

## **A study on the effects of human resource management on making change within organization: A case study of banking industry**

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### **ABSTRACT**

This paper presents a study to find the effects of human resource management on empowering employees in banking industry. The proposed study designs a questionnaire and distributes it among 243 randomly selected employees of the first Iranian private banks called Saman. There are four hypotheses in this survey. The first hypothesis investigates whether employment type influences customer satisfaction or not. The second hypothesis of the survey studies whether training as well as empowering employees could increase organizational commitment or not. The third hypothesis of the survey investigates whether there is a positive relationship between creating motivation as well as job security and profitability. Finally, the last hypothesis of this survey tries to find out whether there is a positive and meaningful relationship between leadership style and supplier satisfaction. The implementation of some statistical tests confirms all four hypotheses of the survey.

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## **1. Introduction**

Human resource management (HRM) is believed to be the most important part of any organization (Johnston, 2000). Employees are key components for the success of business units, they make important decisions and they are to blame for the failure of firms (Matthews et al., 2003; Hon, 2011). Employees are considered as intangible assets for most organizations and they are the primary source of making value added decisions (Honold, 1997). During the past few years, there have been many studies on the effects of HRM on the success of business units. Darvish et al. (2013) investigated whether training programs could empower employees who were working as managers for Saipa Group Company, a well-known automaker in Iran. The study focused on those employees who attended in master program in one of educational organizations in city of Tehran, Iran. 178 managers participants of this program representing approximately 70% of total managers were considered for

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the study and the results indicated that while training programs created meaningful sense and helped them have a better sense of efficacy it did not create any feeling of competence or building feeling of self-organization. The survey also concluded that training programs was able to increase the level of meaningful sense and the feeling of competence. They also reported that training programs could increase employees' self-organization as well as efficacy characteristics.

Amir Khani et al. (2013) studied the role of spiritual leadership on empowering employees in a case study of educational system. Yuan and Lee (2011) presented a comprehensive study on a construct model linking leadership types, organization culture, employees' performance and leadership performance. Ghara and Motefaker (2013) investigated important factors on empowering human resources in a case study of food industry. Aube et al. (2007) investigated perceived organizational support and organizational commitment by looking into the moderating effect of locus of control and work autonomy. Chew and Chan (2008) performed another survey to find out about the effect of organizational commitment and intention to stay in firm. McEwan and Sackett (1997) performed an investigation on theoretical perspectives of employee empowerment within computer integrated manufacturing production.

Abtahi and Saadi (2012) studied the effect of structural factors on empowering employee in banking sector. They selected 1859 employees who worked in 11 different areas of an Iranian bank called Tejarat and discussed the finding associated with two departments of engineering and administration (Bell & Menguc, 2002). Using a standard questionnaire, they collected the necessary data and the results were validated using Cronbach Alpha and factor analysis. They implemented five different regression techniques to analyze the data and independent variables include complexity, formality and concentration. In addition, the dependent variables included self-effectiveness, self-organization, meaningful, self-acceptance and trust (Antonacopoulou, 2000). The results disclosed there was no correlation among structural components in engineering and administration areas. Bhatnagar (2007) Predictors of organizational commitment in India: strategic HR roles, organizational learning capability and psychological empowerment

## 2. The proposed study

The proposed study of this paper investigates the effects of different human resource management efforts on empowering employees. There are four hypotheses as follows,

1. There is a relationship between the methods for employee selection and customer satisfaction.
2. There is a relationship between empowering employees and organizational commitment.
3. There is a relationship between creating motivation and job security in gaining more profitability.
4. There is a relationship between leadership style and suppliers' satisfaction.

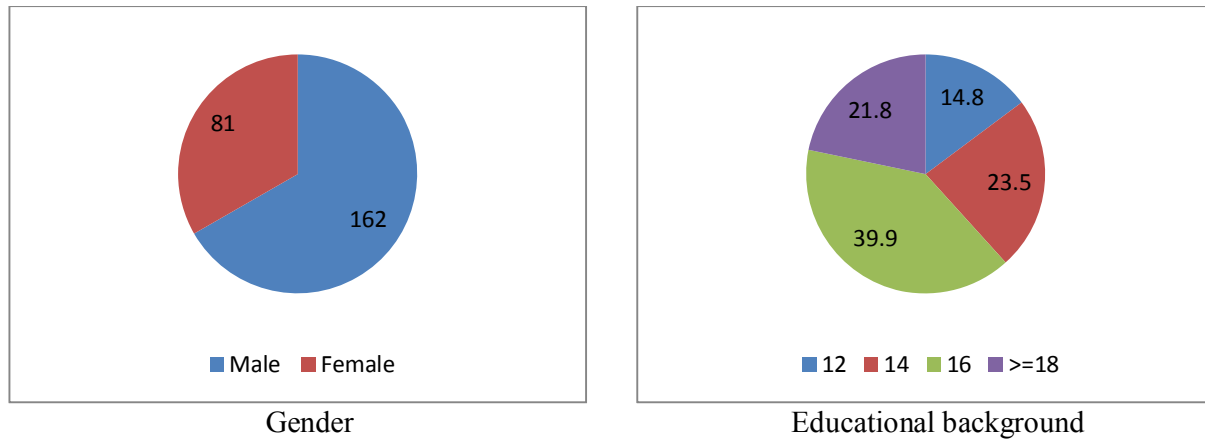
The proposed study of this paper designs a questionnaire and distributes it among some selected employees of an Iranian private bank named Saman. The sample size is calculated as follows,

$$n = \frac{N \times z_{\alpha/2}^2 \times p \times q}{\varepsilon^2 \times (N - 1) + z_{\alpha/2}^2 \times p \times q}, \quad (1)$$

where  $N$  is the population size,  $p = 1 - q$  represents the yes/no categories,  $z_{\alpha/2}$  is CDF of normal distribution and finally  $\varepsilon$  is the error term. Since we have  $p = 0.5$ ,  $z_{\alpha/2} = 1.96$  and  $N = 2400$ , the number of sample size is calculated as  $n = 243$ .

### 2.1. Personal characteristics

In our survey, about two-third of the participants were male and one-third of them were female. In addition, they are highly educated. Fig. 1 shows personal characteristics of the participants.



**Fig. 1.** Personal characteristics of the participants

We have performed Kolmogorov-Smirnov test to verify the normality of the data and the results have indicated that all data are normally distributed when the level of significance is five percent. Therefore, we could use Pearson correlation ratio to test the hypotheses of this survey.

### 3. The results

In this section, we present details of our findings on testing various hypotheses.

#### 3.1 The first hypothesis: The relationship between employee selection and customer satisfaction

The first hypothesis of this survey investigates the relationship between employee selection and customer satisfaction. In our survey, two-tailed Pearson correlation ratio has been calculated as 0.694 when the level of significance is one percent (Sig.=0.002). Therefore, we can confirm the first hypothesis and conclude that there was a positive and meaningful relationship between the methods of hiring employees and customer satisfaction. In other words, dedicated employees contribute more to firm, increase the quality of services and bring more customer satisfaction.

#### 3.2 The second hypothesis: The relationship between empowering employees and organizational commitment

The second hypothesis of this survey studies the relationship between empowering employees and organizational commitment. In our study, two-tailed Pearson correlation ratio has been calculated as 0.225 when the level of significance is one percent (Sig.=0.000). Therefore, we can confirm the second hypothesis and conclude that there was a positive and meaningful relationship between the training employees and organizational commitment. In other words, training employees contribute increases employees' capabilities and help them understand their skills, which eventually increase organizational commitment.

### 3.3 The third hypothesis: The relationship between creating motivation and job security in gaining more profitability

The third hypothesis of this survey tries to understand the relationship between creating motivation and job security in gaining more profitability. In our survey, two-tailed Pearson correlation ratio has been calculated as 0.613 when the level of significance is one percent (Sig.=0.002). Therefore, we can confirm the third hypothesis and state that there was a positive and meaningful relationship between creating motivation and job security in gaining more profitability. In other words, highly motivated employees contribute more to firm, do their jobs much better and create more value to organization.

### 3.4 The fourth hypothesis: The relationship between leadership style and suppliers' satisfaction

The last hypothesis of this survey studies the relationship between leadership style and suppliers' satisfaction. In our study, two-tailed Pearson correlation ratio has been calculated as 0.587 when the level of significance is one percent (Sig.=0.000). Therefore, we can confirm the last hypothesis and conclude that there was a positive and meaningful relationship between leadership style and suppliers' satisfaction.

Note that all Pearson correlation ratios calculated are positive, which means the relationships between different components of our survey are positive.

### 3.5. Regression analysis

Next, we use regression analysis to examine the effects of all four variables on human resource management efforts. Table 1 demonstrates the summary of ANOVA test.

**Table 1**

The summary of ANOVA test

Source of changes	Sum of Squares	df	Mean of Squares	F	P-value
Regression	57.116	33	9.194	29.1	0
Error	55.124	210	85.18		
Total	12.241	243			

As we can observe from the results of Table 1, F-value is statistically significance and we can rely on the results of regression analysis. Table 2 shows details of regression analysis.

**Table 2**

The results of regression analysis

	Non-standard coefficients		Standard coefficient	t-value	Sig.
	B	Standard error			
Intercept	17.44	2.39		7.34	
Hiring method	0.82	0.34	0.54	2.73	0.000
Empowering employees	-0.04	0.42	-0.01	-0.09	0.004
Motivation	-0.54	0.35	-0.42	-1.68	0.821
Leadership style	-0.94	0.287	-0.05	-0.44	0.069

The results of Table 2 indicate that hiring systems plays essential role on human resource development.

### 3.6. Freedman test

The last part of our survey is devoted on ranking various factors on our survey and this is accomplished using Freedman test. Table 3 summarizes the results of our investigation.

**Table 3**

The summary of Freedman test on ranking various components

Item	Rank
Hiring method	1.78
Empowering employees	1.62
Motivation	1.59
Leadership style	1.74

The results of Table 3 show that hiring system is the most important option followed by leadership style, empowering employees and creating motivation.

### 4. Conclusion

In this paper, we have presented an empirical investigation to study the effect of human resource management on building better organization through increasing customer satisfaction, employee motivation and cooperative suppliers. The proposed study of this paper has been implemented among the employees of an Iranian bank and the results of our survey have confirmed all hypotheses of this survey. In our survey, hiring system plays essential role on improving the performance of the banking industry. Successful business activities have been accomplished only through skilled, dedicated and highly motivated employees.

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