents discussion of underlying theory, the theoretical framework and formulation of the research hypotheses of this study.

Chapter 3 provides the research methodology employed in the current study. It contains a detailed discussion of the research design, population and sample

determination, data collection procedures, measurement instruments, and the statistical analyses employed in the study.

Chapter 4 is all about the findings of the analysis of survey data. It illustrates demographic features of the respondents and quality of the model. Both measurement model and structural model are justified and results of hypothesis are highlighted.

Chapter 5 gives a detail discussion on the justification of the present findings. This chapter admits study limitations and indicates future research avenues. Finally, conclusion is given to end the thesis.