

CHALLENGES AND OPPORTUNITIES OF HUMAN RESOURCE MANAGEMENT PRACTICES: EVIDENCE FROM PRIVATE COMMERCIAL BANKS IN BANGLADESH

Md. Zahidul Islam* & Md. Shamim Hossain**

ABSTRACT

This study aims to analyze the major challenges of human resource management practices of private commercial banks in Bangladesh. The primary data were collected through interview method by structured questionnaire from 24 human resource personnel of 12 private commercial banks in Dhaka city and secondary information was collected from different published materials. The study reveals that change of management is the most important challenge (75%) for the human resource management practices of private commercial banks in Bangladesh while the other challenges from higher to lower are: leadership development (71%), HRIS (69%), IHRM practices (65%), compensation (62%), staffing (58%), succession planning (53%), and learning and development (49%). Therefore, the authority of banks should take some steps, like: i) developing an HR system, ii) developing procedural justice and accountability mechanism, iii) hiring modern technology and adapting HRIS, iv) adaptation with IHRM, v) revision of salary and incentive structure, vi) hiring skillful manpower, etc. for turning those challenges into opportunities.

Keywords: *Challenge, Opportunity, Human Resource Management, Private Commercial Banks.*

*Assistant Professor, Dept. of Business Administration, Manarat International University (MIU), Gulshan, Dhaka-1212, Bangladesh.

**Senior Lecturer, Dept. of Business Administration, Manarat International University (MIU), Gulshan, Dhaka-1212, Bangladesh.

1. INTRODUCTION

Human resource is the most significant capital that cannot be duplicated and it has the competitive advantages over the other resources for any economic entity. This highly expected potential makes the human resources very vital consideration to the success of an organization and it can bring the greatest return on investment for sustainable competitive advantage (Luthans and Yousef, 2004). Therefore, this study considers that the organizations in financial sector should adopt human resource management (HRM) at strategic level and benefit from emergent approaches of HRM to attract, retain, develop, and motivate the talent. Significant research in the domain of HRM focuses on attracting, motivating, and retaining the knowledge worker (Horwitz et al., 2006; Baron et al., 2001; Evans et al., 2002). So-called best practices of attractive job design, high pay-offs, paid holidays, skill enhancement programs, increased autonomy, and flexible work hours are used by the employers to attract the experienced as well as young professionals to work for them (Olson, 2003; Stovel and Bontis, 2002). However, every firm desires the best people to work for it and to ensure the best human resource that can maximize the firm's performance; they may utilize all of their options. Therefore, it is generally assumed that better monetary package can help to get the best employee from their competitors. These factors have resulted in unprecedented job uncertainty. Necessary lay-offs have exacerbated the situation by reducing the organizational loyalty to new lows. Several scholars describe this situation as "war-for-talent" (Hargie, 2004; Michaels et al., 2001).

No doubt, human is an important part of any organization, but due to rapid changes in the business world, globalization, change in customer taste and habits, new techniques of production, human resource in the organizations are now facing different kinds of problems, and to cope this situation the today's HR managers are also facing a variety of issues and challenges that how they can best manage and solve all these issues and challenges with splendid ways. Today the HR managers are again facing a variety of challenges to meet these challenges for the future, and tomorrow the HR managers or the departments must be much sophisticated than their predecessors (Byers and Rue, 2006). An international or multinational organization cannot perform their activities well when their HR manager knows the diversity of techniques to hack it with these issues and also knows how to prepare an unobjectionable force for the organization to face the rapid competitive business world and to operate in the situation. Therefore, each organization should prepare their human resources people keeping in view the global environment or market place to ensure competitive advantage. Human resource manager needs to develop a frame work that may ensure a flexible workforce for the next generation.

1.1. Objectives

The main objective of the study is to analyze the major challenges of human resource management practices of private commercial banks in Bangladesh. However, the specific objectives of the study are:

- To find out problems regarding challenges of human resource management practices of private commercial banks in Bangladesh; and
- To provide some suggestions for the planners and the decision makers of private commercial banks in Bangladesh for adopting with those challenges.

1.2. Literature Review and Background

There are many factors contributing to HR managers functions and these activities are constantly changing. By keeping in view these entire situations the organization's HR department is continuously being changed also (Pavitt, 2008). Some of the researchers also point out that most of the challenges the HR faces in the 21st century are: retention of the employees, multicultural work force, women work force, retrenchment of the employees, change in the demand of the government, technology, globalization, and initiating the process of change. The World Federation of Personnel Management Association (WFPMA, 2009) survey pointed out the most important top ten HR challenges: leadership development, organizational effectiveness, change of management, compensation, health and safety, staff retention, learning and development, succession planning, staffing (recruitment) and skilled labor.

Liz Weber (2009) has pointed out that the most important challenges of the HR in business are layoffs. This laid off may be due to several reasons which include the economic uncertainty, the employee's job instability and the HR being less effective. According to Decenzo and Robins (2001) and Gary Dessler (2000), the most important challenges of HRM, are technology, E-commerce, work force diversity, globalization and ethical consideration of the organization, which may directly or indirectly affect the organization's competitive advantages; especially technological advancement affects on recruitment, training and development and job performance, which with great extent can be studied in the organization. We can sum up these from the following points as the foremost challenge faced by HRM is the globalization. Globalization means and refers to the present flow of goods, services, capital, ideas, information and people. It means the movement of these things without using any human resource. In this modern business world, markets have become battlegrounds where both the domestic and foreign competitors try to capture as maximum market shares as possible. Such globalization is a challenge for HRM. However without human resource they have no value, because a workforce is knowledgeable and skilled, who facilitates a company in going with competitive advantage over others and enable a company to compete with the foreign market and to make investment not only in domestic market but also in foreign markets. Therefore all the HR managers make several strategies to develop and retain such human resource, because Human Resource is the one that makes an organization successful in the field of globalization.

The study is related to private banks of Bangladesh providing consumer, commercial and corporate financial services. It is one of the sectors, following a path of aggressive

growth to increase its deposit base, branch network and services to the customers. Having inherited some of the very renowned professionals from a globally acclaimed banks, the management of the banks is known for its visionary capabilities. The banks started off with the strategy to carve a distinct position in the market place for itself by providing quality services to its customers through increased presence. Although the banks were actively hiring experienced professionals from the market and fresh graduates from different universities through its other professional development programs, initially the different private commercial banks of Bangladesh recruited manpower as a Management Trainee Officer (MTO). Eventually, after two to three years, MTOs were typically promoted as Managers of a particular department in a particular Branch of the Banks.

Since the training of these MTOs involved immense capital and resource investment, the organizations wanted to ensure that these officers do not leave the organization immediately after acquiring the training without paying it off through their services. For this reason, it bound the officers in some of the banks through a minimum service bond which required these officers to serve at the organization for at least two years or else pay a penalty for leaving earlier. However, the condition of minimum service was not taken as something skeptical by the initial batches of these MTOs because of the promising career prospects offered to them by the bank. The officers were not provided with proper on-job training which required rotation in all the departments of the bank. Instead, they were assigned permanent assignments just like the regular officers. Departments were assigned based on the whims of Branch Managers rather than the skill set or aptitude of the officers. This resulted in assignment of trivial responsibilities to most of these officers. When the officers raised their concern of job rotation in front of the Branch Managers and the Area Managers, they were apprised that the issue will be resolved soon. However, what used to happen was otherwise. The branches and area offices were busy achieving their business targets and were least concerned about deploying resources for training of these officers, oblivious of the intent behind such training. In fact, most of the Branch Managers had quite a negative opinion of these supposedly pampered officers based on their prior sour experiences with some of the seniors MTOs.

The officers were anything but satisfied with the way the organization was treating them. Every coming day witnessed the violation of claims it made to these officers. They were offered no job-rotation. The responsibilities which were assigned to them were trivial at best in most cases. Their managers were not willing to listen to them. Since the organization was undergoing rapid expansion, there was employee shortage in almost all the branches. To cover this gap, most of the MTOs were used as fillers to do tedious assignments for long hours. Working till 7 to 8 pm in the evening and confronting their managers every now and then for trivial assignments became a routine for the officers, which added no value to their career development. At the time of annual appraisal, most of the MTOs were not consulted while being evaluated and appraised on the basis which reflected little procedural justice. Even those who were evaluated justifiably also did not

get the reward they expected. All these conditions left the officers disheartened and forced them to consider the option of leaving the organization as soon as their minimum service time period ends. While they found no out-let to their grievances, they started sharing their concerns with each other.

In summary, dealing and operating the human resources always trouble the organization to face many challenges. This study aims to address those HR challenges that are covered by previous studies. Therefore, this paper focuses to identify those HR challenges and the ways of capturing the opportunities by adapting those challenges by the private commercial banks in Bangladesh.

2. METHODOLOGY

To understand the research topic, to validate the model, and to obtain and analyze data, combinations of both qualitative and quantitative methods (mixed method) were applied. Data were collected from both the primary and the secondary sources. Secondary data were collected from articles, books, various documents from the banks and internet. Primary data were collected from 24 human resource personals who worked in the Human Resource Division (HRD) of the Head Office of 12 different private commercial banks (i.e., Dhaka Bank Ltd, Dutch Bangla Bank Ltd, Jamuna Bank Ltd, Uttara Bank Ltd, Pubali Bank Ltd, NCC Bank Ltd, Trust Bank Ltd, Mercantile Bank Ltd, Prime Bank Ltd, Premier Bank Ltd, Southeast Bank Ltd and Eastern Bank Ltd) from the Dhaka city through structured questionnaire with 5 point scale where 1 indicate very_low (VL), 2 indicate low (L), 3 indicate moderate (M), 4 indicate high ((H) and 5 indicate very high (VH). The questionnaire consists of both open and close ended questions. The judgmental sampling procedure was used to select employees from the banks. Finally, descriptive as well as statistical analysis has been done in the study.

3. FINDINGS

3.1. Background Information

24 Human Resource Personnel participated in the survey form 12 different private commercial bank in Dhaka city. The experience of the respondents ranging from 0 to 4 years was 17%, from 4-8 was 63%, 8-12 was 16% above 12 years was 4%.

3.2. Challenges faced by the Private Commercial Banks

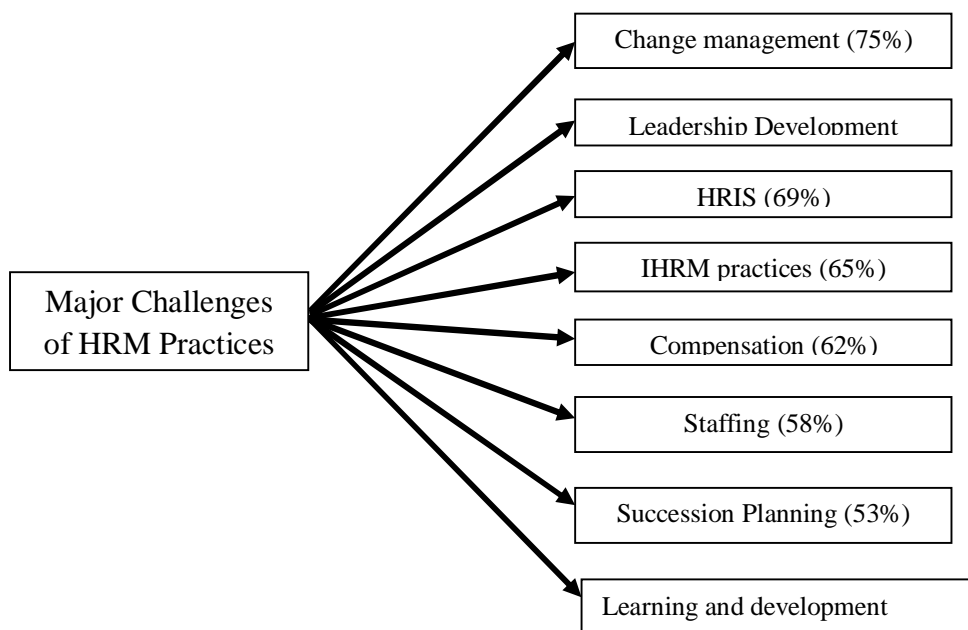


Figure 1: Major challenges of HRM (Survey-mean value)

Due to the effect of globalization, there are various changes happening quickly that affect HRM practices. There are some challenges above revealed initially by World Federation of Personnel Management Associations (WFPMA). The above figure shows that change of management is the greatest (75%) of all challenges for the HRM practices of private commercial banks in Bangladesh and the other challenges from higher to lower are leadership development (71%), HRIS (69%), IHRM practices (65%), compensation (62%), staffing (58%), succession planning (53%), and learning and development (49%). Actually, if any bank can adapt or cope with any challenge successfully, that brings the opportunity for the bank. The above challenges are explained below:

a) Change of Management

Most of the private commercial banks of Bangladesh face the great challenge (75%) at the change of management. The WFPMA finds that this may also be the reason why it is cited as the foremost issue as HR continues to attempt to help businesses move forward. An intensified focus on training may be needed to develop added competencies to deal with change of management. Effective change of management is a vital job for human resource manager because of many internal and external force influences to do or not to accomplish the effective change of the organization.

b) Leadership Development

The second of the major challenges for human resource management is leadership development which requires a serious strategic initiative. HR professionals are faced with being expected to provide the essential structures, processes, tools, and points of view to make the best selection and develop the future leaders of the organization. The WFPMA reports that, “Across the globe leadership development has been identified as a critical strategic initiative in ensuring that the right employees are retained, that the culture of the organization supports performance from within to gain market position, and that managers are equipped to take on leadership role of the future so that the organization is viable in the long term”. About 71% of the challenges faced by the private commercial banks in Bangladesh are regarding the development of internal leadership through different training and development programs.

c) Human Resource Information System (HRIS)

Rapid technological change is one of the greatest challenges for the organization. Human Resource Information System (HRIS) is the modern challenge for the Bangladeshi private commercial banks. It is the process of enabling all human resource function like human resource planning, recruitment and selection, training and development, compensation, promotion, performance appraisal, employee relation, etc. through the computer technology or computer software for helping the managers for decision making. According to the opinion of the bank personnel, about 69% of the challenges faced by the private commercial banks of Bangladesh are adapting with this digital system that means the traditional HRM to e-HRM.

d) IHRM Practices

International Human Resource Management (IHRM) practices or the human resource management practices of multinational companies around the world have a great impact on human resource practices of domestic firms. About 65% of the challenges faced by human resource personnel are of this type as the different multinational practices regarding human resource functions significantly change the total human resource practices of the banks of Bangladesh.

e) Compensation

Compensation is a gigantic term which includes many things. Compensation means what is given in exchange of work or contribution or service. This is one of the great challenges (62%) for HRM, because many employees (81%) of the private commercial banks wanted leave their present organization if they got more compensation from any other bank (Islam et. al., 2011).

f) Staffing

Staffing is the process of filling the organizational vacant position(s). So this process is not an easy task for an HR Manager. Here, HRM considers many internal and external

factors for hiring a new employee. Most of the private commercial banks of Bangladesh recruit manpower as Management Trainee Officer (MTO) for entry level, who are generally considered more skillful manpower of the banks. In all other levels except MTO, HR faces more challenges (58%) for hiring people for the banks because those people may or may not have required skills and experience. Most of them recruit (90%) by the employee referral and on request of different stakeholders and social interest groups. This is the main reason for involving lower skilled people in the banks.

g) Succession Planning

Succession planning is not only useful for exploring or developing talented leadership but also helpful in job performance in the organization. It is a human factor that every person needs a tangible or intangible reward for his hard work, and promotions are one of these rewards, which motivates him/her to increase his/her performance in his organizational tasks or duties. High job performance can retain the talent in the organization resulting in improved organizational performance and stakeholder value. Job performance of employee is influenced by many factors, i.e., organizational culture, organizational communication and managerial styles, etc. In current dynamic culture of organizations, access to training and career opportunities, work-life balance and empowerment to make decisions, are very important (Lockwood, 2007). Thus, succession planning helps in designing, measuring and evaluating proactive workplace policies and practices that help attract and retain talent with skills and competencies necessary for growth and sustainability of the organization.

h) Learning and development

Learning and development is the continuous process for each and every type of organization. The world is changing day by day and the skill, experience and knowledge are also changing day by day with the changing of the world. So, the existing manpower of any type of organization needs to update and reshape their knowledge, skills and experience. This is another challenge for HRM of the private commercial banks in Bangladesh, because it requires budget, time and effective measurement of Training Need Assessment (TNA). Without TNA, sufficient budget and time of the existing HR, it is impossible to attain its goal. About 49% of the challenges faced by the private commercial banks in Bangladesh are regarding learning and developing manpower of the banks.

3.3. Opportunities for the Private Commercial Banks

Each and every challenge can be an opportunity for the banks if the banks can successfully adapt with the challenge. The following recommendations can be helpful for adapting with the above challenges for the authority of different private commercial banks in Bangladesh and also that may be the opportunity.

a) Developing an HR System

Human resource manager should develop such an HR system which is consistent with other organizational elements such as organizational strategies, goals, style and planning so that work force diversity can be easily managed and effective change of management is ensured.

b) Developing Procedural Justice and Accountability Mechanism

The management badly falter on the procedural justice front. No feedback is taken while appraising the employees by the senior management. Many MTO sare perplexed on receiving their appraisals without any feedback taken from their end. Management defends itself against the rebuttals by citing paucity of time as the main culprit. This blatant use of authority should be avoided. Management needs to heed to the advice of the MTOs and base their appraisal and incentives by listening to their concerns. This will in turn increase faith in the management and will propel the Output/Input ratio (Equity Theory) close to near perfection.

c) Hiring Modern Technology and Adapting HRIS

Technology has changed each and everything with great extent: the methods of production, the process of recruitment, the training techniques. So, new equipment and technology should be introduced and purchased by the organization and training should be provided to young and educated workers and also HRIS should be adapted by the banks that are not using yet.

d) Adaptation with IHRM

Keeping in mind by the HR managers, to cope with the issue of Globalization, the concept of Globalized Human Resource Management (GHRM) should be implemented to prepare skilled people or manager worldwide. Thus the trend of globalization can be minimized with some extent.

e) Revision of Salary and Incentive Structure

One of the foremost concerns is the employee's perception of inequitable compensation structure. Management needs to rectify this and propose incremental incentives based on both the Employee as well as the Organizational performance. There are various variable pay schemes which will propel employees to achieve more in anticipation of higher returns. These include: merit based pay plans, bonuses, profit-sharing, gain sharing, employee stock ownership plans, etc.

f) Hiring Skillful Manpower

To provide more and more talent people into the organization, the HR manager must re-decide and re-arrange the staffing functions for recruitment, selection, training, transfer, promotion, dismissals, placement, demotion and layoffs of the employees.

g) Greater Autonomy Across the Organizational Hierarchy

The Organization also needs to provide more autonomy in decision making so that an employee does not feel secluded from the organization. Management should adopt a participative approach which will allow employees to participate in the decisions that affect them. When the employees realize that their reward and compensation is dependent on exogenous factors, which they have no control on, self-efficacy would decrease, resulting in diminishing productivity. Developing procedural justice, increasing transparency and providing greater autonomy, all would help in restoration of self-efficacy amongst the employees, although the process is expected to take time.

h) Adapting with New Skills

In the present era most of the organizations are competing globally for their best reputation, Keeping in view the challenges, the HR managers are responsible to train up all the young workers, to provide them best rewards as a result they will show their commitment and loyalty.

4. CONCLUSIONS AND FUTURE DIRECTION

The HR manager of a private commercial bank faces many challenges now a days. So they should concern about those challenges and try to adapt with the challenges. The bank should make a clear human resource policy, strong interpersonal communication to employees, and also train employees by introducing them to the concept of GHRM to perform better in the global organization context. All these challenges like, work force diversity, leadership development, change of management, organizational effectiveness, globalization, succession planning and compensation, etc. can be best managed by the HR manager when they will work with the HR practices, such as rigid recruitment and selection policy, division of jobs, empowerment, encouraging diversity in the workplace, training and development of the work force, define job description for top to bottom of the employees, etc.

The specific scopes for further research regarding this issue are: the researchers can make a comparative study between private as well as public organizations regarding different challenges of HRM and its impact on organizational success. The limitations of the study are: the study have been identified only eight challenges of HRM but there are many challenges in practical, the area of the study is only private banking sector, the study have considered only twelve private banks though there are many banks operating in Bangladesh, the number of respondents were only 24. If those limitations are besieged, the findings consequence might be dissimilar.

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