HRM Practices in Banking Sector of Pakistan:
Case of National Bank of Pakistan

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ABSTRACT

Current study aims to critically investigate the impact of HR practices on organizational commitment of employees in the Banking Sector of Pakistan. The impact of training, compensation, performance evaluation, and promotion practices have been assessed on affective, normative and continuance commitment of employees via 12 hypotheses. Survey methodology was adopted via using structured questionnaire. A sample of 100 respondents was drawn from the employees working with various branches of the National Bank of Pakistan (NBP) located in Lahore, Pakistan. Collected data was subjected to Pearson Correlation and Regression analysis. The results of Pearson Correlation matrix demonstrated a positive correlation between HR practices and organizational commitment of employees which confirms all proposed hypotheses. Regression results showed a significant positive impact of training and performance evaluation on organizational commitment of employees. However, the significance of compensation and promotional practices could not be proved.

KEYWORDS
Compensation, Organizational Commitment of Employees, Performance Evaluation, Promotion, Training

INTRODUCTION

The global business environment is becoming increasingly complex due to the impact of multiple revolutionary factors like service proliferation, technological advancements and deregulation. As a result, organizations are continuously striving to exploit business opportunities, gain competitive advantage and neutralize the impact of these environmental threats by opting for improved forms of business strategies. One of the key sources to maintain competitive advantage in this intricate business environment is through firm’s investment in human capital. As evident in the literature, human resource is considered as the most important asset for an organization to gain competitive advantage in today’s dynamic business environment (Benjamin and David, 2012, p 91). However, managing them is a challenging task and can only be achieved through effective practices which
reflect through efficient human resource management system within the organization (Tiwari and Sexena, 2012, p 669).

Recent studies argue that strategically focused and consistent HRM practices such as recruitment, performance appraisals, and training significantly contribute to maintain long term commitment of employees (Lamba and Choudhary, 2013, p 408). Thus, practitioners are keenly interested in investigating those practices which are consistently aligned with organizational goals to retain a strong work force. Organizational Commitment is widely defined in literature as an intention of an employee to remain with the organization (Benjamin and David, 2012, p 93). Stronger commitment of an employee to the organization leads to less possibility to quit, higher satisfaction and improved productivity at work through stronger employee-organization bond. However, this is subject to certain conditions. This paper is an attempt to critically investigate HRM practices in banking sector with special reference to the impact of training, compensation, performance evaluation, and promotions on the commitment of employees in the NBP. Hence following objectives has been set for this study: a) critically examine HRM practices prevailing in the Banking Sector of Pakistan b) critically investigate HRM practices in the National Bank of Pakistan (NBP) c) critically evaluate the impact of training, compensation, performance evaluation, and promotions on the commitment of employees (affective commitment, normative commitment and continuance commitment) in NBP.

LITERATURE REVIEW

Human Resource Management and Its System

Though previous studies have reported increased importance of HRM, still there seems to exist a wide research and practice gap in HR which may be a result of difference in interest or due to the fragmented nature of the field of HRM (Deadrick and Gibson, 2007, p. 131). Armstrong (2009) defines HRM as “a strategic, integrated and coherent approach to the employment, development and well-being of the people working in organizations”. It aims at achieving organizational success through an efficient management of individuals employed in an organization. According to Fey et al (2009, p. 690), human capital is an indispensable input and can serve as the most important source of competitive advantage for an organization. Thus, optimal utilization of human resources can help fulfill organizational goals. The domain of HRM involves practices and managerial decisions that have a direct impact on the employees of that organization and hence could be considered as a system of practices that provides employees with expertise, information, and enthusiasm to be involved in decision making, which when used as a fundamental part of business strategy can help utilize competent workforce to ensure sustainable competitive advantage (Luque et al., 2012, p. 4). A number of researchers have emphasized that it is the complete system of HRM and not just any one individual practice which serves as a potential source of success.

Human Resource Management Models

The evolution of the detailed concept of HRM was marked in 1980’s through the development of ‘Michigan Model’ that is widely known as the ‘Matching Model’ (Armstrong, 2009, p. 13) introduced by Devanna et al in 1984 is based on the concept of hard HRM which links workforce management to organizational strategy. The concept of Michigan Model centers on employee control considering that workforce must be hired at minimum cost and fully exploited to achieve desired level of success (Tiwari and Saxena (2012, p. 678). However, as pointed out by Khan (2011, p. 77) the criticisms raised by previous researchers indicate that the inflexibility of such stringent HR policies makes it difficult for organizations to adopt changes and update system according to changing demands of business environment. This limitation led to the development of a more comprehensive model introduced by Beer et al in 1984 which highlighted the need to develop long term strategies to manage workforce while considering human capital as a potential asset instead of an expense (Agyeppong, Fugar and
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