



**MINISTRY OF EDUCATION, YOUTH AND SPORT  
BUILD BRIGHT UNIVERSITY**

**SCHOOL OF DOCTORAL STUDIES**

**YUN PHAN**

**EXAMINING THE IMPACT OF THE HUMAN RESOURCE  
MANAGEMENT PRACTICES ON THE EMPLOYEE JOB SATISFACTION  
AND RETENTION: A CASE STUDY OF J TRUST ROYAL BANK IN  
CAMBODIA.**

**THESIS SUBMITTED FOR THE DEGREE OF  
DOCTOR OF PHILOSOPHY**

**SPECIALIZATION**

**GENERAL MANAGEMENT**

**UNDER THE GUIDANCE OF**

**PROF. (DR.) KENNETH KEE KIA HIONG**

**PHNOM PENH—2025**

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## DECLARATION

I do hereby declare that except otherwise stated the thesis "Examining the Impact of the Human Resource Management Practices on the Employee Retention Job Satisfaction and Retention: A case study of J Trust Royal Bank in Cambodia is based on my original research work. This research study was carried out by using both primary data and secondary data collected during the study period from 2021 to 2023, and this research study has not been submitted either in part or in full for the award of any other degree of any other University.

**YUN PHAN**

Place: Phnom Penh, Cambodia Date: February 15, 2025

## **CERTIFICATE**

This is to certify that the thesis entitled 'Examining the Impact of the Human Resource Management Practices on the Employee Retention Job Satisfaction and Retention: A case study of J Trust Royal Bank in Cambodia written and submitted by Mr. Yun Phan towards the fulfillment of the requirements of the Degree of Doctor of Philosophy (Ph.D.) in General Management to the Build Bright University is a record of genuine research work carried out under my guidance and supervision.

To the best of my knowledge, the thesis or a part thereof has not been submitted to any other University/Institution for any research degree.

**KENNETH KEE KIA HIONG**  
**(Supervisor)**

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Mr. Yun Phan

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## **ABSTRACT**

J Trust Royal Bank started operations in Cambodia in August 2019 after acquiring the majority stake in the former ANZ Royal Bank. It is a joint venture between J Trust (55 percent) and The Royal Group (45 percent). With a strong commitment to Cambodia, the bank values its people, creating a culture of inspiration, leadership, and opportunity to thrive in the competitive banking sector. J Trust Royal Bank is the first in Cambodia to offer internet banking and nearly 100 ATMs across 17 branches and off-site locations. It operates in Phnom Penh, Siem Reap, Sihanoukville, Battambang, and Kompongcham, offering services to multinational businesses.

Known for its supportive work environment, J Trust Royal Bank attracts top talent with HR programs that include staff training, competitive compensation, employee incentives, and retention initiatives. The bank's focus on business expansion helps maintain its competitive position in the market.

Despite these efforts, many senior employees tend to leave after three to five years, seeking career advancement with competitor banks. This turnover presents a challenge for the bank's HR team in sustaining a stable leadership pipeline. This study explores how HR managers implement Human Resource Management (HRM) practices to enhance employee motivation, engagement, and long-term retention, ensuring the bank remains competitive in the financial sector.

J Trust Royal Bank has implemented strategic HRM practices to retain top talent, enhance employee engagement, improve job satisfaction, and establish itself as an employer of choice in Cambodia. These initiatives contribute to better employee performance, directly supporting the bank's long-term business goals and competitiveness in the financial sector.

The bank focuses on five key HRM areas: recruitment and selection, compensation and benefits, training and development, performance appraisal, and staff retention. Despite these efforts, certain challenges remain, such as gaps in employee career growth opportunities, evolving workforce expectations, and competition from other banks offering better career prospects. If these issues are not addressed, they could negatively impact employee job satisfaction, retention rates, and the overall stability of the organization.

This study aims to assess the effectiveness of J Trust Royal Bank's HRM practices in fostering job satisfaction and employee retention. It will explore HR strategies, identify existing shortcomings, and provide recommendations for enhancing HRM implementation. Additionally, it seeks to understand how HR policies influence employee motivation and long-term commitment, ensuring the bank remains a leading employer in Cambodia's competitive banking industry.

Based on the identified problems and the needs for research, the present study has been undertaken to provide answers with the following research questions:



- i. How does the J Trust Royal Bank in Cambodia recruit and select potential employees who fit into the role and culture of the organization?
- ii. How does the J Trust Royal Bank's compensation policy impact on its employees' satisfaction and retention?
- iii. How does the J Trust Royal Bank use its training and development programs to improve its employees' competencies and capabilities?
- iv. What effects has the J Trust Royal Bank's performance appraisal system on its employees' job satisfaction?
- v. How does the J Trust Royal Bank's retention policy of employees can effectively retain employees who are highly motivated, committed, talented and high-performance oriented?

### **Objectives of the Study**

The study has been undertaken with the following objectives:

- i. To assess how J Trust Royal Bank's recruitment and selection policy influence on employee's capacity who fits into the role and the organizational culture.
- ii. To measure how J Trust Royal Bank's compensation policy impacts on its employees' job satisfaction.
- iii. To examine how J Trust Royal Bank uses its training and development policy to improve its employees' competencies and capabilities.
- iv. To gauge how J Trust Royal Bank's performance appraisal system policy improves its employees' job satisfaction.

- v. To evaluate how J Trust Royal Bank's retention policy of employees can effectively retain the motivated, committed, talented, and high-performing employees.

The study tested the following alternative hypotheses:

**H<sub>1</sub> 1:** HRM practices have a significantly positive impact on employees' job satisfaction.

**H<sub>1</sub> 2:** HRM practices have a significantly positive impact on employees' retention

**H<sub>1</sub> 3:** Employee job satisfaction has a significantly impact on the retention of employees.

The study utilized various methods for data collection and analysis to test the hypotheses. Data were collected from two primary sources: both primary and secondary. A total of 200 respondents were selected for this study. The primary sources used questionnaire survey and the secondary sources used reports: company documents, industry publications and academic literature.

Statistical analysis was conducted using SPSS version 25. The following methods were employed: Frequency Distributions, Descriptive Statistic Analysis, Factor Analysis and Reliability Test, Correlation Matrix, and Regression Analysis.

The present study analyzed the collected information and came up with the results as given below:

First, the study revealed the gender and age profile of the respondents. Two hundred respondents participated in the survey, consisting of 70 males (35 percent) and 130 females (65 percent) broken down by gender. Among the 130

female respondents, the age cohort ranged from 18-25 (47 percent), 26-30 (36.5 percent), and 31-40 (25.38 percent), respectively, and among the 70 males, the age cohort ranged from 18-25 (22.86 percent), 26-30 (35.71 percent), and 31-40 (40 percent) respectively.

Second, the study analyzed the educational level of the respondents. Among the 200 respondents, 144 (72 percent) held a bachelor's degree, 36 (18 percent) held a master's degree, and 20 (10 percent) held undergraduate degrees.

Third, the study examined the job positions of the respondents. A total of 119 employees (59.5 percent) worked as frontline staff, 43 employees (21.5 percent) worked as team leaders, and 37 employees (18.5 percent) were employed as managers. Approximately 60 percent of the respondents were frontline staff.

Fourth, the study analyzed the job tenure of the respondents. Of the 200 respondents working at J Trust Royal Bank, 74 (37 percent) had more than five years of experience with the bank, followed by 49 (24.5 percent) with two to three years of experience. An additional 27 (13.5 percent) had four to five years of experience, and 50 (25.0 percent) had less than one year of experience. Employee tenure includes their time at ANZ Royal Bank prior to its acquisition and renaming as J Trust Royal Bank.

Fifth, this study presents the testing results of the alternative hypotheses:

- H<sub>1</sub> 1: HRM practices have a significantly positive impact on employees' job satisfaction. This hypothesis is supported by the data.

- H<sub>1</sub> 2: HRM practices have a significantly positive impact on employees' retention. This hypothesis is supported by the data.
- H<sub>1</sub> 3: Employee job satisfaction has a significantly impact on the retention of employees. This hypothesis is supported by the data.

Sixth, the study found that 93.66 percent of respondents were satisfied with J Trust Royal Bank's recruitment and selection practices. Among the 200 participants, 133 agreed with the bank's approach, while 4.23% had no opinion, and only 2.11% disagreed. Briefly explain what does "satisfied" means based on your questionnaire scale here to be clearer. These findings suggest that the bank has implemented an effective recruitment strategy.

Seventh, the study found that 165 out of 172 respondents (93.93 percent) expressed satisfaction with J- Trust Royal Bank's training and development programs. Specifically, when asked about the quality and relevance of the training, 95.93 percent of those satisfied respondents rated the training as 'good' or 'excellent'. This finding suggest that employees generally value the bank's investment in training and development, which is being perecieved as a key HRM practice, equipping them with the skills to deliver excellent service and potentially increasing job satisfaction.

Eighth, the study examined employee perceptions of the performance appraisal system. While 106 out of 200 respondents (53%) indicated that they understood the goals of the performance appraisal system, a smaller percentage, 75%, expressed feeling

that the performance appraisal process was fair and accurate. The finding indicated that while a majority of employees understand the purpose of the appraisal system, there may be concerns about its fairness in evaluating employee performance.

Ninth, the study investigated employee perceptions of J Trust Royal Bank's efforts to retain employees. 87.61 percent of respondents are very satisfied with the retention of employee's practices of the bank. These respondents believe that the bank has good employee retention policy. Indeed, the retention of employee's strategy is well-practiced by HR managers to retain good employees at work.

Tenth, the study found that 117 out of 200 respondents expressed satisfaction with their job due to J Trust Royal Bank's existing HRM practices which support their work performance and further motivate them. With 72.22 percent of respondents expressing overall satisfaction, it is clear that effective recruitment, compensation, training, and performance appraisal are key factors. It is also interesting to note that only a small percentage of respondents were dissatisfied or strongly dissatisfied with the bank's existing HRM practices.

This study explores the impact of key HRM practices—recruitment and selection, compensation, training and development, performance appraisal, and retention—on employee job satisfaction and retention at J Trust Royal Bank. The goal is to develop a model that encourages organizations and academics to reassess HRM's strategic role in aligning management practices with leadership activities, ultimately enhancing employee

engagement, fostering a positive work environment, and improving long-term workforce stability. Effective HRM practices are essential for organizational growth, productivity, and competitiveness, especially in the service industries like banking, where employee performance directly influences customer satisfaction and overall business success. By refining HRM strategies, organizations can enhance retention rates and promote employee satisfaction and loyalty.

The consistent findings of the regression analysis in this study revealed that HRM practices also contribute to employee job satisfaction and retention of employees in the J Trust Royal Bank in Cambodia.

Therefore, HRM managers should consider these research variables in partnering with line managers in their daily management practices in motivating their subordinates to be interested in their jobs which one of the main factors achieve higher performance in their works and thereby help the bank, in turn, attain the ultimate goals of the organization. From a practical perspective, the present study provides practitioners with better insights into strategically evolved HRM practices.

HR managers in the Cambodia's banking sector should prioritize employee satisfaction and retention. This study develops a conceptual model linking HRM practices to these factors, contributing to HRM literature. As the banking sector grows, attracting skilled professionals is crucial for industry stability and economic impact. The findings confirm that strong HRM practices—recruitment, training,

compensation, and performance appraisal—enhance job satisfaction, boost retention, and attract top talent at J Trust Royal

The research findings revealed that the five HRM practices correlated positively with the retention of employees and employee job satisfaction. Furthermore, employee job satisfaction was found to be positively correlated with the retention of employees. This study contributes to the HRM practice literature in various ways.

Firstly, it integrates HRM practices, employee job satisfaction, and retention of employees in the context of less developing countries in the banking service sector. The study examines the relationship between HRM practices and employee job satisfaction in achieving the retention of employees within the banking service industry.

Secondly, it investigates how HRM practices contribute to the employee job satisfaction and the retention of employees in the organization. Prior studies have yet to explore these relationships simultaneously in the context of the banking service industries in the Cambodian context.

This study confirms previous research, highlighting the correlation between HRM practices, employee retention, and job satisfaction at J Trust Royal Bank. The bank should implement more active reward policies aligned with its strategy. Training, development, and an effective performance appraisal system are crucial

for employee satisfaction and retention. A key issue is the lack of rewards for excellent performance, which affects satisfaction. Additionally, gaps in skills and competencies impact performance and satisfaction. Overall, the study emphasizes the critical role of HRM practices for long-term growth and success.



# **CHAPTER I**

## **INTRODUCTION**

This chapter presents the introduction of the research study. It is subdivided into nine sections. The first section is an introduction to the background of the research study. The second section describes the statement of the research problems. The research questions are listed in the third section, followed by objectives of the research study in the fourth section. The fifth section specifies the three hypotheses of the study and detailed reasons, and significance of the study are given in the sixth section. The seventh section describes the scope and limitations of the study, followed by a summary layout of the study in the eighth section. Finally, a conclusion remark is given in section 9.

### **1.1. Background of the Study**

To advance Cambodia to a high-medium income country by 2030, the Cambodian Government Triangulation focuses on human resource development by encouraging public and private sectors to build human resource capital through training and development to enhance skill, knowledge, and ability.

According to the Asian Development Outlook (ADO) 2022, Cambodia's garments, travel goods, and footwear outputs remained robust, registering 39.80 percent year-on-year growth in the first half of 2022, despite the economic slowdown in the world, especially in the United States and Europe. The non-garment manufacturing sector continued its strong growth momentum. Construction gradually recovered, with imports

of construction materials quickly rising to 22.80 percent. Industry outputs are projected to grow 9.10 percent in 2022 before moderating to 8.60 percent in 2023 because of weaker external demand. “An increase in Cambodia’s manufactured product exports, and a gradual recovery in the construction and service sectors, had supported economic growth in 2022 despite the drop in agricultural growth caused by surging fuel and fertilizer prices and heavy rains,” said ADB Country Director for Cambodia Jyotsana Varma.

The government’s socioeconomic interventions, such as the Cash Transfer Program for Poor and Vulnerable Households, have been effective in lessening the impacts of the global surges in commodity prices on the poor.” The report revises Cambodia’s 2022 inflation forecast to 5.00 percent, from the 4.70 percent forecast in April, due to the substantial pass-through effects of fuel price increases caused by the Russian invasion of Ukraine. The inflation forecast for 2023 was kept at 2.20 percent. Risks to the outlook include the potential emergence of new and more deadly COVID-19 variants, the monkeypox outbreak, a rapid increase in nonperforming loans, the weakened growth of major trading partners, global supply chain disruptions, and a worse-than-expected surge in energy and commodity prices. ADB’s support of Cambodia aligns well with the government’s growth priorities. Currently, the bank is implementing \$2.43 billion in investment projects in Cambodia. In 2021, ADB committed \$327.1 million in sovereign loans and grants and catalyzed an additional \$5 million through co-financing for Cambodia. ADB’s lending pipeline for 2022–2025 includes \$1.17 billion of concessional lending and \$43.9 million in grants to support the country’s economic development and recovery from

the COVID-19 pandemic (ADB, 2022). Indeed, The Cambodian banking sector is a two-tier system comprising the public sector (represented by the NBC) and the private sector, such as commercial banks, specialized banks, microfinance institutions, and several NGOs involved in rural credit activities. Under the Law on Banking and Financial Institutions, all banks shall be licensed and supervised by the NBC. In the past, many banks had been inactivated due to poor management, making people distrust the banking system. NBC implemented the Law on Banking and Financial Institutions to solve this situation and conducted a bank re-licensing program. Through this change, the Cambodian financial system has developed and stabilized. The banking system consisted of 59 commercial banks, 9 specialized banks, 5 Microfinance-Deposit Taking Institutions, 82 microfinance non-deposit-taking institutions, 16 financial leasing institutions, 223 rural credit institutions, 6 third-party processors, 35 payment service institutions, 1 credit reporting service provider, 6 representative offices, and 2,866 money changers (NBC 's Annual supervision report , 2022).

In response to repeated criticism that human resource management practices (HRMP) add no value to organizations, broad scientific debate and research have been conducted to investigate HRM's contribution to the employees' job satisfaction and employee retention. The prevailing arguments assert that through a "bundle" of HRM practices, firms can attain vital human capital, a potential source of sustainable employees' job satisfaction and employee retention. This stream of research assumes that HRM practices directly affects organizational performance (Alnajdawi, Emeagwali, & Elrehail,

2017). Another significant stream of research develops the notion that while HRM might bear some influence on employees' job satisfaction and employee retention in the organization, it does not directly lead to improved organizational performance. Proponents of this latter view argue that there are a variety of mechanisms and intermediate outcomes central to a complete understanding of how HRM practice drives employee job satisfaction and retention of employees (B. Becker & Gerhart, 1996). Indeed, researchers have identified several mechanisms to define the association between HRM practices and organizational performance. They argue that appropriate HRM practices have the potential to yield committed, motivated, and satisfied employees, which ultimately leads to improved individual and organizational performance (Taamneh, Alsaad, & Elrehail, 2018). If this be the case, such evidence would help us better understand how the impact of HRM practices can go beyond an employee's task and job responsibilities to affect his or her discretionary behavior including self-improvement, cooperation with colleagues and creating a positive organizational image, all of which can greatly contribute to organizational employees' job satisfaction and retention of employees.

Many researchers have argued that HRM practices affect employees' job satisfaction and retention of employees through their impact on staff attitudes and behavior, which can result in increased productivity and quality of goods and services and eventually enhanced the employee job satisfaction which leads to the organizational performance (Abubakar, Elrehail, Alatailat, & Elçi, 2019). Moreover, B. E. Becker, Huselid,

Pickus, and Spratt (1997) raise the same point of view, arguing that HRM practices and leadership have a direct impact on employee skills, knowledge, and motivation, which, in turn, affect employees' behavior in terms of innovation, creativity, commitment, and discretionary effort, which ultimately enhance the financial and market status of the organization (Elrehail, Emeagwali, Alsaad, & Alzghoul, 2018). It is, therefore, essential to pay due attention to the direct effect HRM practices have impact on employee job satisfaction (Latorre, Guest, Ramos, & Gracia, 2016; Veth, Korzilius, Van der Heijden, Emans, & De Lange, 2019). Whereas, (Delery & Shaw, 2001) stated that at least two main features differentiate HRM practices research from more traditional HRM research. First, it focuses on the enlightening strategic role of enhancing organizational effectiveness through human resources; the second feature is about the level of analysis. Usually, researchers who belong to HRM practices have individual-level research and examine the impact of HRM practices on employee-level job satisfaction, employee retention, and organizational performance; for example, task performance, absenteeism, and turnover (Griffeth, Hom, & Gaertner, 2000). It is more appropriate to understand how HRM practices enhance organizational outcomes, i.e., employee job performance, organizational performance, and employee job satisfaction, and employee retention (Lepak, Liao, Chung, & Harden, 2006). On the other hand, Tharenou, Saks, and Moore (2007) find compelling evidence for the alternative universalistic perspective, documenting that training is related independently to organizational outcomes. In support of Combs, Liu, Hall, and Ketchen (2006) and the configurational view, both Subramony

(2009) and Jiang, Lepak, Hu, and Baer (2012) establish that bundles of HRM practices have a more substantial relation than individual practices. Therefore, in demonstrating that the relationship between HRM practices and employee job satisfaction and employee retention are more significant in the service sectors, i.e., banking and hospitality management (Subramony, 2009), this study asserts that HRM practices significantly motivate employee job satisfaction and increase employee retention.

## **1.2. Statement of the Problems**

The impact of HRM policies and practices on organizational commitment, job satisfaction, and employee retention is a critical topic in the fields of HRM industrial relations and organizational psychology (Huselid, 1995; McGunnigle & Jameson, 2000; Othman, 2009; Perez Lopez, Montes Peon, & Vazquez Ordas, 2005; Tzafrir, 2006). A growing body of work argues for the implementation of inclusive work practices, which can improve the skills, abilities and knowledge of an organization's present and potential employees. Such practices also promote high levels of staff engagement, staff satisfactory, performance, and can be applied to all aspects of HRM, such as employee recruitment and selection, training and development, performance appraisal and compensation (Edgar & Geare, 2005; Guest, 2002; Huselid, 1995).

Furthermore, solid HRM practices increase employees' motivation, enhance their commitment and satisfaction, reduce staff shrinkage and increase retention of talented

personnel, whilst encouraging non-performers to leave the organization (Petrescu & Simmons, 2008; Rad & De Moraes, 2009; Wright & McMahan, 1992).

Similarly, in the Cambodian context, the Human Resource Management (HRM) practices have been shown to be one of the important elements that relate to the performance and effectiveness of the commercial banks. The HRM practices enabled working people to be more productive, shaping their behavior and attitude at work, be highly responsible, accountable, engaged, strongly committed, and satisfied. HRM also enhanced employee retention and high-performance in the organizations provided its practices such as comprehensive employee recruitment and selection procedures, incentive compensation, extensive training and development, best performance management system, and best employee retention are effective and collectively owned by the organization.

It has been indicated that these practices can improve the knowledge, skills, and abilities of the commercial banks' current and potential employees, increase their motivation, reduce shirking and enhance retention of quality employees while encouraging non-performers to leave the commercial banks due to the culture of high-performance based organizations. Ultimately, HRM practices enhanced the commercial banks' competitiveness and will enable them to compete successfully and retained its market share in the Cambodia market.

Also, those banks that have put in place strategic HRM practices will in the long run be able to retain talented staff, engaged its employees more effectively and be an employer of choice for many Cambodians and others. Employee performance is also being enhanced as a result of the implementation of effective HRM practices in the banks, and in turn, drives and enables the bank to succeed in achieving its goals and objectives.

In the Cambodian context, the commercial banks, particularly in the case of the J-Trust Royal Bank, even though the five HRM practices (recruitment and selection, compensation, training and development, performance appraisal, and staff retention) are being implemented by the HR department, there are shortcomings to these HRM practices that could affect both the employees' performance and the organization itself in the long run if left unresolved.

In J-Trust Royal Bank in Cambodia though, the short coming of the HRM practices that may lead to a high staff turnover is an on-going HR issue that the firm is facing and if left unchecked will have a devastating impact on staff job satisfaction, staff performance, productivity and competitiveness in the long run. Similarly, a more critical issue concerns retention of key staff in the bank. The bank's senior employees, even though they are provided with competitive compensation packages and undergo intensive training, may tend to leave the bank after three to five years to work for other competitor banks instead.



Another HRM practice that may in due course become a critical HR issue concerns the performance appraisal of staff from the lower level to the senior level. The employees may not be happy with the present appraisal system and view it as a 'dreaded ritual' that they have to go through annually. Likewise, the direct supervisors might not take the appraisal review seriously and hence have no ownership and commitment to make it work. This if left unchecked will cause employees to be demotivated because an average and/or poor appraisal review will have a negative impact on their compensation and in turn their promotion prospects in the bank. Hence, more senior staff in particular may opt to leave the bank to look for other job opportunities instead of staying on.

Recruitment and selection are the important elements of the human resources practices of this J-Trust Royal Bank as well as other organizations. In this J-Trust Royal bank, recruitment and selection is still a major HR issue as recruitment managers are not being fully trained to source right candidates to fit in with the bank's values and organizational culture. A misfit of any candidate if hired will be in the long run disrupt teamwork and lead to high turnover rate, and ultimately the bank itself will face financial, reputational and high costs in looking for new employees.

The selection interview of this J-Trust Royal Bank had some flaws and resultantly impacted the final selection whereby some unqualified candidates did not fit into their job responsibilities. Also, they did not have the requisite qualifications for the vacant positions, particularly in the sales sector. As a result, the bank is faced with demotivated

and poor performing employees, high staff turnover, and ultimately this will affect its long-term competitiveness in Cambodia. Moreover, the lengthy process in staff replacement to backfill the employees who have left the bank and internal staff movement have also impacted on the customer service satisfaction and employee job satisfaction as well. This is because when the bank is faced with manpower shortage, the remaining staff will be overloaded with additional work. This will slow down the customer service delivery and eventually cause further dissatisfaction among the customers. In the long run, if this is left unaddressed, it will further erode the competitiveness of the bank.

Conversely, training and development is critical in improving the employees' capacity, performance and the long-term profitability of the commercial bank. In J-Trust Bank, there is still a bit lack of proper and effective HR system in assessing the performance of those staff who have undergone training by their line managers. Hence, again if left unattended to in the long term, this will have an adverse impact on the employees' competencies, attitudes, behaviors, work performance and career growth.

It is also noticeable that J-Trust Royal Bank is a little bit facing another HR issue, and that is compensation. As the compensation package of J-Trust Royal Bank is not competitive enough when compared to other commercial banks in the financial sector in Cambodia, the trend over the last few years indicated that it has been losing talented employees. In particular, those more senior employees who have worked in this J-Trust

Royal bank for a number of years and those who also have received specialized training have either left or contemplate leaving to join other competitor banks.

The issue on compensation also impacted on the existing employees who became less motivated in their work, having reduced productivity and at the same time having lesser engagement with their peers. This has an adverse effect on team work as employees are reluctant to cooperate and collaborate with each other in achieving the goals of the organization.

If this HR problem is left to continue it will in turn affect the performance and competitiveness of the bank. Similarly, recruiting talented employees will also be affected as J Trust Royal bank's compensation package is not competitive enough and hence the bank would become less attractive as an employer of choice as in the past three years. This J-Trust Royal Bank previously was considered as an employer of choice as many people aspired to work in this organization then. In the long term, if this compensation issue remained unresolved, the bank will not be able to compete for talents in the job market, will face with acute shortage of talents internally and will also affect its succession planning.

Finally, there is also the shortcoming of the talent employee retention practice at this J-trust Royal Bank. Many training courses and development programs have been provided for the employees, but the High-level staff turnover rate is still high. If the bank

does not reassess the staff retention programs and take corrective measures on time to meet the current needs of the talented employees, the bank will continue to lose its human capital which will affect this J-Trust Royal Bank's long-term organizational performance.

However, these other HRM issues relating to staff recruitment and selection, compensation and training and development may not necessarily improve employee satisfaction, performance and productivity and retention. Nevertheless, these mentioned HRM practices instead will have an adverse impact particularly on the engagement, retention and job satisfaction of the bank's staff and in turn its turnover rate and its competitive advantage in the long term.

In view of the above HR issues confronting this J Trust Royal Bank in the financial sector in Cambodia, the present study deserves further investigation to find out the shortcomings of the HRM practices (recruitment and selection, compensation and benefits, training and development, performance appraisal, and staff retention) that fail to make the necessary changes that will enhance the employee job satisfaction, and employee retention of this J-Trust Royal Bank. Moreover, the findings of the study will provide deeper insights of the specific shortcomings of these five HRM practice s and enabled the bank to address these shortcomings more effectively.

The J-Trust Royal Bank's strong commitment to provide a challenging, interesting and safe working environment for its employees had prompted the bank to implement its

HRM practices that focused on five key HRM areas: recruitment and selection; compensation and benefits; training and development; performance management; and retention. However, there are pitfalls that affect the effective implementation of these HRM practices that will have adverse impact on its employee job satisfaction, and employee retention of this J Trust Royal bank in the long term. With this in mind, the present study is a modest attempt to examine how effectively the HRM practices (recruitment and selection; compensation and benefits; training and development; performance appraisal and retention) enhancing the employee job satisfaction, and employee retention of this J-Trust Royal Bank is implemented in Cambodia.

### **1.3. Research Questions**

The present study is intended to provide answers to the following questions as set out in the research questions stated below:

- i. How does the J-Trust Royal Bank in Cambodia recruit and select potential employees who fit into the role and employee job satisfaction?
- ii. What ways does the J-Trust Bank's compensation and benefit policy impact on its employee job satisfaction and its employee retention?
- iii. To what extent does the J-Trust Royal Bank use its training and development programs to improve its employees' competencies and employee job satisfaction?

- iv. What effects has the J-Trust Royal Bank's performance appraisal system on its employee job satisfaction?
- v. How does the J-Trust Royal Bank's retention policy of employees can retain staff who are highly motivated, committed, talented and high-performance oriented?

#### **1.4 Objectives of the Study**

To answer the above research questions, five main objectives have been set for the present study as follows:

- i. To assess how J-Trust Royal Bank recruits and selects potential employees who fit into the role and employee job satisfaction.
- ii. To evaluate the impact of J Trust Royal Bank's compensation and benefit policy on its employees' satisfaction.
- iii. To identify how J Trust Royal Bank uses its training and development program to improve its employees' competencies and employee job satisfaction.
- iv. To measure how J Trust Royal Bank's performance appraisal system improves its employee job satisfaction.

- v. To gauge the extent to which J Trust Royal Bank's retention policy of employees effectively retain the motivated, committed, talented and high performed employees.

## **1.5 Hypotheses of the Study**

The present study seeks to test the following three alternative research hypotheses:

**H<sub>1</sub> 1:** HRM practices have a positive impact on employee job satisfaction.

**H<sub>1</sub> 2:** HRM practices have a positive impact on retention of employees.

**H<sub>1</sub> 3:** Employee job satisfaction has a positive impact on retention of employees.

## **1.6 Significance of the Study**

Due to the rapid growth of the banking business in Cambodia during the last several years, designing and implementing effective HRM system is crucial for the banking service sector. The present study impact of HRM practices on the organizational employee satisfaction and retention of this J-Trust Royal Bank in the Cambodia context.

The findings of the study will benefit the management and the HR practitioners of this J-Trust Royal Bank in terms of the effectiveness of the current HRM practices (recruitment and selection; compensation and benefit; training and development; performance appraisal; and employee retention), in enhancing its employee job satisfaction and employee retention. Particularly, the findings will reveal the strengths

and weaknesses of the current HRM practices and examine the gimmicks that require further improvement for the commercial bank.

Thus, the present study attempts to make substantial efforts in examining both theoretical and empirical studies towards a better understanding of how effective HRM practices can enhance the organizational employee satisfaction and retention and ultimately improve its profitability.

Furthermore, the academic community would benefit from this research. Other researchers may use this research as an empirical review to further investigate and address issues related to HRM practices in the financial institutions in Cambodia.

## **1.7 Scope and Limitations of the Study**

The scope of this research is to examine the impacts of HRM practices on employee job satisfaction, and retention of employee. The scope of the study is further limited to HRM practices in J-Trust Royal Bank service industry in Cambodia by addressing on the following research limitations:

- i. The relationship among HRM practices, employee job satisfaction, and retention of employees by using the data collection from 2020-2021.
- ii. To obtain reliable opinions from the 200 participants in the five central business units of this particular Bank, J-Trust Royal Bank.



- iii. The purposive sampling method used to recruit the participants in a single banking sector. Also, as a cross-sectional study, there must be caution in generalizing the results.
- iv. Finally, self-report questionnaires used to collect data from respondents.

This study considered perceptions of employees of a single private commercial banking, and thereby, the research findings cannot be generalized for all other banking service organizations in the context of Cambodia.

## **1.8 Layout of the Study**

The study consists of six chapters, starting from the background of the research study to the end by addressing on the following statements:

### **Chapter I: Introduction**

The first chapter presents the introduction to the research study including the background of the research, statement of the problems, research questions, objectives of the research study, hypothesis, significance of the study, scope, and limitations of the study, layout of the study, and at the end of the chapter, a concluding remark is given.

## **Chapter II: Review of Literature**

This chapter attempts to carry out an extensive review of the relevant literature, both conceptual and empirical concerning the impacts of HRM practices on employee job satisfaction, and retention of employees.

## **Chapter III: Research Methodology**

This chapter attempts to explain in detail the methodology employed in the present study. It covers the explanation of the type of analysis, the types and sources of data, the procedure of collecting data, the sampling design procedures, statistical tools used, the coverage of the study, and the procedure of analyzing data respectively. At the end of the chapter, a concluding remark is given.

## **Chapter IV: Human Resource Management in Cambodia Context**

The fourth chapter describes more details of the background of Cambodia related to culture, Cambodian economic backgrounds, and also demography of Cambodian people. This chapter also explores the current HRM practices (i.e., recruitment and selection; compensation and benefit; training and development; performance appraisal, and employee retention) in the different divisions of the J Trust Bank in general as the area of study in human resource management context, and employee performance of the J-Trust Royal Bank.

## **Chapter V: Data Analysis and Discussion of Findings**

This chapter describes the data analysis and discussion of the results and findings related to frequency distributions, descriptive statistics, correlation matrix, logistic regression and multiple regression analysis. This chapter also discusses the challenges faced by the J-Trust Royal Bank in the implementation of its current HRM practices to guarantee employee job satisfaction, and retention of employees.

## **Chapter VI: Conclusions and Recommendations**

The last chapter summarizes the main findings of the study. This chapter also provides the research conclusions, scope for future research, and recommendations to further improvement for the implementation of HRM practices of the J Trust Royal Bank.

### **1.9 Conclusion Remarks**

To sum up, the chapter has introduced the background of the research study which described in detail the statement of the research problem with an indication of the research questions of the study. Five objectives of the research study have been included followed by three hypotheses of the study. More reasons for highlighting the significance of the study have been given with the inclusion of the scope and limitations of the study. Finally, a summary layout of the study and a conclusion remark is given.

## **CHAPTER II**

### **LITERATURE REVIEW**

The present chapter has reviewed the related literatures of the study. This is done in three parts. In the first part, theories of human resource practices, including concept and in particularly the five human resource practices such as: recruitment and selection; compensation and benefits, training and development; performance management; and retention have been discussed. Empirical reviews of related literatures on the five specific HRM practices that affect the employee job satisfaction and employee retention of the bank in the financial sectors have been discussed in the second part. In the last part, specific theoretical models related to the five HRM practices in the present study have also been mentioned.

#### **2.1. General Concepts of Human Resource Practices**

HRM practices refer to a system that recruits and selects; compensates; trains and develops; evaluates and retains employees to ensure the enhancement of the organization's employ job satisfaction and employee retention in order to sustain its competitively sustainable business operation. HRM practice is also conceptualized as a set of internally consistent policies and practices designed and implemented to ensure that a firm's human capital contribute to the achievement of its business objectives.

HRM practices have not traditionally been seen as providing economic value to the company. Economic value is usually associated with equipment, technology, and facilities

(Cascio, 1991)<sup>1</sup>. Compensation, staffing, training and staff development, performance management, and other HRM practices are investments that directly affect employees' motivation and ability to provide products and services that are valued by customers. Research has shown that companies attempt to increase their business competitive advantages by investing in new technology and becoming involved in the quality movement. They also invest in state-of-the-art staffing, training, and compensation and benefit practices (Snell & Dean, 1992)<sup>2</sup>.

Bhardwaj et al. (2021) conducted a study on commercial banks in Rajasthan, India, to examine the impact of various factors on employee job satisfaction and performance. The findings revealed a significant correlation between job satisfaction and elements such as awards, remuneration, job security, promotion opportunities, and workplace relationships, all of which influence employee performance in these banks.

In accordance with the research study (Win, 2022, the findings of this study indicate a strong positive relationship between employee job satisfaction and various factors, including compensation (both monetary and non-monetary benefits), job content, opportunities for promotion and personal growth, supervisory support, and a conducive

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<sup>1</sup> W.F.Cascio, *Costing Human Resources: The Financial Impact of Behavior in Organizations*, 3<sup>rd</sup> ed. (Boston: PWS-Kent, 1991)

<sup>2</sup> S.A. Snell and J.W.Dean, "Integrated Manufacturing and Human Resource Management: A Human Capital Perspective," *Academy of Management Journal* 35 (1992), pp.467-504; M.A. Youndt, S. Snell, J.W.Dean Jr., and D.P. Lepak, "Human Resource Management, Manufacturing Strategy, and Firm Performance," *Academy of Management Journal* 39 (1996), pp.836-866.

work environment. Additionally, the study highlights that employee satisfaction significantly influences retention rates among workers in Myanmar's sugar factories.

These results align with Bason's research, which also confirmed the significant positive impact of compensation, job content, promotions, supervisory support, and a supportive work environment on job satisfaction. Furthermore, Bason concluded that employee satisfaction directly affects retention.

Based on these findings, it is recommended that management teams, employers, and supervisors prioritize employee satisfaction as a key factor in staff retention. Satisfied employees are valuable assets to any organization, and their retention contributes to overall organizational success.

The study (Enam Husain, 2024) reveals that the positive employee development strategies supplement formal education and improve human capital management in the company, especially in banking industry. By adopting a strong culture of employee growth, businesses can improve performance while mitigating risks. Even though banks may not always provide internal promotions for every employee; however, they can help employees set career goals and development plans, fostering loyalty and engagement. Employee retention is so important, and banks should strongly focus on coaching, career advancement, salary growth, good working environment, and social engagement opportunities to boost job satisfaction and performance. Supporting employees' personal well-being and involvement in community activities can also contribute to overall

engagement, motivation, happiness, and long-term commitment for the banks. Sustaining a culture of employee appreciation and development enhances job satisfaction and retention.

Yousuf (2021) indicates that employees generate the foundation of any organization, making their retention a top priority in the banking sector. In the current dynamic business environment, human resources are considered as a key asset, contributing significantly to organizational growth and development. This study targets to assist *policymakers* in the banking industry in formulating effective strategies for employee retention. Employee turnover imposes substantial financial, resource burdens, and loss on organizations. The research study identifies key factors influencing job satisfaction, including competitive salaries, improved work conditions, greater opportunities for career advancement, and strong relationships with supervisors. These elements were found to have a significant impact on employee retention and overall organizational stability.

The study of (Washington, DC: Bureau of National Affairs, 1986; Hall and Richter, 190; Cox and Blake, 1991)<sup>3</sup> reveals that employees who are given opportunities to fully use and develop their skills, receive greater job responsibilities, believe the promotion system is fair, and have a trustworthy manager who represents the employee's best

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<sup>3</sup> "Employee Dissatisfaction on Rise in Last 10 years, New Report Says, " Employee Relations Weekly (Washington, DC: Bureau of National Affairs, 1986); D.T.Hall and J. Richter, "Career Gridlock: Baby Boomers Hit the Wall," The executive 4, (1990), pp.7-22.; and T.H. Cox and S. Blake, "Managing Cultural Diversity: Implications for Organizational competitiveness," The executive 5 (1991), pp.45-46.

interests are more committed to their companies. Fostering these values require companies to develop HRM practices that provide more opportunity for individual contribution and entrepreneurship. Managing cultural diversity involves many different activities, including creating an organizational culture that values diversity, ensuring that HRM systems are bias-free, facilitating higher career involvement of women, promoting knowledge and acceptance of cultural differences, ensuring involvement in education both within and outside the company, and dealing with employees' resistance to diversity.

Many decisions related to managing human resources are characterized by uncertainty. Ethics can be considered the fundamental principles by which employees and companies interact (Pastin, 1986)<sup>4</sup>. New technology causes decline in basic skill requirements and work roles and often results in combining job (Choate and Linger, 1986 & 1991)<sup>5</sup>. For example, computer-integrated manufacturing uses robots and computers to automate the manufacturing process. Beside the potential motivational advantages of work teams, labor costs can also be reduced for companies adopting teams. A number of companies is recognizing assembly line in favor of hybrid operations combining mass production with jobs in which employees perform multiple tasks, use many skills, control the pace of work, and assemble the entire final product (Williams, 1994)<sup>6</sup>.

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<sup>4</sup> M. Pastin, *The Hard Problems of Management: gaining the Ethics Edge* (San Francisco: Jossey-Bass, 1986).

<sup>5</sup> P. Choate and P. Linger, *The High-Flex Society* (New York: Knopf, 1986); P.B. Doeringer, *Turbulence in the American Workplace* (New York: Oxford University Press, 1991).

<sup>6</sup> M. Williams, "Some Plants Tear Out Long Assembly Lines, Switch to Craft Work," *The Wall Street Journal* (October 24, 1994), pp.A1, A4.



The manager's job in HRM practices will increasingly be to empower employees. Empowerment means giving employees responsibility and authority to make decisions regarding all aspects of product development or customer service (Atchison, 1991)<sup>7</sup>. Employees are then held accountable for products and services and in return, share the rewards and failures that result. For empowerment to succeed, managers must serve in a linking and coordinating role (Cann and Margerison, 1986 & 1996)<sup>8</sup>.

Many managers have tended to consider technological and structural innovations independent of each other. That is, because of immediate demands for productivity, service, and short-term profitability, and many managers implement a new technology (such as a networked computer system) or a new work design (like service team organized by product) without considering how a new technology might influence the efficiency or effectiveness of the day of way work is organized (Ashkenas, 1994)<sup>9</sup>. Without integrating technology and structure, a company cannot maximize production and service.

Management of human resources plays a critical role in determining companies' success in meeting these challenges. HRM practices have not traditionally been seen as providing economic value to the company. Economic value is usually associated with equipment, technology, and facilities. However, HRM practice has been shown to be

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<sup>7</sup> T.J. Atchison, "The Employment Relationship: Untied or Re-tied," *Academy of Management Executive* 5 (1991), pp. 52-62.

<sup>8</sup> D.McCann and C. Margerison, "Managing High-Performance Teams," *Training and Development Journal* (November 1989), pp. 52-60; S. Sheman, "Secretes of HP's Muddled Team," *Fortune* (March 18, 1996), pp. 116-20

<sup>9</sup> R.N. Ashkenas, "Beyond the Fads: How leaders Drive Change with Results," *Human Resource Planning* 17 (1994), pp. 25-44.

valuable (Cascio, 1991)<sup>10</sup>. The five key HRM practices: recruitment and selection; compensation and benefits; training and development; performance management; and retention are being discussed below:

## **2.1.1. Recruitment and selection**

### **2.1.1.1: Recruitment**

It is difficult to always anticipate exactly how any new employees will have to be hired in a given job category. The role of human resource recruitment is to build a supply of potential new hires that the organization can draw on if the need arises. Therefore, the study of human resource recruitment (Barber, 1998)<sup>11</sup> has been defined as any practice or activity carried on by the organization with the primary purpose of identifying and attracting potential employees.

Recruitment activities (Breaugh, 1992)<sup>12</sup> are designed to affect (1) the number of people who apply for vacancies, (2) the type of people who apply for them, and/or, (3) the likelihood that those applying for vacancies will accept positions if offered.

The goal of the personnel recruitment (Stevens, 1998)<sup>13</sup> is not to finely discriminate among reasonably qualified applicants either. Recruiting new personnel and

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<sup>10</sup> W.F. Cascio, Costing Human Resources: *The financial Impact of Behavior in Organizations*, 3<sup>d</sup> ed. (Boston: PWS-Kent, 1991)

<sup>11</sup> A.E. Barber, Recruiting Employees (Thousand Oaks, CA: Sage, 1998).

<sup>12</sup> J.A Breaugh, Recruitment: Science and practice (Boston: PWS-Kent, 1992).

<sup>13</sup> C.K. Stevens, "Antecedents of Interview Interactions," Interviewers' Ratings, and Applicants' Reactions," Personnel Psychology 51 (1998), pp.55-85.

selecting new personnel are both complex processes. Each task is hard enough to be accomplished successfully, even though one is well-focused. Organization explicitly which is trying to do both at the same time will probably not do either well. For example, the research suggests that recruiters provide less information about the company when conducting the dual-purpose interviews (interviews focused on both recruiting and selection applicants).

The study of the human resource recruitment (Olian and Rynes, 1984)<sup>14</sup> reveals that because of strategic differences among companies, the importance assigned to recruitment may differ. In general, all companies (Kanfer, Wanberg and Kantrowitz, 2001)<sup>15</sup> have to make a decision in three areas of recruiting: (1) personnel policies, which affect the kinds of jobs the company has offered; (2) recruitment sources used to solicit applicants, which affect the kinds of people who apply; (3) the characteristics and behaviors of recruiters.

These in turn, influence both the nature of the vacancies and the nature of people applying for jobs in ways that shape job choice decisions as detailed below:

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<sup>14</sup>J.D. Olian and S.L. Rynes, "Organizational Staffing: Integrating Practice with Strategy," *Industrial relations* 23 (1984), pp.170-83.

<sup>15</sup> R. Kanfer, C.R. Wanberg, and T.M.Kantrowitz, "Job Search and Employment: A Personality-Motivational Analysis and Meta-Analytic Review," *Journal of Applied Psychology* 86 (2001), pp.837-55

## **Personnel Policies**

The personnel policies (Milkovich and Newman, 1990),<sup>16</sup> is a generic term which refers to organizational decisions that affects the nature of vacancies for which people are recruited. If the research on recruitment makes one thing that clear, it is that characteristics of the vacancy are more important than recruiters or recruiting sources when it comes to predicting job choices.

## **Internal versus External Recruiting**

One desirable feature of a vacancy (Marks, 2001)<sup>17</sup> is that it provides ample opportunity for advancement and promotion. One organizational policy that affects this is the degree to which the company "promotes from within", that is, recruits for upper-level vacancies internally rather than externally. Indeed, a 2001 survey of MBA students found that this was their top consideration when evaluating the company.

McDonald's restaurant (Kaufman, 1995)<sup>18</sup> provides a good example of the virtues of promoting from within Phil Hagens, an African American who was one of the cooks at a McDonald's company, now owns two franchises and thanks to a program that encourages low-income managers, regardless race, to buy franchises. Hagens's restaurants not only turn a profit, but also, they also perform a valuable social function

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<sup>16</sup> G.T.Milkovich and J.M. Newman, Compensation (Homewood, IL: Richard D. Irwin, 1990)

<sup>17</sup> S.J.Marks, "After school," Human Resources Executive (June 15, 2001), pp.49-51

<sup>18</sup> J.Kaufman, "A McDonald's Owner Become a Role Model for Black Teenagers," The Wall Street Journal (August 23, 1995), p.A1.

by providing needed employment and work experience for many inner-city youths in the Houston area. In Hagans' view, program such as this make McDonald's company "the best company for African American entrepreneurs.

### **Image Advertising**

Organizations (Rynes and Barber, 1990)<sup>19</sup> often advertise specific vacancies. Sometimes, however, organizations advertise just to promote themselves as a good place to work in general.

The image of advertising (Breaugh, 1992)<sup>20</sup> is particularly important for companies in highly competitive labor markets that perceive themselves as having a bad image. The challenge and responsibility (Bussey, 1987)<sup>21</sup> associated with the job is an attractive characteristic from many people. Dow Chemical's \$60 million television campaign in the early 1990s hammered home the message "Dow let you do great things. "This message was clearly aimed at affecting the general public's view of the work at Dow. It was also an attempt to offset recruiting negative publicity resulting from controversies surrounding the production of napalm (1970s), Agent Orange (1980s), and faulty breast implants.

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<sup>19</sup> S.L. Rynes and A.E. Barber, "Applicant Attraction Strategies: An Organizational Perspective," *Academy of Management Review* 15 (1990), PP.286-310.

<sup>20</sup> Breaugh, op.cit

<sup>21</sup> J.Bussey, "Dow Chemical Tries to Shed Tough Image and Court the Public," *The Wall Street Journal* (November 20, 1987), p.1.

## **Recruiting Sources**

The sources (Conrad and Ashworth, 1986)<sup>22</sup> from which company recruits potential employees are critical aspect of its overall recruitment strategy. The total labor market is expensive; any single organization needs to draw from only a fraction of the total. The size and nature of the fraction that applies for an organization's vacancies will be affected by how (and to whom) the organization communicates its vacancies. In general, relying on internal sources (Breaugh, 1992)<sup>23</sup> offers a company several advantages. First, it generates a sample of applicants who are well known to the firm. Second, these applicants are relatively knowledgeable about the company's vacancies, which minimize the possibility of inflated expectations about the job. Third, it is generally cheaper and faster to fill vacancies internally. Therefore, the internal employees are given chances for promotion, job transfer and competencies enhancement.

### **Direct Applicants and Referrals**

Direct applicants are people who apply for a vacancy without prompting from organization. Referrals are people who are prompted to apply by someone within the organization. These two sources of recruits share some characteristics that make them excellent sources from which to draw.

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<sup>22</sup> M.A Conrad and S.D Ashworth, "Recruiting Source Effectiveness: A Meta-analysis and Re-examination of Two Rival Hypotheses" (paper presented at the annual meeting of the Society of Industrial/Organizational Psychology, Chicago, 1986).

<sup>23</sup>Breaugh, op.cit

First, many direct applicants (Wanberg, Kanfer and Banas, 2000)<sup>24</sup> are to some extent already “Sold” on the organization. Most of them have done some homework and concluded that there is enough fit between themselves and the vacancy to warrant their submitting an applicant. This process is called self-selection. When it works effectively, it takes a great deal of pressure off the organization’s recruiting and selection system.

A form of aided self-selection occurs with referrals. Many job seekers look to friends, relatives and acquaintances to help find employment, and evoking these social networks can greatly aid the job search process for both the job seeker and organization. The turnover rate for the applicants (Williams, Labig and Stone, 1994)<sup>25</sup> who came from multiple recruitment sources was half that of those recruited via campus interviews or newspaper advertisements.

### **Advertisement in Newspapers and Periodicals**

Advertisements to recruit personnel (Breaugh, 1992)<sup>26</sup> are ubiquitous; even though, they typically generate less-desirable recruits than direct applications or referrals-to greater expenses. However, because few employers can fill all their vacancies with direct applications and referrals, some form of advertising is usually needed. Moreover, employers can take many steps to increase the effectiveness of this recruitment method.

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<sup>24</sup> C.R. Wanberg, R. Kanfer, and J.T. Banas, “Predictors and Outcomes of Networking Intensity among Job Seekers,” *Journal of Applied Psychology* 85 (2000), pp.491-503.

<sup>25</sup> C.R. Williams, C.E. Labig, and T.H. Stone, “Recruitment Sources and Posthire Outcomes for Job Applicants and New Hires: A test of Two Hypotheses,” *Journal of Applied Psychology* 78 (1994), pp.163-72.

<sup>26</sup> Breaugh, op.cit

The job advertisement is usually done through local newspaper, journals, periodical, television and cable television to reach the specific parts of overall labor market.

### **Private Employment Agencies**

Private employment agencies (Raymond, John, Barry and Patrick, 1994)<sup>27</sup> perform much the same service for the white-collar market. They charge the organization for the referrals. One special type of private employment agency is the so-called Executive Search Firm (ESF). These agencies are often referred to as head hunters because, unlike the other sources, they operate almost exclusively with people who are used an executive search firm to help “liberate” Allen Kinzer and Edwin Buker from Honda.

### **Electronic Recruiting**

The growth of information superhighway (Smith, 2001)<sup>28</sup> has opened up new vistas for organizations trying to recruit talent. There are many ways to employ the Internet, and increasingly organizations are refining their use of this medium. In 2001, survey of HR executives indicated that electronic job boards were the most effective source of recruits for 36 percent of the respondents, well ahead of local newspapers (21 percent), job fairs (4 percent), and walk-in and referrals (1 percent). One of the easiest

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<sup>27</sup>A. Noe Raymond, The Ohio State University; R. Hollenbeck, John, Michigan State University; M. Wright Patrick, Cornell University, Human Resource Management, International Edition, the Human Resource Recruitment Process, McGraw’Hill/Irwin,1994, pp.202-203.

<sup>28</sup> J. Smith, “Is Online Recruiting Getting Easier?” Workforce (September 2, 2001), p.25.



ways (Timberlake, 2001)<sup>29</sup> to get into “e-recruiting” is to simply use the organization’s own Web page to solicit applications. Although this was an opinion on only 22 percent of the websites of the world largest firms in 1998, by 2000 this was up to 88 percent; it is an effective and extremely cost-effective practice for large organizations.

### **Evaluating the Quality of a Source**

Because there are few rules about the quality of a given source for a given vacancy (Hawk, 1967)<sup>30</sup>, it is generally a good idea for employers to monitor the quality of all their recruitment sources. One means of accomplishing this is to develop and compare yield ratios for each source. Yield ratios express the percentage of applicants who successfully move from one stage of recruitment and selection process to the next. Comparing yield ratios for different sources help determine which is best or most efficient for the type of vacancy being investigated. Data on cost per hire is also useful in establishing the efficiency of a given source.

### **Recruiters**

(Taylor and Bergman, 1984)<sup>31</sup> suggests that most organizations must choose whether their recruiters are specialists in human resources or expert at particular job

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<sup>29</sup>C. Timberlake, “Corporate Web Sites Increasingly Offer Chances to Apply for Open Jobs Online,” *The Wall Street Journal* (October 30, 2011), p.1.

<sup>30</sup> R. Hawk, *the recruitment function* (New York: American Management Association, 1967).

<sup>31</sup> M.S Taylor and T.J. Bergman, “Organizational Recruitment Activities and Applicants’ Reaction at Different Stages of the Recruitment Process,” *Personnel Psychology* 40 (1984), pp.261-85; Fisher, Ilgen, and Hoyer, “Source Credibility.”

(supervisors or job incumbents). Some studies indicate that applicants find a job less attractive and the recruiter less credible when he is a personnel specialist.

The study of (Raymond, John, and Patrick, 1994)<sup>32</sup> reveals that any organization that intends to complete through people must take the utmost care with how it chooses organizational members. As one can see from their opening vignette, personnel selection decisions made by the organization are instrumental to its ability to survive, adapt, and grow. The competitive aspects of selection decisions become especially critical when organizations are confronted with tight labor markets or when competitors tap the same labor market. If one company systematically skims off the best applicants, the remaining companies must make do with what is left. The purpose of the employee selection process is to minimize the errors in employee selection and placement and, in doing so, improve the company's competitive position.

Personnel selection is the process by which companies decide who will or will not be allowed into their organizations. Several generic standards should be met in any selection process. It focuses on five methods: (1) reliability, (2) Validity, (3) generalizability, (4) utility and (5) legality. The first four build off each other in the sense that the preceding standard is often necessary, but not sufficient for the one that follows.

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<sup>32</sup> A.Noë Raymond, The Ohio State University; R.Hollenbeck, John, Michigan State University; M.Wright Patrick, Cornell University, Human Resource Management: Selection and placement/Selection Method Standards, International Edition, McGraw'Hill/Irwin,1994, p.218.

### **2.1.1.2. Selection Interview**

A selection interview (Dipboye, 1991)<sup>33</sup> has been defined as "a dialogue initiated by one or more persons to gather information and evaluate the qualifications of an applicant for employment. The selection interview is the most widespread selection method employed in organizations. In a recent research, (McDaniel, Whetzel, Schmidt and Maurer, 1994)<sup>34</sup> pointed to a number of concrete steps that one can employ to increase the utility of the personal selection interview. First, HR staff should keep the interview structured, standardized, and focused on accomplishing a small number of goals. That is, they should plan to come out of each interview with quantitative ratings on a small number of dimensions that are observable (like interpersonal style or ability to express oneself) and avoid ratings of abilities that may be better measured by tests (like intelligence). For the most parts, interviews tap the applicants' personality characteristics and interpersonal style. However, they can also delve into the person's job knowledge and skill, and interviews show higher predictive validity when focused on these latter factors. Second, ask questions dealing with the specific situations (McDaniel, Morgeson, Finnegan, Campion, and Braverman, 2001)<sup>35</sup> that are likely to arise on the job, and use

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<sup>33</sup> R.L. Dipboye, *Selection Interviews: Process Perspectives* (Cincinnati, OH: South-Western Publishing 1991)

<sup>34</sup> M.A. McDaniel, D.L Whetzel, F.L Schmidt, and S.D Maurer, "The Validity of Employment Interviews: A Comprehensive Review and Meta Analysis," *Journal of Applied Psychology* 79 (1994), pp.599-616; A.I Huffcutt and W.A. Arthur, "Hunter and Hunter (1994) Revisited: Interview Validity for Entry Level Jobs," *Journal of Applied Psychology* 79(1994), pp.184-90.

<sup>35</sup> M.A. McDaniel, F.P. Moreson, E.B. Finnegan, M.A. Campion, and E.P. Bravernman, "Use of Situational Judgment Tests of Predict Job Performance: A Clarification of the Literature," *Journal of Applied Psychology* 86 (2001), pp.730-40.

these to determine what the person is likely to do in that situation. These types of situational interview items have been shown to have quite predictive validity. It is also important to use multiple interviewers who are trained to avoid many of that subjective errors that can result when one human being is asked to rate another. Limiting the subjectivity of the process is central to much of this training, and research (Ganzach, Kluger and Klayman, 2000)<sup>36</sup> suggests that it is best to ask interviewers to be "witness" of facts that can later be integrated via objective formulas, as opposed to being "judges" allowed to idiosyncratically weight how various facts should be combined to form the final recommendation. That is, interviewers need to be made aware of their own biases, prejudices, and other personal features that many color their perception of others.

### **2.1.1.3. References and Biographical Data**

The study (Hunter and Hunter, 1984)<sup>37</sup> suggests that few employers would think of hiring someone without an interview, nearly all employers also use some method for getting background information on applicants before an interview. This information can be solicited from the people who know the candidate through reference checks. The evidence on the reliability and validity of reference checks suggests that these are, at best, weak predictors of the future success on the job.

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<sup>36</sup> Y. Ganzach, A. N. Kluger, and N. Klayman, "Making Decisions from an Interview: Expert Measurement and Mechanical Combination, " *Personnel Psychology* 53 (2000), pp.1-21.

<sup>37</sup> Hunter, *opt*, cit

#### **2.1.1.4. Physical Ability Tests**

Many jobs (Buffardi, Fleishman, Morath, and McCarthy, 2000)<sup>38</sup> still require certain physical ability or psychomotor abilities. These cases, tests of physical abilities, may be relevant not only to predicting performance but to predicting occupational injuries and disabilities as well (Hollenbeck, Ilgen, and Crampton, 1992)<sup>39</sup>. There are seven classes of tests in this area: ones that evaluate (1) muscular tension, (2) muscular power, (3) muscular endurance, (4) cardiovascular endurance, (5) flexibility, (6) balance, and (7) coordination.

#### **2.1.1.5. Cognitive Ability Tests**

The research study (Nunnally, Psychometric Theory) reveals that cognitive ability tests differentiate individuals: based on their mental rather than physical capacities. Cognitive ability has many different facets, although only three dominant ones are being focused.

**Verbal Comprehension** refers to a person's capacity to understand and use written and spoken language.

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<sup>38</sup> L.C. Buffardi, E.A. Fleishman, R.A. Morath, and P.M. McCarthy, "Relationships between Ability Requirements and Human Errors in Job Tasks," *Journal of Applied Psychology* 85 (2000), pp.247-78.

<sup>39</sup> J.R. Hollenbeck, D.R. Ilgen, and S.M. Crampton, "Lower Back Disability in Occupational Settings: A Human Resource Management View," *Personnel Psychology* 42 (1992)

**Quantity Ability** concerns the speed and accuracy with which one can solve the arithmetic problems of all kinds.

**Reasoning Ability**, a broader concept, refers to a person's capacity to invent solution to many diverse problems.

The validity of these kinds of these tests (Gottfredson, 1986; Hunter and Hunter; Gutenberg; Schmidt, Bemer, and Hunter)<sup>40</sup> is related to the complexity of the job; however, in that one sees higher criterion related validation for complex jobs than for simple jobs. The predictive validity for these tests (LePine, Colquitt, and Erez, 2000)<sup>41</sup> is also higher in jobs that are dynamic and changing over time and thus require adaptability on the part of job incumbent. Given the changing nature of economy (Pulakos, Arad, Donovan, and Plamondon, 2000)<sup>42</sup>, the adaptability of workers has become a critical concern of many employers. People who are higher in adaptability have been found to be skilled at (a) handling emergencies, (b) managing stress, (c) solving problems, (d) learning new technologies, (e) dealing with the culturally diverse population.

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<sup>40</sup> L.S. Gottfredson, "The g Factor in Employment," *Journal of Vocational Behavior* 29 (1986), pp.293-96; Hunter and Hunter, "Validity and Utility"; Gutenberg et al., "Moderating Effects"; Schmidt, Berner, and Hunter, "Racial Differences in Validity."

<sup>41</sup> J.A. LePine, J.A. Colquitt, and A. Erez, "Adaptability to Changing Task Contexts: Effects of General Cognitive Ability, Conscientiousness, and Openness to Experience," *Personnel Psychology* 53 (2000), pp. 563-93.

<sup>42</sup> E.D. Pulakos, S.Arada, M.A. Donovan, K.E. Plamondon, "Adaptability in the Workplace: Development of a Taxonomy of Adaptive Performance," *Journal of Applied Psychology* 85 (2000), pp.563-93.

### **2.1.1.6: Personality Inventories**

While the ability tests attempt to categorize individuals relative to what they can do, personality measures (Barrick and Mount, 1991; and Hough, Eaton, Dunnette, Camp, and McCloy, 1991)<sup>43</sup> tend to categorize individuals by what they are like. Two recent views of the personality literature independently arrived at five common aspects of personality. These big five major dimension are considered as "Big Five," and they include (1) extroversion, (2) adjustment, (3) agreeableness, (4) conscientiousness, and (5) inquisitiveness.

### **2.1.1.7: Honesty Tests and Drug Tests**

Many problems that confront society also exist with organizations, which have led to two new kinds of tests: honesty test and drug-use tests. Many companies formally employed polygraph tests, or lie detectors, to evaluate job applicants, but this changed with the message of the Polygraph Act in 1988. This act banned the use of polygraphs in employment screening for most organizations. However, it did not eliminate the problem of theft by employees. As a result, the paper-and-pencil honesty testing industry was born. The paper-and-pencil test honesty tests typically ask applicants directly about their attitude toward theft or their past experience with theft.

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<sup>43</sup> M.R. Barrick and M.K. Mount, "The Big Five Personality Dimensions and Job Performance: A Meta Analysis," *Personnel Psychology* 44 (1991), pp.1-26; L.M. Hough, N.K. Eaton, M.D. Dunnette, J.D. Camp, and R.A. McCloy, "Criterion-related Validities of Personality Constructs and the Effect of Response Distortion on Test Validities," *Journal of Applied Psychology* 75 (1990), pp. 467-79.

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A large-scale independent review of validity study conducted by the publishers of many integrity tests (Bernardin and Cooke, 1993)<sup>44</sup> suggest they can predict both theft and other disruptive behavior. The employers considering the use of drug tests (Murphy, Thornton, and Reynolds, 1990)<sup>45</sup> would be well advised to make sure that their drug-testing programs conform to some general rules. First, these tests should be administered systematically to all applicants for the same job. Second, testing seems more defensible for jobs that involve safety hazards associated with failure to perform. Test results should be reported back to the applicant, who should be allowed an avenue of appeal (and perhaps retesting). Tests should be conducted in an environment that is as un-intrusive as possible, and results from those tests should be held in strict confidence. Finally, when testing current employees, the program should be part of a wider organizational program that provides rehabilitation counseling.

### **2.1.2. Compensation**

According to Raymond, John, Barry and Patrick, (1994), from the employer's point of view, compensation is a powerful tool for furthering the organization's strategic goals.

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<sup>44</sup> H.J. Bernardin and D.K. Cooke, "Validity of an Honesty Test in Predicting Theft among Convenience Store Employees," *Academy of Management Journal* 36 (1993), pp.1097-1106

<sup>45</sup> K.R. Murphy, G.C. Thornton, and D.H. Reynolds, "College Students' Attitudes toward Drug Testing Programs, *Personnel Psychology* 43 (1990), pp.615-31



First, pay has a large impact on employee attitudes and behaviors. It influences the kind of employees who are attracted to (and remain with) the organization; and it can be a powerful tool for aligning current employee's interests with those of the broader organization. Second, employee compensation is typically a significant organizational cost and thus requires close scrutiny.

From the employees' point of view, policies having to do with wages, salaries, and other earnings affect their overall income and thus their standard of living. Both the level of pay and its seeming fairness compared with others' pay are important. Pay is also often considered as sign of status and success. Employees attach great importance to pay decisions when they evaluate their relationship with the organization. Therefore, pay decisions can be broken into two areas: pay structure and individual pay. The pay structure focuses on the pay level and job structure. Pay level is defined there as the average pay (including wages, salaries, and bonuses) of jobs in an organization. Job structure refers to the relatively pay of jobs in an organization. Both pay level and job structure are characteristics of organizations and reflects decisions about jobs rather than about the individual employees.

### **2.1.2.1. Developing Pay Levels**

Compensation, in terms of developing and implementing pay levels in the organizations are much affected by the following contributory factors:

**Market pressure:** Any organization faces two important competitive market challenges in deciding what to pay its employees: product compensation and labor market competition.

### **Product Market Competition**

First, organizations must compete effectively in the product market. In other words, they must be able to sell their goods and services at a quantity and price that will bring a sufficient return on their investment. Organizations compete on multiple dimensions (quality, service, and so on), and price is one of the most important dimensions. An important influence on price is the cost of production.

An organization that has higher labor costs than its product market competitors will have to charge higher average prices for products of similar quality. Therefore, the product market competition places an upper bound on labor costs and compensation.

What components make up labor costs? A major component is the average cost per employee. This is made up of both direct payments (such as wages, salaries, and bonuses) and indirect payments (such as health insurance, Social Security, and unemployment compensation). A second component of labor cost is the staffing level (number of employees). Not surprisingly, financially troubled organizations often seek to cut costs by focusing on one or both components. Staff reductions, hiring freezes, wage and salary freezes, and sharing benefits costs with employees are several ways of enhancing the organization's competitive position in the product market.

## **Labor Market Competition**

A second important competitive market challenge is labor market competition. Essentially, labor market competition is the amount an organization must pay to compete against other companies that hire similar employees. These labor market competitors typically include not only companies that have similar types of employees. If an organization is not competitive in the labor market, it will fail to attract and retain employees of sufficient numbers and quality. For example, even if a computer manufacturer offers newly graduated electrical engineers the same pay as other computer manufacturers, if automobile manufacturers and other labor market competitors offer salary \$5,000 higher, the computer company may not be able to hire enough qualified electrical engineers. Labor market competition places a lower bound on pay levels.

## **Employees as a Resource**

Because organizations have to compete in the labor market, they should consider their employees not just as a cost but as a resource in which the organization has invested and from which it expects valuable returns. Although controlling costs directly affects an organization's ability to compete in the product market, the organization's competitive position can be compromised if costs are kept low at the expense of employee productivity and quality. Having higher labor costs than your competitors is not

necessarily bad if the organization has the best and most effective workforce, one that produces more products of better quality.

Pay policies and programs are one of the most important human resource tools for encouraging desired employee behaviors and discouraging undesired behaviors. Therefore, they must be evaluated not just in terms of costs but in terms of the returns they generate - how they attract, retain, and motivate a high-quality workforce. For example, if the average revenue per employee in Company A is 20 percent higher than in Company B, it may not be important that the average pay in Company A is 10 percent higher than in Company B.

### **Deciding What to Pay**

The study by (Gerhart and Milkovich, 1990; and Groshen,1988)<sup>46</sup> shows that although organizations face important external labor and product market pressures in setting their pay levels, a range of discretion remains - How large the range is dependent on the particular competitive environment the organization faces. Where the range is broad, important strategic decision is whether to pay above, at, or below the market average. The advantage of paying above the market average is the ability to attract and retain the top talents available, which can translate into a highly effective and productive workforce. The disadvantage, however, is the added cost.

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<sup>46</sup> B. Gerhart and G.T. Milkovich, "Organizational Difference in Managerial Compensation and Financial Performance," *Academy of Management Journal* 33 (1990), pp.663-91; E.L. Groshen, "Why Do Wages Vary among Employers?" *Economic Review* 24 (1988), pp.19-38.

## **Market Pay Survey**

To compete for talent, organizations use benchmarking, a procedure in which it compares its own practices against those of the competition. In compensation management, benchmarking against product market and labor market competitors is typically accomplished through the use of one or more pay surveys, which provide information on going rates of pay among competing organizations.

The use of pay surveys (Gerhart, Milkovich, Dunnette, and Hough, 1992)<sup>47</sup> requires answers to several important questions:

1. Which employers should be included in the survey? Ideally, they would be the key labor market and product market competitors.
2. Which jobs are included in the survey? Because only a sample of jobs is ordinarily used, care must be taken that the jobs are representative in terms of levels, functional area, and product maker. Also, the job content must be sufficiently similar.
3. If multiple surveys are used, how are all the rates of pay weighted and combined? Organizations often have to weight and combine pay rates because different surveys are often tailored toward particular employee groups (labor markets) or product markets. The organization must decide how much relative

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<sup>47</sup> G. Gerhart and G.T. Milkovich

weight to give to its labor market and product market competitors in setting pay.

Several factors affect decisions (Rynes and Milkovich, 1986)<sup>48</sup> on how to combine surveys. Product market comparisons that focus on labor costs are likely to deserve greater weight when (1) labor costs represent a large share of total costs, (2) product demand is elastic (It changes in response to product price changes), (3) the supply of labor is inelastic, and (4) employee skills are specific to the product market (and will remain so). In contrast, labor market comparisons may be more important when (1) attracting and retaining qualified employees is difficult and (2) the costs (administrative, disruption, and so on) of recruiting replacement are high.

**Market Survey Data:** The approach with the greatest emphasis on external and internal comparison (Market survey data) is achieved by directly basing pay on market surveys that cover as many key jobs as possible.

### **Rate Ranges**

Obtaining a single “going rate” of market is a complex task that involves a number of subjective decisions; it is both an art and a science. It is used for setting the mid-point of pay ranges for either jobs or pay grades. Market survey data is also often collected on minimum and maximum rates of pay as well. The use of ranges permits a company to

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<sup>48</sup> S.L. Rynes and G.T. Milkovich, “Wages Surveys: Dispelling Some Myths about the ‘Market Wage,’ ” Personnel Psychology 39 (1986), pp.71-90.

recognize differences in employee performance, seniority, training, and so forth in setting individual pay. For some blue-collar jobs, however, particularly those covered by collective bargaining contracts, there may be a single rate of pay for all employees within the job.

**Key Jobs and Non-key Jobs:** In using pay surveys, it is necessary to make a distinction between two general types of jobs: key jobs (or benchmark jobs) and non-key jobs. Key jobs have relatively stable content and-perhaps most important – are common to many organizations. Therefore, it is possible to obtain market pay survey data on them.

**Developing a Job Structure:** A job structure can be defined as the relative worth of various jobs in the organization, based on these types of internal comparisons

**Job Evaluation:** Job evaluation is an administrative procedure used to measure internal job worth.

**Compensable Factors:** Compensable factor is the characteristics of jobs that an organization values and chooses to pay for.

### **Developing Pay Structure**

The studies (Gerhart, Milkovich, and Murray, 1990)<sup>49</sup> suggested that employers may differ significantly in the degree to which they place priority on internal or external

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<sup>49</sup> B. Gerhart and G.T.Milkovich, and B. Murray, "Pay, Performance, and Participation," in Research Frontiers in Industrial Relations and Human Resources, ed.D.Lewin, O.S. Mitchell, and P.D. Sherer (Madison, WI: IRRA, 1992).

comparison data in developing pay structure. The research studies (Fay, 1989)<sup>50</sup> also show that at least three pay setting approaches, which differ according to their relative emphasis on external and internal comparisons, can be identified.

### **Pay Policy Line**

A second pay setting approach that combines information from external and internal comparisons is to use the pay policy line to derive pay rates for both key and non-key jobs. This approach differs from the first approach in that actual market rates are no longer used for key job. This introduces a greater degree of internal consistency into the structure because the pay of all the jobs is directly linked to the number of job evaluation.

### **Pay Grades**

A third approach is to group jobs into a small number of pay classes or pay grades. Each job within a grade would have the same rate range (that is, would be assigned the same midpoint, minimum, and maximum). The advantage of this approach is that the administrative burden of setting separate rates of pay for hundreds (even thousands) of different jobs is reduced. It also permits greater flexibility in moving employees from job to job without raising concern about them. The disadvantage of using grades is that some jobs will be underpaid and others overpaid.

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<sup>50</sup> C.H.Fay, "External Pay Relationships," in Compensation and Benefits, ed. L.R. Gomez-Mejia (Washington, DC:Bureau of National Affairs, 1989).



In short, the nature of pay structure comprises its component parts, the pay level, and the job structure. Equity theory suggests that social comparisons are an important influence on how employees evaluate their pays. Employees make external comparisons between their pay and the pay they believed, is received by employees in other organizations. Such comparison may have consequences for employee attitudes and retention. Employees also make internal comparison between what they receive and what they perceive others within the organizations are paid. These types of comparisons may have consequences for internal movement, cooperation, and attitudes (like organization commitment).

Pay benchmarking surveys and job evaluation are two administrative tools widely used in managing the pay level and job structure components of the pay structure, which influence employee social comparisons. Pay surveys also permit organizations to benchmark their labor costs against other organizations'. Globalization is increasing the need for organizations to be competitive in both their labor cost and productivity.

The nature of pay structure is undergoing a fundamental change in many organizations. One change is the move to fewer pay levels to reduce labor costs and bureaucracy. Second, some employers are shifting from paying employees for narrow jobs to giving them broader responsibilities and paying them to learn the necessary skills.

## **Merit Pay**

In merit pay programs, annual pay increases are usually linked to performance appraisal ratings. Some types of merit pay program exist in almost all organizations (although evidence on merit pay is its ability to define and reward a broad range of performance dimensions).

### **Basic Features**

Many merit-pay programs work off a merit increase grid, which is a grid that combines an employee's performance rating with the employee's position in a pay range to determine the size and frequency of his or her pay increases.

### **Individual Incentives**

Like merit pay, individual incentives reward individual performance, but with two importance differences. First, payments are not rolled into base pay. They must be continuously earned and re-earned. Second, performance is usually measured as physical output (such as number of water faucets produced) rather than by subjective ratings. Individual incentives have the potential to significantly increase performance.

Lucke and his colleagues (Locke, Feren, McCaleb, Shaw, and Denny, 1980)<sup>51</sup> found that monetary incentives increased production output by a median of 30 percent - more than any other motivational devices studied.

The research study of (Gerhart and Milkovich)<sup>52</sup> suggests that the individual incentives are relatively rare for a variety of reasons. Most jobs (like those of managers and professionals) have no physical output measure. Instead, they involve what might be described as "knowledge work." Also, many potential administrative problems (such as setting and maintaining acceptable standards) often prove intractable. Third, individual incentives may do such a good job of motivating employees that they do whatever they are paid for, nothing else. Fourth, as the name implies, individual incentives typically do not fit well with a team approach. Fifth, they may be inconsistent with the goals of acquiring multiple skills and productive problem solving. Sixth, some incentive plans reward output volume at the expense of quality or customer service. Therefore, although individual incentives carry potential advantages, they are not likely to continue to a flexible, proactive, problem-solving workforce. In addition, such programs may not be particularly helpful in the pursuit of total quality management objectives.

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<sup>51</sup> E.A. Locke, D.B. Feren, V.M. McCaleb, K.N. Shaw, and A.T. Denny, "The Relative Effectiveness of Four Methods of Motivating Employee Performance," in *Changes in Working Life*, ed. K.D. Duncan, M.M. Gruenberg, and D. Wallis (New York: Wiley, 1980), pp. 363-88.

<sup>52</sup> Gerhart and Milkovich, "Employee Compensation."

### **2.1.2.2. Pay and Benefits**

The study (Raymond, et al, 1994)<sup>53</sup> suggests that one of the main dimensions of satisfaction with pay deals with pay levels is the absolute amount of income associated with the job. Indeed, when it comes to retention, employees being recruited away from one organization by another are often lured with promises of high pay levels. Benefits also make up a large proportion of any worker's total compensation package. Hence, satisfaction with benefits is another important dimension of overall pay satisfaction. Because many individuals have a difficult time ascertaining the true dollar value of their benefits package; however, this dimension may not always be as salient to people as pay itself.

### **2.1.3. Training and Development**

Training is a planned effort to facilitate the learning of job-related knowledge, skills, and behavior by employees. Many companies believe that an investment in training can help them gain a competitive advantage as the training can (Goldstein and Gilliam, 1990)<sup>54</sup>:

- Increase employees' knowledge of foreign competitors and cultures, which is critical for success in foreign markets

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<sup>53</sup> A. Noe Raymond, The Ohio State University; R. Hollenbeck, John, Michigan State University; Gerhart Barry, University of Wisconsin-Madison; and M. Wright Patrick, Cornell University, Human Resource Management, International Edition, Employee Separation and Retention, McGraw'Hill/Irwin,1994, p.438

<sup>54</sup> I.I. Goldstein and P. Gilliam, "Training Systems Issues in Year 2000," American Psychologist 45 (1990), pp.143-43.

- Help ensure that employees have the basic skills to work with new technology, such as robots and computer-assisted manufacturing processes
- Help employees understand how to work effectively in teams to contribute to product and service quality
- Ensure that the company's culture emphasizes innovation, creativity, and learning.
- Ensure employment security by providing new ways for employees to contribute to the company when their jobs change, their interests change, or their skills become obsolete.
- Prepare employees to accept and work more effectively with each other, particularly with minorities and women

## **1. Designing Effective Training Systems**

The study of Noe, (2001)<sup>55</sup> suggested that a key characteristic of training systems that contribute to competitiveness is that they are designed according to the instructional design process. His suggestions are as follows:

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<sup>55</sup> R.Noel, Employee Training and Development, 2 nd ed. (Burr Ridge, IL:Irwin/McGraw-Hill, 2001).

- i. Assessing Needs: it typically involves organizational analysis, person analysis, and task analysis<sup>56</sup>
- ii. Organizational Analysis: it is a process for determining the business appropriateness of training.
  - Person Analysis: a process for determining whether employees need training, who needs training, and whether employees are ready for training.
  - Task Analysis: the process of identifying the tasks, knowledge, skills, and behaviors that needs to be emphasized in training.
  - Ensure employees readiness for training.
  - Motivation to Lsearn: the desire of the trainee to learn the content of a training program.<sup>57</sup>
  - Self-efficacy: The employees' belief that they can successfully learn the content of a training program.
  - Basic Skills: employee motivation to learn in training activities can also be influenced by the degree to which they have basic skills-cognitive ability and reading and writing skills needed to understand the content of training

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<sup>56</sup> I.L. Goldstein, E.P. Braveman, and H.Goldstein, "Needs Assessment," in Developing Human Resources, ed. K.N.Wexley (Washington, DC: Bureau of National Affairs, 1991), pp.5-35 to 5-75.

<sup>57</sup> R.A.Noel, "Trainees' Attributes and Attitudes: Neglected Influences on Training Effectiveness," Academy of Management Review 11 (1986), pp.736-49.

programs. Recent forecasts of the skills levels of the U.S. workforce indicate that managers will likely have to work with employees who lack those skills.<sup>58</sup>

- Creating a Learning Environment.
- Identification of Learning Objectives and Training Outcomes: employees learn best when -
- they understand the objective of training program. The objective refers to the purpose and expected outcome of training activities.
- Meaningful Material: Employee more likely to learn when the training is linked to their current job experiences and tasks-that is, when it is meaningful to them. Practice; feedback, observation of others, and administering and coordinating program. Ensure transfer of training. Self-management strategies and Peer and manager support

## **2. Selecting Training Methods**

- Presentational methods; hands on method, and group method

## **3. Evaluating Training Programs**

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<sup>58</sup> A.P. Carnevale, "America and the New Economy," Training and Development Journal, November 1990, pp.31-52.

- Identification of training outcomes and evaluation design
- Cost-benefit analysis

The study of (Dessler, 2008)<sup>59</sup> reveals that the training and development process consisted of the five steps as below:

1. The first, or needs analysis step, identifies the specific job performance skills needed, assesses the prospective trainees' skills, and developments specific, measurable knowledge and performance objectives based on any deficiencies.
2. In the second step, instructional design, the firm decides on, compile, and produce the training program content, including workbooks, exercises, and activities. The techniques of on-the-job-training and computer-assisted learning can be applied.
3. There may be a third, validation step, in which the bugs are worked out of the training program by presenting it to a small representative audience.
4. The fourth step is to implement the program, by actually training the targeted employee group.

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<sup>59</sup> Dessler Gary, Florida University, Human Resource Management: Training and Development employee, Pearson International Edition, copyright@2008 by Pearson Edition.inc, Upper Saddle River, New Jersey 07458, pp.249-262.



5. Fifth is an evaluation step, in which management assesses the program's successes or failure.

There are many methods of training program such as On-the-job training, Apprenticeship training, Informal learning, Job Instruction training, Lectures, Programmed learning, Audiovisual-based training, Simulated training, Computer-based training, Distance and Internet-based training, Virtual classroom, and E-learning.

The study of Dessler. et al. (2008)<sup>60</sup> shows that it is not always easy to tell where "training" leave off and "management development" begins. The latter, however, trends to emphasize longer term development and to focus on developing the capabilities of current or future managers. Management Development is any attempt to improve managerial performance by imparting knowledge, changing attitudes, or increasing skills. The management development process consists of (1) assessing the company's strategic needs (for instance, to fill future executive openings or to boost competencies, (2) appraising managers' current performance, and then (3) developing the managers.

**Succession Planning:** Some management development programs are companywide and involve all or most new (or potential) managers. Thus, the new MBAs may join Ford's management development program and rotate through various assignment and educational experiences.

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<sup>60</sup> Dessler, op.cit., pp. 264-270

The dual aims are identifying their management potential and giving them breath of experience (in say, production and finance). The firm may then slot superior candidates onto "a fast track," a development program that prepares them more quickly for senior level commands. Other development programs aim to fill specific top positions, such as CEO.

**Succession Planning** refers to the progress through which a company plans for and fills the senior level opening. For example, GE spent several years developing, testing, and watching potential replacements for CEO before finally choosing Jeffrey Immelt.

**Managerial On-the-Job Training:** Managerial on-the-job training methods include job rotation, the coaching/understudy approach, and action learning.

**Job Rotation:** Job Rotation means moving management trainees from department to department to broaden their understanding of all parts of the business and to test their abilities. The trainee, often a recent college graduate, may spend several months in each department, fully involved in its operations. The trainee thus learns the department's business by actually doing it, while discovering what jobs he or she prefers.

**Coaching/Understudy Approach:** here the trainee works directly with the senior manager or with the person he or she is to replace; the latter is responsible for the trainee's coaching. Normally, the understudy relieves the executive of certain responsibilities, giving the trainee a chance to learn the job.

**Action Learning:** It gives managers and others released time to work full-time analyzing and solving problems in departments other than their own. The basics include: carefully selected teams of five to 25 members; assigning the teams' real world business problem that extend beyond their usual areas of expertise; and structured learning through coaching and feedback. The employer's senior managers usually choose the projects and decide whether to accept the teams' recommendation.

### **Off-the-Job Management Training and Development Technique**

There are also many off-the-job techniques for training and developing managers.

**The Case Study Method:** a development method in which the manager is presented with a written description of an organizational problem to diagnose and solve.

**Management Game:** a development technique in which teams of managers complete by making computerized decision regarding realistic but stimulated situations.

**Outside Seminars:** many companies and universities offer Web-based and traditional classroom management development seminars and conferences.

**University-related Program:** many universities provide executive education and continuing education programs in leadership, supervision, and the like. These can range from one to four-day programs to executive development programs lasting one to four months.

**Role Playing:** a training technique in which trainees act out parts in a realistic management situation.

**Behavior Modeling:** This involves (1) showing trainees the right for (or "model" way) of doing something, (2) letting trainee practice that way, and then (3) giving feedback on trainees' performance.

**Executive Coaches:** an outside consultant who questions the executive's associates in order to identify the executive strengths and weakness, and then counsels the executive so he or she can capitalize on those strengths and overcome the weakness.

To have the effectiveness of training program, there are four categories of outcomes, companies can measure: reactions, learning, behavior, and results. In some cases where training seems to have failed, it may be because training was not the appropriate solution to the problem.

#### **2.1.4. Employee Performance Appraisal**

The study of (Dessler, 2008)<sup>61</sup>, indicated that virtually all companies have some formal or informal means of appraising their employees' performance. The performance appraisal can be defined as any procedure that involves (1) setting work standards, (2) assessing the employee's actual performance relative to those standards, (3) providing

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<sup>61</sup> Gary Dessler, Florida International University, Human Resource Management: Performance Management and Appraisal, 11th edition, Copyright@2008 by Pearson Education. Inc., pp.289-290

feedback to the employee with the aim of motivating him or her to eliminate performance deficiencies or to continue to perform above par.

Snell and Bohlander (2007) define performance appraisal as a process, typically performed/delivered by a supervisor to a subordinate, designed to help employees understand their roles, objectives, expectations and performance success. Further they explain performance management as the process of creating a work environment in which people can perform to the best of their abilities. It is a whole work system that begins when a job is defined, so performance appraisal is a way, by which senior officers keeps some periodic objective (for specific period) to his/her subordinates, clears the expected role and explain his/her performance success by his/her actual performance with pre-determined standard, and performance management is the way to creating the whole working environment so the people can perform their best.

Dessler (2008) states that performance appraisal means evaluating an employee's current and /or past performance relative to his/her performance standards. He explains that performance appraisal always assumes that the employees understood what his/her performance standards were, and that the supervisor also provides the employees with the feedback, development, and incentives required to help the person eliminate performance deficiencies or to continue to perform above par. This aims at improving employee's performance.

He further explains that performance management as an integrated process, may be defined as a process that consolidates goal setting, performance appraisal, and development into a single, common system, the aim of which is to ensure that the employee's performance is supporting the company's strategic aims. Prasad (2005) defines performance management as the process of planning performance, appraising performance, giving its feedback, and counseling an employee to improve his performance. In short, performance appraisal is considered as the key ingredient or an important step of whole performance management system (Prasad 2005, Dessler 2008). Potgieter (2002) concluded by saying that performance appraisal systems were the precursor to today's performance management.

Although performance appraisal evaluates the past performance of employees and helps in eliminating the shortcoming, this system only is not sufficient to bring out the results that today's competitive world demands, because this system emphasizes on evaluation of individuals or team task. As Mondy and Noe (2007) define "Performance Appraisal is a formal system of review and evaluation of individual or team task performance." The focus of performance appraisal system in most firms remains on the individual employees. Regardless of the emphasis, an effective employee's appraisal system evaluates accomplishments and initiates plans for development, goals and objectives.

Performance management consists of all organizational processes that determine how well employees, teams and ultimately, the organization performs. The process includes HR Planning, Employee Recruitment and Selection, Training and Development, Career Planning and Development and Compensation. Performance Appraisal is especially critical to its success. An organization must have some means of assessing the level of individual and team performance in order to make appropriate development plans. While performance appraisal is but one component of performance management, it is vital in that it directly reflects the organization's strategic plan (Mondy and Noe, 2007).

As many people considered, the Performance Management and Performance Appraisal are different names of the same system; is not totally true, but performance appraisal is the precursor for performance management system. Performance management has wider scope than performance appraisal that came out to fulfill the short-coming Performance Appraisal (Prasad, 2007). Performance management is integrated process of performance planning, performance appraisal, performance feedback performance counseling (Prasad 2005) or consolidates goal setting, performance appraisal, development in to a single, common system, the aim of which is to ensure that employee's performance is supporting the company's strategic aim (Dessler, 2008).

Performance Management is the process that unites goal setting, performance appraisal, and development into a single, common system whose aim is to ensure that

the employee's performance is supporting the company's strategic plan. Companies that seek competitive advantage through employees must be able to manage the behavior and results of all employees.

### **An Organizational Model of Performance Management**

For many years, researchers in the field of HRM and industrial-organizational psychology focused on performance appraisal as a measurement technique. The goal of these performance appraisal systems was to measure individual employee performance reliably and validly. This perspective, however, tended to ignore some important influences on the performance management from an organizational rather than a measurement process.

The study of (Raymond A, John R, Barry, and Patrick M, 1994) has shown the following:

Performance management systems serve three purposes and they are: *strategic, administrative, and developmental.*

**Strategic Purpose:** First, a performance management system should link employee activities with the organization's goals. One of the primary ways strategies are implemented is through defining the results, behavior, and, to some extent, employee characteristics that are necessary for carrying out that strategy, and then developing measurement and feedback systems that will maximize the extent to which employees



exhibit the characteristics, engage in the behaviors, and produce the result. To achieve this, it is important to define and measure performance as follows:

Define performance with a focus on valued outcomes.

Use outcomes that can be defined in terms of relative frequencies of behavior.

- Incorporate performance criteria that include various ways that employees can add value to a product or service (such as quantity, quality, timeliness, cost effectiveness, and interpersonal impact).
- Include measures of work behaviors that add value above and beyond what is necessary to perform the job (such as assisting coworkers or taking the initiative to repair broken equipment).
- Link performance dimension to meeting internal and external customers.
- Internal customer definitions of performance should be linked to external customer satisfaction.
- Measure and correct the impact of situational constraints.
- Monitor actual and perceived constraints through interviews, surveys and

**Administrative Purpose:** Organizations use performance management information (performance appraisals, in particular) in many administrative decisions: salary administration (pay raises), promotions, retention-termination, layoffs, and

recognition of individual performance. Many managers, who are source of information, see the performance appraisal process only as necessary evil they must go through to fulfill their job requirements. They feel uncomfortable evaluating others and feeding those evaluations back to the employees. Thus, they tend to rate everyone high or at least rate them the same, making the performance appraisal information relatively useless.

**Developmental Purpose:** A third purpose of the performance management is to develop employees who are effective at their jobs. When employees are not performing as well as they should, performance management seeks to improve their performance. The feedback given during a performance evaluation process often pinpoints the employee's weakness.

Managers are often uncomfortable confronting employees with their performance weaknesses. Such confrontations, although necessary to the effectiveness of the work group, often strain every day working relationships. Giving high ratings to all employees enables a manager to minimize such conflict, but then the developmental purpose of the performance management system is not fully achieved.

The purpose of an effective performance management system is to link employee activities with the organization's strategic goals, furnish valid and useful information for administrative decisions about employees, and give employees useful developmental feedback. Fulfilling these three purposes is central to gaining competitive advantage

through human resources. A vital step in performance management is to develop the measures by which performance will be evaluated.

Therefore, measuring and managing performance is a challenging enterprise and one of the keys to gaining competitive advantage. Performance management systems serve strategic, administrative, and developmental purposes - their importance cannot be overestimated. A performance measurement system should be evaluated against the criteria of the strategic congruence, validity, reliability, acceptability, and specificity. Measured against these criteria, the comparative, attribute, behavioral, results, and quality approaches have different strengths and weakness. Thus, deciding which approach and which source of performance information are best depends on the job in question. Effective managers need to be aware of the issues involved in determining the best method or combination of methods for their particular situations. In addition, once performance has been measured, a major component of a manager's job is to feed that performance information back to employees in a way that results in improved performance rather than defensiveness and decreased motivation. Managers should take action based on the causes for poor performance: ability, motivation, or both. Manager must be sure that their performance management system can meet legal scrutiny, especially if it is used to discipline or fire poor performers.

### **2.1.5. Retention**

The concept of 'War for Talent' was first introduced by McKinsey in 1998 when they conducted a study with 77 large US-based companies from various industries. With responses from nearly 6,000 executives, the study shows how indispensable talents are for business success, and how important talent retention is. The 1999 National Employee Relationship Report, a nationwide survey in the US co-sponsored by Walker Information and the Hudson Institute, reveals six factors organization should focus on to improve employee retention, based on 2,300 respondents. The six factors cited are:

- Satisfaction with Day-to Day Activities
- Fairness at work: Employer should provide fair pay, performance evaluations and corporate policies.
- Care and Concern: There should be career development opportunities and family-friendly benefits at workplaces.
- Reputation: Employer has a strong, capable management team, is financially sound and produces high-quality work.
- Trust in employees: Employees have the freedom to make decisions, manage their own time, control resources and try new things.
- Work and job resources: Employers have the right number of people in place and the right equipment to do the job.

**Other HR strategies in the retention of employees include the following:**

**Employee Relations Strategy**

This strategy is concerned with enhancing 'mutuality', improving relationships and establishing policies to which management and employees will cooperate to their mutual benefit. Many research show that more and more companies are involved with efforts to improve quality and productivity through changes in employee relations. In the past, line managers tended to leave it to HR specialists in dealing with HR problems and negotiating with unions; personnel managers or directors devoted a large proportion of their time to industrial relations.

Today, with the growing complexity of organizations, laws and union-management relations, a more company-wide approach to employee relations is required. Employee relations activities should be shared with supervisors or line managers. They should also be responsible for counseling, communicating and disciplining their employees. HR specialists can advise management on industrial relations strategy, legal requirements and trade union agreements; they can also administer communication system and facilitate quality improvement teams.

One of the most important employee relations strategies is TQM approach. The essential features of a TQM (Total Quality Management) approach include:<sup>62</sup>

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<sup>62</sup> The TQM approach to employee relations is one of the most efficient approaches known, and is a vital strategy of TQM approach to HR development and management.

A concern about the impact of work on people as well as on organizational effectiveness.

The idea of participation in organizational problem-solving and decision-making.

It is not limited to changing the context of a job, but also includes humanizing the work environment to improve worker dignity and self-esteem.

A belief that employees are the most important resource to improve quality and productivity.

A drive towards achieving competitive advantage by gaining commitment from employees in continuous quality improvement.

An emphasis on total employee involvement and empowerment.

Increased flexibility in work arrangements to provide for a more cost-effective use of HR.

### **The Formulation and Implementation of Employee Retention Strategy**

This is a strategy of training and developing employees rather than bringing in new employees.

HRM really contributes to the strategic intent of building a high-performance culture and is critical to ensuring that all employees understand their roles, responsibilities, and individual objectives. Employee performance processes and practices are based on

merit and employee appraisal systems are developed around the scorecard approach (the actual performance against the given target). Finally, staff's performance evaluation is entirely based on their contribution to developing shareholder's value in meeting the needs of its customers. Therefore, the HRM elements such as competitive advantages of HRM, employee relation, labor unions and work conflicts, employee engagement, organizational communication and management contribute to the high performance of organization, company, or firm through highly motivated and productive employees.

### **Principle of Justice**

In this principle, the study (Cole and Latham, 1997)<sup>63</sup> shows that the principle touches on the notion of justice, particularly as this relates to the notion of outcome justice, procedural justice, and interactional justice. Employees are more likely to respond positively to negative feedback regarding their performance if they perceive the appraisal process as being fair on these dimensions. Obviously, if fairness is important with respect to ongoing feedbacks, this is even more critical in the context of a final termination decision. There are three types of fairness perceptions in greater detail here, with an emphasis on how these need to be operational of these justice principle and discharge policies.

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<sup>63</sup> N.D. Cole and G.P. Latham, "Effects of training in Procedural Justice on Perceptions of Disciplinary Fairness by Unionized Employees and Disciplinary Subject Matter Experts," *Journal of Applied Psychology* 82 (1997), p.p.699-705

- Outcome fairness refers to the judgment that people make with respect to the outcomes they received relative to the outcomes received by other people with whom they identify.
- Procedural justice refers to a concept of justice that focuses on the methods used to determine the outcome received.
- Interactional justice refers to a concept of justice referring to the interactional nature of how the outcomes were implemented.

### **Progressive Discipline**

Except in the most extreme cases (Raymond, John, Barry, and Patrick, 1994)<sup>64</sup> employees should generally not be terminated for a first offense. Rather, termination should come about the end of the systematic discipline program. Effective discipline programs have two central components: documentation (which includes specific publication of work rules and job descriptions that should be in place prior to administering discipline) and progressive punitive measure.

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<sup>64</sup> A. Noe Raymond, The Ohio State University; R. Hollenbeck John, Michigan State University; Gerhart Barry, University of Wisconsin-Madison; M. Wright Patrick, Cornell University, Human Resource Management, International Edition, Employee Separation and Retention, McGraw/Hill/Irwin, 1994, p.422



## **Alternative Dispute Resolution**

(Raymond, et. al. 1994)<sup>65</sup>, refer this to a method of resolving disputes that do not rely on the legal system. It often proceeds through the four stages of open-door policies, peer review, meditation, and arbitration.

## **Employee Assistance Programs**

According to (Raymond, et al, 1994)<sup>66</sup>, it relates to the employer programs that attempt to ameliorate problems encountered by workers who are drug dependent, alcoholic, or psychologically troubled.

## **Outplacement Counseling**

Regarding this, (Raymond, et al, 1994)<sup>67</sup> reveal that the terminal nature of an employee discharge not only leaves the person angry; it also leads to confusion as to how to react and in a quandary regarding what happens next. If the person feels there is nothing to lose and nowhere else to turn, the potential for violence or litigation is higher than most organizations are willing to tolerate. Therefore, many organizations provide outplacement counseling, which tries to help dismissed employees manage the transition from one job to another.

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<sup>65</sup> Raymond, op.cit.

<sup>66</sup> Raymond, op.cit.

<sup>67</sup> Raymond, op.cit.

**Survey-Feedback Interventions:** The study (Raymond, et al, 1994)<sup>68</sup> shows that regardless of what measures are used or how many facets of satisfaction are assessed, a systematic, ongoing program of employee survey research should be a prominent part of any human resource strategy for a number of reasons. First, it allows the company to monitor trends over time and thus prevent problems in the area of voluntary turnover before they happen.

Second, engaging in an ongoing program of employee satisfaction surveys provides a means of empirically assessing the impact of changes in policy (such as introduction of a new performance appraisal system) or personnel (introduction of a new CEO, for example).

Finally, although the focus in this section has been on surveys of current employees, any strategic retention policy also has to consider surveying people who are about to become ex-employees. Exit interviews with departing workers can be a valuable tool for uncovering systematic concerns that are driving retention problems. If properly conducted, an exit interview (Applegaste, 2000)<sup>69</sup> can reveal the reasons why people are leaving, and perhaps even set the stage for their later return.

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<sup>68</sup> A. Noe Raymond, The Ohio State University; R. Hollenbeck, John, Michigan State University; Gerhart Barry, University of Wisconsin-Madison; and M. Wright Patrick, Cornell University, Human Resource Management, International Edition, Employee Separation and Retention, McGraw-Hill/Irwin, 1994, pp.442-45.

<sup>69</sup> J.Applegaste, "Plan an Exit Interview," CNN-Money.com (November 13, 2000), pp.1-2.

In short, the organizations can gain competitive advantage by strategically managing the separation process so that involuntary turnover is implemented in fashion that does not invite relation, and voluntary turnover among high performers is kept to a minimum. Retaliatory reactions to organizational discipline and dismissal decisions can be minimized by implementing these decisions in a manner that promotes feelings of procedural and interactive justice. Voluntary turnover can be minimized by measuring and monitoring employee levels of satisfaction with critical facets of job and organization, and then addressing any problems identified by such surveys.

### **Internal Promotion**

The availability of career possibilities within the firm tends to promote a higher degree of organizational commitment among employees (Guest, 1997) who perceive career possibilities with the firm. Additionally, an emphasis on internal promotion is likely to provide a sense of fairness and justice among the employees who note that organizational tenure is valued in the company (Pfeffer, 1995). Therefore, promotion from within is likely to be associated with low employee turnover.

The existence of a well-functioning complaint resolution system may also help alleviate situation of perceived injustice or conflicts in the company. Both the process of handling the complaint and outcome of the process may influence employee perceptions of how the firm deals with the situation (Morrison and Robinson, 1997). To the extent that a complaint is properly handled, the employee is more likely to maintain a high level

of commitment to the organization. Thus, the introduction of a system for handling complaints may, in return, lead to a lower voluntary turnover.

### **Keeping the Best Employees**

There are several ways that companies are trying to win the war for talents; all involve HRM practice. They include finding the creative ways to avoid layoffs retirement, creating a positive work environment, and expanding the search for talent to global labor force.

The study of (Clark, 2001)<sup>70</sup> illustrates that companies are coming up with creative ways to avoid layoffs or remain connected to lay-off talented employees whom they worked hard to recruit.

The research study of (Breuer, 2000)<sup>71</sup> reveals that Macy's West has developed a comprehensive retention strategy that includes (1) advising managers on how to run meetings and conduct performance evaluations in a way that will motivate associates, (2) flexible schedules, (3) development opportunities to prepare associates to be managers.

Qualitative research should be based on clear conceptual framework, which outlines the possible courses of action. Thus, this is the foundation on which the study is

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<sup>70</sup> K. Clark, "You're Laid Off! Kind of. Firms Look beyond Pink Slips," US News and World Report (July 2, 2001), pp.74-77

<sup>71</sup> N. Breuer, "Shelf Life," Workforce, August 2000, pp. 29-34.

conducted or established. The conceptual framework of the study can be depicted in the following Figure 2.1.

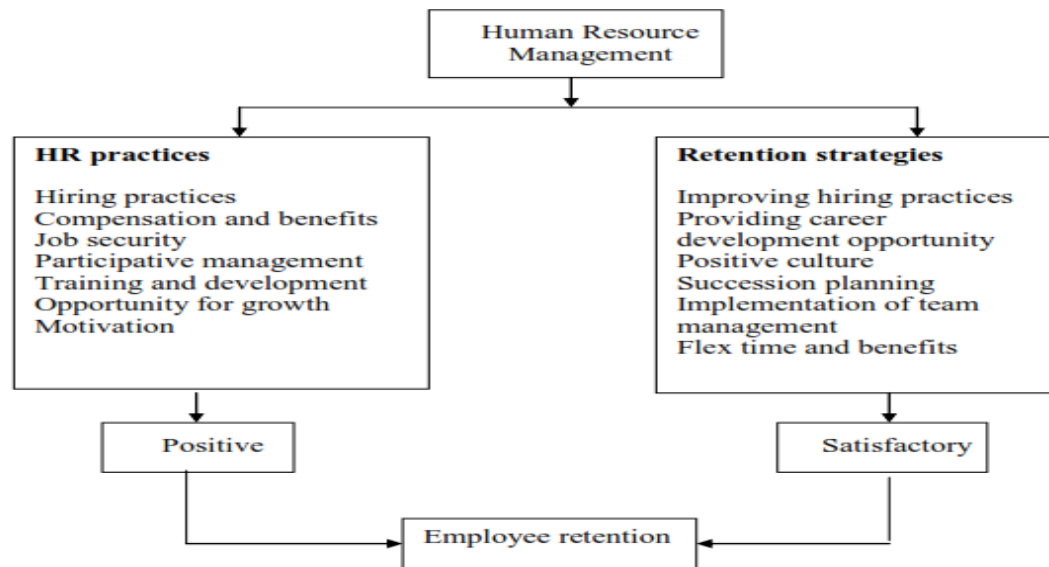


Figure 2.1. Diagram of conceptual framework of the research

Human resource management is concerned with managing people in the organization. This ensures right people at right place at right time. The individuals who work in the organization are employees. They play a crucial role in operating and controlling activities. They are the destiny of the organization.

## 2.2. The Empirical Review

This part of Chapter II discussed some of the empirical studies done on the five HRM practices (recruitment and selection; compensation, training and development; performance management; and retention) that affect organizational competitiveness and

employee performance. Some of the selected empirical reviews on this research are highlighted below:

The study of Vlachos (2009)<sup>72</sup>, postulated that HRM practices have impacted on the firms' effectiveness and growth. The primary purpose of his study was to evaluate the impact of HR practices on the firms' effectiveness and growth.

In summary, a review of existing literature revealed that HR practices are positively linked to organizational performance (Pfeiffer, 1998; Becker and Gerhardt, 1996; Guest, 1997; Cardon and Stevens, 2004; Givord and Maurin, 2004; Zhu, 2004). Based on a comprehensive literature review, the study hypothesized that the following HR practices are related to firm growth: (1) Compensation policy, (2) Decentralization & self-managed teams, (3) Information Sharing (4) Selective Hiring, (5) Training and Development and (6) Job Security.

The study of Racelis (2006)<sup>73</sup> also indicated that HRM practices have been shown to be an important element that relates to firm performance. Racellis' study has provided some evidence for the positive, significant relationship that exists between financial performance - the case of banks—and HRM practices. In particular, this study has found a significant positive link between organizational performance and the following:

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<sup>72</sup> Ilias P. Vlachos; Dept. of Agricultural Economics & Rural Development, Agricultural University of Athens Iera Odos 75, Botanikos, 118 55, Athens, Greece, *Int. Journal of Business Science and Applied Management*, Volume 4, Issue 2, 2009

<sup>73</sup> Aliza D. Racelis (2006), PhD Candidate (unpublished thesis), College of Business Administration, University of the Philippines, Quezon City, Philippines: "The influence of human resource management practice on firm performance: an exploratory study of Philippine Banks"

recruitment from topnotch schools, the administering of employment tests, assistance in career planning, and provision of technical and non-technical training and of growth opportunities.

Among the control variables having a link with HRM and organizational performance, Bank Size turns out to have a significant positive relationship with bank Assets, bank Capital, and Deposits. This result seems intuitive, as the size of the operation is practically endogenous to the equation that has assets and capital as dependent variables. Along with Bank Size, assistance in career planning and offering opportunities for professional growth turn out to be highly correlated to financial performance: this may be explained by the possibility that Bank Size exerts a mediating influence in the impact of rewards and recognition, training programs and performance-based evaluations on bank performance. Likewise, private banks seem to exert a mild influence on the Human Resource-Firm Performance relationship.

The study of Yogeswaran and Selvaraj (2011)<sup>74</sup> on knowledge-centric HRM practices in banks shows that the 21st century will offer major challenges to human resource capacities as one enters a period of rapid social, technological and economic fluctuations. To meet these challenges employees must be knowledgeable, trained, competitive and inventive. The Knowledge Management is not only a process of creating and transferring knowledge right across the organization but also adds value to the

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<sup>74</sup> G. Yogeswaran and Dr. V.M. Selvaraj (2011), knowledge-centric HRM practice in bank: a comparative study between SBI and ICIC, **VOLUME NO. 2 (2011), ISSUE NO. 9 (SEPTEMBER) ISSN 0976-2183.**

existing treasure of knowledge. It is an asset which can be leveraged for customer delight, operational excellence, product innovation and for enhancing profits and organizational effectiveness.

The objectives of Knowledge Management System may encompass the optimum use of knowledge besides other assets. It also aims to leverage internal and external expertise and intellectual abilities to the competitive business advantage, to provide right knowledge at the right time to the right person and to inculcate a habit of continuous learning among the work force to drive the organization towards a 'learning organization': Therefore, if the above implications of the present study are duly considered by the authorities concerned, it would go a long way in improving the knowledge-centric human resource management practices of banks, besides enhancing their productivity and efficiency in all directions.

### **2.2.1. Recruitment and Selection**

The study done by Vlachos, (2009)<sup>75</sup> also pointed out that recruitment and selection practice can ensure that the right people, with the desirable characteristics and knowledge, are in the right place, so that they fit in the culture and the climate of the organization. Moreover, pinpointing the rights employees would decrease the cost of employees' education and development.

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<sup>75</sup> Vlachos, opt.cit.



Schuster (1986) argued that selective hiring is a key practice that creates profits. Huselid (1995) examined HR practices of high-performance companies and found that attracting and selecting the right employees increase the employee productivity, boost organizational performance, and contribute in reducing turnover. Cohen and Pfeffer (1986) argued that hiring standards reflect not only organizations' skill requirements but also the preferences of various groups for such standards and their ability to enforce these preferences.

Michie and Quinn (2001) proposed that a possible indirect link between selective hiring and organizational performance can be the forging of internal bonds between managers and employees that creates the right culture for productivity growth. Collins and Clark (2003) argued that the practice of selective hiring results to sales growth. Paul and Anantharaman (2003) pointed out that an effective hiring process ensures the presence of employees with the right qualifications, leading to production of quality products and consequently in increase of economic performance.

Cho et al. (2005) examined pre-employment tests as a key component of selective hiring and found that when employed, these tests can select employees that stay with a company longer. Passing pre-employment tests may give an applicant a stronger sense of belonging to the company, resulting in higher degrees of commitment if employed.

Cardon and Stevens (2004) pointed out that for small companies recruiting is often problematic. This can be due to several reasons such as limited financial and material

resources and jobs with unclear boundaries responsibilities, which decreases their potentialities to hire qualified candidates. Racelis (2006)<sup>76</sup> indicated that there is a significant positive relationship between human resource management practices relating to recruitment, retention, and the firm performance.

Huselid, (1995) and Terpstra and Rozell, (1993) also revealed that it has a significant positive relationship with financial performance of organization, a significant positive relationship with bank Assets, bank Capital, and bank Deposits, but not with Return on Equity. For instance, bank profitability is chiefly influenced by the ability to maximize bank spreads, which in turn is influenced by the financial and marketing acumen of taking advantage of arbitrage opportunities. Gupta and Jain (2014)<sup>77</sup> illustrated that the district Central Coperative Bank is giving more to emphasize on external sources of recruitment which is the freedom of choosing from a wide range of diverse candidates while Fisher, Schoenfeldt and Shaw, (2004)<sup>78</sup> indicated that the political forces and personal biases can be eliminated by such recruitment policies, and the internal recruitment is less costly and less time consuming compared to external recruitment. Hence, banks should try to balance between internal and external recruitment based on

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<sup>76</sup> Racelis, opt.cit

<sup>77</sup> Dr. Rimjhim Gupta, 1Professor, PIBS, Udaipur, India; and Tanuja Jain<sup>2</sup>, 2 Ph.D scholar, Management, Pacific University, Udaipur, India, role of recruitment and selection policies in Central Cooperative banks, *International Monthly Refereed Journal of Research In Management & Technology*, Volume III, February'14 ISSN – 2320-0073

<sup>78</sup> Fisher, C. D., Schoenfeldt, L. F. & Shaw, J. B. (2004) Human Resources Man-agement, New Delhi: Biztantra.

the type of the job, availability of time and financial conditions. Employee referral is a good employee retention and free cost for the recruitment purpose.

Asaari, Desa, and Subramaniam (2019).<sup>79</sup> showed the promotion and transfer will ensure the career development focus of Basic Bank and at the same time it will help to improve the employee morale and motivation. The potentially qualified candidates will be attracted by the internally and externally competitive compensation. Otherwise, the organization will not attract the potentially qualified candidates. The content of basic bank's recruitment advertisement should be carefully designed, and the use of the creative techniques of the selection test personality, honesty/integrity, ability, and others will attract the highly qualified candidates to fit the right jobs of the organization.

Rioux and Bernthal, (1999)<sup>80</sup> indicated that, organizations need to offer more than an attractive wage to entice qualified candidates. With the number of job opportunities currently available, candidates can afford to be choosy when searching for their ideal job. They are looking for an attractive salary, various kinds of benefits, good working environment, and the opportunity of learning and career development. Moreover, the organizations use the various tools to select individuals through the effective selection system such as a behavioral rating, motivational rating, commitment rating, integrity

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<sup>79</sup> Asaari, M., Desa, N. M., & Subramaniam, L. (2019). Influence of salary, promotion, and recognition toward work motivation among government trade agency employees. *International Journal of Business and Management*, 14(4), 48-59.

<sup>80</sup> Sheila M. Rioux, Ph.D., and Paul Bernthal, Ph.D, Recruitment and Selection Practices Survey Report, HR Benchmark Group Issue 2 (Vol. 2), August 199

rating and others. The selection practice can link to the organizational success such as financial performance, quality of the product and service, customer satisfaction, productivity, employee satisfaction and retention of the quality employees. To attract the potential candidates, many companies believe they offer candidates 69 percent on the company reputation, 65 percent on benefit package, and 55 percent on learning opportunities. Benefit package, salary scale, work environment, geographical location, innovation, workforce diversity, and corporate culture are the important factors when employees are evaluating the attractiveness of the organization. The organization with highly effective selection systems report making extensive use the structured interview practice of behavior-based interviews, training and experience evaluations, ability test, biographical data, and motivational fit inventories from 15 to 22 percent more than other organizations with moderately effective systems. Currently, nearly two-thirds (62 percent) organizations surveyed use the outsourcing (agency or vendor) to recruit executives to a moderate or a large degree. There are many outsourcing agencies and head-hunting firms that specialize in recruiting up level management prospects. They have large networks and many resources to identify the qualified candidates. The employee background, reference checks and drug screen are performed by the outsourcing firms. Finally, the better recruitment and selection strategies result in improved organizational outcome. The more effective the organizations recruit and select candidates, the more likely they are to hire or retained satisfied employees. The effectiveness of an organization's selection system can influence the bottom-line business outcomes, such as

productivity and financial performance. Hence, investing in development of a comprehensive and valid selection system is money well spent.

Piotrowski and Armstrong (2006)<sup>81</sup> illustrated that while most of the companies use traditional recruitment and selection methods (e.g., resume, reference checks), only 9.3 % rely on online pre-employment screening tests. However, 9 out of 10 firms favor online job boards and company websites. Another 21.9 % of the companies are considering future use of online pre-employment screening as part of their selection process. Furthermore, 28.5 % of the companies either screen or plan to screen for Honesty-Integrity while 21.9 % of the companies either assess or plan to assess for Violence-Potential. Interestingly, only 20% of the respondents include personality tests as part of the selection process, despite the attention to "Personality" factors in the human resource literature (Hough & Oswald, 2000; Roberts & Hogan, 2001; Thumin, 2002).

The business literature has seen a high level of interest and actual implementation of Internet-based hiring practices (e.g., Mooney, 2002). Perhaps, some firms rely on Internet based approaches for pre-screening purposes or as a vehicle to narrow down a *short list* of final candidates. However, the legal pitfalls (e.g., transparency, confidentiality, psychometric credibility, inappropriate queries, etc.) of online hiring approaches may be

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<sup>81</sup> Chris Piotrowski, *University of West Florida, USA* and Terry Armstrong, *Georgetown University, USA*, Current Recruitment and Selection Practices: A National Survey of Fortune 1000 Firms, *North American Journal of Psychology*, 2006, Vol. 8, No. 3, 489-496.

the major factor deterring companies from using data from online tests. Moreover, Human Resource decision-makers might have concerns about the legitimacy of clinical personality tests or personally invasive queries (see Camara & Merenda, 2000; Vodanovich & Piotrowski, 2000; Wallace & Vodanovich, 2004). In this regard, Naglieri et al. (2004) addressed a number of delicate issues, such as proper identification of an applicant, in addition to ethical and legal concerns that warrant consideration before implementing online testing.

Recruiting is the process of seeking and attracting a supply of people from which qualified candidates for job vacancies can be selected. The amount of recruitment an organization must do is determined by the difference between the forecasted HR needs and the talent available within the organization (El-Kot and Leat, 2008; Heraty and Morley, 1998). It includes locating potential applicants and encouraging them to apply for existing or anticipated job openings and during this process, making the effort to fully inform the applicants about the qualifications required to perform the job and the career opportunities the organization can offer its employees (Heraty and Morley, 1998; Judge and Ferris, 1994). Supervisors and other managers often feel overwhelmed by the volume of applications they receive. It is better to elicit a manageable number of qualified applicants rather than a mass of misfit applicants. Recruitment processes try to provide a qualified pool of applicants from whom selectors may choose (El-Kot and Leat, 2008; Carless, 2007; Anderson, 2003). Effective recruiting requires knowing where and how to obtain qualified applicants (El-Kot and Leat, 2008). The major sources of recruiting are:

- Internal Sources—the process of looking inside the organization for existing qualified employees who might be promoted to a higher position. Current employees know about the vacancy through a job posting in organization newsletters, bulletin board notices and internal memos, with some organizations developing computerized job posting systems so that employees can obtain information on their computer screen.

External Sources - the process of looking to sources outside the organization for prospective employees, which includes advertisements, employee referrals, unsolicited applications and resumes, private and public employment agencies and internet recruiting (Anderson, 2003; Budhwar, 2000; El-Kot and Leat, 2008).

A successful recruitment process results in a good number qualified of applicants for the vacancy, and the next task is to select the most suitable applicants from this pool (El-Kot and Leat, 2008). Selection is a process of choosing individuals who have relevant qualifications to fill an existing or projected job opening. Selection is concerned with identifying the best candidate or candidates for jobs from a pool of qualified applicants developed during the recruiting process (Budhwar and Mellahi, 2007; Chew, 2004). At a general level, it includes three distinct steps as shown in Figure 2.2.

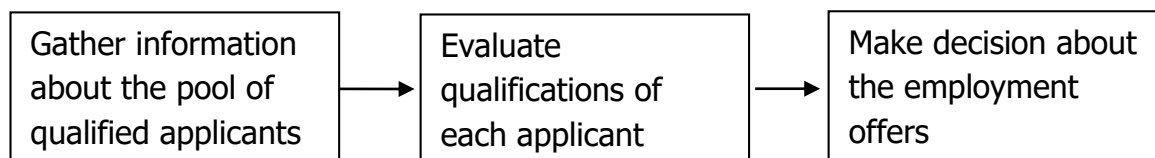


Figure 2.2. Recruitment and Selection

Source: Budhwar and Mellahi, 2007; Chew, 2004

In Jordanian organizations the employee recruitment and selection process is largely inadequate and needs effective attention if it is to enhance and support the competitive advantage of the business it represents (Al Fayyad, 2005). This is reflected by the job analysis process and resulting job descriptions being often carried out and produced, but never referred to in the recruitment and selection process. Indeed, most employees are not even aware of, or even ask about, their job descriptions. This is because it seems that the job description is produced simply as a part of the personnel administration process, that is, for bureaucratic and routine procedures (Budhwar and Mellahi, 2006; Al-Athari and Zairi, 2002; Abdalla and Al-Homoud, 1995).

Equally, in many Arab, and more specifically Jordanian, organizations the literature demonstrates that the recruitment and selection process is fraught with problems. First, the process is rarely based on merit and ability, and second, it is hardly systematic or objective. Vacant positions are usually filled through connections; and these are normally offered to friends, relatives and family members with no consideration given to the person's proficiency and achievements (Budhwar and Mellahi, 2006; Melham, 2004; EL-Said and McDonald, 2001). Furthermore, the use of tribalism and nepotism is frequent. The recruitment and selection process in Jordan is also heavily influenced by personal and intermediary relationships in a form usually called, or referred to as 'wasta'. The literal meaning of 'wasta' is to go in between. In practical terms, it is a type of nepotism and favoritism which gives friends, relatives and family members priority over organizational benefits and objectives. The concept of 'wasta' in many Arab countries is



the best way — and indeed the only way — for most people seeking a job to become employed. For example, when a person hears about a job, their first action will be to contact a relative or friend who knows the HR manager in the organization where the vacant job is available (EL-Said and McDonald, 2001).

On the other way, the qualitative data from Human Resource Business Partner (HRBP) on March 06, 2024 revealed that the recruitment and selection policy of J Trust Royal Bank in Cambodia, the new headcount or the replacement is required to get the approval from the head of Business Unit and Chief Operating Officer (CEO). Then, the job description of the role is designed by the line manager. Line and Manager and Human Resource Business Partner (HRBP) will discuss with each other about the candidate of the role. Hence, the job positing or potential candidate can be respectively done or approached. The job positing can be done internally and externally via portal, email, postures, media and other means of job advertisement. However, the private recruitment Agency will be required if there is no potential candidate to apply for the role. After having collected candidates' applications, recruitment team from Human Resource Department will conduct screening of the candidates' applications for the shortlisted candidates. Then, the staff from the recruitment team of Human Resource Department and Hiring Manager will interview the candidates and put the interview score in the assessment form. Some candidates are required to do the writing test and calculation test based on some roles. The interviewed candidate will be selected based on the highest score of the interview and competency rating as well; then, the responsible staff from Human Resource

Department will negotiate and offer the selected candidate. At the final stage, the reference check, such as background, behavior, criminal record, and CBC of candidate will be done by Human Resource Department, and the successfully selected candidate is required to tender the resignation letter; then, the new staff onboard process will be done accordingly. However, some roles will be internally appointed by the Head of Business Unit and Chief of Human Resources Officer based on the business need.

### **2.2.2. Compensation**

The study of Shami and Ghneim (2002)<sup>82</sup> confirmed that wages and salaries constitute one of the most critical aspects of human resources management. It has a significant impact on recruitment, motivation and satisfaction of the employees. Therefore, designing and structuring of pay system is very crucial to the effectiveness of organizations. It is the judgments and perceptions about equity, and has the notion of how much pay employees feel they should receive and how much pay they feel they do receive. The result of the study also showed the subjects of the study seemed to be less satisfied with benefits they receive and benefits pay structure, and in the best situation, they were neither satisfied nor dissatisfied.

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<sup>82</sup> Moufeed M Al-Shami, Yousef M Ghneim(2002), Employees Benefits Pay Satisfaction in the Banking System in Palestine:An Empirical Study, *An-Najah Univ., J. Res. (H. Sc).*, Vol. 16(1), 2002

The Research by Varatharaj, Roy and Vasantha<sup>83</sup> on employee motivation: 'Pay Structure and Benefits in the Nationalized Bank in Agartala' pointed out that one of the strongest determinants of employee attitudes, motivation and behaviors is compensation (Gerhart & Milkovich, 1992). For example, Opsahl and Dunnette (1966) noted that, while employees profess to value many types of rewards (such as recognition) more than pay, 'they behave as if they value money highly' (Wiley, 1997). The extant compensation research literature (e.g., Gerhart & Milkovich, 1992; Heneman, 1992; Lawler & Jenkins, 1992; Opsahl & Dunnette, 1966) provides evidence that pay, in its various forms, affects employee motivation–organization pay relationships. However, most existing research on the effects of pay on employee motivation, behaviors and attitudes have focused on how pay is administered.

The research of Kwak and Lee (2009)<sup>84</sup> indicated that the fringe benefits have been of less attraction by the scholars than the salary or bonus. The fringe benefits were offered by 263 Korean *Chaebols*, and they examined their impacts on performance; it is not a good instrument to make employees motivated into better performance. (Ismail, Rafiuddin, Mohamad, Hamid, Wamin, and Zakaria)<sup>85</sup> revealed that the performance-

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<sup>83</sup> V.Varatharaj, Saikat Roy and Dr.S.Vasantha, employee motivation: pay structure and benefits/empirical study of nationalized bank in Agartala, India.

<sup>84</sup> Jooyoung Kwak, Massachusetts Institute of Technology, U.S.A, and Eungkyoon Lee, University of Hong Kong, Hong Kong, An Empirical Study of "Fringe Benefits"and Performance of the Korean Firms, Vol.4, No.2, February 2009

<sup>85</sup> Azman ISMAIL, Nurhana M RAFIUDDIN, Mohd Hamran MOHAMAD, Norashikin Sahol HAMID, Aniza WAMIN and Nurzawani ZAKARIA, National Defence University of Malaysia, Performance based pay as determinant of job satisfaction: a study in Malaysia Gia Tmara Centres

based pay did act as an important antecedent of job satisfaction in the compensation program models of the organization, and it happened in mostly in Western-countries. Hence, the pay system model needs to consider participation in pay systems and adequacy of pay as a critical aspect of the pay systems. HR managers and/or managers should be trained to enable them practice good treatments while allocating the type, level and/or amount of pay and involving employees in making pay decisions to increase positive employees' attitudes and behavior. This may lead to sustained and achieved organizational strategy and goals. Recent studies about pay administration were done using different samples, such as 115 sales people (Pettijohn, Pettijohn & d'Amico, 2001), faculty members in institutions of higher education (Terpstra & Honoree, 2008), and public servants in US public agencies (Boardman & Sunquist, 2009). Findings from these studies revealed that the clarity of the benefits of the merit pay had provided more opportunities for employees to determine how pay rates had increased job satisfaction in the organizations. Leventhal's (1976) self-interest model suggested six justice rules in making decisions: decisions based on accurate information, apply consistent allocation procedures, do correct decisions, suppress bias, practice moral and ethical standards in decision-making, and ensure allocation process meet recipients' expectation and needs. Similarly, Lind and Tyler's (1988) group value model suggested three types of relational judgments about authorities: standing or status recognition (e.g., assessments of politeness, treatment with dignity, and respect individuals' rights and entitlements), neutrality (e.g., decision-making procedures are unbiased, honest and decision based on

evidence), and trust (e.g., motives of the decision-maker are fair and reasonable or otherwise).

The study of Katua, Mukulu, and Gachunga (2014)<sup>86</sup> on effect of reward and compensation strategies on the performance of commercial banks in Kenya indicated that human resources are one of the most critical components of strategic success across all organizations. The implementation of rewards and compensation strategies has a greater role in influencing the increased productivity, innovation, motivation, employee commitment, staff's flexibility and quality, and the performance of bank employees, which is contributing heavily to the performance, administrative efficiency, cost effectiveness, and bottomline outcome of the bank.

Aktar, Sachu, and Ali (2012)<sup>87</sup> revealed that acquiring the right workforce and then retaining that force is one of the challenges to the organization, so the relationship between rewards and employees' performance also determined the relationship between intrinsic and extrinsic rewards. There was a positive relationship between rewards and employees' performance and also a highly positive significance in the relationship between intrinsic and extrinsic rewards. There are two factors included in the extrinsic rewards such as basic pay and performance bonus. Basic pay is a highly significant factor

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<sup>86</sup> Katua Ngui Thomas, Mukulu Elegwa, and Gachunga, Effect of Reward and compensation strategies on performance of commercial bank in Kenya, Vol.2 No.1 January 2014.

<sup>87</sup> Serena Aktar, Muhammad Kamruzzaman Sachu, and Md. Emran Ali, The Impact of Rewards on Employee Performance in Commercial Banks of Bangladesh: An Empirical Study, IOSR Journal of Business and Management (IOSR-JBM), ISSN: 2278-487X. Volume 6, Issue 2 (Nov. - Dec. 2012), PP 09-15, [www.iosrjournals.org](http://www.iosrjournals.org)

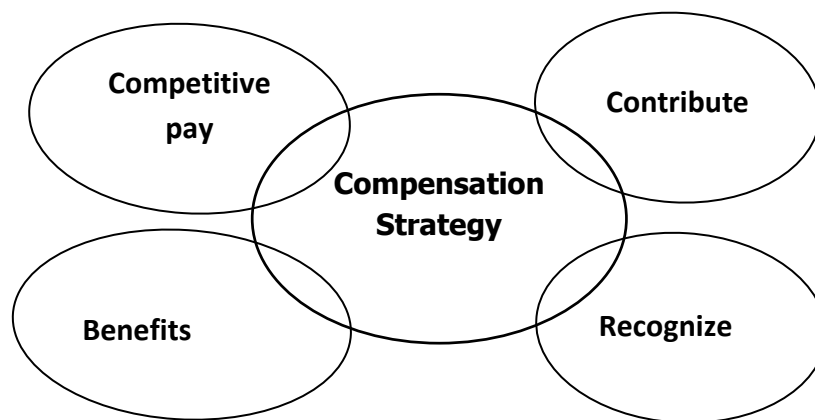
which affects employee performance than performance bonus. Both are positive significant factors which affect employees' performance. There are four factors included in the intrinsic rewards such as recognition, learning opportunity, challenging work, career advancement. Among all of the four factors, challenging work is a highly significant factor which affects employees' performance. Only extrinsic or intrinsic rewards are not sufficient to motivate employee to perform work highly. If Commercial Bank of Bangladesh keeps both types of rewards for the employees then it will increase their employees' performance due to the strong correlation between intrinsic and extrinsic rewards.

A process designed to motivate employees to increase morale, commitment, productivity, and teamwork, rewards and recognition is often given through both monetary and nonmonetary means. Literature supports the idea that reward and recognition are important factors that influence employee behavior, job satisfaction, and organizational performance (Keller & Szilagyi, 1976). Research conducted by Huselid (1995) indicated that HRM practices can affect employee motivation by encouraging employees to work harder. Often these practices are in the form of compensation but may also include rewards and recognition and employee participation programs.

#### **2.2.2.1. Compensation and Benefits**

Compensation and benefits of employees is one of the most strategic human resource units which strongly influences the satisfaction of employee, performance, the

productivity, and overall cost and expenses of the organization. It generates a competitive pay package for newcomers and attractive package for high potentials in the organization. It is divided into four functional areas: renew or design of the compensation strategies; simplification of pay structures and processes; recognition of high potentials and retention of key employees; benefits policies and engagement of employees.



**Figure 2.3.** Compensation and benefits Goal and Objectives

Source: Employee retention goals and objectives, retrieved on Dec 15, 2015 from <http://www.creativehrm.com/compensation-benefits-goals.html>

Regarding the qualitative data from Human Resource Business Partner (HRBP) on March 06, 2024 illustrated that the compensation and benefits policy of J Trust Royal Bank has stated as the following:

- Staff compensation and benefit 1: The bank staff receive the monthly salary which is cashed out twice per month.
- Staff compensation and benefit 2: Staff's salary, overtime, allowance, annual bonus (Performance base), and commission for the sales staff.
- Staff compensation and benefit 3: Compensation and benefit 1 plus the Compensation and benefit 2 and plus the special rate of Home Loan Offering, Health and Incident Insurance (for immediate family members), life insurance, and pension fund. For the pension fund, the bank contributes 5% of the staff's basic salary, the staff also contributes 5% of her or his basic salary, and the bank provides the interest rate 5% per annum (p.a). If the staff resigns after the service tenor of 3 years, she or he can get all amount of pension fund. However, if the staff leaves the bank before 3 years, she or he can get only her or his contribution part (5%) only. In addition to the above benefits, staff at J Trust Bank is also offered the uniform (frontline staff), seniority payment, free annual fee of credit membership, National Social Security Fund (NSSF), and hamper for Khmer New Year as well. J Trust Royal Bank also provides the full compensation for 3 months with any staff who takes the maternity leave, and each employee of the bank can carry forward the annual leave up to 20 days per year. In addition to the above-mentioned benefits of bank employee, J trust also offers the



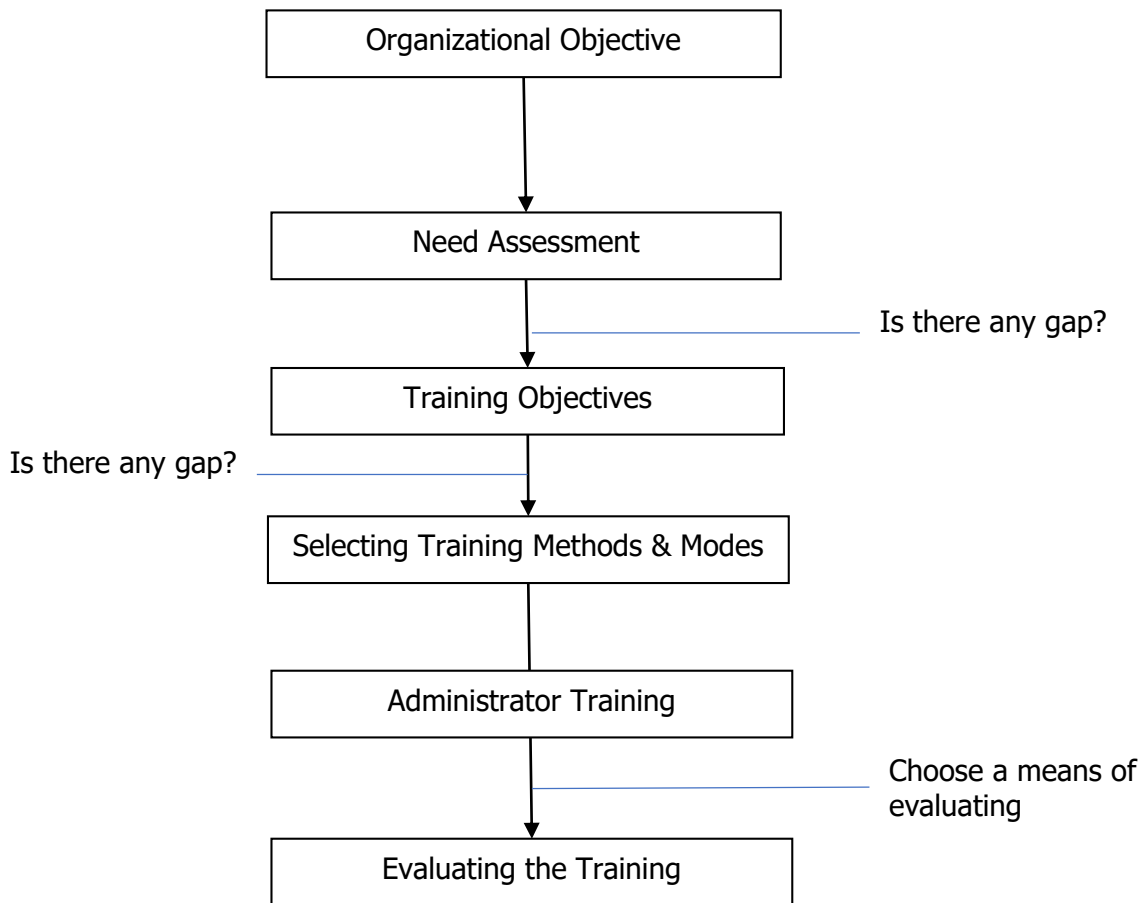
employee assistance program related to the mental illness which is associated with TPP Cambodia (Community Mental Health Program).

The research has illustrated five factors that impact on the employee job satisfaction of the organization: working conditions, salary and benefits, relationships with colleagues, leadership concerns and training and advancement opportunities. Formulating and advancing the relationships are the key factors that strongest effect on the employee job satisfaction (Ha Hong, 2024).

### **2.2.3. Training and Development**

Abu-Doleh and Weir (1997) argued that the twenty-first century heralded an essential step for Arab HR scholars, practitioners and specialists to chart the future of training and development in Arab countries. Altarawneh (2009) also argued that training and development is the most significant indicator or sub-system of HR development as it potentially enhances, increases and modifies the capabilities, skills and knowledge of employees and managers in order to perform their job in more creative and effective ways. Such issues can also assist in the achievement of increases in individual and organizational performance and productivity. As training and development plays crucial and dynamic role in developing job and organizational performance, Altarawneh (2009) and Mann (1996) ask, given the continuous investment in training and development

programs, whether training programs and strategies in Jordan are sufficiently effective to positively impact on organizational competitiveness. This question has been raised because in many Arab, and more specifically Jordanian, organizations expenditure and time spent on training and development is considered not useful and an unnecessary function (Redshaw, 2000). Al-Athari and Zairi, (2002) confirm this view; arguing that some Jordanian organizations regard training and development as a waste of time and money, and a function which does not contribute to improving employees' commitment, or overall organizational performance. Figure 2.4. traces the steps necessary in the training process.



*Figure 2.4. Training and Development Process*

Source: Adapted from Roberts, Seldon & Roberts (2002)

As shown in Figure 2.4 the process starts with the organization defining its strategy and objectives which then direct and drive all the decisions made, especially training decisions. After that, training needs must be assessed and analyzed at three major HR points: the organization as a whole; the job characteristics; and the needs of individuals (Roberts, Seldon and Roberts, 2002; Acton and Golden, 2003; Hale, 2003). This analysis

provides some benchmarks against which the effectiveness of a training program can be evaluated. Once training needs are determined and training objectives are set, then the concentration is on developing training programs and the appropriate training method, whether on-the-job or off-the-job (Roberts, Seldon and Roberts, 2002; Denisi and Griffin, 2001; Roselius and Kleiner, 2000). A decision is then made regarding who should be trained. Administration of the training process is required in terms of the location of training, the facilities, accessibility, comfort, equipment and timing (Roberts, Seldon and Roberts, 2002; Denisi and Griffin, 2001). Finally, training should be evaluated several times during the process and employees should be evaluated by comparing their newly acquired skills with the skills defined by the goals of the training program (Altarawneh, 2009; Wilson and Western, 2000). In addition to what has been highlighted, a review of the literature in Arab countries, including Jordan, shows that training and development is still not regarded as a significant function that contributes to organizational success. Instead, this function is considered as a vacation, or leisure activity which is normally given to the managers' friends or relatives.

Furthermore, the literature demonstrates that the training evaluation process in some Jordanian and Arab organizations more generally is an infrequent and uncommon practice (Altarawneh, 2009). Nevertheless, in some sectors within Jordan management, development is given higher status. Abu-Doleh and Weir (1997) establish that in more than two thirds of the financial organizations and in less than one third of the manufacturing organizations reviewed in their study of training and development needs

analysis in 28 Jordanian manufacturing and financial organizations, a formal management training and development program existed. These figures probably reflect the level of favoritism, or 'wasta' existing in Jordanian organization

The study of Thang and Quang (2011),<sup>88</sup> estimated the impact of training on both sales and productivity in Vietnam in 2007. Their research findings revealed that training had a significant effect on sales and productivity of manufacturing companies. This finding is consistent with the study of Black and Lynch (1996), who reported that training had significant impacts on productivity of manufacturing companies. However, the study shows that there is a non-significant effect of training on sales and productivity in non-manufacturing companies, while Black and Lynch (1996) found that training had a significant effect on sales and productivity of non-manufacturing companies. This result may shed some light on the major differences of providing training for employees in manufacturing and non-manufacturing companies in developed and developing countries. First, training might be effective in sales and productivity after 2006. Second, when employees are attending training programs, a large amount of output might be lost consequent to the on-the-job training. Unfortunately, the survey's scope did not explore these possibilities in more detail.

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<sup>88</sup> Thang, N. N. & Quang, T. (2011), Curtin University of Technology, the Impact of Training on Firm Performance in a Transitional Economy: Evidence from Vietnam, *Research and Practice in Human Resource Management*, 19(1), 11-24.

The study of Gunu, Oni, Tsado, and Ajayi (2013)<sup>89</sup> found out that training and development has a positive relationship with the performance of banks in Nigeria. However, out of the five variables used to measure training and development, only three have significant coefficients. They include organizational commitment to training and development of staff, frequency of training and development and reward for best performance during each period of training. This means that these three variables explained employees' skills/knowledge and inputs which translate to organizational performance. While the remaining two variables (employees' exposure to modern training facilities and types of training method used in the organization) were not significant. Based on the findings from this study, it is concluded that for training and development to have significant impact on organizational performance, employees need to be motivated during training programs. The study provided the following recommendations:

(i) Instead of downsizing those employees with years of experience and recruiting new ones, banks should rather invest in (be committed to) training and development of their experienced staff. This will help them to reduce the cost of frequent recruitment and selection.

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<sup>89</sup> Gunu, Umar (Ph. D); Oni, Emmanuel (Ph. D); Tsado Emmanuel; and Ajayi Oluseyi, EMPIRICAL STUDY OF TRAINING AND DEVELOPMENT AS A TOOL For ORGANIZATIONAL PERFORMANCE: CASE STUDY OF SELECTED BANKS IN NIGERIA, *Kuwait Chapter of Arabian Journal of Business and Management Review Vol. 2, No.10; June, 2013*

(ii) Banks should also introduce reward system for outstanding performance so as to motivate employees to always put in their best during each training period. This will assist them in identifying those staff that have special skills and talents.

(iii) Banks should expose all their staff to training at least once in every year. This will make the employees meet up with the changes in their services and work processes as may be driven by the competitive environment

Organizations invest a large amount of its capital for training purposes and the development of its employees. It is worthy to probe whether the training is advantageous for the trainees, and to what degree the process of training can be enhanced. Stephen & Bowley's (2007) showed the link between training associated with employee's productivity which further leads toward employee and customer satisfaction. Baldwin & Johnson (1995) claimed that lower levels of training will increase the chances of employee migration from one organization to another. However, higher degree of training increases employee satisfaction and loyalty towards the firm and decreases the chances of employee terminations and lay-offs (Choo & Bowley, 2007).

While considering a training process, it is essential to determine who is taking part in trainings, style and design of training and whether all about the main objectivity of the training is being achieved or not (Choo and Bowley, 2007). Stephen and Bowley (2007) focused on the outcome of capital invested on training processes that further raise the efficiency of the employees and the organization. The quality of a trainer is also a key

element which affects the training productivity (Coho and Bowleg, 2007). The course designs for the training and the trainer selection speaks about the success and the failure of the training itself. Greenhalgh et al. (1982) also believed that training and development was a key asset that helped enhance the job requirements met by employees.

The research study of Joy and Mani (2012)<sup>90</sup> indicated that the banking sector has a separate policy in the aspects of training employees irrespective of the catering service. The training should have a mandatory affair in an effective and efficient manner. A separate body should be allocated to continuously assess the technological and social changes to inherit the same in the aspect of training. The primary objective of the training should focus on socio-techno changes and challenges and also a continuous survey and monitoring in the aspects of customer satisfaction which covers 360 degrees of the environment. Only customer satisfaction, being mantra for success where banking sector is not at all an exceptional case a psychological aspect of analysis, should have in-depth attention to attain the customer satisfaction. In this angle, any such further study can be extended from the existing study. A detailed longitudinal study which covers the entire banking industry under the auspices of the Reserve Bank of India regarding training and development will be useful as detailed information can be made available. Government should give more attention and support to the rating of employees in all the different kinds of organization taking into consideration the larger interests of the nation.

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<sup>90</sup> Dr. Joy P.A and Mani. A, Effectiveness of training among Bank employees: A comparative study of selected public and private sector bank in India, Volume2, Issue 7(July 2012)



Accordingly, the training and development department (T&D) has a simple target. It has to ensure that all employees know the basics required to conduct the job efficiently and smoothly. Most training and development departments do not focus on the leadership development programs or talent development because the specialized small unit takes care of them. The T&D department focused on the mass population in the organization. The training unit is responsible for the basic know-how of the business that makes the business agile and profitable. The goals for the training and development department follow changes in the business and HR Strategy, usually. The business strategy defines the requirement of the organization to be successful in the future. It does not define just products and services; it describes sales channels and how the company communicates with clients and customers. It does determine how the employee should behave and what skills and competencies are essential. The clear link between the business strategy and training needs and requirements makes planning of T&D goals and objectives easier. All employees can see an explicit link, and they can identify the role of individual courses in the general vision of the company. The department usually runs three kinds of training courses, and the goals and objectives should follow the structure such as hard skills; sales skills; and soft skills. The successful and modern organization always has a clear focus on hard skills of employees. It takes care of the knowledge of basic product and process management skills. Each employee has to be able to draw a process and measure key KPIs (Key Performance Indicators). Everyone has to understand the basic performance reports, and each employee has to find potential gaps. The Training and Development

department has to take over the clear ownership of all hard skills courses in the organization. It has to design a clear methodology and certificate to all internal trainers. This is a clear objective for the unit. The organization without sales volumes is dead. The success of the company is always built on the success of the sales team. It is the only way to bring healthy cash into the business. Each successful organization invests in the development of the unique sales skills training. It does not buy the generic content from the market. It designs the program that turns each employee into a real sales person and advocate of the company. It is a goal for the training department to develop such an extremely competitive course. Last drivers of targets and objectives for the training department are the competitive and entertaining soft skills courses. The organization needs employees who communicate, share ideas and build the diverse team. Most people have skills to become friends, and they are indeed social animals. However, the soft skills training can improve their skills and competencies. Most organizations offer an essential set of training, but they do not refresh it often. The regular update of the training menu is always a good target for the department.

Based on the interview with a Human Resource Business Partner (HRBP) on March 03, 2024 related to the training and development policy of J Trust Bank which was shown that Training Need Analysis (TNA) is always done at the Business Unit or Function Level; then, the solutions are provided with all employees of each Business Unit or Function such as classroom training, e-training, and skill certification training, and each type of training is assigned by the role of employee. For mandatory training courses, each staff

is required to successfully complete online via the online platform of J Trust Royal Bank. J Trust Royal Bank also hire the external trainers or coaches to provide the training courses or coach session with bank employees as well, and it also sponsors employees to attend the banking training courses at the Institute of Banking and Finance Cambodia. It has consistently implemented the In house Coaching and Mentoring for building the staff capacity through the leadership pathway which is a part of the succession planning of J Trust Royal Bank.

#### **2.2.4. Performance Management**

The key idea of performance appraisal is to establish a reward system that optimizes the efforts and contribution of leaders and employees to the general performance of their organization. As noted by Cleveland, Murphy, and Williams (1989), the propagation of performance appraisal systems is motivated by a broad range of concerns, including promotions, terminations, salary administration, and the development of adequate competence and expertise. Performance appraisal may be useful both in the cross-sectional dimension (for comparison between individuals) and for the time dimension (for comparison of individual performance over time).

The study of Prasad (2015) would seem to have many practical implications for enhancing the motivation and Job satisfaction of employees at the workplace. Performance Appraisal (PA) as an instrument needs to be designed and administered effectively and judiciously. The above research study depicts the positive constructs

related to PA as objectivity and transparency, PA culture and system, feedback, performance impact, attrition, and compensation. All these constructs are positively related to job satisfaction and motivation of employees at the workplace. For the future, research may uncover such other constructs like coaching and mentoring, learning and training, peer relationships, which meet the inclusion criteria for measuring the impact of PA. The employee performance evaluation is a part of a performance management that according to Mone, et al. (2011) consists of these five activities: Setting performance and development goals; Providing ongoing feedback and recognition; managing employee development; and conducting mid-year and year-end appraisals. Organizations are run and steered by people. It is through people that goals are set and objectives are realized. The performance of an organization is thus dependent upon the sum total of performance of its members. The success of an organization will therefore depend on its ability to measure accurately the performance of its members and use it objectively to optimize them as a vital resource (Biswajeet 2009). In the present highly competitive environment, organizations have to ensure peak performance of their employees continuously in order to compete and survive at the market place effectively (Prasad 2005).

Performance of an individual can be defined as the record of outcomes produced as specified job functions or activities during a specified time period (Bernardin 2007). The term performance refers to a set of outcomes produced during a certain period of their job time and does not refer to the traits, personal characteristics, or competencies of the performer. The evaluation of employee's performance reveals the contribution of

an individual in the organization's objectives. People do not learn unless they are given feedback on the results of their actions. For corrective actions to take place, feedback must be provided regularly, and it should register both successes and failures (Biswajeet 2009).

Appraisal is the evaluation of worth, quality or merit, so performance appraisal of employees means the evaluation of their performance recorded during a certain period of time. In the organizational context, performance appraisal is a systematic evaluation of personnel by supervisors or others familiar with their performance (L.M. Prasad, 2007). Performance appraisal is also described as merit rating in which an individual is rated as better or worse in comparison to others. This is one of the oldest and most universal practices of management (Tripathi 2005). This is a process which reveals that how well employees perform their jobs when the performance compared with the predetermine set of standards (L Mathis & John H. Jackson, 2013). Merit rating is used basically for promotion of employees. However, performance appraisal is a more comprehensive term for such activities, because its use extends beyond ascertaining eligibility for promotion. Such activities may be training and development, salary increase, transfer, discharge, etc. besides promotion (Prasad, 2005). According to Beach (1980), "performance appraisal is a systematic evaluation of the individual with regard to his or her performance on the job and his potential for development.

Worldwide, performance appraisals are used in nearly all organizations. There are different tools and number of goals that performance appraisals focus on to examine the individual's performance and potential of development. Therefore, at its core, the performance appraisal process allows an organization to measure and evaluate individually the employee's behavior and accomplishments over a specific period of time (De Vries et al. 1981). By using a formal system, performance appraisal has many advantages if they are designed and implemented properly. Not only in reward allocation, promotion/demotions, layoffs/recalls, transfers and selecting training and development program for employees, but it may also assist individual employee's decisions regarding career choices and the subsequent direction of individual time and effort. Additionally, performance appraisals may increase employee's commitment and satisfaction (Wiese and Buckley, 1998). At a glance the main objectives of performance appraisal point out the following:

- Provide inputs to (a) system of rewards comprising salary increment, appreciations, additional responsibilities, promotions, etc., and (b) salary administration.
- Generate adequate feedback and guidance from the reporting officers to the employee.

- Enhance employee's effectiveness by helping the employee to overcome his weaknesses and improve his performance by providing appropriate training and development program.
- Help identifying employee for the purpose of motivating, training and developing them.
- Generate significant, relevant, free and valid information about employees.

In the late 20th century, a great change in approaches to performance appraisal systems across the world was seen. There has been a great realization that it is more important to focus on defining, planning and managing performance than merely appraising performance (Pareek and Rao, 2006). Performance appraisal is the traditional approach to evaluating the performance of an employee. As many people think that performance management (some call it performance development) is a new name given to well-established term performance appraisal and there is no difference between the two (Prasad 2005), most of the organizations take performance management synonymously with performance appraisal. Yet performance management is clearly more than a new name for performance appraisal (Edmonstone, 1996). The increased competitive nature of the economy and rapid changes in the external environment have forced many organizations to shift from reactive performance appraisals to the proactive performance management to boost productivity and improve organizational performance (Nayab, May, 2011). Most organizations prefer to call their systems as performance

management system rather than performance appraisal systems. This is most welcome change of the last fifteen years (Pareek and Rao, 2006).

Muhammad Ishaq, Zahid Iqbal and Zaheer (2009)<sup>91</sup> indicated that common outcomes of an effective performance appraisal process are employees' learning about themselves, employees' knowledge about how they are doing, and employees' learning about 'what management values' (Beer, 1981). According to Stephan and Dorfman (1989), outcomes of effective performance appraisal are improvement in the accuracy of employee performance and establishing relationship between performance on tasks and a clear potential for reward. Dobbins, Cardy and Platz-Vieno (1990) identified five outcomes i.e. use of evaluations as feedback to improve performance, reduced employee turnover, increased motivation, existence of feelings of equity among employees, linkage between performance and rewards. Nurse (2005) viewed provision of information for the development of managerial strategies for training and development as an outcome. Teratanavat, Raitano and Kleiner (2006) found outcomes like reduced employee's stress, review of overall progress, linkage between current performance and employee's goals, and development of specific action plans for future.

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<sup>91</sup> Hafiz Muhammad Ishaq, Muhammad Zahid Iqbal and Arshad Zaheer, Effectiveness of Performance Appraisal: Its Outcomes and Detriments in Pakistani Organizations, *European Journal of Social Sciences – Volume 10, Number 3 (2009)*



The study of Showkat (2013)<sup>92</sup> indicated that the main finding of the research supports the view that performance appraisal system should be Human Resources Development (HRD) oriented. Besides being a base for making administrative and developmental decisions, performance appraisal can be useful instrument for (a) building a good relationship with employees, (c) discovering employee potential and improving organizational effectiveness.

The study shows that employees of the sample study organizations feel less threatened when they have a prior knowledge of assessment criteria. Various sources of employee appraisal have been suggested by the researchers to minimize the rater bias. Organizations are increasingly implementing the self-appraisal and 360 degrees appraisal instead of traditional top-down appraisal in hopes of improving satisfaction towards the Performance Appraisal (PA) practices.

This study suggests that 360 degrees appraisal system including multiple appraisal and developmental value-based appraisal system can overcome the threat of personal bias. The development-oriented Performance Appraisal System (PAS) is expected more likely to produce positive and less likely to produce negative outcomes than the existing PAS in both the sample study organizations that are used for control and administration purposes. This development-oriented PAS if implemented effectively is expected to

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<sup>92</sup> Dr. Showkat Shagufta, MBA, Ph.D (HRD), associate Professor, Department of MBA, MVJ College of Engineering, Hope farm, Near ITPB, Bangalore, India, Performance Appraisal in Banking Organizations, International Refereed Research Journal ■ [www.researchersworld.com](http://www.researchersworld.com) ■ Vol.-IV, Issue-3(1), July 2013 [66

improve the performance appraisal climate which will have a positive impact on overall organizational climate and job satisfaction of the human resources in the banking service sector. The need to improve the human resources of this service sector to face the emerging challenges and high competition arising out of present techno-economic scenario can be met only through the implementation of development-oriented and free from human errors 360-degree performance appraisal system. The present study reveals that overall mean values across the given statements in case of JK Bank is 2.59 and in case of SBI Bank 2.79. The higher mean score across the statements indicates that performance appraisal system is perceived to be superior and effective system and lower mean scores across the statements means that employees have a poor opinion on the effectiveness of appraisal system practices. Therefore, it becomes apparent that SBI employees have expressed more satisfaction with the existing performance appraisal practices than JK Bank employees. This is evidenced by the present study that performance appraisal climate is comparatively better in SBI Bank than in JK Bank.

The study of Asamu (2013)<sup>93</sup> has demonstrated that the adoption of the right performance appraisal technique in the organization was found to improve workers performance and commitment. Performance appraisal is an important tool used to assess employees' efficiency in the work place, and it usually takes the form of periodic review

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<sup>93</sup> ASAMU Festus Femi (Ph.D.), Department of Sociology, Landmark University, P.M.B. 1001, Omu-Aran, Kwara State, Nigeria, Perception of performance appraisal and workers' performance in Wema Bank Headquarters, Lagos, Global Journal of Arts, Humanities and Social Sciences, Vol.1, No.4, pp. 89-101, December 2013

to evaluate work performance. From the foregoing, it is recommended that, for appraisal to yield the desired outcomes, adequate attention should be paid to the avoidance of appraisal politics and the pursuance of fairness and transparency. Performance appraisal exercise should not be seen as ingestion but rather as a means of developing the employee in his/her job with the intention of strengthening the strong points of the employee while enabling him/her to improve his/her weak point. In addition, for management to achieve the objective of performance appraisal, the performance of workers at work and errors committed should be pointed out to them from time to time since this will aid their careers development. Employees must be given specific instruction on how performance can be improved and must have short- and long-term goals set to show incremental improvements. It is not enough to tell an employee who has performance problems that his or her performance is poor, or to identify problem areas without specific instructions on how performance can be improved. This only upsets the employees without solving the underlying problems.

Finally, performance expectations and actual performance must be discussed often and regularly, and raters must be adequately trained with modern techniques of rating periodically through organized workshops, debates and seminars.

In view of the above, the contribution of the paper to existing body of knowledge is:

- Performance appraisal serves as an enriching attitude and skills that improves the effectiveness of employees.
- Performance appraisal provides a basis for identifying and correcting disparities in workers' performance.
- It affirms that performance appraisal is a management tool used to motivate employees and lays emphasis on continuous improvement. Hence, performance appraisal has both evaluative and development objectives.

One key area of concern is the definitions and limitations of performance used in evaluation. Current measures of performance are largely determined by financial performance and productivity, usually within a highly managerialist perspective (Guest, 1997). Research that aims to investigate the link between HRM and performance can use one or several performance indicators. Dyer & Reeves (1995) proposed four categories of measures of performance.

First, employee outcomes deal with the consequences of the practices on employees such as their attitudes and behavior, particularly behavior such as employee absenteeism and turnover. Organizational outcomes focus on operational measures of performance such as productivity, quality and shrinkage, many or all of which would be precursors to profitability. Financial/Accounting outcomes refer to the actual financial performance measures and include expenses, revenues and profitability. Finally, market-

based outcomes reflect how the financial markets value a firm, particularly stock price or variations of it. In realization of the several indicators used on performance, this research focused on financial performance and HR effectiveness. Thus, there needs to be a balance when studying the link between HRM and performance in the sense that financial performance and the role and contribution of employees should form the basis of performance indicators. That is why this study used financial and nonfinancial performance indicators. This upholds the morality of HRM and prevent this field from being seen as the one that supports ideas that perceives employees as a means to an end.

The practical model of an employee performance evaluation of Fekete (2014) revealed that the employee performance and compensation policy is based on the following five questions that represent also the guiding principles:

1. How is the performance evaluated?
2. How is the overall performance measured?
3. How is the distribution of performance checked?
4. How should the rater work with the overall performance results?
5. How is the performance evaluation connected with the compensation policy?

### 2.2.4.1. How is the performance evaluated?

The overall performance evaluation reflects and consists of these four criteria:

1. Individual performance,
2. Competencies / attitude and behavior,
3. Experience in a position, and
4. Overall working experience.

The overall performance evaluation is designed in a way that each of these four considered criteria has a given weight in the calculation of the total performance score. For example, the individual performance in fulfilling tasks is given a 30% weight; competencies / attitude and behavior in accordance to the company values another 30% weight; and experience in position, and working experience each 20% weight respectively (see Table 2.1).

Table 2.1. Overall Performance Evaluation

Criteria	Weight	Points (1 to 5)
1. Individual performance	30%	
2. Competencies / attitude and behavior	30%	
3. Experience in position	20%	
4. Working experience	20%	
<b>Total score</b>	<b>100%</b>	

#### 2.2.4.2. How is the overall performance measured?

Now, how exactly are those four criteria measured? In each part, the employee can receive points from 1 to 5 (1 min, 5 max). For the performance criteria, what these points mean is shown in Table 2.2.

*Table 2.2. Performance Criteria Management*

	<b>Classification</b>	<b>Evaluation criteria</b>
5	Far beyond the expectation	Extraordinary performance
4	Beyond the expectation	Performance exceeds the standards and expectations
3	Meeting the expectation	Performance meets the standards of the company and manager's expectation
2	Slightly under the expectation	Performance meets only the minimum level of standards and expectations
1	Significantly under the expectation	Performance is unacceptable

Competencies are measured against the company competency model, and attitude and behavior in accordance with the company values. Again here, each employee can receive 1-5 points (1 min; 5 max) for his or her level of competencies / attitude and behavior.

The competency model and the company values can be divided up into four areas: *Understanding the business of the company and its strategic direction*. This includes also analysis and problem-solving issues that have impact on the company's business and financial results.

*Delivering results*: That means being customer focused, innovative, willing to change things and performance oriented.

*Motivating people:* That means being able to engage and inspire the employees, cultivate relationships and networks among them, and fostering teamwork, cooperation, and communication.

*Learning people:* People must be trained to adapt to changes and to cope with the challenges. Measuring the experience can be divided up into two areas: experience in a position, and overall working experience. Points from 1 to 5 are given according to how many years the employee holds the position regarding criterion experience in a position or how many years he or she has worked in the company regardless of the position relating to the criterion overall working experience (see Table 2.3).

Table 2.3. Measuring Experience

Overall working experience	Experience in a position
0 to 2 years equals to 1 point	0 to 1 year equals to 1 point
2 to 4 years equals to 2 points	1 to 2 years equals to 2 points
4 to 6 years equals to 3 points	2 to 3 years equals to 3 points
6 to 8 years equals to 4 points	3 to 4 years equals to 4 points
more than 8 years equals to 5 points	more than 4 years equals to 5 points

Each four criteria (performance, competencies, working experience, and experience in position) is given the scores (points from 1 to 5), which are then summed up totaling for example to 15.0 points that equals the overall performance evaluation 4 (again the range for the overall performance evaluation is from 1 to 5) for the respective year (see Table 2.4).



*Table 2.4. Overall Performance Evaluation*

Criteria	Weight	Points (1 to 5)
1. Individual performance	30%	4
2. Competencies / attitude and behavior	30%	3.5
3. Experience in position	20%	3
4. Working experience	20%	5
<b>Total score</b>	<b>100%</b>	<b>15.5</b>

Score	Performance Group	Expected Distribution
Above 16 to 20	5	5
Above 12 to 16	4	15
Above 8 to 12	3	60
Above 4 to 8	2	15
Up to including 4	1	5

Performance Evaluation for Year ...					
1	2	3	4	Total	Evaluation
4	3.5	3	4.5	15.0	4

### **2.2.4.3. How is the distribution of performance checked?**

The overall performance evaluation score (1 to 5) should reflect individual performance, competencies/attitude and behavior in accordance with values, experience in position and working experience in the company. This evaluation is done with many employees each year by their respective supervisors. The individual scores from all evaluated employees are then summed up and statistically evaluated by means of the Gauss distribution curves of the overall performance evaluation. The current distribution of the overall performance evaluation is then compared against the expected one showed in Table 4 above. Let us say that the result for this year is: 70% of employees' performance is on average, 25% of employees are below or above the average, and the rest 5% is far below or far above the average.

There should not be high differences between the expected and actual Gauss distribution curves.

The distribution of the overall performance evaluation is further assessed by the panel discussion of top management, and the assessment of individual performance of the employees is made mutually between them and their supervisors. This is important because it brings more clarity and acceptance of performance evaluation, ensures greater objectivity, and sets the criteria applied further in performance evaluation of the employees with lower job grades. Top management checks the Gauss distribution curve and directs the evaluation of those supervisors who are too strict (prevailing evaluations below 3), too alibis tic (vast majority of evaluation = 3) or too positive about his/her subordinates (values close to 4-5). This is important because top management has to be aware of this bias.

#### **2.2.4.4. How should the rater work with the overall performance results?**

Overall performance evaluation is linked to compensation policy. Each point from 1 to 5 is connected to the salary grade. Point 1 is associated with low-grade salary, point 5 with high-grade salary. Employees with salary grade that correspond to point 1 to 2 need to: improve performance, or be downgraded, or leave the company themselves or being dismissed. Managers should carefully consider which alternative to select. However, due to the fact that some newly appointed employees might end up in category 1 or 2

due to lower experience, managers should consider this when taking decisions about their potential dismissals. On the other hand, employees with salary grades that correspond to point 5 or about need to or can: be promoted, have 0% salary increase, have salary reduction, or leave the company. When the employees that are experienced and have the right attitude are not promoted or their salary is not increased, they can later leave the company as a result of lack of respect by their managers. With these employees, managers have basically three options: promote them hierarchically to a higher, more challenging position, promote them to a more challenging position in another department or project, or increase their salary. It should be mentioned here, that the presented model of performance evaluation regards the employee position and the performance of one employee relating to his or her position. When the employee is moved to another position he or she will start anew and get the experience there, where he or she can get different performance evaluation. The second aspect is that the promotion of an experienced employee is usually accomplished by moving him or her to another position or department within the same company, because the employee is so experienced in a certain position that he or she cannot get higher performance evaluation leading, for example, to higher salary, which could lead to demotivation of this employee.

#### **2.2.4.5 How is performance evaluation connected with the compensation policy?**

Performance evaluation is then linked to the compensation policy with the levels from 1 to 5 (see Table 2.5)

*Table 2.5. The Connection of Performance Evaluation and Compensation Levels*

Score	Performance Group	Expected Distribution	Compensation Level
Above 16 to 20	5	5	L5
Above 12 to 16	4	15	L4
Above 8 to 12	3	60	L3
Above 4 to 8	2	15	L2
Up to including 4	1	5	L1

Employees with salaries below L1 (lowest 5%) need to:

- a) Improve their performance when they are able and willing to, or
- b) Be downgraded when they are not able and willing to, or
- c) Leave the company when there is no chance and willingness for improvement.

Employees with salaries above L5 (top 5%) need to:

- a) Be promoted if it is beneficial to both employee and company, or
- b) Have 0% salary increase when an employee has reached compensation cap,

or

- c) Have salary reduction when an employee starts to offer lower performance, or
- d) Can leave the company when there are not enough suitable promotion

opportunities for him, or her.

The compensation system should allocate a proposed salary increase based on performance group, position to market and decided principles (see below). Managers can make individual adjustments to the proposed salary increase. The salaries of all

employees below or within L1 score (irrespective of their performance) are automatically summed up to L1. These are mainly newly-hired employees.

Comparison ratio (CR) is a comparison or index of Annual Agreed Salary and the Market:

$$CR = \text{Annual Agreed Salary} / \text{Market (e.g., Average)} \times 100\%$$

Salary increases policy proposes % of salary increase based on the Comparison Ratio and Performance Ranking. The logic of this increase is: Higher performance ranking = higher salary increase.

Lower CR = higher salary increase.

When CR is below 80 Percent – requires dynamic salary increase; new salary to reach at least 80% of the market benchmark.

When CR is between 80 – 120 Percent – salary increase based on the performance evaluation is required.

When CR is over 120 Percent – no salary increase is required. Exception can be for the excellent performance only in the way of extra bonus.

According the interview with a Human Resource Business Partner (HRBP) of J Trust Royal Bank about the employee's job performance appraisal policy, it revealed that the employee's performance appraisal is done by the Key Performance Indicator (KPI)

evaluation annually. It focuses on "What" and "How". The KPI (What) consists of 4 categories such as Financial, Customer, Process, and Risk and compliance), and the weight is given to each category. For the values assessment of each staff (how) which is mandatory. Each staff can have the result of "Pass" or "Fail" based on the result of implementing the core values of J Trust Royal Bank known as ICARE (Integrity, Accountability, Respect, and Excellent). The overall rating of employee's job performance is followed the below score:

1: Not meeting the requirement

2: Good performer

3: Strong performer

4: Outstanding performer

The KPI review of staff's job performance is done in June of each year for the performance improvement of each staff, and the KPI evaluation of staff's job performance is done in December of each year; then, the feedback session to each staff related to her or his job performance is also conducted for her or his comment and improvement. Human resource department uses the result of the employee's job performance appraisal to administer the annual merit, annual bonus, promotion, or training and development for employees. Note: Bell curve of the total population of employees is not applied in the employee's job

performance appraisal, but peer benchmarking session is done to ensure the quality of job performance appraisal of employees.

### 2.3. Retention

Employee retention is an effort by a business, company, or organization to maintain a working environment and sustainable business growth which supports current good staff in remaining with the company. Many employee retention policies are aimed at addressing the various needs of employees to enhance their job satisfaction and reduce the substantial costs involved in hiring, training the staff, and other operational tasks. Moreover, it also contributes to reducing the staff turnover rate at the company and to maintain or increase the productivity of staff supporting the business continuity. However, due to the high competition in the job market in the banking sector in Cambodia, certain staff retention policies of some banks are less effective and efficient.

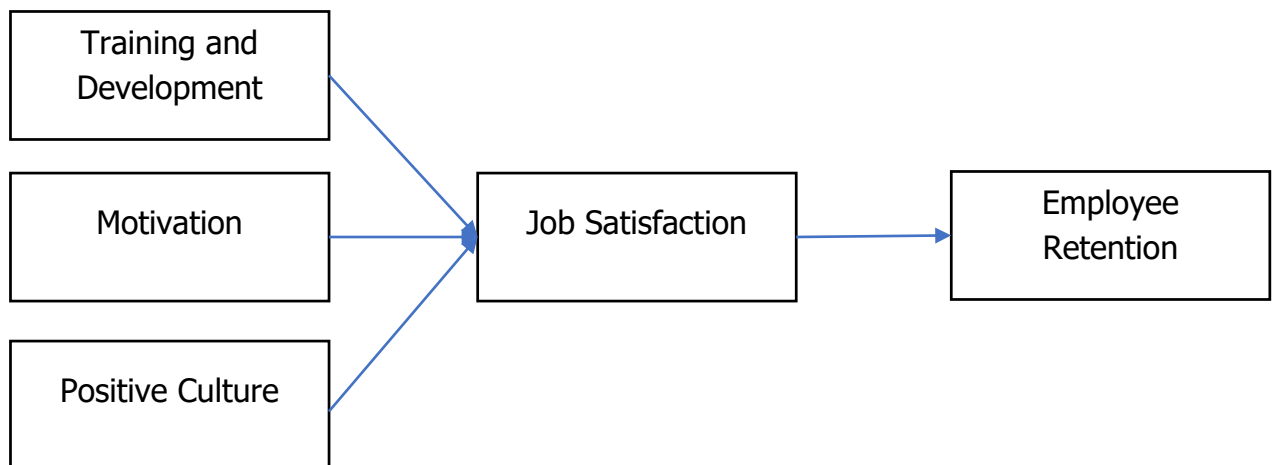


Figure 2.5. Conceptual framework

Source: Waghmare (2014)

Waghmare (2014) indicated that there are certain reasons for employees to leave an organization. Expectations play an essential role to determine whether an employee is satisfied or dissatisfied with current job. The stronger relationship the manager and employees have with each other tends to make employees to stay with that particular organization for a longer period. The result of the study on the employee retention strategies adopted by the Axis Bank noted that there is a great need to recognize the importance of the employee retention in order to keep the cost of employee's turnover low. There are so many factors ignored by the bank but are important for the effective performance of employees. Therefore, it is necessary that both the employees and manager must work in a team and have an effective collaboration with each other while performing the team work. Their factor must also provide the guidance to the achievement of employee retention in banks.

The research study of (Khadka, 2011)<sup>94</sup> has revealed that retention of key employees is essential for organizational success. Trulson (2007) suggests the following five methods: "maintaining staffing levels, implementing team management, updating recruitment/screening process, addressing compensation issues, and professional development programs." Similarly, HR-Focus (2004) suggests "career advancement". Howard and et al. (2007) mention the following thirty-two methods of retention: "Link pay and performance, succession management program, career planning services,

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<sup>94</sup> Sherjung Khadka, Ph.D Thesis Proposal, Singhania University, Rajasthan, India, November, 2011)



employee retention as a corporate objective, organization's vision/mission, training and development opportunities. Others are improving compensation, specialized retention plans, new-hire orientation, monetary rewards, and employment brand. There are also openness in communication, performance management system, mentors/coaches for new hires, selection practices, and internal studies. Others include increased managers' accountability for retention, educate managers on how to retain employees, tracing the impact of retention, and benefits packages. Besides, there are team-building activities, non-monetary rewards, benchmarking, stock options, rotational assignments, exit interviews, and employee involvement in decision making. Finally, the series end with flexible work schedule, virtual office/telecommuting, special employee services, relaxed dress code, and job security" (p. 22).

Trulson (2007) made the following seven recommendations on his research study as retention strategies: "Implement team-based management style, encouraging employee involvement, use committee to address major issues and initiatives; employ friendly schedule. Moreover, examine and improve the recruitment and screening process; provide training and certification program; improve salaries and benefits; organize community relations program to provide recognition, and institute a professional development program" (pp.34-36).

Gbervbie (2010) suggests ten strategies of employee retention. They are as follows: "Payment of monthly salaries to employees, relatively good monthly salary and

allowances, provision of car, housing and furniture loan facilities, health insurance scheme, job security, and regular promotion. Others include health care services to employees' families, maternity leave with full pay for female employees and regular training of employees" (p.6). Gbervbie (2010) reveals that "there is no significant relationship between respondents' job status and their views on strategies for employee retention and performance in the FCS of Nigeria" (p. 9). Gbervbie (2010) states that "out of the 108 respondents sampled, 97 or 89.81 percent agreed that strategies for employee retention of the FCS of Nigeria are inadequate to retain competent workforce for enhanced performance" (p. 9). Kaiser and Hawk (2001) affirmed that technical training was the highest rated retention practice. Howard and et al. (2007) reveal the following factors or drivers promoting retention and employee satisfaction: "A good manager, opportunity for accomplishment, recognition for individual contributions, great company leadership, a creative or fun work place culture, a compatible work group/team, opportunities to learn and grow, and an organization you feel proud to work for. The others include interesting work, opportunities for advancement, benefits, employee autonomy, balance between work and personal life, and compensation. There are also promise of stability/job security, employee lifestyle support, variety in the work, flexible work conditions, opportunity for expatriate assignments, and amount of vacation/annual leave" (p.29).

Standard Chartered Bank conducted a survey, and it concluded its report that "engaging employees is crucial to retaining talent and while our annual survey shows

excellent progress, it continues to invest in developing great managers who engage their teams. (<http://www.standardchartered.com/sustainability/great-place-to-work/employeeengagement/en/index.html>)

The study of (Shukla, and Sinha, 2013)<sup>95</sup> shows that no organization can succeed without its men at work which is Human Assets or Human Resources. Success of an organization depends upon its Human Resources. Due to dynamic nature of Human Resources, retaining talent becomes more challenging. More particularly, retention of the talent became most critical area of concern in the globalized world because every organization competing with others is attracting talents with more attractive perks and opportunities. Talents are the future leaders. For betterment of the organization, proper conglomeration of organizational requirements and the expectations of the human resources are to be strategically planned and implemented. Talents (HR) can save the organization in any sort of problems. They can drive forward in any condition of the workplace and in any condition of the organization, if they are properly motivated, working in a good environment and in harmony with co-workers. The relation with the workers and manager should be positive, close and good. It is imperative for the firms to provide congenial and friendly environment for retaining and developing talents. Development of talent is the ultimate development of Organization.

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<sup>95</sup> Santripriya Shukla, 2 Dr. Ambalika Sinha, Employee Turnover in banking sector: Empirical evidence, IOSR Journal Of Humanities And Social Science (IOSR-JHSS) Volume 11, Issue 5 (May. - Jun. 2013), PP 57-61 e-ISSN: 2279-0837, p-ISSN: 2279-0845. [www.Iosrjournals.Org](http://www.Iosrjournals.Org)

The study of Kanwal & Majid (2013) found from the analysis that 84% of the respondents responded that a low pay is one of the factors that cause the employees dissatisfaction, but 16% said the low pay may not be a major contributor towards the dissatisfaction of employees in the banks. 80 percent of the respondents supported that the long working hours is a greater factor of the employees' dissatisfaction, but 20% are not in favor of this. 80 percent of the respondents supported the view that effective communication between the employees with the employer is necessary for the retention of the employees in the bank. 85 percent of the respondents had paid a great attention to the bonuses and rewards schemes in respect of maintaining and retaining the employees in the bank while 15 percent disagree with this statement. 60 percent of the respondents supported the evidence that the presence of the management team may decrease the employee turnover, and 40 percent does not agree with this statement. 53 percent of the respondents are satisfied with the support and facilities provided by the bank, but 47 percent are not in agreement with this, and have not been in relationship of retention with the bank. Trust of the employees influence the loyalty of employees with the organization. 72 percent are in agreement with this statement but 28 percent are opposed to respect of trust. The study also examined the case of employee retention in the bank in Pakistan (A case study of HBL, Multan). Organization has a great need to recognize the importance of employee retention in order to create a clear understanding of this phenomenon. Several factors are uncovered that contribute to the employee performance when they are retained in the organization for a longer period of time.

However, this fact is also known that the human resource does not possess a full combination of competency and knowledge to perform their duties and responsibilities. The study was conducted to identify the several major factors that are contributing to the employ retention. Among all the factors, training and development had a significant impact on the employee retention. Other factors that have been recognized in the literature review had a synergic effect on the employee performance. Most of the organizations in Pakistan trained their employees before and even during the job, and their effect also resulted to high performance and collectively contributing to the organizational performance. Therefore, it is necessary that both the employees and the manager must work in a team and have an effective collaboration with each other while performing the team work. These factors must also provide the guidance to the achievement of employee retention in banks.

Victor Vroom's Expectancy Theory suggests that motivation depends on two things - how much we want something and how likely we think we are to get it (Griffin, 2000, p. 483). The following diagram summarizes the basic expectancy model (Griffin, 2000, p. 484):

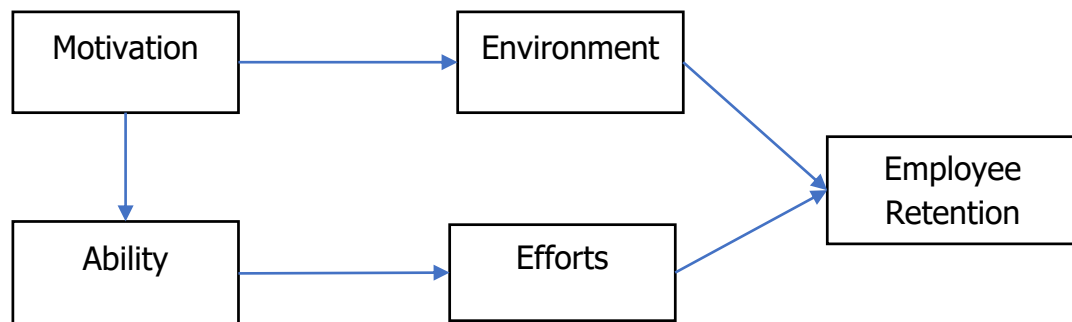


Figure 2.6. Vroom's Expectancy Model based on Ricky W. Griffin

Source: Griffin (2000), p.484

The interview with a Human Resource Business Partnership (HRBP) of J Trust Royal Bank on March 03, 2024 about the employee retention policy at J Trust Royal Bank indicated that J Trust Royal Bank has currently had some activities to retain the good employees. Obviously, good performance employees are sponsored to pursue their studies such as Bachelor's Degree, Master's Degree, or special skill certification to build up their capacities. However, they will implement the binding policy to work for J Trust Bank for 2 years after completing those courses. All employees are provided with health and incident insurance including the immediate family members, and life insurance, housing loan with the special interest of 3.7 percent per annum, personal loan with the special interest rate of 7 percent per annum, saving fund (pension fund), annual award, value awards, service awards for 5 years and 10 years, bank ranking awards, performance recognition, and annual staff party as well. J Trust Royal Bank has built a strong employee engagement through the annual staff engagement survey about their satisfaction on level

on the leadership and working environment of the whole bank as well as each Business Unit. On top of this, employees of the bank were encouraged to join the community events and social club events. As a result, the staff turnover in 2023 was only 8 percent comparing to the staff turnover rate in the job market of the bank industry was 20 percent in 2023.

## **2.4. Theoretical Models of HRM Practices**

The academic literature on HRM practices is vast as evident in the conceptual and empirical review. The candidate's review of the literature revealed many formal definitions of HRM practices and a variety of theoretical models that support the organizational competitiveness and employees' performance. Agreement on specifics however, is sparse across these definitions, models, and methods, but through a synthesis of seminal work by HR leading scholars, the following theoretical models of HRM practices have been identified and are generally accepted attributes that impact organizational competitiveness and employees' performance, as shown in Figure 2.7.

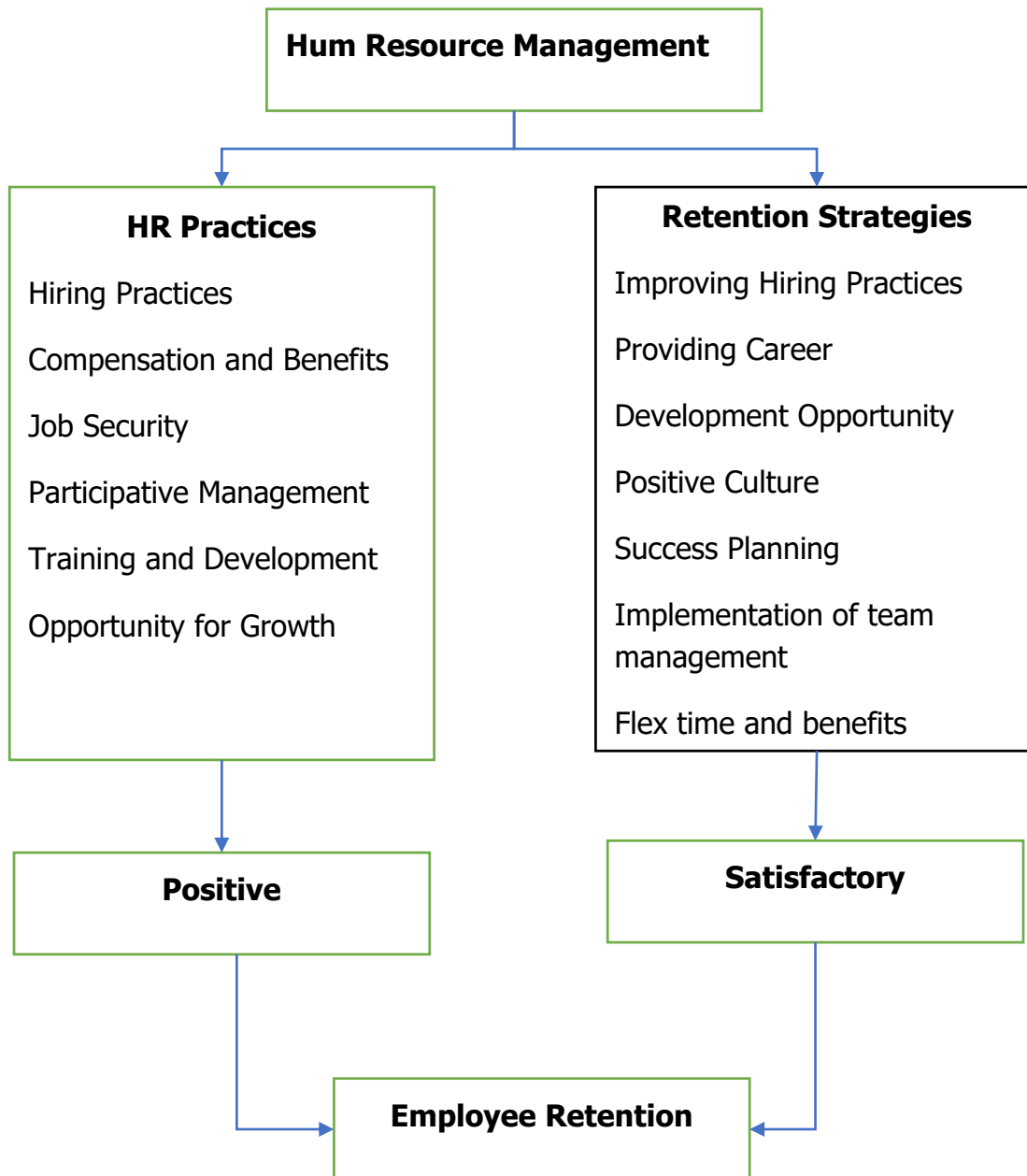


Figure 2.7. Model of Conceptual Framework

Source: Khadka (211), Employee Retention in Banking Industry of Nepal

An excellent retention plan is always a critical success factor. Human Resources cannot develop just one plan because each group of employees has different needs and



requirements. HR should always design at least two or three alternatives the employee can choose from. However, HR should also prepare several levels of programs so that the employee can earn a higher retention status. HR should construct plans together with managers and employees. The leadership team has to approve them. This is the goal for Human Resources. The retention program is based on nominations and a limited number of seats. Human Resources Team has to design and manage the appointment program that is fair and gives balanced chances to all line managers. There should be an explicit list of key job roles and just employees from the list should be allowed to enter the program. However, the leadership team should receive several wildcards to include other key employees. Rules should be known to everyone in the organization. HR is a gatekeeper, and it has to play the role fairly. Finally, the retention program has to be measured. HR has to measure the performance of the retention plan. HR has to measure a difference in the turnover, the development of the attrition and the satisfaction of employees in the program. HR has to make sure that the retention strategy has a real impact on the business performance.

The review of both conceptual and empirical studies made in this chapter clearly show that effective HRM practices such as: recruitment and selection; compensation; training and development; performance management; and retention contributed immensely to the enhancement of organizational competitiveness and employee performance that enable organizations to gain competitive advantage, particularly the commercial banks.

From the reviews of both conceptual and empirical studies, it has also become very clear that the competitiveness of business organizations in today's environment is dependent on the efforts, commitment, motivation, and creativity that people put into their jobs, besides their own skills, knowledge and abilities. Several studies have strongly indicated that there is a positive and direct linkage between sound HRM practices and organization performance (Ulrich and Lake, 1991; Waterman, 1994; Huselid, 1995; Guest, 1997; Pfeffer, 1998; Becker and Huselid, 1998; Khatri, 2000; Chang and Huang, 2005; Park. et.al. 2003; Boxall, 2007; Lepak, Taylor, Tekleab, Marrone and Cohen, 2007; Patel and Cordon, 2010; and Caldwell and Storey, 2007. Thus, if HRM practices are being implemented effectively in the organization, it will then contribute to the enhancement of organizational competitiveness and employee performance and enable the organization to achieve its competitive advantage.

#### **2.4.1. Dhan Raj (2019) Model of HRM System in terms of staff retention**

The framework of the study of the Human resource practice of Napalese Commercial Bank indicates that employee retention as a dependent variable on training and development, career opportunities and work life policies because employees of the bank want to consistently build their capabilities for their career growth, and their worklife balance for their families as well.

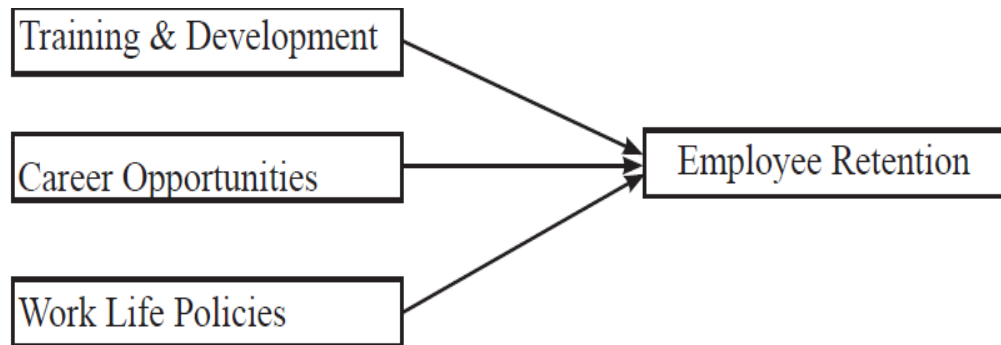


Figure 2.8. Dhan Raj (2019) Model of HRM System in terms of staff retention

Source: Dhan Raj (2019), Employee Retention in Nepalese Commercial Bank, Management Dynamics, Vol. 22, No. 1: 95-106, 2019Shanker Dev CampusDoi: <https://doi.org/10.3126/md.v22i1.30243>

#### **2.4.2. Muhammad Rizwan, Waqas Mehmood Khan, Hafiz Muhammad Aqeel Tariq, Abdul Ghaffa, Malik Zubair Anjum, Ehsan Ullah Bajwa Model of HRM System in terms of employee job satisfaction**

According the empirical study of employee job satisfaction in Parkistan written by Muhammad Rizwan, Waqas Mehmood Khan, Hafiz Muhammad Aqeel Tariq, Abdul Ghaffa, Malik Zubair Anjum, Ehsan Ullah Bajwa, the good workplace environment, right reward and recognition, good teamwork, and training and development are also the main factors to consistently drive the employee job satisfaction and motivation at the workplace of the Company.

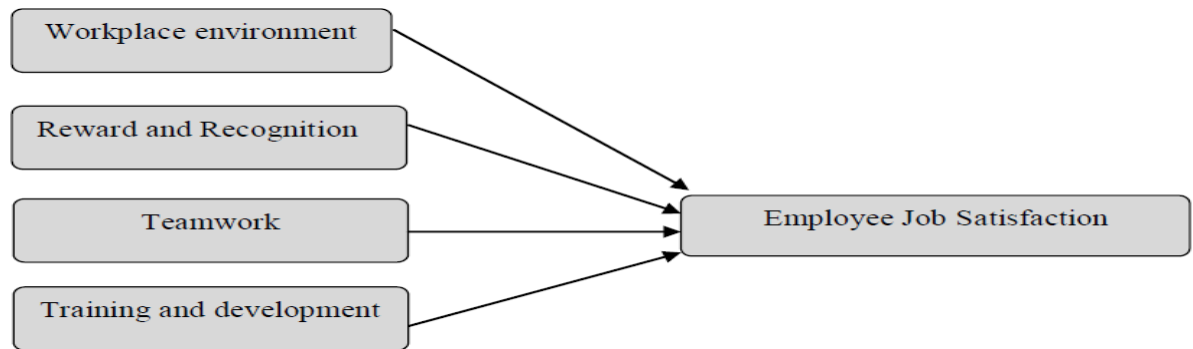


Figure 2.9. Muhammad Rizwan, Waqas Mehmood Khan, Hafiz Muhammad Aqeel Tariq, Abdul Ghaffa, Malik Zubair Anjum, Ehsan Ullah Bajwa Model of HRM System in terms of employee job satisfaction

Source: IOSR Journal of Business and Management (IOSR-JBM), e-ISSN: 2278-487X, p-ISSN:2319-7668, PP 29-35, [www.iosrjournals.org](http://www.iosrjournals.org), Empirical study of Employee job Satisfaction, New dimensions in Business and Management Research 29 | Page, Department of Management Sciences, The Islamia University of Bahawalpur, Pakistan

### 2.4.3. Md. Atiqur Rahman Sarker (2014) Model of HRM System in terms of employee job satisfaction

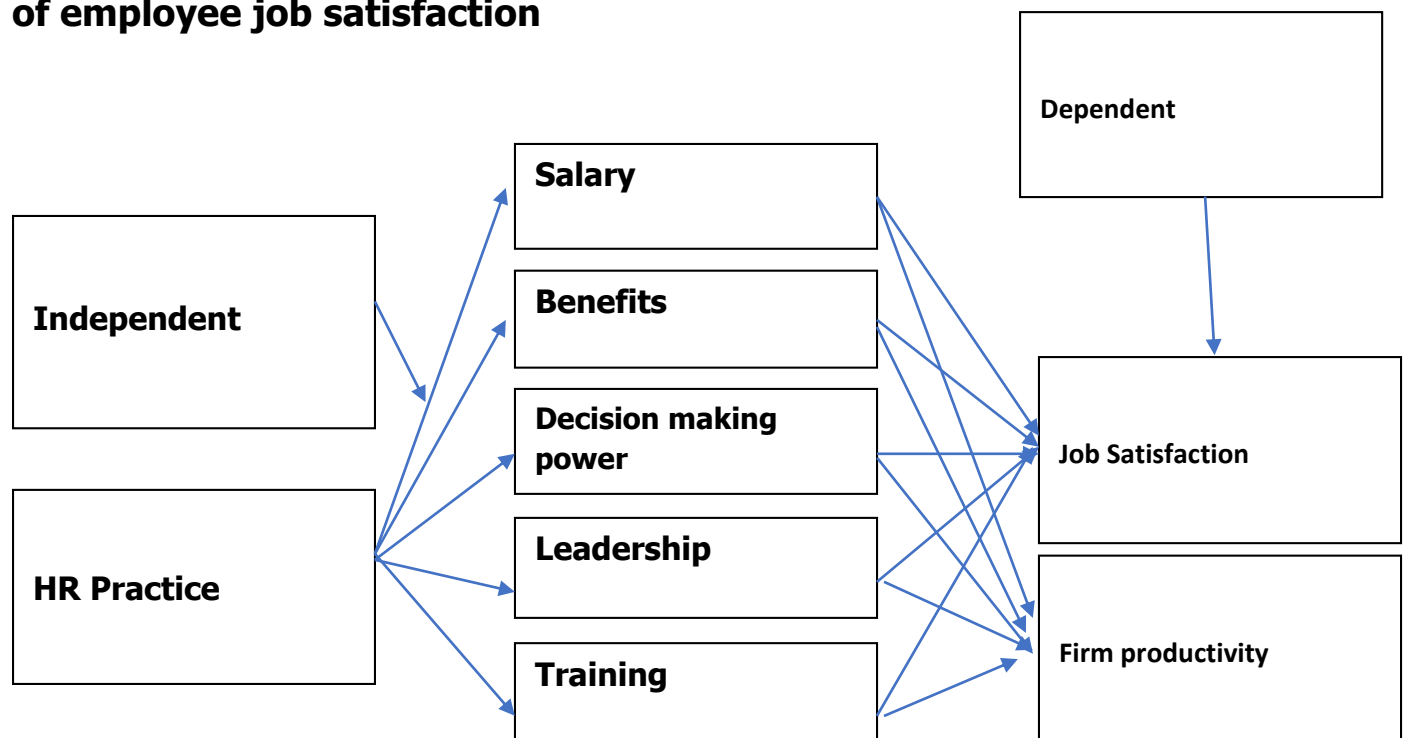


Figure 2.10. Md. Atiqur Rahman Sarker (2014) Model of HRM System in terms of employee job satisfaction

Source: All banking sector of Bangladesh. Md. Atiqur Rahman Sarker Senior Lecturer of Human Resource Management Department of Business Administration, East West University, Bangladesh

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Journal of Economics and Sustainable Development [www.iiste.org](http://www.iiste.org) ISSN 2222-1700 (Paper) ISSN 2222-2855 (Online) Vol.5, No.10, 2014

Md. Atiqur Rahman Sarker Senior Lecturer of Human Resource Management Department of Business Administration, East West

University, Bangladesh Tel: 0088-01775500476; Email: [mars@ewubd.edu/sarker.limon@gmail.com](mailto:mars@ewubd.edu/sarker.limon@gmail.com)

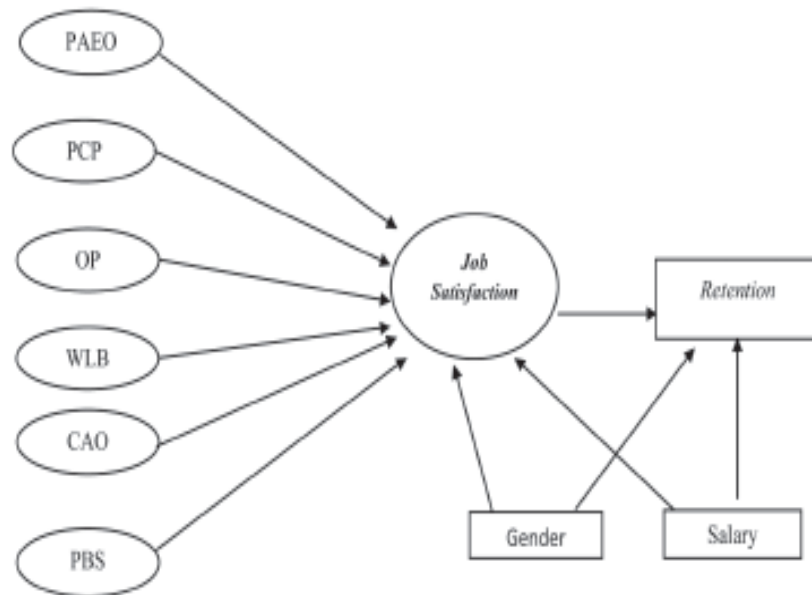
Increasing employee job satisfaction as well as organizational performance through effective HRM practices in private commercial banking sector of Bangladesh.

#### **2.4.4 Alternative Models**

There has been insufficient consistency between relations of variables/path in literature.

It is not possible to predict clearly which variables would relate along a particular path. Thus, alternative models have been created and tested to include possible associations among variables. A fully mediated model and model with no mediator were also introduced and tested in the literature (Bambacas & Kulik, 2012; Liu *et al.*, 2013). In a fully mediated model, all the exogenous variables were hypothesized to have an indirect effect on endogenous variable through job satisfaction. Whereas, in

model with no mediator considered job satisfaction as an exogenous variable and all the variables directly influencing endogenous variable.



*Source: Related literature*

Figure 2.11 Alternative SEM model 2 (Full mediation)

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Notes: PAEO= Perceived Alternative Employment Opportunities; PCP= Perceived

Competitiveness of Pay; WLB= Work-life balance; PBS= Pay and Benefits Satisfaction;  
CAO= Career Advancement Opportunities; OP = Organization Prestige.

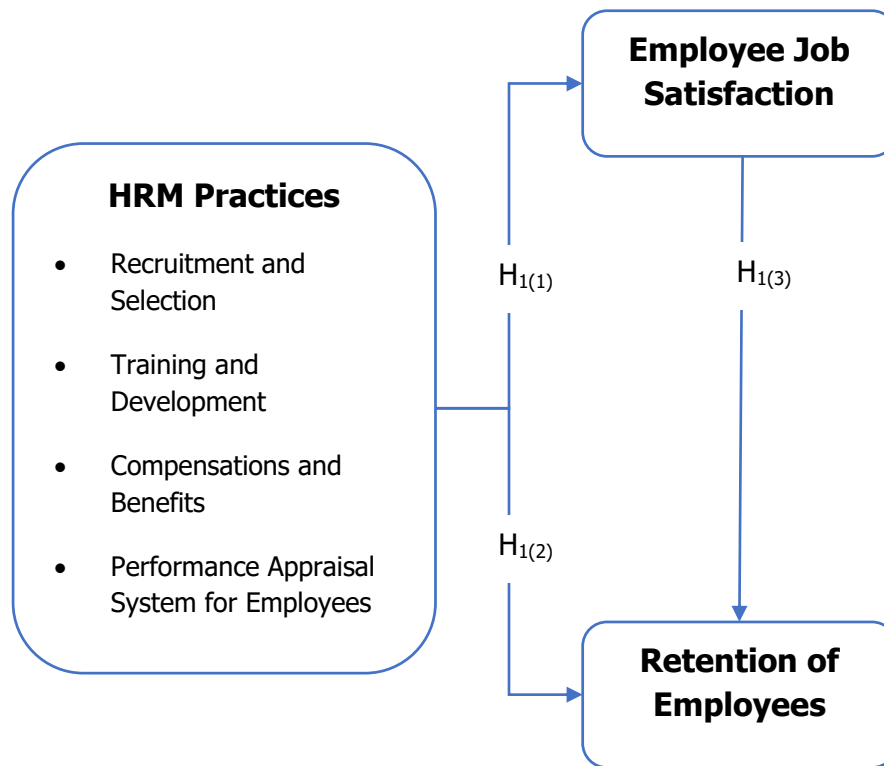
## **2.5. Conceptual Framework and Hypothesis Development**

Based on the theoretical foundation and existing literature review, this study developed the conceptual research framework as shown in Figure 2.11. This research framework has integrated the existing literature and academic foundation to develop 3 alternative research hypotheses, as stated below:

**H<sub>1</sub> 1:** HRM practices have a positive impact on employee job satisfaction.

**H<sub>1</sub> 2:** HRM practices have a positive impact on retention of employees.

**H<sub>1</sub> 3:** Employee job satisfaction has a positive impact on retention of employees.



2.12. Figure 2.12. Conceptual Framework and Hypothesis Development



## **CHAPTER III**

### **RESEARCH METHODOLOGY**

This chapter presents the methodology adopted in the study. The chapter includes an explanation of the type of analysis, types and sources of data, sample size and sampling, statistical tools, data gathering procedures, coverage, and scope and limitations of the study.

#### **3.1. Research Philosophy**

Research philosophy can be defined as the development of the research background, research knowledge and its nature (Saunders and Thornhill, 2007). Research philosophy can also be defined with the help of research paradigm.

According to Cohen, Manion and Morrison (2000), research paradigm can be defined as the broad framework, which comprises perception, beliefs and understanding of several theories and practices that are used to conduct research. It can also be characterized as a precise procedure, which involves various steps through which a researcher creates a relationship between the research objectives and questions.

There are mainly three types of paradigms to understand the reality: Positivism, Interpretivism and Realism. This research used the positivism research paradigm, it utilized an empirical setting to investigate the theoretical relational paths drawn from

literature and test them through hypotheses. The conceptual framework sought to quantify the data for the purposes of explaining the causal relationships.

The concept of Positivism is directly associated with the idea of objectivism. In this kind of philosophical approach, scientists give their viewpoint to evaluate social world with the help of objectivity in place of subjectivity (Cooper & Schindler, 2014)<sup>96</sup>. The positivist position is derived from that of natural science and is characterized by the testing of hypothesis developed from existing theory (hence deductive or theory testing) through measurement of observable social realities (Sunders, Lewis, & Thornhill, 2016)<sup>97</sup>. Positivism is said to be in the realm of theory, where the data is theory driven and design to test the accuracy of the theory. Predictions can be made on the basis of the previously observed and explained realities and their inter-relationships.

### **3.2. Type of Analysis**

The study used both descriptive and quantitative approaches to answer the research questions, meet the objectives of the study and test the hypotheses. In descriptive approach, the study relied on relevant literatures on HRM practices (recruitment and selection; compensation; training and development; performance appraisal; and employee retention) in the banking sector. In the quantitative approach, tables, bar chart, graphs, and statistical models have been used for the analysis of the

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<sup>96</sup> Cooper, D. R., & Schindler, P. S. (2014). *Business research methods* (12th ed.). New York: McGraw Hill.

<sup>97</sup> Sunders, M., Lewis, P., & Thornhill, A. (2016). *Research methods for business students* (7th ed.). New York: Pearson Education.

data. The data calculation tools with their usage purposes are described as the following:

1) Factor Analysis and Reliability Test are statistical techniques commonly used in research, especially in the fields of psychology, and social science to evaluate the validity and reliability of measurement instruments like questionnaires, or tests. The purpose of using the Factor Analysis is Dimensionality Reduction, Identify Latent Variables, and Improve Validity, and the purpose of using Reliability Test is Consistency Measurement, Measure Internal Consistency, and Test-Retest Reliability.

2) Correlation Matrix is used on the purpose to identify Relationships, to detect Multicollinearity, to input for Factor Analysis, and to be visualizing data Relationships.

3) Logistic regression is primarily used to predict binary outcomes, estimate the probabilities of these outcomes, and provide interpretable insights into the relationship between predictor variables and the likelihood of a specific event occurring. Its versatility, simplicity, and effectiveness make it a fundamental tool in predictive modeling and statistical analysis.

4) The purpose of using multiple regression is to analyze and model the relationships between a dependent variable and multiple independent variables simultaneously. It helps in understanding the impact of various factors, making predictions, controlling for confounding variables, and improving the accuracy and interpretability of the results. This makes multiple regression a powerful and widely used tool in research, business, economics, and many other fields where understanding complex relationships is essential.

5) The purpose of using the Chi-Square test is to assess whether there is a significant association between two categorical variables, to evaluate how well observed data fit expected distributions, and to test hypotheses about relationships within categorical data. It is a versatile tool for analyzing categorical data, particularly when you need to understand the relationships between variables in non-parametric situations where the assumptions of other tests, like normality, do not hold.

6) The purpose of using ANOVA is to determine whether there are significant differences among the means of three or more groups, while controlling for the risk of Type I errors. It is a powerful tool for analyzing the effects of one or more factors in experimental designs, providing insights into the sources of variability in the data and helping to identify significant relationships and interactions among variables.

7) The purpose of using SPSS25 is used to analyze the collected data and to facilitate data management, perform a broad array of statistical analyses, create visual representations, and generate reports. It is a powerful and versatile tool that streamlines the research process, making it easier to explore, analyze, and interpret data across various disciplines. Whether for academic research, business analytics, or policy evaluation, SPSS provides a comprehensive solution for statistical analysis and data-driven decision-making.

8) Regression analysis: Regression analysis is to test the relationships among independent and development research variables, as proposed in research hypotheses statement

The present study was expected to produce both quantitative and qualitative data. Therefore, both descriptive and inferential statistics were used to analyze the data. Once the questionnaires were received, they were coded and edited for completeness and consistency. The data obtained was cleared and coded then SPSS was used for data analysis using quantitative data analysis as well as qualitative data analysis.

### **3.3. Type of Data Collections**

This research study is mostly based on the primary data which was collected for the study. However, the minority of secondary data was collected from internal and external sources. Internal sources of collecting data are in-house publication, databases, and websites, existing policies, and personal profiles of J Trust Royal bank in Cambodia to support this research study.

External sources of secondary data were from scholarly journals, books, articles, and websites, pertaining to the study. Further, primary data were collected through a structured questionnaire which targeted 200 sample respondents who are employees in J Trust Royal bank. It included selected respondents of J Trust Royal bank in 5 locations such as the Head Office in Phnom Penh, and its other four branches in Siem Reap, Battambang, Kompongcham, and Shianoukville provinces respectively.

### 3.4. Sample Sizes

Up to May 31, 2021, J Trust Royal Bank had a total staff population of 586 employees working in the two main divisions of: Frontline (customer-facing role known as Business lines, and Back-Office (supporting group) called Enablement. The survey was started in May, 2021 and was completed in June, 2021.

As the total population of this bank consisted of 586 employees, the study used the Yamane's formula as depicted below in order to determine the sample size for the survey. Moreover, the level of confidence  $(1-\alpha) = 94$  percent and the margin of error is 6%.

The total of sample size is 195 respondents ( $n=195$ ). The Yamane's (1973)<sup>98</sup> formula that was used to support the data calculation is:

$$n = \frac{N}{1 + Ne^2} = \frac{586}{1 + 586 \times (0.06)^2} = \frac{586}{1 + 2} = 195$$

Where:

- $n$  = sample sizes
- $N$  = Population size = 586
- $e$  = Margin error at 6%

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<sup>98</sup> Yamane, T. (1973). *Statistics: An introductory analysis* (3rd ed.). New York.: Harper and Row.

- However, the sample size of 200 respondents was taken instead of 195 respondents will be selected in this research study.

### 3.5. Sampling Design Procedures

From the sample size of 200 respondents, stratified sampling method was used to further select the respondents from each of the five locations from the Business lines division and Enablement division of J Trust Royal Bank in Cambodia. These five locations are: (1) Phnom Penh Head Quarters (HQ) including Phnom Penh Branches, (2) Siem Reap Branch, (3) Battambang Branch, (4) Sihanoukville Branch, and (5) Kompongcham Branch. The detail selected respondents based on the stratified sampling method are shown in Table 3.1 Selected respondents of J Trust Royal Bank

Sl. No.	Name of Location	Total Number of Employees	Percentage (%) to Total	Sample Size
1	Head Quarters (HQ)	546	93 percent	180
2	Battambang Branch	10	1.8 percent	5
3	Siem Reap Branch	14	2.5 percent	7
4	Kompongcham Branch	8	1.37 percent	4
5	Sihanoukville Branch	8	1.37 percent	4
<b>Total</b>		<b>N=586</b>	<b>100%</b>	<b>n=200</b>

Source: J Trust Royal Bank's Annual report in 2021

Simple Random Sampling such as lottery method was also used to select staff from each stratum (branch and headquarters) in J Trust Royal Bank. In using this method, all

the names of the staff were obtained from each location and their names were then placed in each box for each location, and the staff's name was then randomly picked from the box to meet the above-mentioned sample size of each stratum in the Table 1 above. The survey questionnaire was then administered to these selected respondents for the purpose of primary data collection.

### **3.6. Statistical Analysis Tools**

The primary survey would get data 200 respondents from J Trust Royal Bank in Cambodia. As this research study is quantitative in nature, SPSS 25 was used to analyze the collected data. Initially, the data was analyzed by SPSS 25 consisting of frequency analysis, descriptive statistics analysis, exploratory factor analysis and reliability test, correlation matrix and regression analysis to test the research hypotheses development as proposed by this study.

#### **3.6.1. Frequency Distributions**

Frequency distribution is a descriptive statistical method that shows the number of occurrences of each response chosen by the respondents, and it is used to summarize and organize data relevant to the personal information of respondents including gender, age, occupation, education, and income which is shown in bar-chart, histogram, and cross-tabulation.



### **3.6.2. Descriptive Statistic Analysis**

In order to analyze the data, researcher conducted the descriptive statistical analysis by using data analyzing computer program called Statistical Package for Social Sciences (SPSS). Descriptive statistics were used to describe the basic features of the data in a study (Jaggi, 2016). It involved transformation of collected data into a form that would provide information to describe a set of factors in a situation; moreover, it assisted the researcher to simplify vast amounts of data in a realistic and sensible way (Jaggi, 2016). Common types of techniques were applied: Frequency Distribution and Central Tendency, Mean and Standard Deviation (SD).

### **3.6.3. Factor Analysis and Reliability Test**

Exploratory factor analysis (EFA) is a statistical approach used to determine the correlation among the variables in a dataset. Factor analysis reveals which observed variables are strongly correlated with each other and therefore should perhaps be grouped together. The factors analysis that were discussed in this research are Factor Loading, KMO, Cumulative Percentage, Eigenvalues, Item-to-total correlation and Cronbach's alpha. Item-to-total correlation and Cronbach's alpha were assessed to identify the internal consistency and reliability of the construct while Latent roots (Eigenvalues), screen test, and other criteria were used to determine the number of dimensions to be extracted from the principal components factor analysis which include: Factor Loading  $\geq 0.60$ , KMO and Bartlett's test  $> 0.50$ , Cumulative Percentage  $> 60\%$ ,

Eigenvalue >1, Item to total Correlation > 0.50 and Coefficient Alpha ( $\alpha$ )  $\geq$  0.60 (Hair, Black, Babin, & Anderson, 2014)<sup>99</sup>.

In short, exploratory factor analysis (EFA) confirmed the reliability, validity, and internal consistency of the construct by successfully identifying the relationships among observed variables. The extracted factors met the recommended thresholds, ensuring a well-structured dimensionality and a strong measurement framework for further analysis.

Table 3.2. The Rule of Thumbs of "Factor Analysis and Reliability Test

<b>Description</b>	<b>Factor Analysis</b>	<b>Reliability Test</b>	<b>Sources</b>
Factor Loading	$\geq 0.60$		(Hair et al., 2014)
KMO and Bartlet's Test	$> 0.50$		
Cumulative Percentage	$> 60\%$		
Eigenvalue	$> 1$		
Item-to-total correlation		$> 0.50$	
Coefficient Alpha		$\geq 0.60$	

### 3.6.4. Correlation Matrix

A correlation matrix is a table showing correlation coefficients between sets of variables. Each cell in the table shows the correlation between two variables. It allows researchers to see which pair of the variables has the highest correlation. A correlation matrix is used as a way to summarize data, as input into a more advanced analysis, and

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<sup>99</sup> Hair-Jr, J. F. B., William C, Babin, B. J., & Anderson, R. E. (2014). *Multivariate data analysis* (7th ed.). Essex, UK: Pearson Education.

as a diagnostic for advanced analyses. Regarding the calculation of the level of correlation among research variables, a number of correlation coefficients exist, sometimes denoted by the Pearson correlation coefficient ( $r$ ). In the correlation matrix, the number of stars indicates significance, with one star (\*) showing the relationship is significant at 0.05 level (2-tailed), and two stars (\*\*) showing that its relationship is significant at the 0.01 level (2-tailed).

The Pearson correlation coefficient,  $r$ , can take a range of values from +1 to -1. A value of 0 indicates that there is no association between the two variables. A value greater than 0 indicates a positive association; that is, as the value of one variable increases, so does the value of the other variable. A value less than 0 indicates a negative association; that is, as the value of one variable increases, the value of the other variable decreases (Hair et al., 2014).

### **3.6.5. Regression Analysis**

Regression analysis is to test the relationships among independent and development research variables, as proposed in research hypotheses statement. The rules of thumb for regression analysis as recommended by Hair et al. (2014) was adopted to evaluate the research findings of the study. The thresholds of regression criterion are stated below:

1.  **$R^2$  (R-square):** must be greater or equal 0.1 (or 10%)
2. **Adjusted- $R^2$ :** must be greater or equal 0.1 (or 10%)

3. **F-value:** must be greater or equal 4 with the significant of p-value at  $p < 0.05$
4. **t-value:** must be greater or equal 1.96 with the significant of p-value at  $p < 0.05$ .

Therefore, if any results of regression met the above thresholds, then the research hypothesis would be accepted. In contrast, if any results of regression did not meet anyone of those above thresholds, then the research hypothesis would be rejected.

### **3.6.6. Data Gathering Procedures**

For the collection of primary data, a structured questionnaire was used. Please refer to the details of the structured questionnaire in Appendix-Section III. The questionnaire was divided into 2 sections as follows:

The first section collected data on the respondents' profile such as: gender, age, year of work experience, and type of hiring employment contract, education background, and current position.

The second section collected data related to the perceptions of the respondents based on the four human resource practices: (1) recruitment and selection of employees; (2) compensation and benefits of employees; (3) training and development of employees; and (4) staff performance appraisal system of employees. More data was collected on retention of employees, employee job satisfaction, and organizational performance. This section consisted of 84 questions as shown in the Appendix: Questionnaire Design.

A Likert scale based on 5 options, ranging from strongly agree to strongly disagree was used in the questionnaire in order to gauge the perceptions of the selected respondents on the five human resource practices of J Trust Royal Bank.

After developing the questionnaire, it was further reviewed, verified and validated on the feedback received from a pilot survey which was carried out at another International Bank in Cambodia, CIMB Bank. The researcher distributed 25 pilot questionnaires to selected respondents in this bank and 25 completed questionnaires were returned.

The pilot test had been used to support the purpose of the present study to ensure the reliability and validity of the structured questionnaire items.

Furthermore, relevant secondary data of J Trust Royal Bank was collected to support this research study. After collecting the data, further compilation and rearrangements made to meet the requirements of the analysis.

### **3.7. Coverage of the Study**

The study covered the information of the last 2 years (from 2020 to 2021) of J Trust Royal Bank in the banking sector in Cambodia. For the of the present study, 2020 to 2021 is the study period. Furthermore, the study had only taken the respondents working in J Trust Royal Bank in Cambodia at its Headquarters in Phnom Penh, and its branches in Siem Reap in Siem Reap Province, Battambang in Battambang Province,

Kompongcham in Kompongcham Province, and Sihanoukville in Sihanoukville Provinces in Cambodia.

In the study, the views of the 200 surveyed respondents on the five human resource practices: (1) recruitment and selection of employees; (2) compensation and benefits of employees; (3) training and development of employees; (4) staff performance appraisal system of employees; and (5) staff retention at the J Trust Royal bank were taken into account.

### **3.8. Procedure of Analyzing Data**

The study used the Statistical Package for the Social Science (SPSS) to process the data. Secondary data were processed in Excel, and primary data were processed both in SPSS and Excel. Further, necessary tables and graphs were used to analyze the data collected and simple calculations like average and percentages were done at appropriate places for analysis of the data. In this study, tabular analysis was also carried out. The data collected from various sources were further compiled, processed and tabulated keeping the objectives of the research in mind. The interrelation among the data formed the basis of tabulation in this study.

### **3.9. Concluding Remarks**

The above discussions explicitly explain the methodology adopted in this study. To conclude, the present study used both primary data and secondary data. The sample size

was calculated by using Yamane (1973)<sup>100</sup> formula with the level of confidence 94 percent and margin of error of 6 percent.

Further, the stratified sampling method was used in the study for selecting the respondents in 5 locations of the study area by using the simple random sampling and Lottery method for further selection of the 200 respondents (sample size) in each of the 5 locations. Both quantitative and qualitative analysis were used for the data analysis including Descriptive Statistics, Frequency Distribution, Regression Analysis and ANOVA. Finally, the study used both MS Excel and SPSS 25 to process the data collected and the results were presented through tables, graphs, and charts accordingly.

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<sup>100</sup> Yamane, T. (1973). *Statistics: An introductory analysis* (3rd ed.). New York.: Harper and Row.

## **CHAPTER IV**

### **THE PROFILE OF J TRUST ROYAL Bank**

In order to deeply understand the human resources management practices in the Cambodian context, especially the case study on the human resource management practice of J Trust Royal Bank, this chapter will focus on only the profile of the J Trust Royal Bank in Cambodia.

Commencing the operations in August 2019 under our new name, J Trust Royal Bank after the acquisition, J Trust Royal Bank formerly known as ANZ Royal Bank – one of the country's largest foreign bank, deeply rooted in the Kingdom and has been serving Cambodians for more than 17 years. J Trust Royal is a joint venture between J Trust Co., Ltd, a Japanese diversified financial holding company listed on the Tokyo Stock Exchange, and the Royal Group of Companies, one of Cambodia's largest conglomerates which has multi types of business and widen network in Cambodia. J Trust Royal is one of the Cambodia's largest foreign banks with an ever-growing commitment to provide world-class financial services to Cambodian people and expatriates living in and working across the Kingdom of Cambodia.

Headquartered in Tokyo and listed on the Tokyo Stock Exchange, J Trust is a financial services group operating in multiple Asian countries, including Japan, South



Korea, Indonesia, Cambodia, and Mongolia. J Trust has expanded rapidly through strategic acquisitions in Japan's finance and credit card sectors.

In 2012, the group launched a South Korean savings bank, leveraging its expertise in Japan. In 2014, it acquired both a finance company and a commercial bank in Indonesia. In August 2019, J Trust expanded further into Cambodia, acquiring a 55% stake in J Trust Royal Bank. The remaining 45% is held by The Royal Group, Cambodia's premier investment and development company.

The Royal Group has been a key driver of Cambodia's economic growth for over two decades, attracting international investors and fostering market leaders across various industries. Recognized as the country's most dynamic and diversified business conglomerate, it holds interests in telecommunications, media, banking, insurance, retail, education, real estate, trading, and agriculture.

Its purpose is to help customers prosper. J Trust Royal Bank lives this purpose daily through its values and behaviors, reflected in how it serves its customers, interact with each other, and achieve success as an organization. Based on the banking operational history, J Trust Royal Bank has won many awards such as (2006, 2011 and 2013) Bank of the Year; (2007) Financial Insights Innovation Award (FIIA); (2009) Asia Deal of the Year ; (2013 Home Lender of the Year; (2013) Runner-up for the Top Ranking Performers in the Contacted Centre World-Best Small Call Centre in Asia Pacific; (2014) Bronze for the Top Ranking Performers in the Contact Centre World-Best Small Call Centre in Asia Pacific; (2014 and 2013) Most Outstanding Performing Foreign Bank; (2014 and 2015) Best Trade Finance Bank in Cambodia; (2015) Fastest Growing Bank (Retail), Cambodia, and (2016) Best Foreign Retail Bank Cambodia; Best Customer Service Bank – Cambodia 2022: This award highlights its unwavering commitment to delivering exceptional service through its "Customer First" philosophy. It extends its sincere gratitude to its customers

for their continued support and feedback; Best Workplace in Banking – Cambodia 2022: This recognition reflects our dedication to employee growth and satisfaction, anchored in our core Employee Value Proposition (EVP):

- Enabling Culture & Work Environment
- Opportunities for Development & Growth
- Competitive Remuneration & Benefits

J Trust Royal Bank remains committed to enhancing customer experiences and fostering a thriving workplace with its team of competent and professional staff.

Practically, in Cambodia, the Human Resource Management (HRM) practices have been shown to be an important element that relates to the commercial bank performance. The HRM practices enabled working people to be more productive, shaping their behavior and attitude at work, be highly responsible, highly accountable, highly engaged, strongly committed, and satisfied. HRM also enhanced high-performance in the organizations and HR practices such as the comprehensive employee recruitment and selection procedures, incentive compensation, extensive training and development, best performance management system, and best employee retention, which are essential in strengthening the organization's long-term competitiveness. It has been indicated that these practices can improve the knowledge, skills, and abilities of the commercial banks' current and potential employees, increase their motivation, reduce shirking and enhance retention of quality employees while encouraging non-performer to leave the organization.

Ultimately, HRM practices enhanced the commercial banks' competitiveness and will enable them to compete successfully and retain its market shares and sustainable

growth and to become the employer of choice in Cambodia. The J Trust Royal Bank has strongly focused on the HRM practices of five human resource management (recruitment and selection, compensation, training and development, performance appraisal, and staff retention). As such, J Trust Royal Bank like other banks in Cambodia is still facing pressing challenges such as high staff turnover, retention of key staff, shortages of high-performing and competent staff, and sustaining the competitive advantage of the bank. In short, staff retention is a major obstacle that might constrain the performance of

J Trust Royal Bank and hence, it needed to be addressed and resolved through an efficient and effective HR system that aligns with the business strategy of the bank.

#### **4.1. Vision**

The J Trust Royal Bank in Cambodia has become a leading commercial banking institution in Cambodia with its purpose to help its customers succeed and prosper.

#### **4.2. Mission**

The J Trust Royal Bank in Cambodia has its aspiration to become Cambodia's Greatest International Bank. It is sustainable and hurdle return for its shareholders; maintains leading bank status and best service for its customers; compliant and most respected for regulators; most respected by the community; and employer of choice and engaged for its employees.

### **4.3. Strategic Objectives**

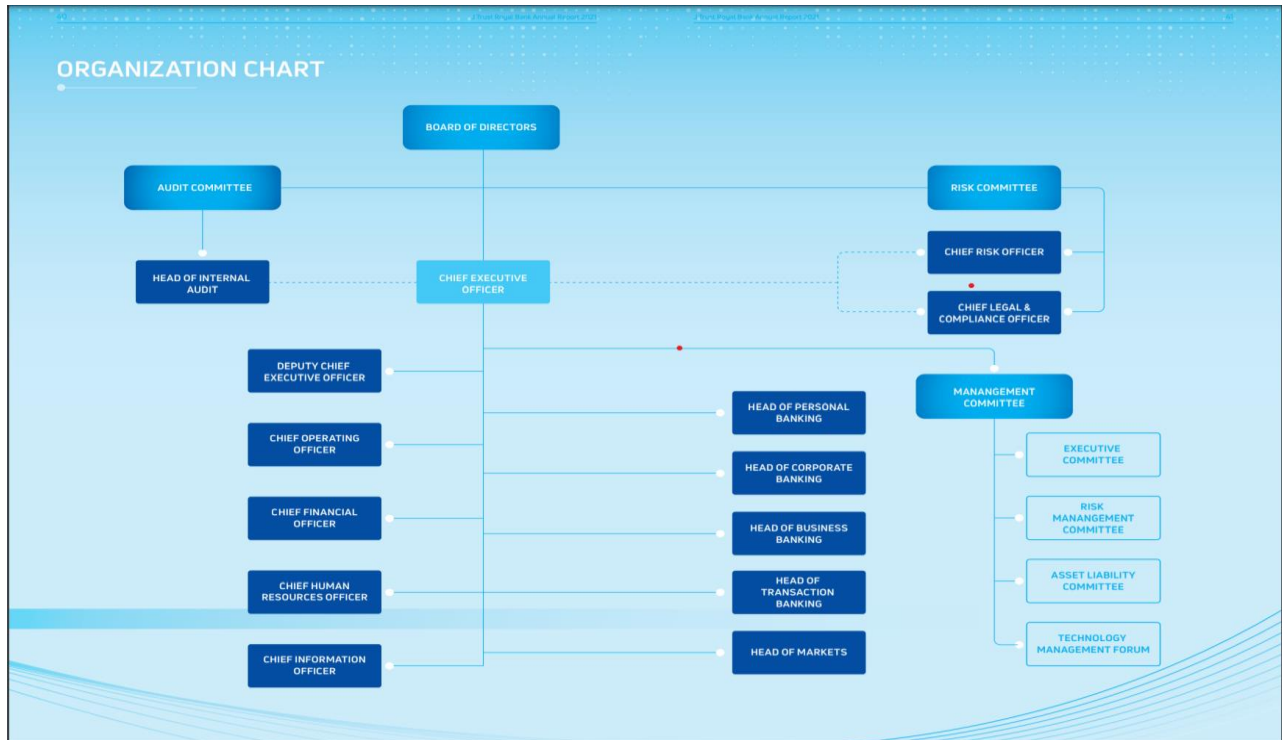
To better meet the needs of its target customers, and deliver a superior experience, by utilizing the strength of its people, product and platform capabilities, along with 'super-regional connectivity.'

- Lead bank to large local and multinational corporations, focused growth in emerging corporates through relationship, insights and connectivity
- Bank of choice for affluent and emerging affluent retail segments through best-in-class service and trust
- Build on infrastructure and enablement capabilities with focus on speed, efficiency and cost to serve.

### **4.4. Organizational Structure**

This particular International Bank in Cambodia has a wider network of the banking group outside Cambodia. Hence, the managerial employees are from many nationalities. To support the daily operations, it has two big sections (Business Lines and Enablement) consisting of 11 divisions such as international banking, Transactional banking, Research and Analysis, Global market, Retail banking, Risk, Operations, Human resource, Finance, Legal and Compliance, Business Management, and Marketing. The organizational structure of the J Trust Bank in Cambodia is shown below

## Organizational structure of the J Trust Royal Bank in Cambodia PLC.



**Source:** Annual report of J Trust Royal Bank in 2021.

## 4.5 Roles and Responsibilities of the Main Functionalities of J Trust Royal Bank in Cambodia

### 4.5.1 The Chief Executive Officer (CEO)

The CEO was appointed by the board of directors with full responsibilities and authority to manage the daily business operations of the bank in accordance with the compliance, policies, and strategic guidelines approved by the board of directors. The CEO appointed

the executive management committee of the bank to manage the business operations under the leadership of the CEO.

#### **4.5.2 The Division Chief or Head**

Each Division is authorized to direct and perform its daily business operations as well as its business planning and strategies with full responsibilities and discretion under the management of the Division Head. Each Head of Division and Head of Department takes the full responsibility, accountability, and ownership to ensure that the annual achievement is met in accordance with the established and approved business plan. Regarding the reporting line, the manager of the section reports to a Head of the Department; a Head of the Department reports to a Head of Division; and a Head of Division reports to the CEO.

#### **4.5.3 International Banking**

This Division is responsible for providing the Multinational Corporate Customers with the financial solutions and best customer service delivery. It represents the business partner and financial advisor of the Multinational Corporate Customers in order to support the sustainable and disciplined growth of their business operations. It provides the wider ranges of corporate banking products and services with its Multinational Corporate Customers and clients.

#### 4.5.4 Transactional Banking

Improving banking efficacy depends on the order in which the different business banking processes are streamlined. Notwithstanding the introduction of policies for reduced costs in the application of administrative processes, in turn, results into improved customer services. All the successful banks aim towards providing their customers with free-flowing transaction banking solutions. This includes the customers' cash flow and working capital requirements.

- **Receivables** – this type of cash flow offers ones' business a selection of payment channels for their customers, that includes; EFTPOS (Electronic Funds Transferred at Point of Sale), BPAY (Payment system in Australia), Direct Debit.
- **Payables** – this option provides ones' business with solutions that in turn, helps manage the customers' payments to creditors and other internal processes, such as payroll
- **Making Staff Superannuation Payments** – Offering solutions for staff's superannuation payments through QuickSuper.
- **Electronic Solutions** – with the advancement in technology, assisting the customers with their financial reporting through electronic banking facilities.

- **Cash Management Solutions** – this offers the investors with complete cash solutions.

With the spread of globalization throughout the different corners of the world, banks are looking for avenues to survive and excel as compared to their competitors. The best approaches taken by the various banks in order to improve their cash flow, is to lower the cost to business and simultaneously increasing the availability and quality of products and services. To fulfill this approach, most of the banks have introduced the system of Transactional Banking with the provision of online banking services accessible 24 hours a day / 365 days to the customers worldwide. As the world reeled from the financial crisis brought on by the reckless behavior of Wall Street, and a profusion of toxic investment instruments in the market, one area of finance was on the rise – Transaction Banking. This low risk, high profit business has gained even more attention in recent years as banks have been forced to look for capital sources outside of traditional markets.

#### **4.5.5 Research and Analysis**

The team of risk analysts has primarily focused on credit assessment and portfolio management of corporate banking and commercial banking customers. The key responsibilities include making sound credit decisions and ensuring the quality of assets written conforms to the Risk Appetite and Transaction Guidelines of the Bank.



#### **4.5.6 Global Market**

The Local Global Markets team at the J Trust Royal Bank can put customers in touch with the rest of the world. Offering solutions in foreign exchange, overseas telegraphic transfers and commodity trading, its markets team can offer the customers hedging strategies to help to save the customers' money and potentially make customers' money while they trade in global markets.

#### **4.5.7 Retail Banking**

The Retail Banking of the particular international bank is having the various banking products and services for retail banking customers that it offers. This includes:

##### **Transaction Banking and Secured Lending**

- Current and savings accounts, Term deposits, Debit/ATM cards, Payment service, and mortgages

##### **Card and Unsecured Lending**

- Platinum and Personal Loans

##### **Investments and Insurance**

- Bancassurance which sells the life insurance to its customers and clients

#### **4.5.8 Risk**

The J Trust Royal Bank in Cambodia has a Risk Management Framework in place to help identify, measure, evaluate, monitor, report, and control or mitigate the material risks.

Its Internal Audit function evaluates and provides advice on how to improve the effectiveness of the Bank's operations, including its risk management processes. Internal Audit reports to the Risk Committee quarterly and the Chief Risk Officer attends the Audit Committee twice a year to report on the effectiveness of the Risk Management Framework and any material issues.

#### **Risk Culture**

Risk culture is an intrinsic part of the International Bank's overall Risk Management Framework. Risk Culture is led from the Board down and across the whole group. At the J Trust Royal Bank, "Risk is everyone's responsibility".

There are a number of policies, processes and controls in place to help ensure that a sound risk culture is established and maintained throughout this particular International Bank. It also regularly reviews industry best practice to continually enhance J Trust Royal Bank's current risk culture.

## **Managing Reputation Risk**

The J Trust Royal Bank has a clear framework for managing reputation, social and environmental risks. Its Reputation Risk Policy helps employees identify the day-to-day issues that can impact the particular Bank's reputation. The policy highlights decisions that are particularly important to the J Trust Royal Bank's reputation, like designing or approving a product, lending money to a new client or entering a joint venture with a third party. The Responsible Business Committee supports the implementation of the policy and provides a forum where employees can obtain advice on complex or controversial issues involving clients, transactions or products.

### **4.5.9 Operations**

The Operations Division covers many departments such as Property, Procurement, Administration, Retail Operations, Institutional Operations, Transformation and Performance, and Information Technology (IT). This division is under the supervision of the Chief Operating Officer who mostly focuses on the budgeting, cost control, workforce management, staff productivity, and work process simplification and redesign.

### **4.5.10 Human Resource Management Department**

In this department, there are the head of HR, HR business partners, recruitment and selection manager, training and development manager, compensation and benefit manager, and other HR officers. It is given the opportunity to expand his job responsibilities and is promoted to different roles, including Learning and Development

Manager, HR Business Partner, HR Delivery Lead, and strong focus on developing its people (Dessler, 2000)<sup>101</sup>.

#### **4.5.11 Finance**

This department is responsible for managing the overall financial performance and position of the Bank, incorporating strategic financial direction in the business performance projections, as well as ensuring the Bank's compliance with local regulatory and group financial governance, accounting policies and requirements.

#### **4.5.12 Legal and Compliance**

The bank has the separate Legal Department taking care of legal affairs to protect the benefits of the bank and to ensure that the business operation of the bank has fully complied with the law in Cambodia. Another department named Compliance is responsible for controlling and improving the good governance of the bank and it ensures that the bank has fully complied with all governmental regulatory, work processes, work procedures, and other bank policies.

#### **4.5.13 Business Management**

This Unit provides the data analysis related to the international banking, transactional banking, economics, performance result of both International Banking and

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<sup>101</sup> Dessler, G. (2000). *Human resource management*: Pearson Education.

Transactional Banking and other relevant information with the departments of International Banking and Transactional Banking.

#### **4.5.14 Marketing**

This Unit does both marketing activities (pull and push) to promote the brand image, banking products and services, sales campaigns, sales activations, sales promotion, customer service package, and market share of the bank in Cambodia.

### **4.6 Conclusion**

This chapter has provided an overview of the profile of J Trust Royal Bank including its achievement of the business operation in Cambodia.

Additionally, a review of the literature on HRM in Cambodia revealed that there is limited research that examined human resources practices in the financial sector, particularly foreign-owned banks in Cambodia. Although, there are some studies done on the human resource practices on J Trust Royal Bank, one of the biggest joint-venture banks in Cambodia in 2005 with the long history of the good business operation in Cambodia, it isn't comprehensive enough to have an in-depth understanding of the strengths and weaknesses of these HRM practices in driving the organization's performance and growth throughout the study period of 2019 to 2021 presently undertaken in this research study.

In view of this gap, this present study has the intention to further examine in detail the challenges, weaknesses, strengths and the implementation of HRM practices in the J

Trust Royal bank in Cambodia and also finds out whether the existing HRM practices are indeed supporting its performance and growth. Specifically, the present study will attempt to explore the gaps in the implementation of Human Resource Management (HRM) Practices at J Trust Royal Bank in the five HRM main functions as below:

- i. Recruitment and selection of potential employees.
- ii. The compensation policy on its employees' satisfaction and performance.
- iii. Training and development programs and improvement in the competencies and capabilities of its employees.
- iv. Performance appraisal system and its employees' performance.
- v. Retention policy of employees who are highly motivated, committed, talented, and high performance oriented.

The findings from the above-mentioned HRM areas will help to identify the critical issues. Thereafter, suggestions from the researcher on the appropriate recommendations and action plans can be further developed to help close those gaps of the five main aforementioned HRM functions. Also, the research carried out on this particular bank and its findings will be widely shared with other organizations in the financial sector in Cambodia for the further improvement and enhancement of their human resource management practices in order to sustain its growth, performance and competitiveness.

## **CHAPTER V**

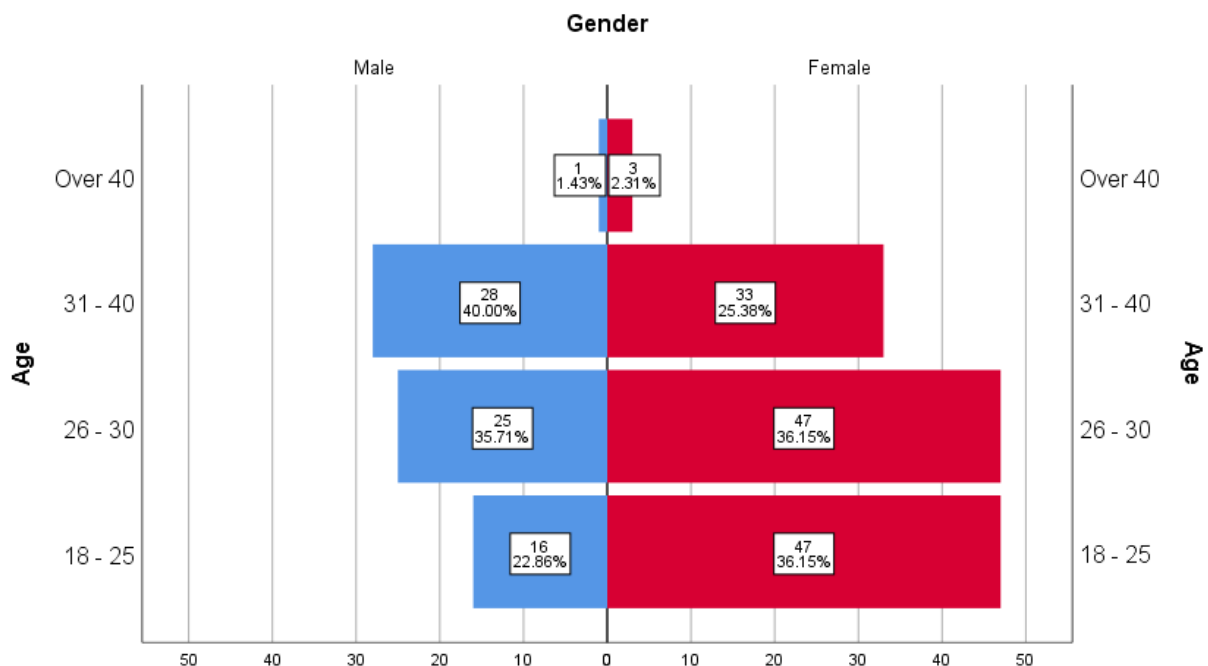
### **DATA ANALYSIS AND DISCUSSION OF FINDINGS**

The data analysis and the discussion of the findings of the research study are presented in this chapter. The present research specifically focused on examining the impact of the human resource management practices on employee satisfaction and retention: "A case study of J Trust Royal Bank in Cambodia". The five elements of the human resource management practices are: recruitment and selection, compensation and benefits, training and development, performance appraisal system, and employee retention at J Trust Royal Bank, Cambodia. The chapter is divided into two sections. Section A analyzed the profile of the selected respondents by covering gender, age, position, education background, service tenor, type of employment contract, occupation, and the type of discussion of the respondents with their supervisors during the last 12 months of their service tenure at the bank. Section B analyzed the effectiveness and impact on the aforementioned-five human resource management practices rated by the selected respondents. The hypothesis testing and conclusion remarks are also presented in this chapter.

In the data analysis, frequency distribution, descriptive statistics, factor analysis, and correlation matrix were employed and regression analysis used to test the research hypotheses and examine the core research objectives, respectively.

## 5.1. Demography of Respondents

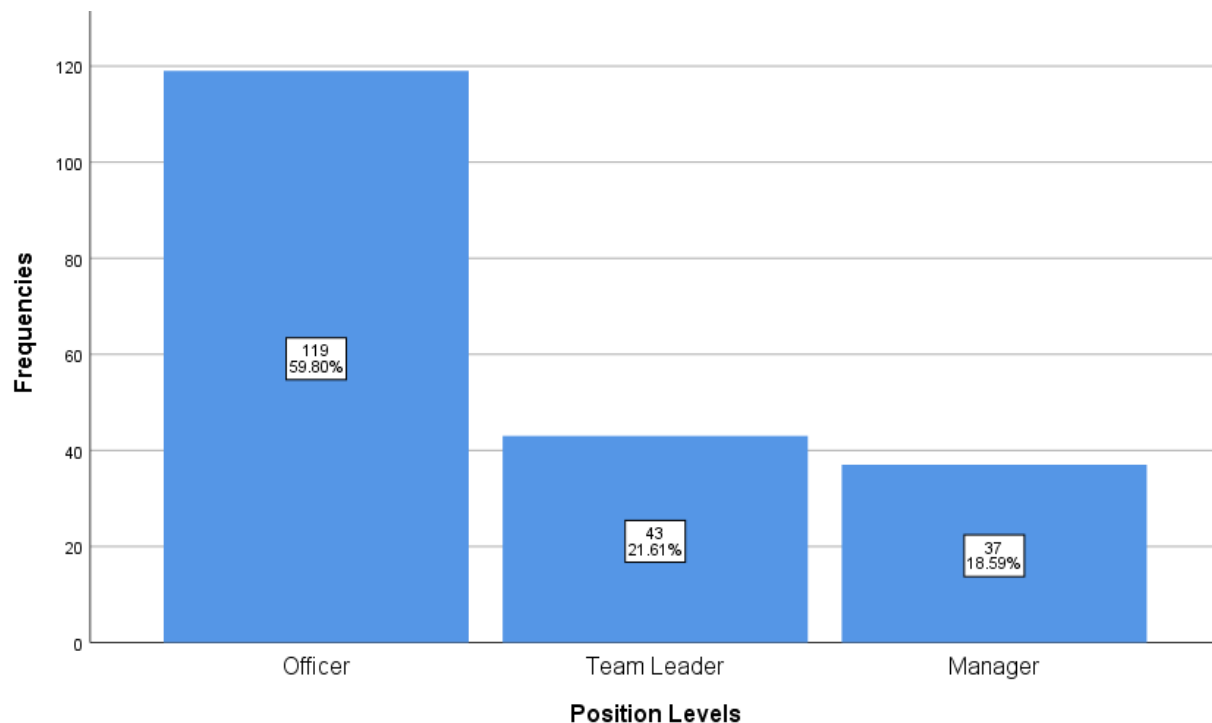
**Figure 5.1** represents the frequency distribution for the findings of the respondents who participated in the survey. Among the 200 respondents, a total of 70 respondents (34 percent) were male, and 130 (70 percent) were female. The age cohort of females aged between 18-25 was 36.15 percent (47 respondents), followed by 26-30, which was 36.15 percent (47 respondents), and 33 female respondents aged 31-40, which represented 25.38 percent (31 respondents). In the age cohort of males, 40 percent (28 respondents) were within the age range of 31-40 years, followed by 35.71 percent (25 respondents) within the age range of 26-30 and 22.86 percent (16 respondents) within the age range of 15-25 years old.



**Figure 5.1.** The Results of Pyramid Demography



**Figure 5.2** represents the results of job positions among 200 participants. Of this, 119 respondents, (59.80 percent) were frontline officers; 43 participants, (21.61 percent) were team leaders; and 37 participants, (18.59 percent) were managers. Thus, research findings indicated that almost 60 percent of participants were frontline officers.



**Figure 5.2.** The Results of Job Positions

The results of **Table 5.1** represent cross-tabulation between educational levels and job tenure of employees who work in J Trust Royal Bank. The results indicated that employees' academic levels and job tenure have a significant difference with a  $p\text{-value} < 0.001$ . A total of 144 employees (72.0 percent) earned a bachelor's degree, 36 employees with 18.0 percent have obtained a master's degree, and 20 (10 percent)

earned undergraduate degrees. In short, among 200 employees who work in J Trust Royal Bank, 74 employees, with 37.0 percent, have worked for more than 5 years, 49 employees have worked for 2-3 years, 27 employees have worked for 4-5 years, and 50 have worked for less than 1 year, respectively.

**Table 5.1.** Cross-tabulation: Educational Level and Job Tenure

Educational Levels	Job Tenure (in years)				Total
	Less than 1	2-3	4-5	More than 5	
Undergraduate	16	3	0	1	20
	8.0%	1.5%	0.0%	0.5%	10.0%
Bachelor degree	32	42	25	45	144
	16.0%	21.0%	12.5%	22.5%	72.0%
Master degree	2	4	2	28	36
	1.0%	2.0%	1.0%	14.0%	18.0%
Total	50	49	27	74	200

Note: Pearson Chi-Square test value 63.72, degree of freedom (d.f)=6, and p-value significant = 0.000

## 5.2. Descriptive Statistics (n=200)

**Table 5.2 to Table 5.6** represent the descriptive statistics to measure the mean and standard deviation of questionnaire items which used a 5-point Likert scale. By comparing the level of agreement of measurement items, the median of the 5-point measurement scale is 3.0, used to compare with the mean values of the descriptive results. For example, if the mean value of each question is greater than the median value (3.0), those questions will fall into the scales from "Agree to Strongly Agree." However, if the mean value of each question is lower than the median value (3.0), those questions will fall into the levels from "Disagree to Strongly Disagree."

The results of this step indicated that most of the questionnaire items had mean values ranging from a low value (RESE10) of 3.24 to a high value of 4.22 (RESE4) for **Table 5.2.** **Table 5.3** shows a low value of 2.78 (COBE13) to a high value of 4.30 (COBE14). Thus, the item of COBE13—"My firm provides me with the employee-shares/stock purchase plan" has a 2.78 mean value, which is lower than media 3.0. Thus, this study concludes that among 200 employees, common perception of the firm provides them with a shares/stock purchase plan.

**Table 5.4** relates to employee training and development, ranging from the mean value of questionnaire item TRDE8 which had a low mean of 3.28, to a high value of TRDE1 4.26. **Table 5.5** indicated the mean value of the performance appraisal system of employees, which ranged from a low value of PASE9 3.71 to a high value of PASE4 4.00. Thus, the results of these two tables conformed with the measurement scale of the 5-point Likert scale.

**Table 5.6** shows the results of retention of employees— "In general, how would you describe the human resource management practices and the employee relationships in your organization?" — with a low mean value of RETEM17 has 2.06 to the high value of RETEM1 has 4.11. This study concluded that among 200 employees, most were rated "Disagree" with their organization's human resource management practices and employee relations.

**Table 5.7** represents the results of employee job satisfaction, with all mean values of those three items being 3.69 higher than the median value of 3.0. Thus, 200 employees rated "Agree" with their job satisfaction.

**Table 5.8** represents organizational performance results— "The firm's performance measured by return on equity"— with a low mean value of ORPE2 which is 2.260. This study assumed that 200 employees had a low perception of the firm's performance measured by return on equity because some might not have understood this research question well.

Overall, the results of the descriptive statistics indicated that 200 employees rated most questionnaire items with statement levels of "Agree."

**Table 5.2. The Results of Descriptive Statistics: Recruitment and Selection**

Code	Item Description	Mean	Std. Deviation
RESE1	My firm provides me with a clear understanding of the recruitment and selection processes.	3.91	0.65
RESE2	My firm provides a clear job description and job specification in its internal and external job ads.	4.09	0.70
RESE3	The shortlisted candidates for the interview were selected based on transparency and fairness.	4.08	0.61
RESE4	The invitation to interview included clear instructions of the venues, date, and time of the interview.	4.22	0.78
RESE5	The interview was carried out in a professional manner by selecting the right candidate for right job.	4.03	0.79
RESE6	I was treated fairly in the interview.	3.90	0.76
RESE7	I was clearly informed of who to contact for any further information.	3.98	0.66

RESE8	I was informed of the selection decision and feedback of result within 7 working- days of the interview.	3.85	0.86
RESE9	I was given the opportunity to provide feedback during the interview.	3.76	0.82
RESE10	The staff replacement was always done on time.	3.24	0.95
RESE11	The overall pay and benefits of my firm for employees are good and competitive in the market.	3.73	0.69

**Table 5.3. The Results of Descriptive Statistics: Compensation and Benefits**

Code	Item Description	Mean	Std. Deviation
COBE1	The overall pay and benefits of my firm for employees are good and competitive in the market.	3.65	0.93
COBE2	My firm provided me with detailed information on all company pay and benefits when I first joined the firm.	3.70	0.87
COBE3	My level of pay compared to others in the firm is reasonable and acceptable.	3.57	0.82
COBE4	My level of pay is very competitive compared to what other firms' offer to their staff in the same job	3.77	0.69
COBE5	My firm offers me with the competitively annual pay merit and an incentive compared with other firms in the same industry.	3.38	0.82
COBE6	The way in which my firm recognizes and rewards best performers and high-quality work is fair and good.	3.82	0.74
COBE7	My firm provides me with medical and accident insurance benefits.	4.25	0.78
COBE8	My firm provides me with accidental death insurance and dismemberment insurance.	4.01	0.88
COBE9	My firm provides staff with a good disability plan.	3.54	0.71
COBE10	My firm provides staff with education sponsorship.	3.55	0.91
COBE11	My firm provides me with pension plan.	3.97	0.80
COBE12	My firm provides me with the Life Insurance plan.	3.63	1.06
COBE13	My firm provides me with the employee- shares/stock purchase plan.	2.78	1.21
COBE14	My firm provides me with annual leave plan.	4.30	0.89
COBE15	My firm provides me with sick leave, compassionate leave, and special leave.	4.27	0.82

COBE16	My firm values individual excellence and role modeled values over teamwork aligned with the firm's values.	4.10	0.75
COBE17	Overall, I am satisfied with the firm's staff compensation and welfare program such as rewards, incentives, allowance, insurance, insurance, health care, other benefits, etc.	3.95	0.74

**Table 5.4. The Results of Descriptive Statistics: Training and Development**

Code	Item Description	Mean	Std. Deviation
TRDE1	I had been provided with the proper induction training (job orientation) when I firstly joined the firm.	4.26	0.77
TRDE2	My firm encourages me and other staff to take many required trainings to extend the staff's range of skills and abilities.	4.23	0.59
TRDE3	I got the opportunity to discuss my training and development requirements with my line manager and HR Team.	4.00	0.75
TRDE4	My firm is fully committed to the training and development of its employees.	4.16	0.65
TRDE5	My firm provides enough development training courses with the potential employees (talents) and development plan for all employees.	4.10	0.63
TRDE6	My manager monthly conducts the coaching to enhance my competency and work performance improvement.	3.84	0.76
TRDE7	My firm provides me a chance to select the mentor in order to support my career development.	3.84	0.72
TRDE8	My firm also sends high potential staff to have the oversea training courses for their career developments.	3.28	0.93
TRDE9	My line manager clearly gave me the on-the-job training schedule and regularly provided monthly feedback on my progress.	3.74	0.77
TRDE10	My line manager and HR team evaluated my performance during the probation period and confirmed my employment.	2.81	-0.19
TRDE11	My line manager discussed with me about the training contents before I attended the training courses.	3.76	0.81
TRDE12	My manager consistently evaluates my competency improvement after the completion of each training course.	3.77	0.73
TRDE13	My manager always discusses with me about my career planning and development.	4.03	0.75

**Table 5.5. The Results of Descriptive Statistics: Performance Appraisal****System of Employees**

Code	Item Description	Mean	Std. Deviation
PASE1	My firm has an effective process of staff's work performance appraisal system.	3.82	0.59
PASE2	My line manager has good understanding of the process of staff's work performance appraisal system.	3.95	0.62
PASE3	My work performance's KPI evaluation was selected from my job description with agreed discussions with my line manager	3.85	0.64
PASE4	My line manager clearly communicated and discussed my Key Performance Indicators (KPI) standard with me at the beginning of the financial year	4.00	0.66
PASE5	My line manager fairly evaluated my performance and provided me positive and constructive feedback at the middle of the financial year.	3.91	0.78
PASE6	I was given the chance to do self-evaluation of my work performance at the year-end and discuss the outcome with my line manager.	4.01	0.69
PASE7	My line manager did my work performance- appraisal fairly, acceptably, and professionally.	3.96	0.63
PASE8	The result of my performance appraisal was based on the annual achievements of objectives and values against my firm's annual target of objectives and values.	3.98	0.72
PASE9	My firm also uses the force distribution ranking method to fit the bell-curve standard of the staff performance-appraisal guideline.	3.71	0.75
PASE10	My line manager provided me with the reasonable feedback after receiving the work performance rating.	3.92	0.70
PASE11	My line manager took prompt and fair corrective actions on staff who failed to perform their work satisfactorily and other better performed staff to close their gaps for their performance improvements.	3.87	0.70
PASE12	The current performance appraisal system of my firm is fair and reliable.	3.72	0.77
PASE13	My line manager recognized me and other staff for good and best work performance.	3.90	0.78



PASE14	I am satisfied with my current performance appraisal system by my firm.	3.87	0.75
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**Table 5.6. The Results of Descriptive Statistics: Retention of Employees**

Code	Item Description	Mean	Std. Deviation
RETEM1	I am very satisfied with my firm's culture, a fair amount of work and work environment.	4.11	0.82
RETEM2	I am satisfied with my job duties, job responsibilities and my working condition.	4.04	0.79
RETEM3	My supervisor and top management are interested in motivating me and other employees	3.93	0.83
RETEM4	My management consistently motivates staff through appreciation letters, incentive awards, recognitions and promotions.	3.82	0.80
RETEM5	I am very satisfied with the annual salary incremental and incentives provided by my firm.	3.33	0.90
RETEM6	Salary incremental, promotion, motivational talk, recognition, and empowerment of my firm motivate me.	3.56	0.91
RETEM7	The good incentives and a good benefits package will affect my work performance	3.85	0.80
RETEM8	My line manager and top managers involve me in decision making and recognize my good contributions.	3.74	0.71
RETEM9	My line manager trusts each staff and treats every staff equally, fairly, and respectfully.	3.84	0.78
RETEM10	My line manager shows interest in my welfare, workload, career development and provides me clear instructions of my personal goal setting and performance.	3.87	0.64
RETEM11	My line manager helps me improve myself, and I am satisfied with her/his supervisory and leadership.	3.87	0.76
RETEM12	My firm provides staff with good retention programs such as retention bonus, talent development, promotions, and others	3.68	0.69
RETEM13	My firm provides me and all staff with wider opportunities to grow and develop the competency and career.	3.80	0.69

RETEM14	My firm provides me with employee assistance program, employee advocacy, and employee counseling program.	3.57	0.72
RETEM15	My firm puts in efforts to retain me and other talented staff.	3.77	0.66
RETEM16	I enjoy my job and my co-workers at my firm and I feel free to talk openly and honestly with team members of my work groups.	3.96	0.78
RETEM17	In general, how would you describe the human resource management practices and the employee relation in your organization?	2.06	0.62

**Table 5.7. The Results of Descriptive Statistics: Employees Job Satisfaction**

Code	Item Description	Mean	Std. Deviation
EJS1	I am very satisfied with the training and development opportunities provided by my firm.	3.69	1.00
EJS2	I'm satisfied with the firm's people programs such as annual staff gathering, team building activities, staff birthday announcement, valuable employees of the month/year, and bulletin/newsletter, etc.	3.69	0.81
EJS3	I'm overall satisfied with my firm's staff motivation and high potential employee retention practices.	3.69	1.00

### 5.3. Factor Analysis and Reliability Test

According to Hair et al. (2014), each research construct is required to meet the criteria of the rule of thumb of factor analysis and reliability test. **Table 5.8-Table 5.14** illustrate that the factor loading of each item of the research construct must be equal to or greater than 0.60 ( $\geq 0.60$ ) to be accepted for the test; otherwise, the questionnaire item that has a lower value of 0.60 will be deleted. To measure how suited the data is for factor analysis, the Kaiser-Meyer-Olkin (KMO) and Bartlett's Test value must be higher than 0.50 ( $>0.50$ ). The cumulative percentage has to be greater than 60 percent with

greater than 1 of Eigenvalue. For the reliability test, the item-to-total correlation has to be higher than 0.50 ( $>0.50$ ) together with the value of the reliability coefficient (i.e., Cronbach's— $\alpha$ ) equal to or greater than 0.60 ( $\geq 0.60$ ). The purposes of performing factor analysis and reliability tests are to treat the validity and reliability of questionnaire items and to reduce or delete the unnecessary questionnaire items related to the questionnaire survey on employee perceptions.

**Table 5.8** shows the results of the factor analysis and reliability test of the recruitment and selection procedure of J Trust Royal Bank if they meet the satisfactory level of employees. The results indicated that the questionnaire items of RESE3, RESE7, RESE8, RESE9, RESE10, and RESE11 were deleted because the factor loading score was lower than 0.60. Based on the rule of thumb as recommended by Hair et al. (2014), the results of this study satisfied with the factor loading score of items ranging from 0.733 (RESE2) to 0.770 (RESE4) ( $>0.60$ ), KMO = 0.754 ( $>0.50$ ), Eigenvalue=2.863 ( $>1$ ), Cumulative % = 57.261 percent ( $<60$  percent, but was pretty accepted), Item-to-Total Correlation ranged from 0.568 to 0.618 ( $>0.50$ ), and Alpha=0.813 ( $>0.60$ ).

**Table 5.8.** The Results of Factor Analysis and Reliability Test: Recruitment and Selection

Code	Factor Loading	KMO	Eigenvalue	Cumulative %	Item-to-Total Correlation	Alpha
RESE4	0.770	0.754	2.863	57.261	0.618	0.813
RESE1	0.770				0.616	
RESE5	0.769				0.620	
RESE6	0.740				0.585	
RESE2	0.733				0.568	
RESE3	Deleted (Factor Loading <0.60)					
RESE7						
RESE8						
RESE9						
RESE10						
RESE11						

Note: Full meaning of description items of this table can refer to Table 5.2.

**Table 5.8** shows the results of the factor analysis and reliability test of the compensation and benefits for employees of J Trust Royal Bank if they meet the satisfactory level of employees. The results indicated that the questionnaire items of COBE1, COBE2, COBE3, COBE4, COBE5, COBE6, COBE8, COBE9, COBE10, COBE11, COBE12, and COBE13 were deleted because the factor loading score was lower than 0.60. Based on the rule of thumb as recommended by Hair et al. (2014), the results of this study satisfied the factor loading score of items ranging from 0.687 (COBE17) to 0.812 (COBE15) ( $>0.60$ ), KMO = 0.829 ( $>0.50$ ), Eigenvalue=3.007 ( $>1$ ), Cumulative % = 60.146 Percent ( $>60$  Percent), Item-to-Total Correlation ranged from 0.531 to 0.682 ( $>0.50$ ), and Alpha= 0.833 ( $>0.60$ ).

**Table 5.9 The Results of Factor Analysis and Reliability Test:  
Compensation and Benefits**

Code	Factor Loading	KMO	Eigenvalue	Cumulative %	Item-to-Total Correlation	Alpha
COBE15	0.812	0.829	3.007	60.146	0.682	0.833
COBE7	0.796				0.660	
COBE14	0.793				0.654	
COBE16	0.784				0.643	
COBE17	0.687				0.531	
COBE1	Deleted (Factor Loading <0.60)					
COBE2						
COBE3						
COBE4						
COBE5						
COBE6						
COBE8						
COBE9						
COBE10						
COBE11						
COBE12						
COBE13						

Note: Full meaning of description items of this table can refer to Table 5.3.

**Table 5.9** shows the results of the factor analysis and reliability test of the training and development for employees of J Trust Royal Bank. The results indicated that the questionnaire items of TRDE6, TRDE7, TRDE8, TRDE9, TRDE10, TRDE11, TRDE12, and TRDE13 were deleted because the factor loading score was lower than 0.60. Based on the rule of thumb as recommended by Hair et al. (2014), the results of this study satisfied the factor loading score of items ranging from 0.716 (TRDE3) to 0.827 (TRDE2) (>0.60),

KMO = 0.840 (>0.50), Eigenvalue=3.118 (>1), Cumulative % = 62.366 (>60%), Item-to-Total Correlation ranged from 0.573 to 0.705 (>0.50), and Alpha= 0.848 (>0.60).

**Table 5.10. The Results of Factor Analysis and Reliability Test: Training and Development**

Code	Factor Loading	KMO	Eigenvalue	Cumulative %	Item-to-Total Correlation	Alpha
TRDE2	0.827	0.840	3.118	62.366	0.705	0.848
TRDE1	0.813				0.685	
TRDE4	0.794				0.655	
TRDE5	0.793				0.659	
TRDE3	0.716				0.573	
TRDE6	Deleted (Factor Loading <0.60)					
TRDE7						
TRDE8						
TRDE9						
TRDE10						
TRDE11						
TRDE12						
TRDE13						

*Note: Full meaning of description items of this table can refer to Table 5.4.*

**Table 5.10** shows the results of the factor analysis and reliability test of the performance appraisal system of employees of J Trust Royal Bank if they meet the satisfactory level of employees at the bank. The results indicated that the questionnaire items of PASE2, PASE5, PASE7, and PASE12 were deleted because the factor loading score was lower than 0.60. Based on the rule of thumb as recommended by Hair et al. (2014), the results of this study satisfied the factor loading score of items ranging from 0.721 (PASE1) to 0.843 (PASE11) (>0.60), KMO = 0.935 (>0.50), Eigenvalue= 6.085

(>1), Cumulative % = 60.84 percent (>60 percent), Item-to-Total Correlation ranged from 0.655 to 0.796 (>0.50), and Alpha= 0.928 (>0.60).

**Table 5.11. The Results of Factor Analysis and Reliability Test: Performance Appraisal System of Employees**

Code	Factor Loading	KMO	Eigenvalue	Cumulative %	Item-to-Total Correlation	Alpha
PASE11	0.843	0.935	6.085	60.846	0.796	0.928
PASE14	0.838				0.789	
PASE8	0.807				0.751	
PASE10	0.788				0.730	
PASE13	0.784				0.721	
PASE9	0.762				0.697	
PASE4	0.758				0.698	
PASE3	0.752				0.689	
PASE6	0.738				0.676	
PASE1	0.721				0.655	
PASE2	Deleted (Factor Loading <0.60)					
PASE5						
PASE7						
PASE12						

*Note: Full meaning of description items of this table can refer to Table 5.5.*

**Table 5.11** shows the results of the factor analysis and reliability test of the retention of employees of J Trust Royal Bank if they meet the satisfactory level of employee. The results indicated that the questionnaire items of RETEM2, RETEM3, RETEM6, RETEM7, RETEM8, RETEM1, RETEM15, RETEM16, and RETEM17 were deleted because the factor loading score was lower than 0.60. Based on the rule of thumb as recommended by Hair et al. (2014), the results of this study satisfied the factor loading score of items ranging from 0.744 (RETEM9) to 0.827 (RETEM11) (>0.60), KMO = 0.881

(>0.50), Eigenvalue= 4.215 (>1), Cumulative % = 60.209 percent (>60 Percent), Item-to-Total Correlation ranged from 0.650 to 0.746 (>0.50), and Alpha= 0.890 (>0.60). Hence, the employees retention result is satisfied by employees.

**Table 5.12.** The Results of Factor Analysis and Reliability Test: Retention of Employees

Code	Factor Loading	KMO	Eigenvalue	Cumulative %	Item-to-Total Correlation	Alpha
RETEM11	0.827	0.881	4.215	60.209	0.746	0.890
RETEM14	0.801				0.710	
RETEM5	0.779				0.689	
RETEM10	0.767				0.675	
RETEM13	0.757				0.656	
RETEM12	0.753				0.655	
RETEM9	0.744				0.650	
RETEM2	Deleted (Factor Loading <0.60)					
RETEM3						
RETEM6						
RETEM7						
RETEM8						
RETEM1						
RETEM15						
RETEM16						
RETEM17						

*Note: Full meaning of description items of this table can refer to Table 5.6.*

**Table 5.12** shows the results of the factor analysis and reliability test of the employee job satisfaction of J Trust Royal Bank if they are satisfied by employees at the bank. The results indicated that the questionnaire items of EJS3 were deleted because the factor loading score was lower than 0.60. Based on the rule of thumb as recommended by Hair et al. (2014), the results of this study satisfied the factor loading



score of two items 0.884 ( $>0.60$ ), KMO = 0.500 ( $\geq 0.50$ ), Eigenvalue= 1.563 ( $>1$ ), Cumulative % = 78.171 percent ( $>60$  percent), Item-to-Total Correlation for these two items 0.563 ( $>0.50$ ), and Alpha= 0.721 ( $>0.60$ ). Hence, the employees job satisfaction is satisfied by employees.

**Table 5.13.** The Results of Factor Analysis and Reliability Test: Employee Job Satisfaction

Code	Factor Loading	KMO	Eigenvalue	Cumulative %	Item-to-Total Correlation	Alpha
EJS1	0.884	0.500	1.563	78.171	0.563	0.721
EJS2	0.884				0.563	
EJS3	Deleted (Factor Loading $<0.60$ )					

Note: Full meaning of description items of this table can refer to Table 5.7.

**Table 5.13** shows the results of the factor analysis and reliability test of “the Organizational Performance” of J Trust Royal Bank. The results indicated that the questionnaire items of ORPE2 were deleted because the factor loading score was lower than 0.60. Based on the rule of thumb as recommended by Hair et al. (2014), the results of this study satisfied the factor loading score of ranged from 0.691 to 0.876 ( $>0.60$ ), KMO = 0.613 ( $\geq 0.50$ ), Eigenvalue= 1.924 ( $>1$ ), Cumulative % = 64.142 percent ( $>60$  percent), Item-to-Total Correlation for three items ranged from 0.416 to 0.661 ( $>0.50$ ), and Alpha= 0.715 ( $>0.60$ ). Hence, the results of job satisfaction is satisfied by employees.

In conclusion, the overall results of this study's factor analysis and reliability test indicated that the remaining questionnaire items showed a high level of reliability. Thus, all the questionnaire items that remained after this stage could be used to proceed with the correlation matrix and regression analysis to test the research hypotheses, which represented the following.

#### **5.4. Correlation Matrix**

A Pearson correlation method is adopted to explore the significant correlation among research variables. The correlation matrix examines the coefficient level among research variables and whether they have a correlational relationship with each other or not. This procedure used all the formal questionnaire items from the factor analysis and reliability test, which are shown in **Table 5.8-Table 5.13**, by computing the mean score of those research variables to produce the results of the correlation matrix. In this correlation matrix, the number of stars indicated significance, with one star (\*) showing the relationship was significant at the 0.05 level (2-tailed) and two stars (\*\*) showing that its connection was significant at the 0.01 level (2-tailed). Indeed, Pearson's coefficient ( $r$ ) was computed given the interval nature of the data and the need to test the direction and strength of relationships between the study variables (Bowerman, O'Connell, and Murphree, 2017).

**Table 5.14 The Results of Correlation Matrix (n=200)**

Research variables	Mean	Std. Deviation	1	2	3	4	5	6	7
1. Recruitment and Selection	4.028	0.558	1.00	.731**	.754**	.763**	.624**	.426**	.677**
2. Compensation and Benefits	4.173	0.618		1.00	.678**	.729**	.653**	.410**	.646**
3. Training and Development	4.148	0.535			1.00	.714**	.592**	.465**	.674**
4. Performance Appraisal System of Employees	3.890	0.559				1.00	.796**	.428**	.735**
5. Retention of Employee	3.799	0.560					1.00	.501**	.638**
6. Employee Job Satisfaction	3.688	0.800						1.00	.411**

**\*\***, Pearson Correlation is significant at the 0.01 level (2-tailed).

## 5.5. Regression Analysis

To answer the research objectives and test the research hypotheses of this study, multiple regression analysis was used to explore the level of significant relationships between independent variables of sub-dimensions of HRM practices (i.e., Recruitment and Selection, Compensation and Benefits, Training and Development, and Performance Appraisal System of Employees), Retention of Employees, and Employee Job Satisfaction.

Hair et al. (2014) recommended that the rules of thumb for regression analysis be adopted to evaluate the study's research findings. The threshold values of the regression criterion are stated below:

1. **R<sup>2</sup> (R-square):** must be greater or equal to 0.1 (or 10%)
2. **Adjusted-R<sup>2</sup>:** must be greater or equal to 0.1 (or 10%)
3. **F-value:** must be greater or equal to 4 with the significance of p-value at  $p < 0.05$
4. **t-value:** must be greater or equal to 1.96 with the significance of p-value at  $p < 0.05$ .

Therefore, if regression results meet the above thresholds, then the research hypothesis will be accepted. In contrast, if any regression results meet those above thresholds, then the research hypothesis will be rejected.

**Table 5.14** shows the regression analysis results by testing the relationship between HRM practices and employee job satisfaction. The results indicated that three sub-dimensions of HRM practices (i.e., Recruitment and Selection, Compensation and Benefits, and Training and Development) positively impact employee job satisfaction. However, one sub-dimension of HRM practices (i.e., Performance Appraisal System for Employees) did not have any significant impact on employee job satisfaction with Beta=0.118, t-value = 1.091 ( $< 1.96$ ), and significant of p-value = 0.277 ( $> 0.05$ ). This study assumed that the "Performance Appraisal System" for Employees" does not play

an essential role in enhancing “Employee Job Satisfaction”. Thus, the hypothesis 1 of HRM practices (*i.e.*, Recruitment and Selection, Compensation and Benefits, and Training and Development) and employee job satisfaction was accepted.)

**Table 5.15 The Results of Multiple Regression—HRM Practices and Employee Job Satisfaction**

Independent variables	Dependent variables			
	Employee Job Satisfaction			
HRM Practices	Model 1 (Beta)	Model 2 (Beta)	Model 3 (Beta)	Model 4 (Beta)
1. Recruitment and Selection	0.426***			
2. Compensation and Benefits		0.211**		
3. Training and Development			0.293**	
4. Performance Appraisal System for Employees				<b>0.118</b>
R-square ( $\geq 0.10$ )	0.182	0.203	0.237	0.241
Adjusted-R square ( $\geq 0.10$ )	0.178	0.194	0.225	0.226
F-value ( $\geq 4$ ) and p-value ( $< 0.05$ )	44.011	25.025	20.250	15.500
t-value ( $\geq 1.96$ )	6.634	2.263	2.955	1.091
p-value ( $< 0.05$ )	0.000	0.025	0.004	0.277

Note:

\*\*\* $p < 0.001$ , \*\* $p < 0.05$ , \* $p < 0.10$

The values in parentheses represents the rule of thumb

**Table 5.15** shows the regression analysis results by testing the relationship between HRM practices and employee job satisfaction. The results indicated that all sub-dimensions of HRM practices (*i.e.*, Recruitment and Selection, Compensation and Benefits, and Training and Development) positively impact the retention of employees in J Trust Royal Bank. Indeed, the relationship between research variables of “Recruitment and Selection” and “Retention of Employees” had the second highest Beta value = 0.624 (62.4

percent) and "Performance Appraisal System for Employees" with the first highest Beta value = 0.695 (69.5 percent). This study assumed that these two research variables play the most crucial role in enhancing the retention strategy for employees in J Trust Royal Bank. Therefore, the research hypothesis 2 of the relationship between "HRM Practices— i.e., Recruitment and Selection, Compensation and Benefits, Performance Appraisal System for Employees, and Training and Development" and "Retention of Employees" was firmly accepted.

**Table 5.16 The Results of Multiple Regression—HRM Practices and Retention of Employees**

Independent variables	Dependent variables			
	Retention of Employees			
HRM Practices	Model 1 (Beta)	Model 2 (Beta)	Model 3 (Beta)	Model 4 (Beta)
1. Recruitment and Selection	0.624***			
2. Compensation and Benefits		0.422***		
3. Training and Development			0.170**	
4. Performance Appraisal System for Employees				0.695***
R-square ( $\geq 0.10$ )	0.390	0.473	0.484	0.646
Adjusted-R square ( $\geq 0.10$ )	0.387	0.467	0.476	0.639
F-value ( $\geq 4$ ) and p-value ( $< 0.05$ )	126.478	88.352	61.352	88.912
t-value ( $\geq 1.96$ )	11.246	5.571	2.085	9.433
p-value ( $< 0.05$ )	0.000	0.000	0.038	0.000

Note:

\*\*\* $p < 0.001$ , \*\* $p < 0.05$ , \* $p < 0.10$

The values in parentheses represents the rule of thumb

**Table 5.16** shows the regression analysis results by testing the relationship between HRM practices and organizational performance. The results indicated that all

sub-dimensions of HRM practices (i.e., Recruitment and Selection, Compensation and Benefits, and Training and Development) positively impact the organizational performance in J Trust Royal Bank. Indeed, the relationship between research variables of “Recruitment and Selection” and “organizational performance” had the highest Beta value = 0.677 (67.7 percent). This study assumed that this research variable plays the most crucial role in enhancing the organizational performance in J Trust Royal Bank. Therefore, the research hypothesis 3 of the relationship between “HRM Practices—i.e., Recruitment and Selection, Compensation and Benefits, Performance Appraisal System for Employees, and Training and Development” and “Retention of Employees” was firmly accepted.

**Table 5.17 The Results of Simple Regression—Retention of Employees and Employee Job Satisfaction**

Independent variable	Dependent variable
	Retention of Employees
	Model 1 (Beta)
Employee Job Satisfaction	0.501***
R-square ( $\geq 0.10$ )	0.251
Adjusted-R square ( $\geq 0.10$ )	0.247
F-value ( $\geq 4$ ) and p-value ( $< 0.05$ )	66.345
t-value ( $\geq 1.96$ )	8.145
p-value ( $< 0.05$ )	0.000

Note: \*\*\* $p < 0.001$ , \*\* $p < 0.05$ , \* $p < 0.10$

The values in parentheses represents the rule of thumb

**Table 5.17** shows the regression analysis results by testing the relationship between “Retention of Employees” and “Employee Job Satisfaction”. The results indicated that “Retention of Employees” positively impacts “Employee Job Satisfaction” in J Trust Royal Bank with Beta coefficient = 0.501 (50.1 percent), t-value = 8.145 ( $>1.96$ ), and p-value = 0.000 ( $<0.05$ ). Thus, the research hypothesis 3 of the relationship between “Retention of Employees” and “Employee Job Satisfaction” is strongly supported and accepted.

Formally, in binary logistic regression, there is a single binary dependent variable, coded by an indicator variable, where the values are labeled "0" and "1". In contrast, the independent variables can each be a binary variable (two classes coded by an indicator variable) or a continuous variable (Leech, Barrett, & Morgan, 2015). Logistic regression used for associational questions when the dependent variable (DV) is dichotomous (Morgan, Barrett, Leech, & Gloeckner, 2019)— i.e., Q78- “Would you like to recommend your friends, relatives and others to work in your organization?” – [0= No (will not recommend, and 1= Yes (will recommend)]. Logistic regression in SPSS provides several ways to interpret the results of sing these variables (i.e., HRM practices, employee job satisfaction, retention of employees, and organizational performance) as predictors of employees will recommend their relatives, friends, and others to work in the J Trust Royal Bank or not.



The following rule of thumb of logistic regression was adopted to evaluate the research findings of this study which was recommended by previous researchers (i.e., Harrell, 2015; Hilbe, 2016; Hosmer Jr, Lemeshow, & Sturdivant, 2013; Kleinbaum, Dietz, Gail, Klein, & Klein, 2002).

- -2 Log likelihood
- Cox & Snell R Square ( $R^2$ )
- Nagelkerke R Square ( $R^2$ )
- Chi-square ( $\chi^2$ ) test (p-value <0.05)
- Wald Statistics (p-value <0.05)

The results of Table 5.20 indicated that one research variable of retention of employees have a positively significant contribution to 'employees will recommend their friends, relatives, and others to work in the J Trust Royal Bank' (i.e., Beta coefficient (B)=2.369, Wald Statistic = 9.454, and p-value = 0.002 <0.05). This study assumed that when the bank has a good policy of retention of employees, then employees will positively promote this program to their friends, relatives, and others to work in the bank. In contrast, other research variables do not significantly attract employees to encourage their friends, relatives, and others to work in the bank.

**Table 5.18 The results of Logistic Regression— "Q78- Would you like to recommend your friends, relatives and others to work in your organization?"**

Research variables	B	S.E.	Wald	d.f	Sig.	Exp(B)
Recruitment and Selection	-0.588	0.945	0.387	1	0.534	0.556
Compensation and Benefits	0.220	0.728	0.091	1	0.763	1.246
Training and Development	-0.795	0.868	0.838	1	0.360	0.452

Performance Appraisal System for Employees	-0.373	1.008	0.137	1	0.711	0.689
<b>Retention of Employees</b>	<b>2.369</b>	<b>0.771</b>	<b>9.454</b>	<b>1</b>	<b>0.002</b>	10.692
Employee Job Satisfaction	-0.693	0.518	1.793	1	0.181	0.500
Organizational Performance	0.909	0.622	2.137	1	0.144	2.482
Constant	-0.979	1.829	0.286	1	0.593	0.376

Notes: -2 Log likelihood= 93.716, Cox & Snell R Square= 0.107, Nagelkerke R Square= 0.242

Chi-square = 9.992, and significant at  $p < 0.05$ .

## 5.6. Frequency Distribution: Multiple Response Rating Scales

**Table 5.19** analyzes the multiple response scales for the respondents who selected THREE major sources of job dissatisfaction and staff demotivation in J Trust Royal Bank. The results indicated that among 200 employees, on Q.B75.K—"The staff's salary and annual salary incremental are not competitive in the market", showed 108 times with 20.8 percent. A total of 47 frequencies are selected among 200 employees with 9.1 percent (i.e., Q.B75.D—"Poor communication and information sharing", had a total of 45 frequencies of Q.B75.N—"Lack of career development, empowerment, and promotion of employees" was selected among 200 employees with 8.7%. This study posits that bank managers must consider these three questions related to the emotional attachment to "job dissatisfaction and staff demotivation" in banking practices. Therefore, the results of this table can contribute to bank managers looking closely at the negative perception of their employees from the organization's daily management practices.

**Table 5.19 The Results of Multiple Responses of “What do you think are the THREE major sources of job dissatisfaction and staff demotivation in your company?”**

Codes	Descriptions	Frequencies	Percent
Q.B75.A	Unclear organizational mission and vision	25	4.8%
Q.B75.B	Confused job-responsibilities and duties	23	4.4%
Q.B75.C	Unclear employee work performance appraisal standard of the company	11	2.1%
Q.B75.D	Poor communication and information sharing	47	9.1%
Q.B75.E	Ineffective leadership and HR policies	38	7.3%
Q.B75.F	Conflicts of interest and opinions	28	5.4%
Q.B75.G	Lack of required trainings and developments	24	4.6%
Q.B75.H	Lack of monitoring the competency improvement of employees after their training courses	21	4.1%
Q.B75.I	Unfair staff recruitment and selection	37	7.1%
Q.B75.J	Selected some wrong candidates for the required positions	26	5.0%
Q.B75.K	The staff's salary and annual salary incremental are not competitive in the market	108	20.8%
Q.B75.L	Unfair work performance appraisal of staff	30	5.8%
Q.B75.M	Lack of retention programs of highly motivated and high performing staff	33	6.4%
Q.B75.N	Lack of career development, empowerment and promotion of employees	45	8.7%
Q.B75.O	Employees and management lack of knowledge and understanding of their respective rights and obligations under the law.	22	4.2%
	Total	518	100.0%

Note: n=180 (90%) cases chose (1=Selected), and 20 cases does not choose (0=not selected)

**Table 5.20** analyses the multiple response scales for the respondents who selected THREE major sources of what company should do to improve its human resource management practices in J Trust Royal Bank. The results indicated that among 200 employees, select Q.B76.D— "Pay and annual salary incremental are very competitive in the job market in the same job grade in the same industry", occurred seventy-two times with 13.3 percent. A total of 50 frequencies are selected among 200 employees with 9.2 percent (i.e., Q.B76.B—" The organization promotes teamwork and collaboration across business units." A total of 50 frequencies of Q.B76.E— "The company provides staff with enough required training and development courses" is selected among 200 employees with 9.0 percent. This study posits that bank managers must consider these three questions related to the emotional attachment to improving human resource management practices in banking practices. Therefore, the results of this table can contribute to bank managers looking closely at the negative perception of their employees from the organization's daily management practices.

**Table 5.20** The Results of Multiple Responses of "What do you think are the THREE most important things your company should do to improve its human resource management practices in your organization?"

Codes	Descriptions	Frequencies	Percent
Q.B76.A	The management consistently keeps all employees informed and updated new things.	44	8.1%
Q.B76.B	The organization promotes teamwork and collaboration including and across business units.	50	9.2%
Q.B76.C	Managers treat employees fairly and with respectful manner.	46	8.5%

Q.B76.D	Pay and annual salary incremental are very competitive in the job market in the same job grade in the same industry.	72	13.3%
Q.B76.E	The company provides staff with enough required training and development courses.	49	9.0%
Q.B76.F	The company develops staff and retains the highly motivated staff and potential staff.	44	8.1%
Q.B76.G	The company has good and reliable recruitment and selection practices.	7	1.3%
Q.B76.H	The company has a fair and reliable staff work performance appraisal system.	28	5.2%
Q.B76.I	The company firmly works on the staff's work performance appraisal result to continuously improve their work performance of the individual staff.	22	4.1%
Q.B76.J	I am empowered to make decisions and to voice ideas and concerns.	35	6.5%
Q.B76.K	I have the opportunity to be developed in my present job and to be advanced.	39	7.2%
Q.B76.L	The organization provides competitive and suitable compensation and benefits.	32	5.9%
Q.B76.M	The organization provides assistance in balancing my work and my personal life.	25	4.6%
Q.B76.N	Company forms the staff assistance program, staff counseling program and staff advocacy program to support the existing employees together with the creation of a good working environment.	28	5.2%
Q.B76.O	The organization consistently conducts the team building program, staff annual gathering party, and rewarding the outperforming employees and long-service tenure employees to become the employer of choice.	21	3.9%
	Total	542	100.0%

### 5.7. Univariate Analysis of Variance (ANOVA)

This study used one-way ANOVA to examine differences in a scale-dependent variable between two or more groups comprising the levels of one independent variable or factor. These designs, which has only one independent variable, a discrete or categorical variable, called single-factor designs will compare groups formed by combining two independent variables in this problem. The assumptions for factorial

ANOVA are that the observations are independent, the variances of the groups are equal (homogeneity of variances), and the dependent variable is normally distributed for each group (Leech et al., 2015). This study used the one-way or single factor ANOVA to compare four levels of Position Levels (i.e., 1= Officers, 2=Team Leaders, 3= Managers, and 4= Head of BU and above) and Job Contracts (i.e., 1= Less than 1 year, 2= 2-3 years, 3=4-5 years, and 4=More than five years) on several dependent variables (i.e., sub-dimension of HRM practices, employee job satisfaction, retention of employees, and organizational performance). If the ANOVA is statistically significant, then there is a difference somewhere. Still, one will not know which pairs of means were significantly different (Morgan et al., 2019), when group comparisons are made (Hair Jr, Black, Babin, & Anderson, 2019). The rule of thumb for ANOVA analysis provides the statistical test for the overall model fit in terms of the F-value ( $\geq 3$  or 4). The significance of the p-value less than 0.05 will be adopted to evaluate this study's research results.

If we have more than one independent variable, we should conduct a factorial ANOVA (Cronk, 2020). The purpose of performing one-way ANOVA is to compare the level of job contracts and positions of employees with HRM practices, retention of employees, and employee job satisfaction. The result of ANOVA creates tables and figures below:

This study posited that levels of job contracts of employees play an essential role in HRM practices and retention of employees. The result of ANOVA (**Table 5.21**)

indicated that among research variables of the ANOVA test, HRM practices (i.e., recruitment and selection—  $F=4.263$  and  $p=0.006$ , compensations and benefits—  $F=4.483$  and  $p=0.05$ , training, and development— $F=6.028$  and  $p=0.001$ ) and retention of employees— $F=3.710$  and  $p=0.013$  have significantly different levels of job contract of employees. Therefore, the level of job contracts of employees does not contribute substantially to enhancing the performance appraisal system for employees and employee job satisfaction.

**Table 5.21 The Results of ANOVA—Job Contract**

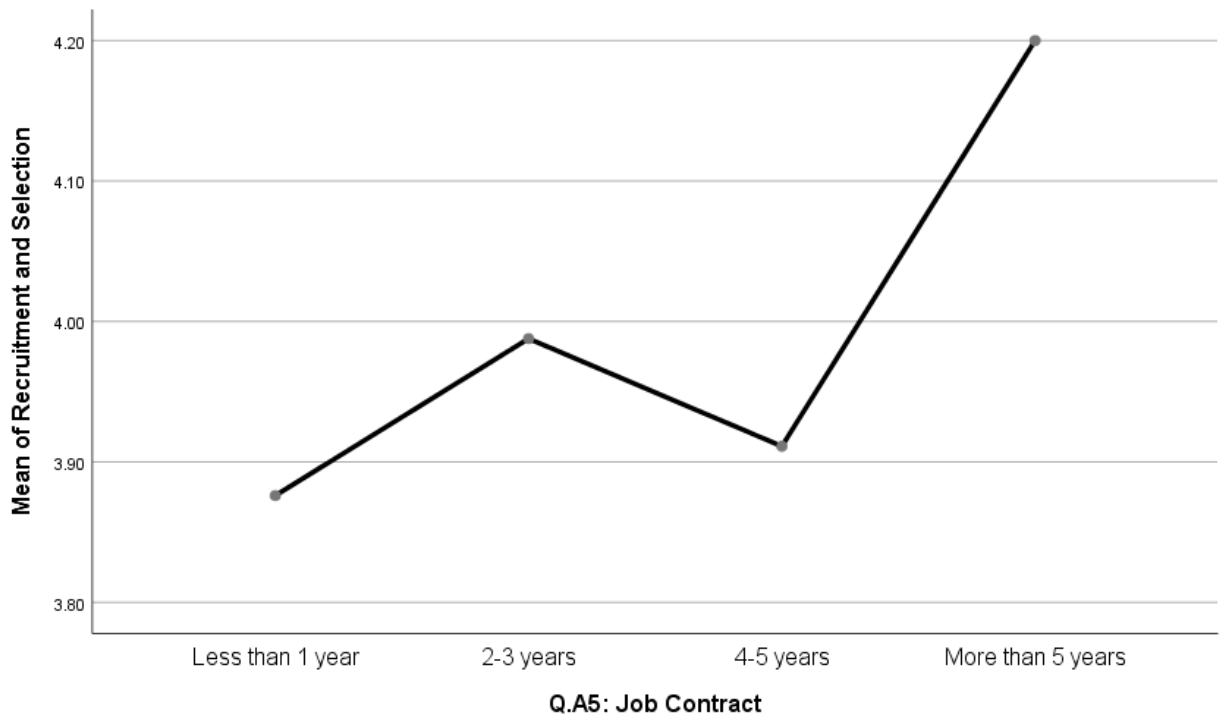
<b>ANOVA</b>						
Descriptions		Sum of Squares	Df	Mean Square	F	Sig.
Recruitment and Selection	Between Groups	3.793	3	1.264	<b>4.263</b>	<b>.006</b>
	Within Groups	58.131	196	.297		
	Total	61.923	199			
Compensations and Benefits	Between Groups	4.879	3	1.626	<b>4.483</b>	<b>.005</b>
	Within Groups	71.095	196	.363		
	Total	75.974	199			
Training and Development	Between Groups	4.813	3	1.604	<b>6.028</b>	<b>.001</b>
	Within Groups	52.166	196	.266		
	Total	56.979	199			
	Between Groups	1.653	3	.551	1.783	.152

Performance Appraisal System for Employees	Within Groups	60.575	196	.309		
	Total	62.228	199			
Retention of Employees	Between Groups	3.358	3	1.119	<b>3.710</b>	<b>.013</b>
	Within Groups	59.136	196	.302		
	Total	62.494	199			
Employee Job Satisfaction	Between Groups	4.393	3	1.464	2.337	.075
	Within Groups	122.826	196	.627		
	Total	127.219	199			
Organizational Performance	Between Groups	2.556	3	.852	2.469	.063
	Within Groups	67.631	196	.345		
	Total	70.187	199			

*Note: Bold numbers are significant level at  $p\text{-value} < 0.05$*

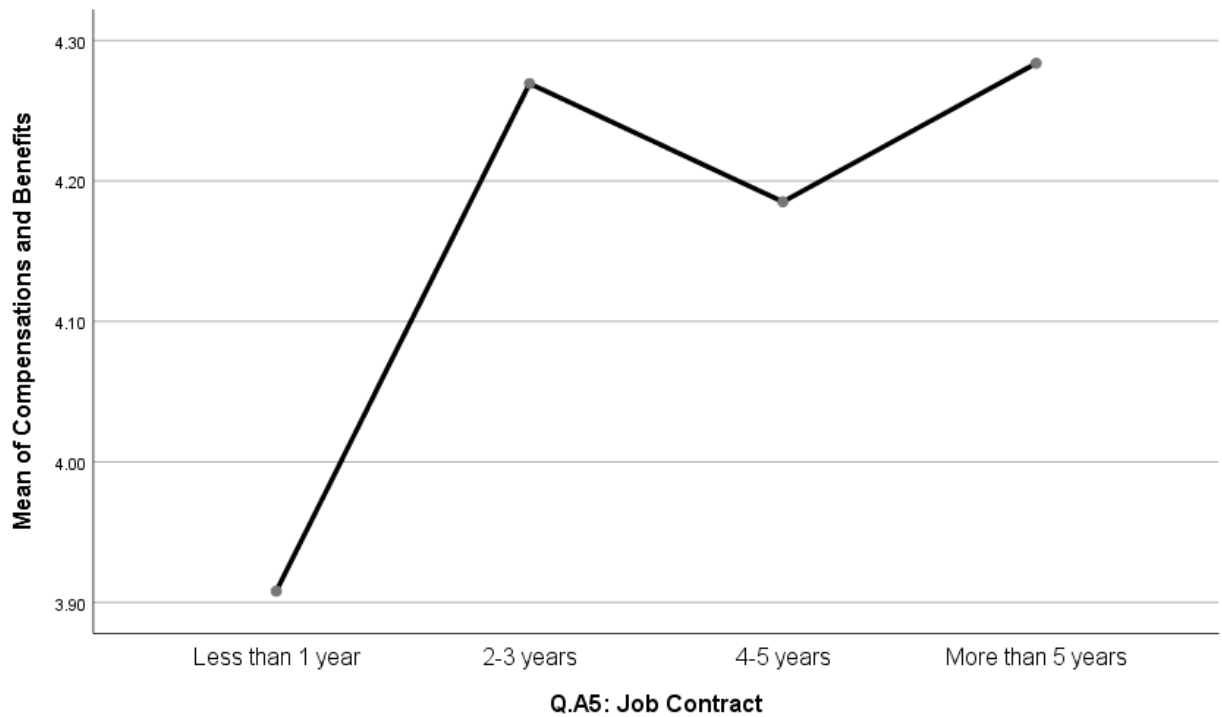
**Figure 5.3** indicated that the level of job contracts related to recruitment and selection had a low-level perception among employees who had worked less than 1 year. Indeed, the level of job contracts enhanced high-level perceptions of recruitment and selection among employees who have worked for more than 4 and 5 years.





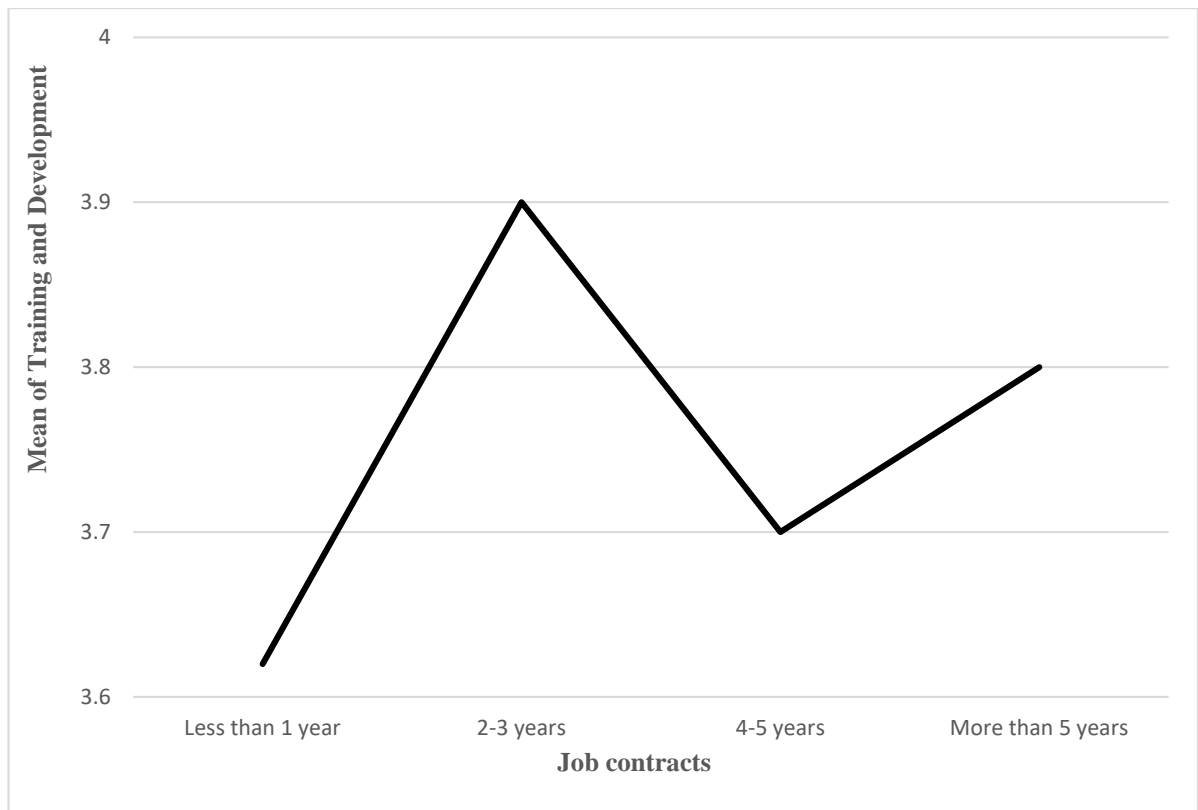
**Figure 5.3.** *The result of job contracts and recruitment and selection*

**Figure 5.4** shows that the level of job contracts had low perceptions of employees who had worked for less than 1 year with compensations and benefits. Employees who had worked for 2-3 years and more than 5 years had perceived a high level of compensation and benefits, respectively.



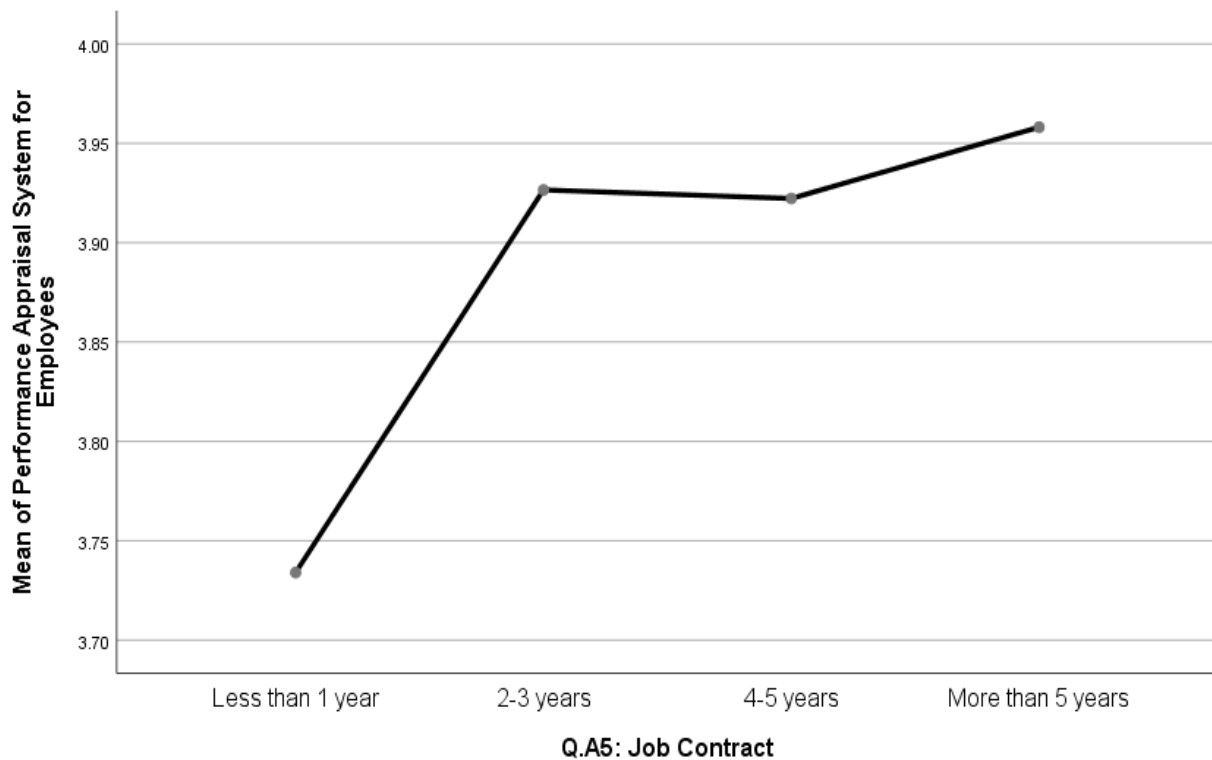
**Figure 5.4.** The result of job contracts and compensations and benefits

**Figure 5.5** indicates that the level of job contracts of employees who worked for 2-3 years have a high-level perception of training and development. However, the employees who worked for 4-5 years have a low-level perception of training and development at J-Trust Royal Bank.



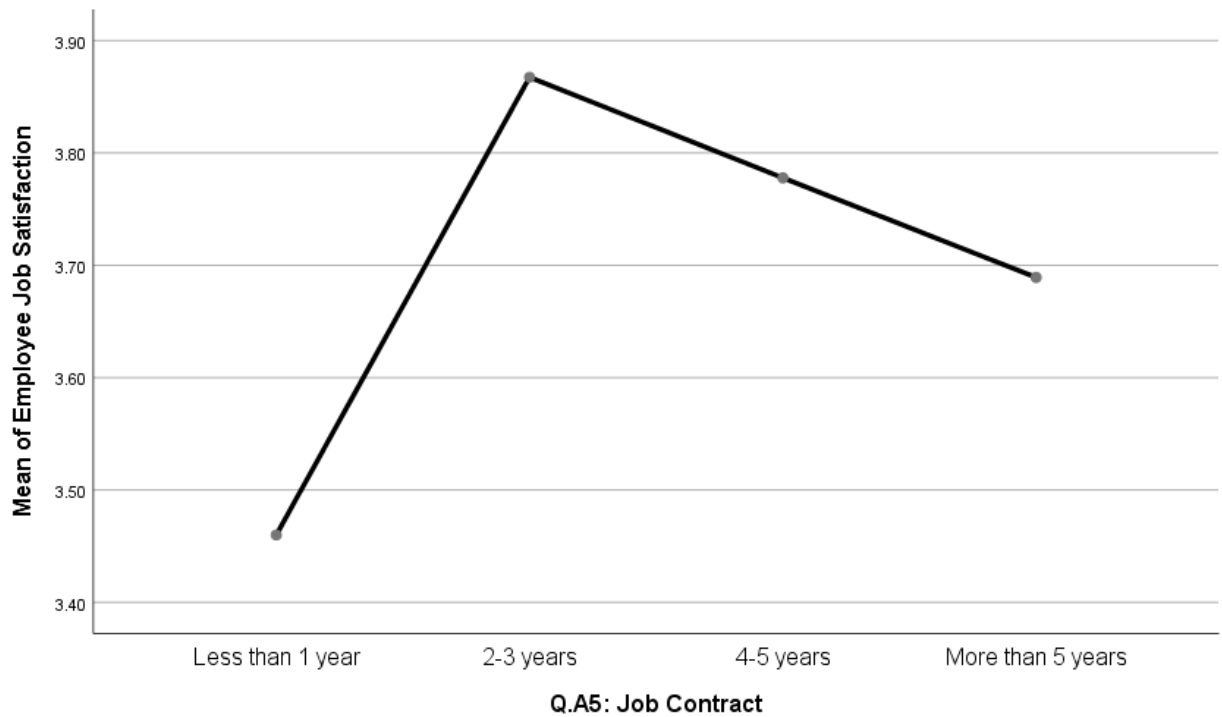
**Figure 5.5.** The result of job contracts and training and development

**Figure 5.6** identifies that the level of job contracts of employees who had worked for more than 2 years had a high-level perception of the employee performance appraisal system.



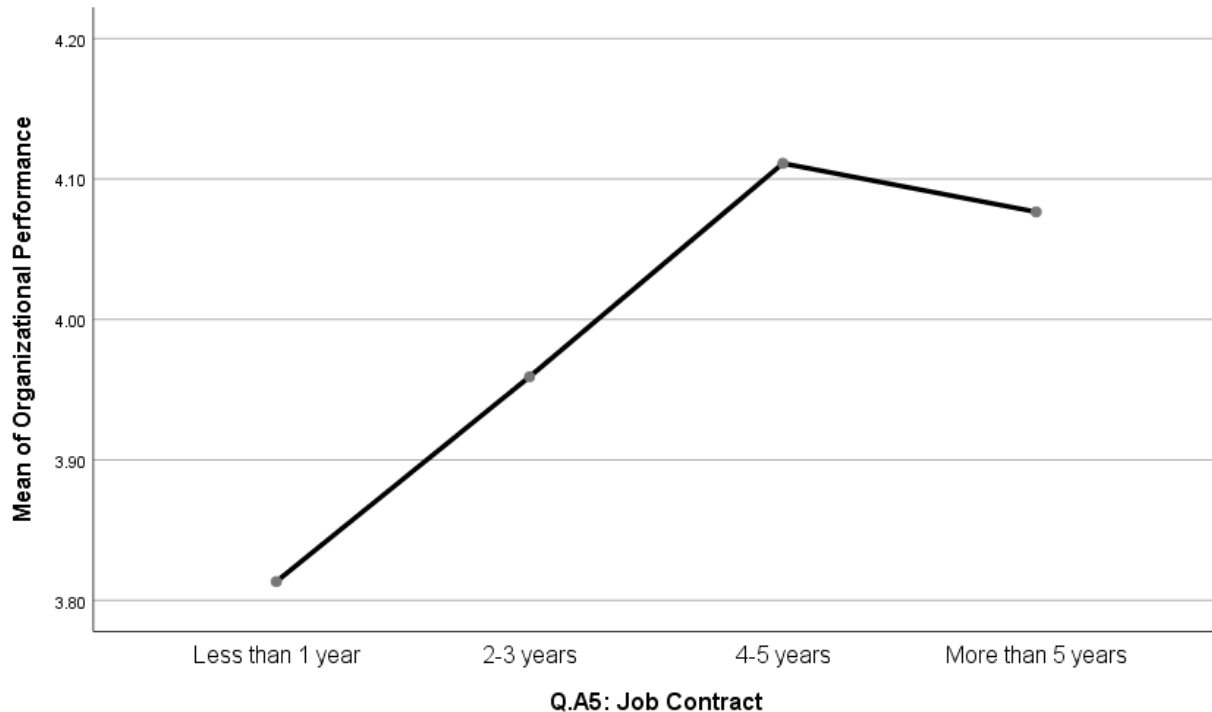
**Figure 5.6.** The result of job contracts and performance appraisal system for employees

**Figure 5.7** affirmed that the level of job contracts of employees who had worked for 2-3 years had a high-level perception of employee job satisfaction.



**Figure 5.7** The result of job contracts and employee job satisfaction

**Figure 5.8** showed that the level of job contracts of employees who had worked for 4-5 years had a high-level perception of organizational performance.



**Figure 5.8** The result of job contracts and organizational performance (optional)

In summary, **Figures 5.1-5.8** indicated that employees who had worked less than one year had a low-level perception of HRM practice, employee job satisfaction, and organizational performance compared with their level of job contracts.

The result of **Table 5.23** revealed that among research variables of the ANOVA test, HRM practices (i.e., recruitment and selection— $F=4.872$  and  $p=0.009$ , compensations and benefits— $F=3.342$  and  $p=0.037$ , training and development— $F=3.270$

and  $p=0.040$ , and Performance Appraisal System for Employees— $F=4.335$  and  $p=0.014$ ) and retention of employees— $F=4.335$  and  $p=0.014$  had significance different levels of positions of employees. This study posited that the level of positions of employees plays an essential role in HRM practices and retention of employees. Therefore, the positions of employees do not enhance employee job satisfaction and organizational performance.

Table 5.23. The Results of ANOVA—Positions

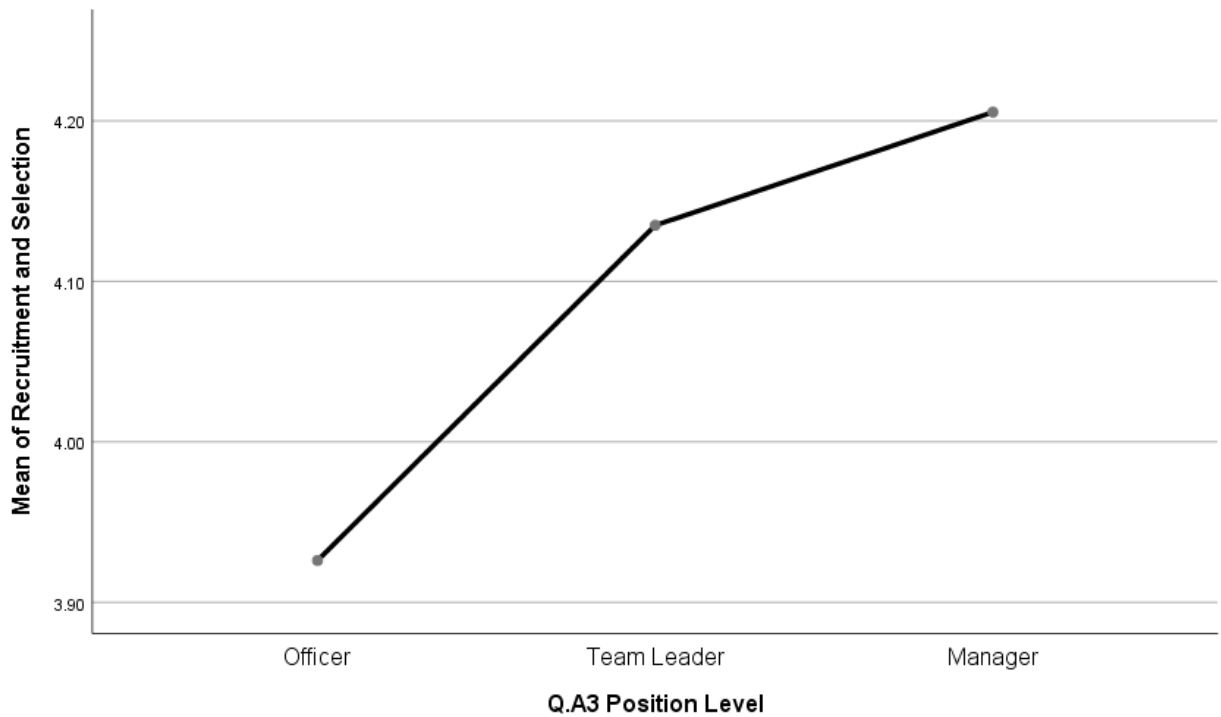
<b>ANOVA</b>						
Descriptions		Sum of Squares	df	Mean Square	F	Sig.
Recruitment and Selection	Between Groups	2.888	2	1.444	<b>4.872</b>	<b>.009</b>
	Within Groups	58.086	196	.296		
	Total	60.974	198			
Compensations and Benefits	Between Groups	2.483	2	1.241	<b>3.342</b>	<b>.037</b>
	Within Groups	72.804	196	.371		
	Total	75.287	198			
Training and Development	Between Groups	1.826	2	.913	<b>3.270</b>	<b>.040</b>
	Within Groups	54.726	196	.279		
	Total	56.552	198			
Performance Appraisal System for Employees	Between Groups	2.503	2	1.251	<b>4.125</b>	<b>.018</b>
	Within Groups	59.463	196	.303		
	Total	61.966	198			
Retention of Employees	Between Groups	2.642	2	1.321	<b>4.335</b>	<b>.014</b>

	Within Groups	59.733	196	.305		
	Total	62.375	198			
Employee Job Satisfaction	Between Groups	2.464	2	1.232	1.946	.146
	Within Groups	124.091	196	.633		
	Total	126.555	198			

Note: Bold numbers are significant level at p-value < 0.05

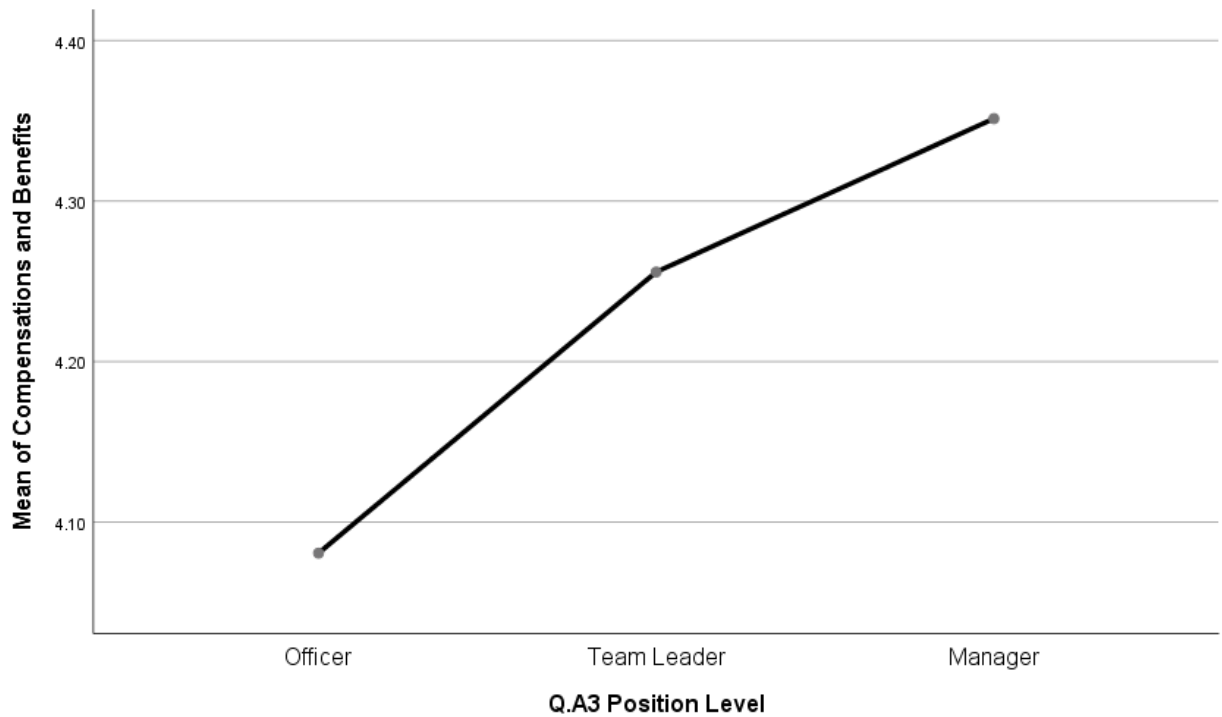
**Figure 5.9** indicated that the positions related to recruitment and selection had low-level perceptions among employees who had worked as team leaders and managers. Indeed, the level of positions enhances high-level perceptions of recruitment and selection among employees who had worked as team leaders and managers.





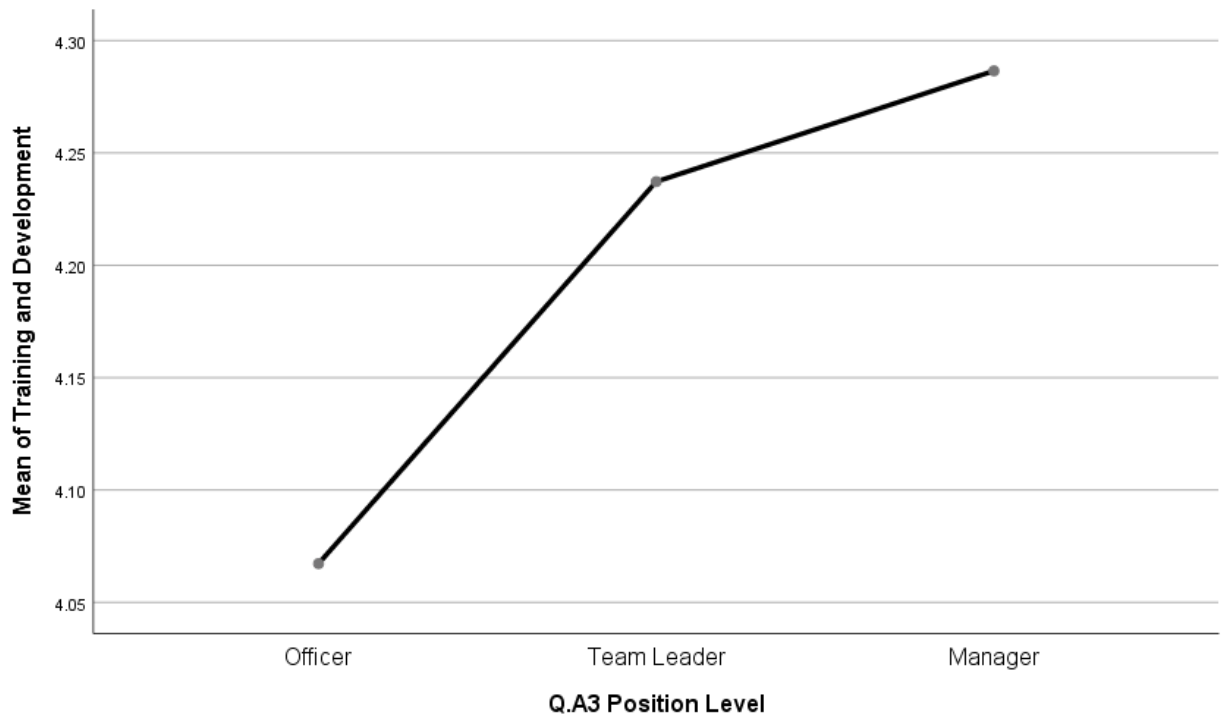
**Figure 5.9** The result of position level and recruitment and selection

**Figure 5.10** showed that level of positions had low perceptions of employees who had worked for team leaders and managers with compensations and benefits. Employees who had worked asr team leaders and managers had perceived high compensation and benefits, respectively.



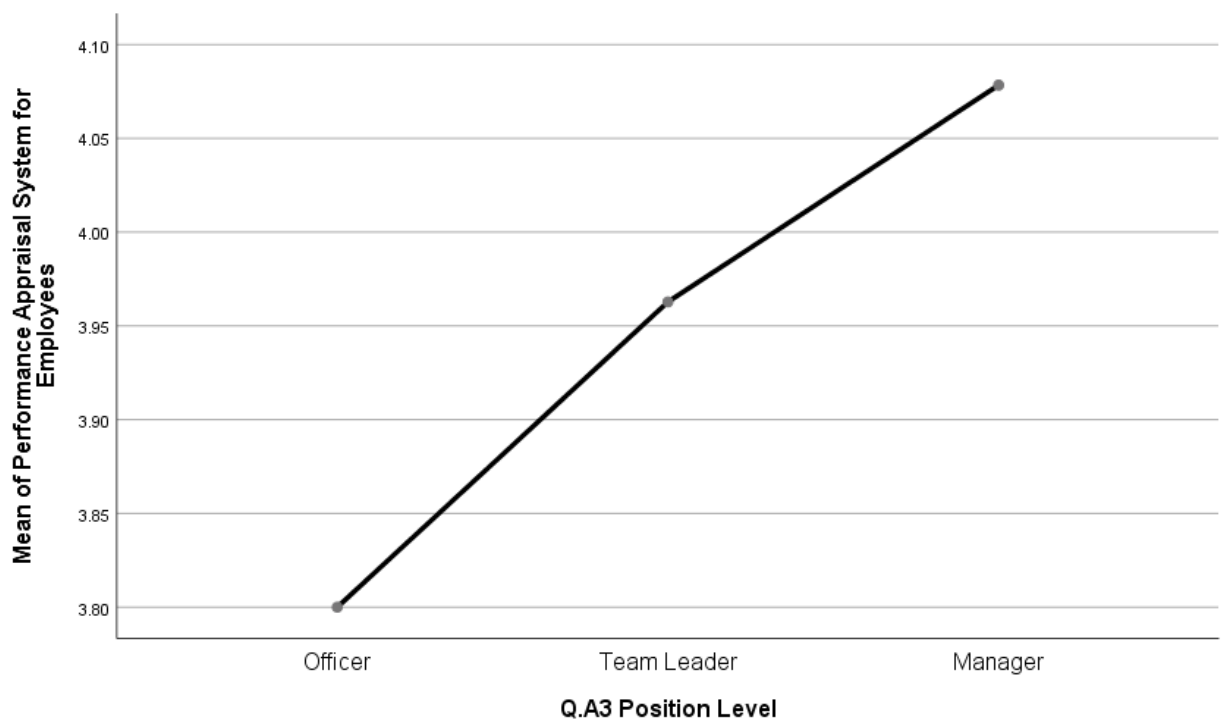
**Figure 5.10** The result of position level and compensation and benefits

**Figure 5.11** identified the positions of employees who had worked as team leaders and managers with a high-level perception of training and development.



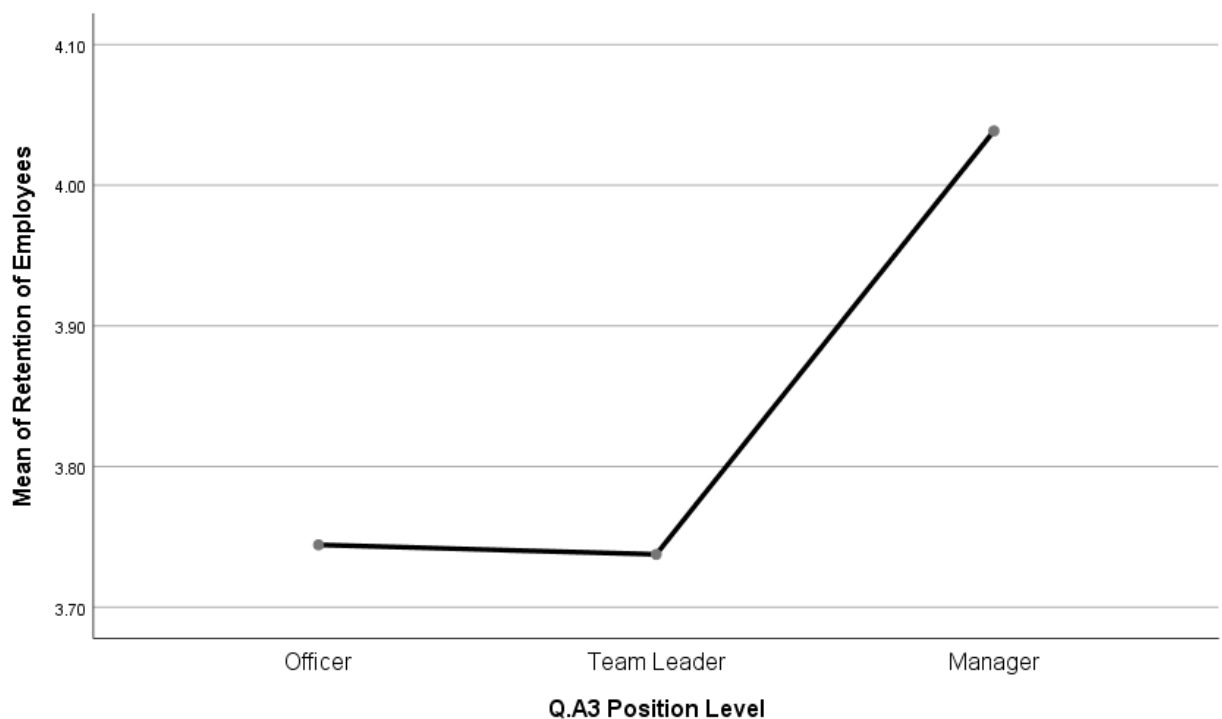
**Figure 5.11** The result of position level and training and development

**Figure 5.12** indicated that positions of employees who had worked as team leaders and managers had a high-level perception of the performance appraisal system for employees.



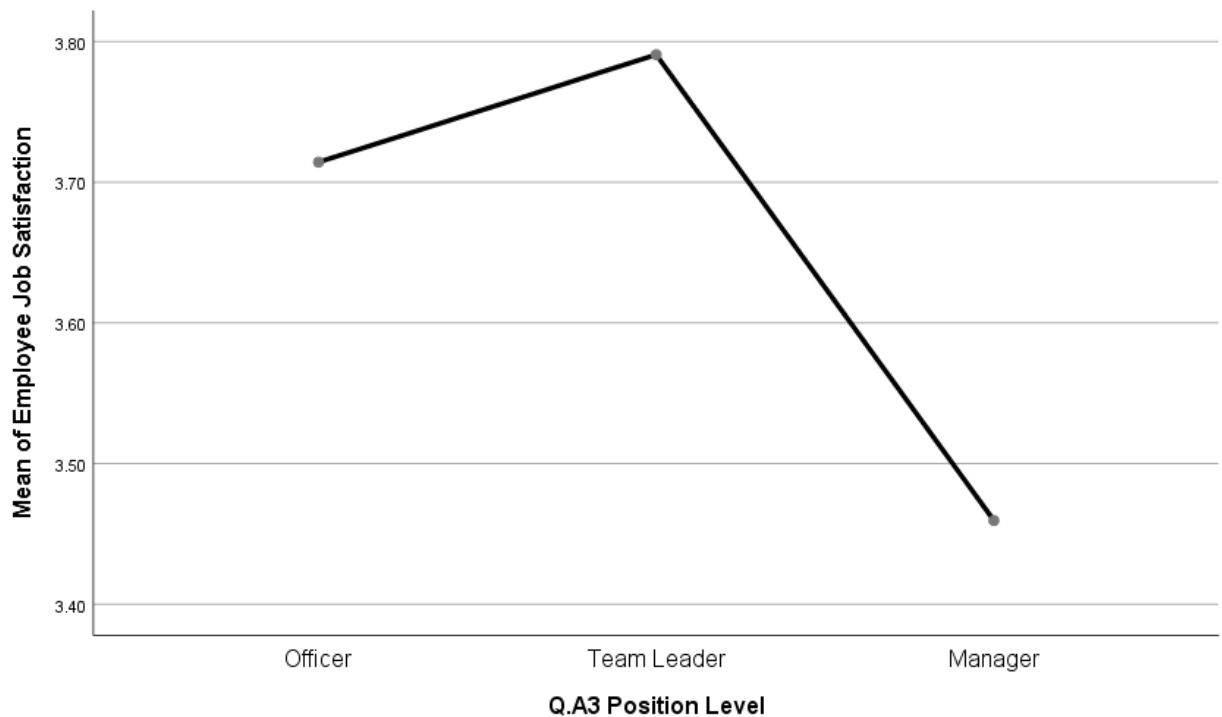
**Figure 5.12** The result of position level and performance appraisal system for employees

**Figure 5.13** indicated that positions of employees who had worked as team leaders and managers had a high-level perception of retention of employees. This research finding also indicated that managers have a high-level perception of the retention of employees.



**Figure 5.13** The result of position level and retention of employees

**Figure 5.14** showed that positions of employees who had worked as officers and team leaders have a high-level perception of employee job satisfaction. This research finding also indicated that managers have a low-level perception of employee job satisfaction.



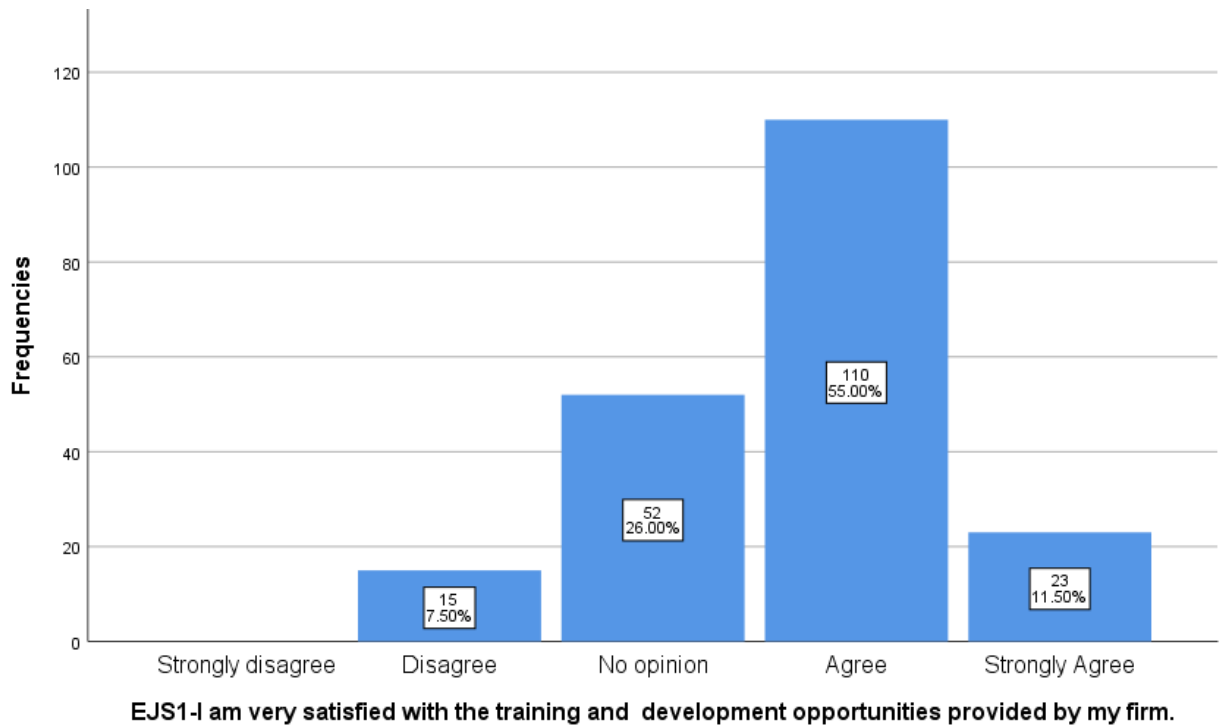
**Figure 5.14** The result of position level and employee job satisfaction

In summary, **Figures 5.9-5.14** indicated that employees who had worked as officers had a low-level perception of HRM practice, job satisfaction, retention of employees, and organizational performance by comparing with their position levels.

### **5.8. Frequency Distribution: Employee Job Satisfaction and Retention of Employees**

The purpose of producing the results of the frequency distribution of this study is to explore the employee's perception and determine how they express their observation on the levels of their job satisfaction and retention strategy in the J Trust Royal Bank. This study used questionnaire items after performing factor analysis and reliability tests to produce the frequency distribution. The following figures show the levels of employee perception related to their level of job satisfaction and retention of employees.

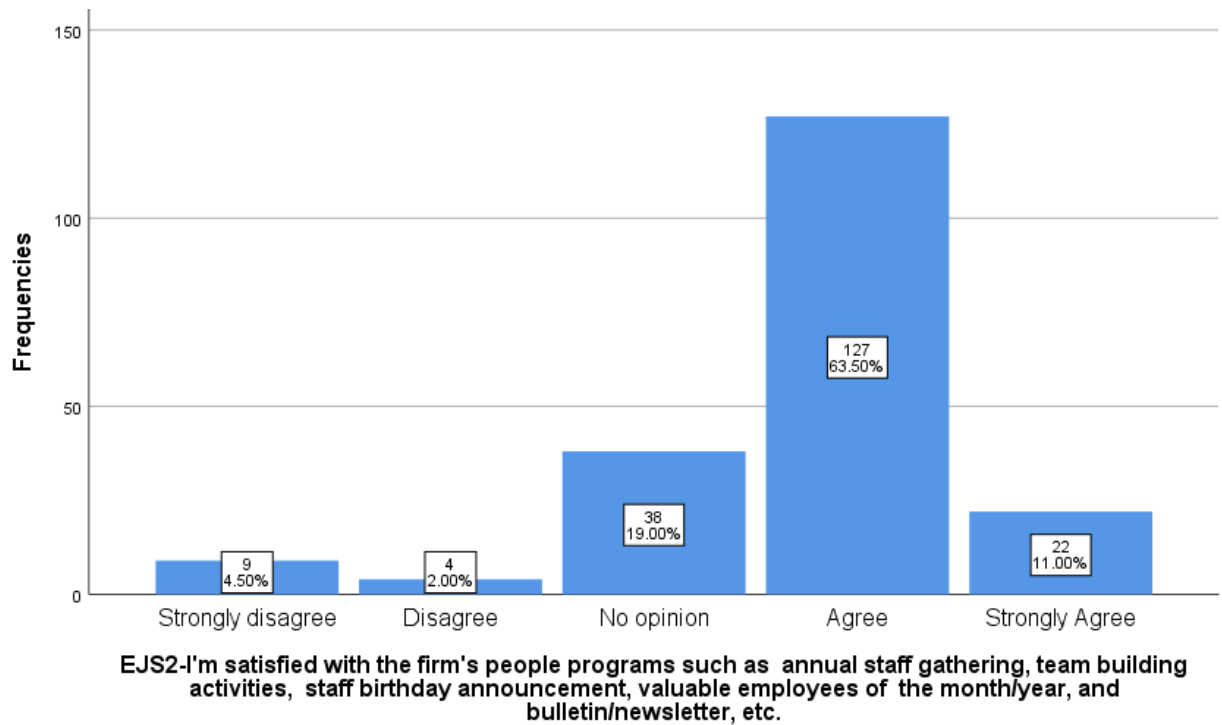
**Figure 5.15** indicated that 110 of 200 employees, with 55 percent rated Agree to the item that "I am satisfied with the training and development opportunities provided by my firm." A total of 15 (7.5 percent) disagreed with the above statement. In short, more than 50% of employees rated from Agree to Agree Strongly. Thus, training and development have worked effectively for employees to evocate their skills, ability, and performance capacity in their job effectively.



**Figure 5.15.** The result of level of job satisfaction-Q1

**Figure 5.16** indicated that 127 of 200 employees, with 63.50 percent rated Agree to the item that "I'm satisfied with the firm's people programs such as annual staff gathering, team building activities, staff birthday announcement, valuable employees of the month/year, and bulletin/newsletter, etc.". A total of 9 (4.5 percent) employees stated Strongly Disagree with the above statements. In short, more than 60 percent of employees rated from Agree to Agree Strongly. Thus, the annual people program has effectively motivated employees to perform their job effectively.

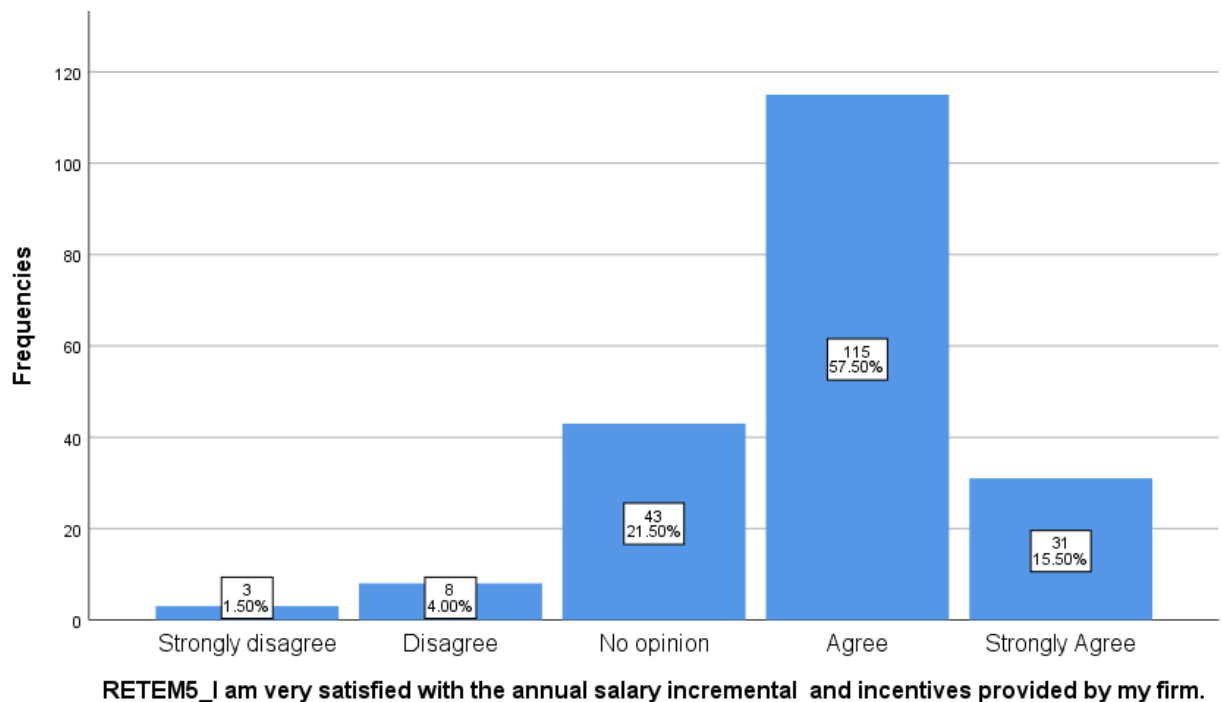




**Figure 5.16** The result of level of job satisfaction-Q2

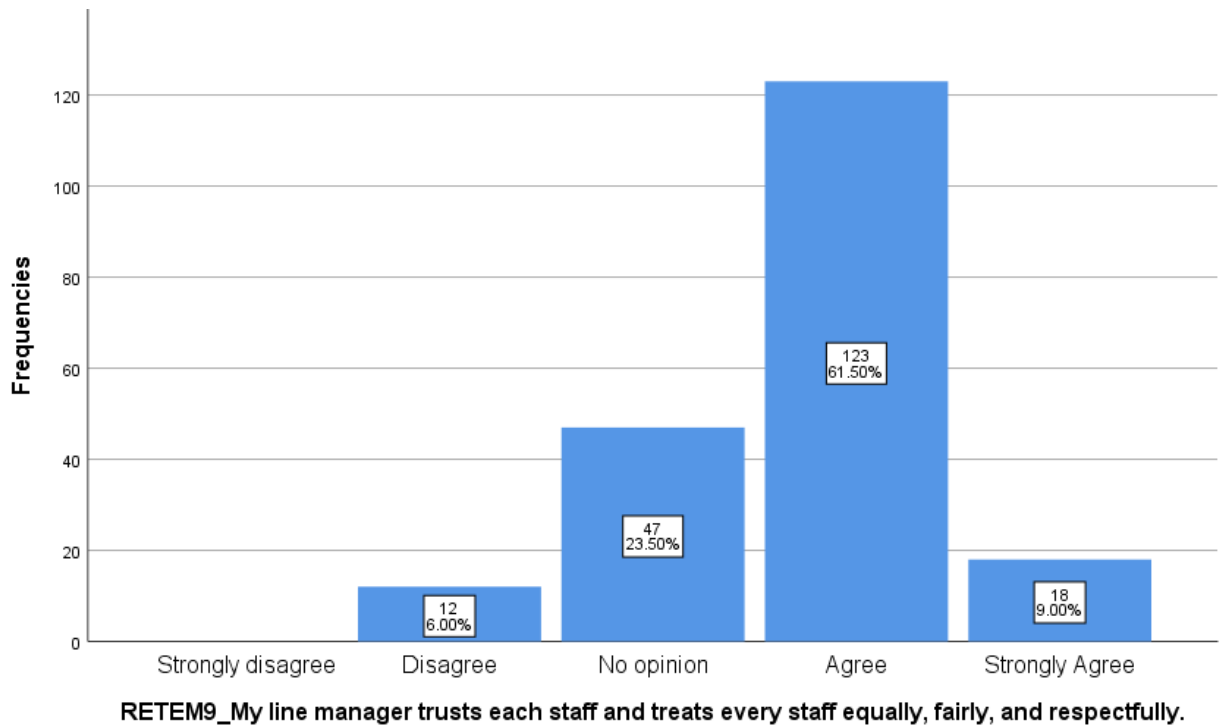
In summary, **Figures 5.15-5.16** indicated that more than 55 percent of employees felt satisfied with the job, which provided the rating scale "Agree to Strongly Agree." However, 9-15 percent of 200 employees who felt unsatisfied with their job, rated from "Disagree to Strongly Disagree," respectively.

**Figure 5.17** indicated that 115 of 200 employees, with 57.50 percent Agreed to the item "I am very satisfied with the annual salary incremental and incentives provided by my firm." A total of 13 (4.5 percent) employees rated from Disagree to Strongly Disagree with the above statements. In short, more than 50 percent of employees rated from Agree to Agree Strongly. Thus, annual salary and incentive programs have motivated employees to perform their jobs effectively.



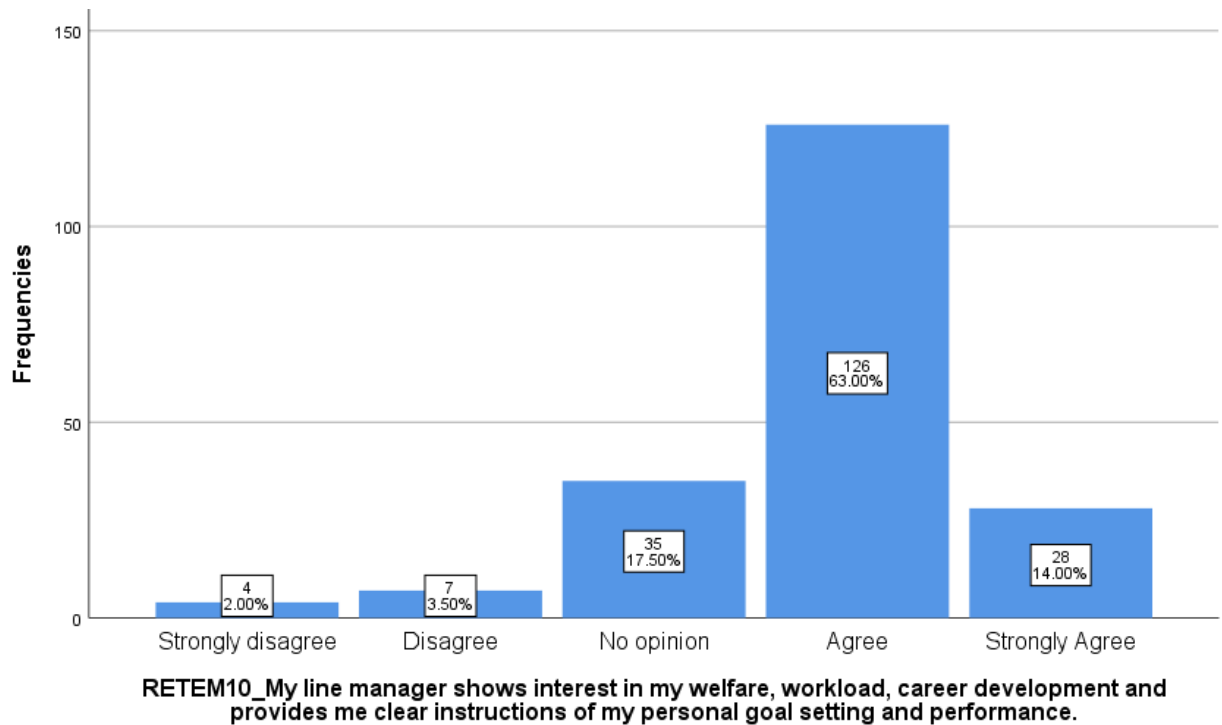
**Figure 5.17** The result of level of retention-Q5

**Figure 5.18** indicated that 123 of 200 employees, 61.50 percent rated Agreed to the item- "My line manager trusts each staff and treats every staff equally, fairly, and respectfully." A total of 12 (6 percent) rated Disagreed with the above statement. In short, more than 60 percent of employees rated from Agree to Strongly Agree. Thus, the manager who trusts and treats employee equally has worked effectively to motivate employees to perform their job effectively.



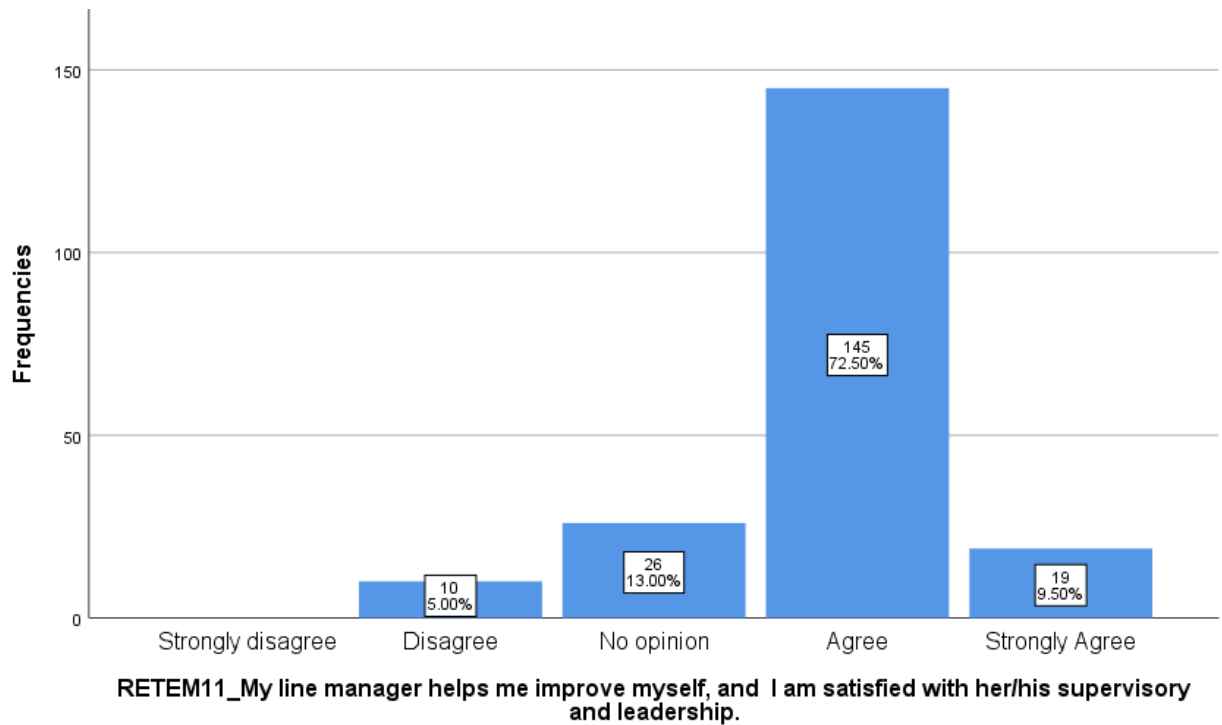
**Figure 5.18** The result of level of retention-Q9

**Figure 5.19** indicated that 126 of 200 employees, with 63 percent rated Agreed to the item that "My line manager shows interest in my welfare, workload, career development and provides me clear instructions of my personal goal setting and performance." A total of 11 (5.5 percent) rated from Disagree to Strongly Disagree with the above statements. In short, more than 60 percent of employees rated from Agree to Strongly Agree. Thus, welfare, workload, and career development have motivated employees to perform their jobs effectively.



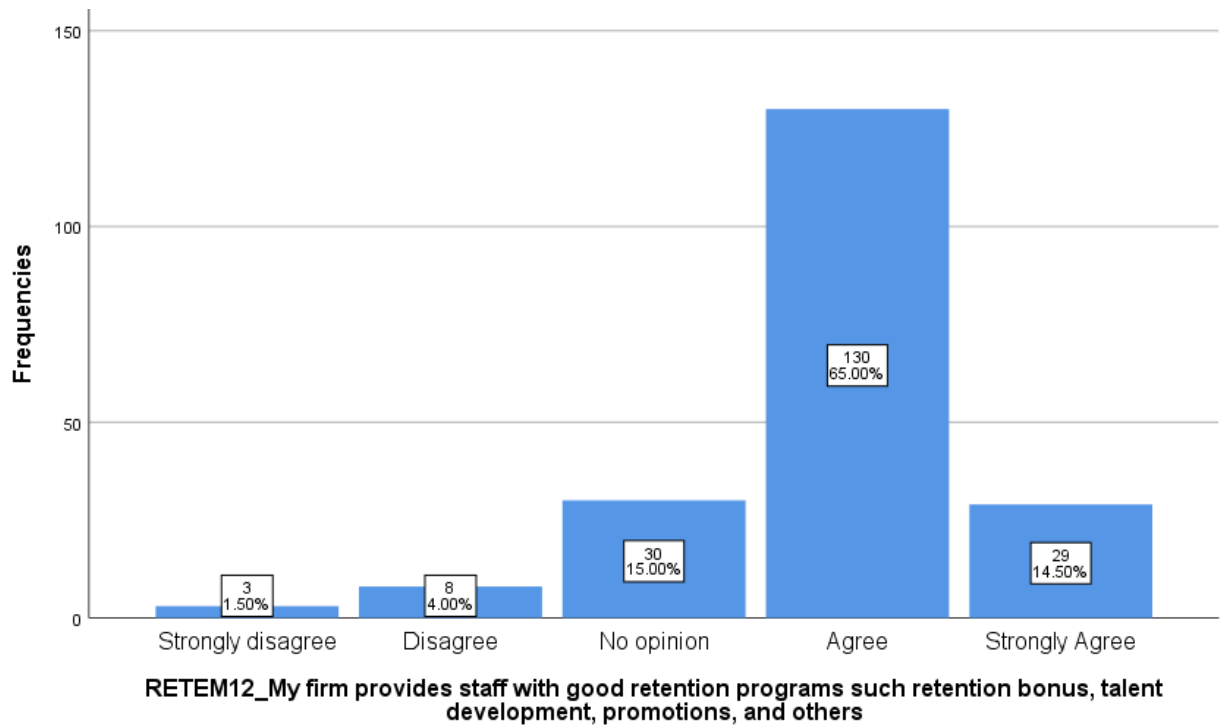
**Figure 5.19** The result of level of retention-Q10

**Figure 5.20** indicated that 145 of 200 employees with 72.50 percent rated Agreed to the item that “My line manager helps me improve myself, and I am satisfied with her/his supervisory and leadership.” A total of 10 (5 percent) disagreed with the above statements. In short, more than 70 percent of employees rated from Agree to Strongly Agree. Thus, supervisory and leadership have worked effectively to motivate and lead employees to perform their job effectively.



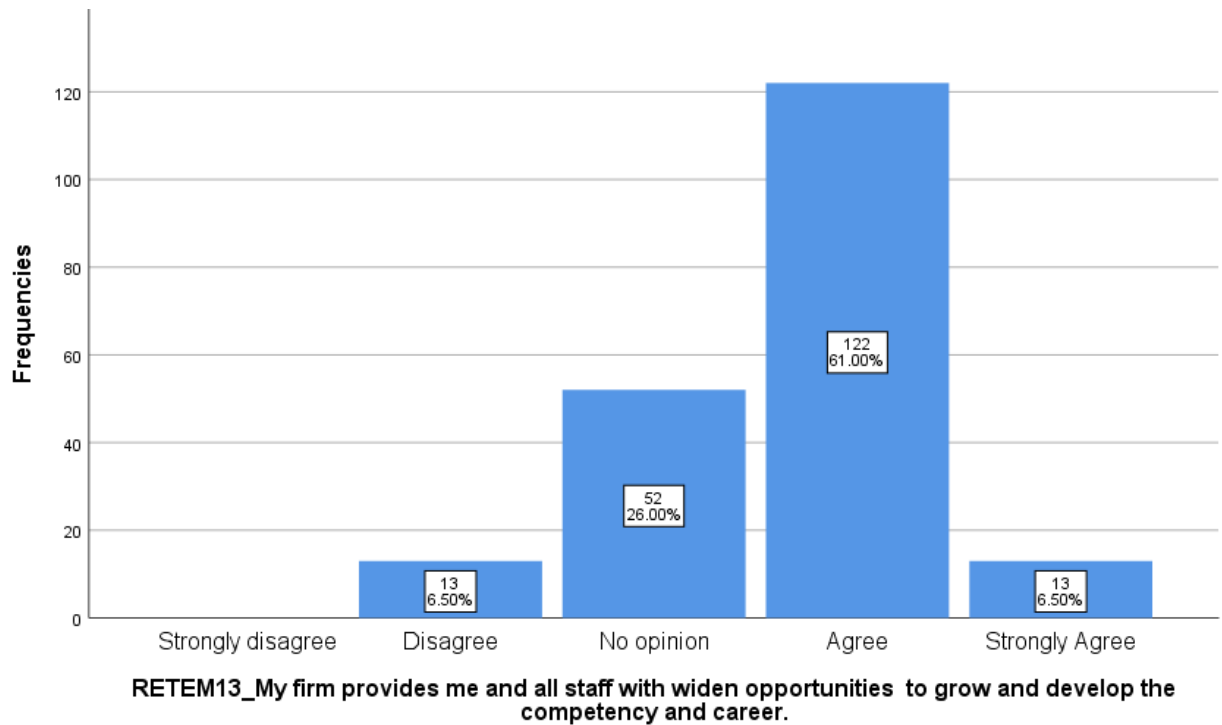
**Figure 5.20** The result of level of retention-Q11

**Figure 5.21** indicated that 130 of 200 employees with, 65 percent agree to the item that “My firm provides staff with good retention programs such retention bonus, talent development, promotions, and others.” A total of 11 (5.5 percent) rated from Disagree to Strongly Disagree with the above statements. In short, more than 65 percent of employees rated as Agree to Strongly Agree. Thus, retention programs, talent development, and promotions have effectively motivated employees to perform their job effectively.



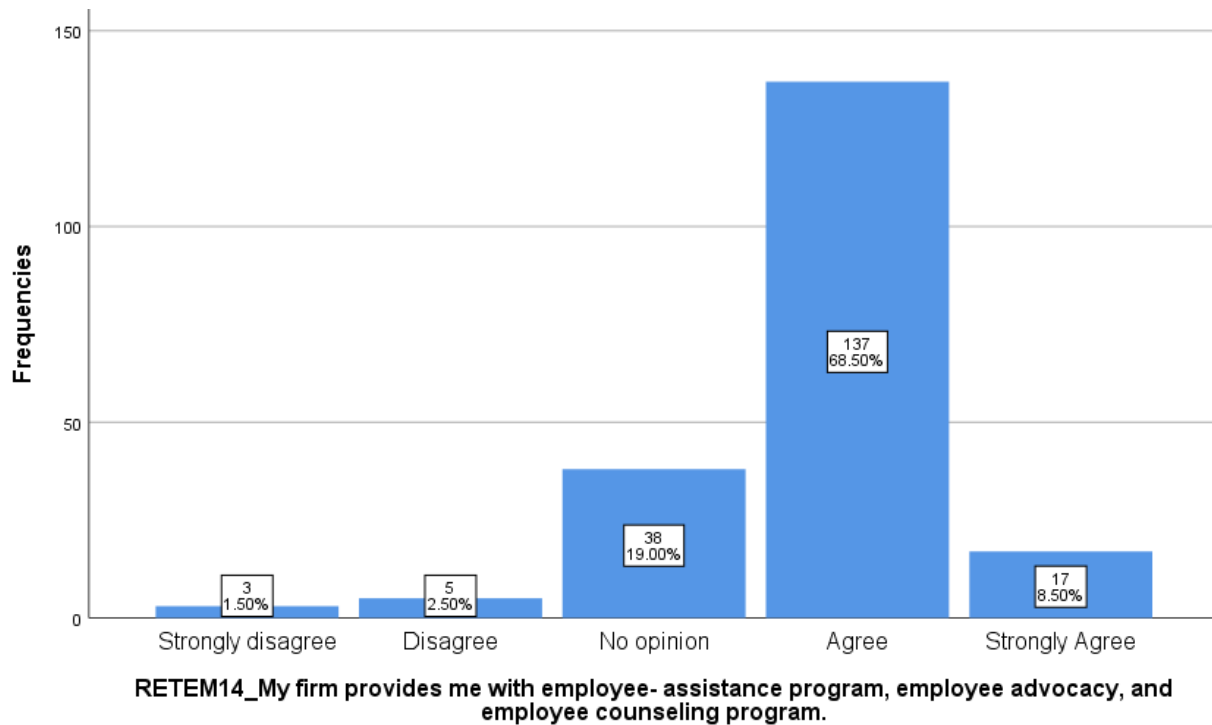
**Figure 5.21** The result of level of retention-Q12

**Figure 5.22** indicated that 122 of 200 employees with, 61 percent agreed to the item that “My firm provides me and all staff with wider opportunities to grow and develop the competency and career.” A total of 13 (6.5 percent) disagreed with the above statement. In short, more than 60 percent of employees rated from Agree to Strongly Agree. Thus, developing competency and career have worked effectively to motivate and lead employees to perform their jobs effectively.



**Figure 5.22** The result of level of retention-Q13

**Figure 5.23** indicated that 137 of 200 employees, with 68.50 percent, agreed to the item that "My firm provides me with the employee-assistance program, employee advocacy, and employee counseling program." A total of 8 (4.0 percent) rated from Disagree to Strongly Disagree to the above statements. In short, more than 68 percent of employees rated from Agree to Strongly Agree. Thus, employee-assistance programs, employee advocacy, and employee counseling programs have effectively motivated employees to perform their job effectively.



**Figure 5.23** The result of level of retention-Q14

In summary, Figures 5.17-5.23 indicate that more than 57 percent of 200 employees felt satisfied with the retention program provided by this bank. However, 3-13 percent of 200 employees are unsatisfied with the retention program.

## 5.9. Discussion of Alternative Hypothesis Testing

**Hypothesis 1 (Table 5.16)** on the relationship between HRM practices and employee job satisfaction found significant correlations and is confirmed by this study in banking service sectors in Cambodia, especially in the J Trust Royal Bank. HRM practices (i.e., Recruitment and Selection, Training and Development, Compensation and Benefits, and Performance Appraisal System for Employees) positively contribute to job satisfaction in service industries. The results of the current study are consistent with the previous

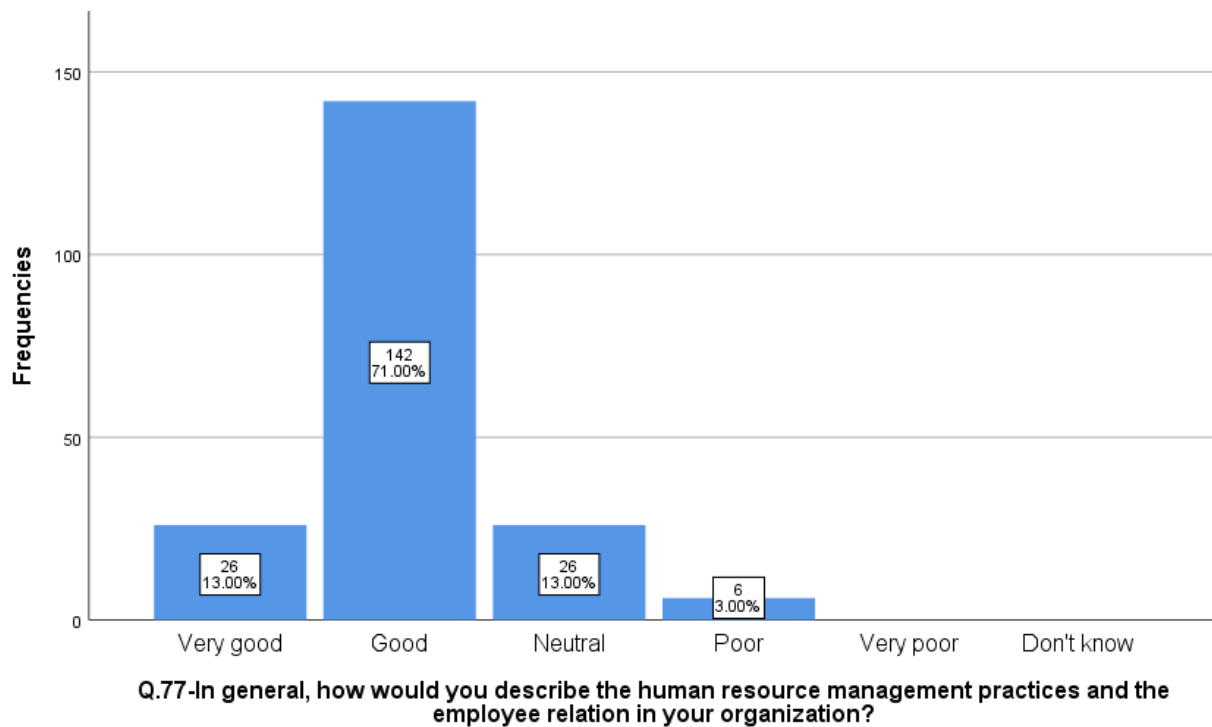


research scholars who developed tools to test the relationship between HRM practices and job satisfaction of employees in banking services. Thus, this study concludes that there are three sub-dimensions (i.e., Recruitment and Selection, Training and Development, Compensation and Benefits) of HRM practices that play an essential role in increasing the employee's perception of job satisfaction in J Trust Royal Bank. One sub-dimension (i.e., Performance Appraisal System for Employees) of HRM practices does not play an essential role in enhancing employee job satisfaction in J Trust Royal Bank. Overall, HRM practices significantly contribute to increasing and motivating employee job satisfaction in any organization which had already applied those sub-dimensions of HRM practices.

**Hypothesis 2 (Table 5.17)** on the relationship between HRM practices and retention of employees found significant correlations and is confirmed by this study in banking service sectors in Cambodia, especially in the J Trust Royal Bank. HRM practices (i.e., Recruitment and Selection, Training and Development, Compensation and Benefits, and Performance Appraisal System for Employees) positively contribute to the retention of employees in service industries. The results of the current study are consistent with the previous research scholars who had developed tools to test the relationship between HRM practices and the retention of employees in banking services. (i.e., Ahmad, Tariq, & Hussain, 2015; Imna & Hassan, 2015; Kakar, Raziq, & Khan, 2015; Nasir & Mahmood, 2016; Noor, 2020; Nyaema & Wambua, 2019; Presbitero, Roxas, & Chadee, 2016).

Therefore, HRM practices significantly play a critical role in building a solid connection with motivating the employee retention strategy in the J Trust Royal Bank.

**Hypothesis 3 (Table 5.19)** on the relationship between employee job satisfaction and retention of employees found significant correlations and is confirmed by this study in banking service sectors in Cambodia, especially in the J Trust Royal Bank. Employee job satisfaction positively contribute to the retention of employees in service industries. The results of the current study are consistent with the previous research scholars who had developed tools to test the relationship between employee job satisfaction and the retention of employees in banking services (i.e., Abouraia & Othman, 2017; Al Jamil, Setiawan, & Juwita, 2022; De Sousa Sabbagha, Ledimo, & Martins, 2018; Remijus, Chinedu, Maduka, & Ngige, 2019; Sija, 2021; Yousuf & Saqib, 2021; Yukongdi & Shrestha, 2020). Therefore, employee job satisfaction significantly plays a critical role in motivating a solid connection with the employee retention strategy in the J Trust Royal Bank.



**Figure 5.24** The Results of Human Resource Management Practices and the Employee Relation

## 5.10.Challenges in Implementing HRM Practices

Staff development remains the primary target at J Trust Royal Bank, with employees spending 14,291 hours on vocational training, an increase of 6 percent in 2019 compared to 2020. And. However, the results of **Table 5.21** indicated that among 33 (6.4 percent) employees mentioned, in relation to the bank's "lack of retention programs of highly motivated and performance staff— Q.B75. M", 30 employees said that the bank is unfair. 37 employees said that the bank's "work performance appraisal of staff— Q.B75.L" is not fair. Regarding "unfair staff recruitment and selection— Q.B75.I", 38 employees stated that the bank's 'leadership and HR policies— Q.B75.E", is ineffective.

108 employees noted that the bank's "salary and annual salary incremental are not competitive in the market— B75.K". 47 employees expressed that the bank is "poor at communication and information sharing— Q.B75.D". Thus, these results indicated that the J Trust Royal Bank has challenging HRM practices among those employees, which might lead them to leave their jobs and ultimately increase staff turnover. Indeed, **Table 5.15** indicated that one dimension of HRM practice (*i.e.*, Performance Appraisal System for Employees) did not have a significant impact on "Employee Job Satisfaction" (*i.e.*,  $t\text{-value} = 1.091 < 1.96$ ,  $p=0.277 > 0.05$ ). From this perspective, this study assumed that the performance appraisal system for employees may be unfair in evaluating the employees, leading them to dissatisfaction with their jobs.

The findings from the present study have revealed the following challenges that J Trust Royal Bank is facing.

- i. Staff turnover was significantly high per year. Although the bank had provided staff with good training courses, staff attachment, secondment, staff coaching, and staff development, the number of branches and departments have remained the same. Hence, many staff members found less opportunity to be promoted, and their career growth seemed to be stagnated as well. Consequently, many left their jobs and moved to other banks for better opportunities and growth (**Table 5.6: Q.B75.D**).

- ii. Most of the staff were not satisfied with the salary offered as they complained that their pay was lower than those of other banks. Moreover, the bank should have revealed to them the salary survey that was conducted (refer to **Table 5.22**, Q. B75.K — “The staff’s salary and annual salary incremental are not competitive in the market, where 108 employees and 20.08 percent had mentioned this issue”. Although staff salary is competitive in the other banks, some staff are unhappy with the employee benefits. They complained that paying an annual salary increment is very competitive in the job market within the same job grade in the same industry — Q. B76.D (**Table 5.23**).
- iii. Staff retention is another ongoing challenge that J Trust Royal Bank is facing. This has contributed to the bank’s high staff turnover rate. It has scaled down its staff retention programs and job opportunities to grow the staff’s careers as the bank faced strong competition from new international banks such as ABA, Prince Bank, Maybank, and Cathay Pacific Bank (**Table 5.6: RETEM17**)
- iv. The bank also did not manage and monitor the staff effectively during the probation period. It did not provide them with the key performance indicators of the team during the probation period, and did not conduct any performance evaluation after the probation. There is no written

confirmation of the probation upon the employee's completion of 3 months. However, based on the normal practice, if the line manager did not provide any comments after the probation period, it is deemed that the staff has passed the probation and can continue to work in the bank (**Table 5.4: TRDE10**).

- v. The bank's communication system was also limited in reaching all employees effectively, as most of the communication was done by email. As many of the staff do not read the emails due to their limited competence in understanding English, the employees do not receive the wider and relevant information for a better understanding of the changes in the organization and other pertinent information for further actions (**Table 5.6: Q.B75D**).

## **5.11. Conclusion**

This present study has created a model that encourages organizations, especially banking sector, and academics to reassess the importance of HRM practices. Specifically, these practices will help organizations develop better HRM practices that align with their management practices and leadership activities. Moreover, HRM practices create actions to increase employee job satisfaction and retention of employees at the organization. Additionally, HRM practices properly work in service industries, such as bank industry (i.e., Coffie, Boateng, & Coffie, 2018; Gomes, Angwin, Peter, & Mellahi, 2012; Masum, Azad,

& Beh, 2016), hotel industries (i.e., Chand, 2010; F. N. K. Otoo & Mishra, 2018; Rubel, Kee, & Rimi, 2021), tourist agencies (i.e., Tsaur & Lin, 2004), and airline industries (i.e., Boyd, 2001; Harvey, Williams, & Probert, 2013).

The consistent findings of the regression analysis in this study revealed that HRM practices also contribute to employee job satisfaction and retention of employees in the J Trust Royal Bank in Cambodia. Indeed, all 3 research alternative hypotheses are supported and accepted by this study. This study has provided a better understanding of how HRM practices and the mediating variables of retention of employees and employee job satisfaction in the J Trust Royal bank. One of its strengths is that it has clarified the direct positive relationships between variables. Moreover, it has discovered other relationships that could help identify future studies. Similar studies on other sectors of the economy would increase our knowledge and understanding of HRM practices.

In addition, the logistic regression results predicted the relationship among all sub-dimensions of HRM practices, employee job satisfaction, and employee retention in asserting whether the employees will recommend friends, relatives, and others to work for J Trust Royal Bank or not. The results of the logistic regression in Table 5.21 indicated that among the variables of this study, only one research variable of "Retention of Employees" led employees to recommend their friends, relatives, and others to work in J Trust Royal Bank (i.e., Beta—B=2.369, Wald Statistic = 9.454, and significant at p-value=0.002 < 0.05). The reason is that when the bank adopts and implements effective

retention programs, the staff will recommend their friends, relatives, and others to work for this bank. Additionally, all sub-dimensions of HRM practices, employee job satisfaction, and employee retention play an important role in attracting the respondents who have participated in the survey to recommend their friends, relatives, and others to work in J Trust Royal Bank. Therefore, HRM managers should consider these research variables in partnering with line managers in their daily management practices in motivating their subordinates to achieve higher performance in their work and thereby help the bank, in turn, attain higher organizational goals.

From a practical perspective, the present study provides practitioners with a better insight into strategically evolved HRM practices. It also helps them understand the organization's environment of the employee job satisfaction and employee retention from an employee perspective, which is essential to manage appropriately at workplaces because it creates sustainable competitive advantages to retain employees. Therefore, HR managers and practitioners should emphasize more on employee job satisfaction and retention of employees in the banking service sector. The findings of this study contribute to the theoretical development of a conceptual model for explaining the relationships among HRM practices, employee job satisfaction, and retention of employees. Also, it could be helpful for human resource practitioners and managers to navigate the best utilization of human resources, especially in the service-related organizations. To facilitate the link between HRM practices and favorable outcomes, HR practitioners and managers first need to recognize the importance of employee job satisfaction and retention because



it would enrich their understanding of how employee perspectives of HRM practices may enhance the level of the employee satisfaction and employee retention. Practitioners and assigned authorities should implement those practices, creating a working climate that motivates, establishes, a mutual understanding and respect, and strengthens employee abilities to improve the employee job satisfaction and employee retention at the Bank.

From the research findings of this study, the critical challenges of HRM practices in the banking service sector can be applied and integrated in different organizational cultures and approaches to motivate their employees. The HRM practices should not be fixed to be used only for improving management practices. For example, the results of this study showed that the “Performance Appraisal System for Employees” does not provide a significant impact on “Employee Job Satisfaction” (i.e., Table 5.15—Beta = 0.118, t-value = 1.091, and p-value = 0.277). Thus, HR managers should re-innovate HRM practices to motivate employees to reduce job turnover and quality of work life at the workplace. This practice might enhance employee job satisfaction, and employee retention, particularly in sustaining competitive advantages among business competitors within the same bank industry.

## CHAPTER VI

### CONCLUSIONS AND RECOMMENDATIONS

This chapter presented the main findings of the study along with its conclusion and recommendations. This chapter is divided into four sections. The first section related to the main results of the study, the second section is conclusion, the third section dealt with the recommendations and the fourth section presented the scope for further research and concluding remarks.

#### 6.1. Main Findings of the Study

The banking sector in Cambodia is presently experiencing **rapid growth**, necessitating the recruitment of efficient and experienced human resources to enhance operational effectiveness and positively impact the economy. This study contributes to the existing literature on human resource management (HRM), employee job satisfaction, and retention strategies specifically within J Trust Royal Bank in Cambodia. It emphasizes the significance of effective HRM practices for the banking sector's overall benefits.

Supporting previous research done on this area, the present study found that **high-performance human resource practices** correlate with a positive working environment, which in turn fosters increased employee retention and job satisfaction within the bank. The findings align with established literature indicating that strategic HR partnerships can significantly enhance organizational performance, although current HR practices in some banks still require further development to fully realize their potential.

The study underscores the critical role of human resources in sustaining growth within Cambodia's banking sector, highlighting both the opportunities and challenges faced by HR leaders in optimizing employee engagement and performance.

This study investigated the impact of five key human resource management (HRM) practices: recruitment and selection, training and development, compensation and benefits, and performance appraisal systems on employee retention and job satisfaction at J Trust Royal Bank. The research employed a quantitative survey methodology to gather data, aiming to determine how these practices contribute to predicting employee job satisfaction and retention levels.

The findings suggest that effective HRM practices play a crucial role in enhancing employee satisfaction and retention. Specifically, the study highlights that well-structured recruitment processes, comprehensive training programs, competitive compensation packages, and fair performance appraisals are instrumental in fostering a positive work environment. This environment not only boosts employee morale but also encourages long-term commitment to the organization.

Overall, the results underscore the importance of implementing robust HRM strategies to improve employee outcomes, thereby contributing to the overall competitive success of J Trust Royal Bank.

The independent variables were the five HRM practices, while the retention of employees and employee job satisfaction were the dependent variable.

Cambodia's banking system has undergone many stages of historical development. The development stages all pose requirements for the respective human resource requirements. Over the past and now, commercial banks have developed characteristics such as: being a key component in the financial system; speedy growth in scale; products in the infancy stage have low technology content; competitiveness and asset quality are low.

The issue of HRM practices is of particular importance to an organization. No organization's activities can be practical without human resource management. HRM practices are the cause of success or failure in business activities. The fundamental goal of any organization is to effectively apply HRM practices to achieve the organization's goals, including the J Trust Royal commercial bank, especially in the current context of competition and international integration. Meanwhile, among the four HRM practices, training and development, compensation and benefits, recruitment and selection significantly impact employee job satisfaction, and retention of employees.

Included in the identified improvement strategy is for the bank organization to be aligned with their HRM practices to the employee job satisfaction and retention. Most importantly, private commercial banks in Cambodia are rapidly growing and facing huge competition to improve the competitive advantage of employees. Achieving a high level

of job satisfaction, and employee retention required to gain a competitive advantage of the Bank. Due to the lack of research and insufficient knowledge in that field, the study offers a new avenue of existing knowledge to the stakeholders and researchers on developing HRM practices to promote organizational employee job satisfaction and employee retention.

The research findings found that the five HRM practices correlated positively with the retention of employees, and employee job satisfaction. On the other hand, employee job satisfaction was found to be positively correlated with the retention of employees. The three independent variables (i.e., HRM practices, employee job satisfaction, and retention of employees) made significant individual contributions to the prediction of job employee satisfaction and employee retention. This study contributes to the HRM practice literature in various ways.

Firstly, it integrates HRM practices, employee job satisfaction, and retention of employees in the context of less developing countries in the banking service sector. The study examines the relationship between HRM practices and employee job satisfaction in achieving sustainable employee job satisfaction and employee retention within the banking service industry.

Secondly, it investigates how HRM practices contribute to the organizational good working environment through the retention of employees. Prior studies have yet to

explore these relationships simultaneously in the context of banking service industries in the Cambodian context.

The independent variables in the present study were the five HRM practices, while employee retention and job satisfaction served as the dependent variables. Cambodia's banking sector has experienced significant historical development, with each stage imposing specific human resource requirements. Currently, commercial banks exhibit characteristics such as being integral to the financial system, rapid growth in scale, low technology content in early-stage products, and relatively low competitiveness and asset quality.

HRM practices are crucial for organizational success; effective HRM is essential for operational efficiency. The primary objective of any organization, including J Trust Royal Bank, is to implement HRM practices that align with its goals, particularly in a competitive and globally integrated environment. Among the identified HRM practices, training and development, compensation and benefits, and recruitment and selection have a significant impact on employee job satisfaction and retention.

The study suggests that aligning HRM practices with employee job satisfaction and retention strategies is vital for the bank's success. As private commercial banks in Cambodia rapidly grow and face intense competition, achieving high levels of job satisfaction and employee retention becomes critical for gaining a competitive advantage. Given the limited research in this area, this study provides valuable insights for

stakeholders and researchers interested in developing effective HRM practices that enhance employee satisfaction and retention.

The findings of the present study have indicated a positive correlation between the five HRM practices and both employee retention and job satisfaction. Furthermore, employee job satisfaction is positively correlated with employee retention. Each of the three independent variables: *HRM practices, employee job satisfaction, and employee retention contributes significantly to predicting employee job satisfaction and retention rates.*

This research study enriches the literature on HRM practices by integrating these concepts within the context of developing countries' banking sectors. It examines how HRM practices foster sustainable employee job satisfaction and retention in the banking industry. Additionally, it explores how these practices contribute to creating a positive organizational environment that enhances employee retention. Notably, prior studies have not simultaneously investigated these relationships within the Cambodian banking context.

## **6.2. Conclusions**

In conclusion, this study could contribute to the literature on human resource practices, employee job satisfaction, and retention of employees in the J Trust Royal Bank. There is rapid growth in the banking sector in Cambodia. Therefore, there is an urge to

recruit efficient and experienced human resources to drive the competitiveness of the bank.

This present study can contribute to the development of the J Trust Royal bank, which may lead to maintain this sector's work effectively, efficiently, and positively impact the economy of the Cambodian society. It also will highlight the nature and importance of HRM practices for the benefits of the banking sector. The results of this study have corroborated with previous research and confirmed correlations between and among human resource management practices, retention of employees, and employee job satisfaction in the J Trust Royal Bank. The bank's human resource management should formulate and implement an active compensation and reward policy linked to the overall bank's strategy. Training and development are significant factors affecting HRM practices, employee job satisfaction, employee retention, and employees' performances. The other major factor mentioned is the need for an effective employee performance appraisal system. Among the many elements of performance appraisal, the lack of rewarding or appraising individuals for their excellent work is the main factor affecting the employee job satisfaction which leads to impact on employees' performances. Indeed, the reward policy should ensure that employees' rewards are matched with the employees' efforts and performance. Likewise, the lack of skills, knowledge, experiences, and other competencies affect employees' performances in the banking service sector.



The findings of the research indeed have practical implications. Having high levels of job satisfaction among bank employees will guarantee low turnover rates, reduce absenteeism, increase productivity levels, generate a good working environment, and improve the rate of the employee retention. Furthermore, HRM practices help in career development opportunities and hence provide better job opportunities. The study empirically supports the hypothesis that there is a positive relationship between employee job satisfaction and the HRM practices it develops and is empirically confirmed by this study. Based on the findings, implementing effective human resource management policies would show management's confidence in employees and policies/practices that view employees as friends/partners and organizations' ability to exhibit integrity in implementing all promises made to its employees.

Additionally, the findings from this study provide a comprehensive framework of HRM practices for both academic and managerial responses to improve the retention of employee and job satisfaction of the J Trust Royal Bank. From this perspective, when the bank highly applies or uses the proper HRM practices, then it will lead to increase employee job satisfaction and enhanced retention of employees, which may, in turn, improve productivities of the employees. This study assumed that HRM practices influence the critical facilitators of employee job satisfaction and retention of employees. Also, the research variables of employee job satisfaction play an essential role as mediating variables between HRM practices and employee retention, respectively.

The results confirm the importance of HRM practices, demonstrating that they are paramount to long-term sustainable growth and success in organizations. In general, enhancing the effectiveness of HRM practices can result in higher level of retention of employees, and employee job satisfaction. In particular, the choice of HRM practices implied the use of an effective incentive-based compensation, training and development, recruitment and selection and performance appraisal system for employees. Thus, HRM practices substantially and positively impact on employee job satisfaction and employee retention, whether directly or indirectly. This finding is helpful for managers who aim to renovate their human resources and raise the employee job satisfaction and employee retention in their organizations.

The results of Tables 5.24-5.25 indicate the level of job contracts and positions of employees that contribute to HRM practices (i.e., recruitment and selection, training and development, compensations and benefits, and performance appraisal system for employees) and retention of employees. This study asserts that the level of job contracts and positions significantly contributes to improving HRM practices and employee retention. However, these two job contracts and positions have little impact on employee job satisfaction and employee retention. The reasons for this issue that have been identified is that many employees who have positions as team leaders and managers have a low-level perception of recruitment and selection, compensations and benefits, training and development, performance appraisal system for employees, and retention of employees. Particularly, employees in the higher positions, such as managers, often feel that their

jobs are unsatisfactory. In contrast, employees with higher experience, skills, and knowledge feel demotivated because they cannot secure career growth in the organization. Hence, this may lead them to quit their jobs and join other organizations, and this will lead the bank to face a high turnover rate if this HRM issue is left unaddressed and unresolved. Furthermore, the research finding also indicated that employees who have had job contracts for more than 4 years with the bank had decreased perceptions of job satisfaction and reduced performance. This is because they may feel dissatisfied with their jobs, leading to lower performance. Thus, HRM managers should re-innovate HRM practices to retain employees with long job contracts to stay with the organization.

### **6.3. Recommendations**

Based on the findings of the present study, the following recommendations are made to enhance the human resource practices of the J Trust Royal Bank in contributing effectively towards the retention and job satisfaction of its employees:

- i. Career Development and Succession Planning: Addressing the high staff turnover rate, J Trust Royal Bank should prioritize internal career growth opportunities for employees. This includes personnel development programs for high-performing employees and their inclusion in the bank's succession planning initiatives. This approach can foster a sense of value and long-term commitment among employees and their retention.

- ii. **Competitive Compensation and Benefits:** In response to staff dissatisfaction with current salaries, J Trust Royal Bank should conduct annual salary surveys within the banking industry to ensure competitive compensation and benefits packages. This includes salaries and annual salary increments that are benchmarked against industry standards to attract and retain talent particularly the higher-position employees.
- iii. **Enhancing Staff Retention Programs:** To address staff retention challenges, J Trust Royal Bank should actively solicit feedback on existing retention programs and use this input to develop more appealing and effective initiatives. These programs should aim to meet employee needs and attract external candidates.
- iv. **Effective Probationary Period Management:** Recognizing the need for improved management and monitoring of staff during their probationary period, J Trust Royal Bank should design and implement clear Key Performance Indicator (KPI) standards for probationary employees. This includes monthly performance reviews, one-on-one coaching for improvement, and formal performance confirmation upon completion of the probationary period.

#### **6.4. Scope for Further Research**

The data for the present study were primarily collected from J Trust Royal Bank between 2019 and 2021, potentially limiting the generalizability of the findings. To broaden the scope, future research should include other key commercial banks in Cambodia to assess whether HRM practices in those institutions similarly enhance

employee job satisfaction and retention. Expanding the sample size beyond 200 employees across the four central business units of J Trust Royal Bank would also provide more robust and reliable data.

Limitations and future directions in the present study are as follows:

- Sampling method and scope: The present study employed a purposive sampling method within a single banking sector and used a cross-sectional design, which necessitates caution when generalizing the results. Future research should aim to gather data from a wider range of geographical locations and include both private and public banks.
- Data collection methods: Self-report questionnaires were used in this study. Future research could benefit from employing diverse methods such as personal or telephone interviews to clarify ambiguities and obtain more reliable data. Additionally, adopting more complex analytical methods and alternative data collection instruments could provide a more comprehensive understanding of the variables under investigation.

Despite these limitations, this study advances our understanding of the HRM performance chain, underscoring the critical role of HRM practices in creating sustainable workplaces. The research extensively focused on the positive impact of HRM practices on employee job satisfaction and retention within J Trust Royal Bank. The findings reveal a positive

relationship between HRM practices and employee job satisfaction, with employee retention mediating this relationship.

#### Implications and Applications of the Study:

This study has implications for service firms seeking to build sustainable competitiveness through effective HRM practices. It supports policymakers in the banking sector, academics, researchers, and other institutions interested in implementing HRM practices effectively. It is hoped that J Trust Royal Bank and other stakeholders will invest in enhancing employee job satisfaction and retention to ensure the long-term sustainability and competitiveness of the bank's operations.

The study's findings also offer practical insights for organizations beyond the banking industry. The importance of a positive management approach and implementing effective HRM practices to develop a resilient workforce are demonstrated.

By understanding how HRM practices influence employee job satisfaction and retention, banks and other service-based industries can strategically manage their human resources to achieve sustainable employee satisfaction and retention. Building a sustainable workforce requires managers to leverage the strengths and psychological well-being of organizational participants through HRM practices, fostering trust, cooperation, and shared values.

Ultimately, effective human resource management is a key driver of profitability and sustained competitive advantage. This study focused on the HRM practices at J Trust

Royal Bank that have the most significant impact on employee perceptions of job satisfaction, retention, and overall business performance. In today's competitive business environment, service organizations should prioritize attracting, retaining, and sustaining top talent.

This research contributes to the existing literature by providing empirical evidence of the impact of HRM practices on employee job satisfaction and retention. The results suggest that employee retention and job satisfaction mediate the relationship between HRM practices.

To promote competitiveness and sustained advantage, organizations should prioritize valuable HRM practices that motivate employees to achieve higher levels of job satisfaction and retention. Other organizations facing intensely competitive, stressful, and challenging work environments, such as those in healthcare, can also benefit from these findings. Given the challenges of job burnout in these sectors, managing employee job satisfaction and retention may be a beneficial strategy.

## **6.5. Concluding Remarks**

This study significantly contributes to the understanding of human resource management (HRM) practices by confirming that key factors such as recruitment and selection, training and development, compensation and benefits, and performance appraisal systems are essential determinants of employee job satisfaction and retention. The findings enhance theoretical knowledge in the HRM domain, particularly

by demonstrating how opportunities for career growth, advancement, and competitive salaries are crucial for fostering employee job satisfaction and retention.

The insights gained from this present research will help to empower managers to make informed decisions regarding HRM policies aimed at improving employee job satisfaction and retention. Specifically, the study provides valuable guidance for developing effective reward and compensation strategies while emphasizing the importance of linking training and development initiatives with performance appraisal systems.

In this context, the present study can be considered one of the pioneering investigations within the retail sector of J Trust Royal Bank, focusing on five key constructs of HRM practices to illuminate how organizations in the Cambodian banking sector can enhance employee job satisfaction and retention effectively. Furthermore, the findings indicate that reward and compensation practices directly influence the relationship between employee retention, training and development, and performance appraisal.

By addressing existing research gaps, this study adds significant value to the literature on HRM practices within the banking service sector in Cambodia. Overall, the research underscores the critical role of effective HRM practices in creating a supportive work environment that promotes employee job satisfaction and retention, ultimately contributing to organizational success



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## APPENDICES

### APPENDIX 1: Approval Letter from J Trust Bank



Friday, 21<sup>st</sup> June 2024

**TO WHOM IT MAY CONCERN**

This is to certify that J Trust Royal Bank has granted **Mr. Yun Phan**, a Ph. D candidate at Build Bright University to conduct a research study with the topic of "**Examining the Impact of Human Resource Management Practice on Employee Satisfaction and Retention: A Case Study of J Trust Royal Bank in Cambodia**".

Should you require further information, please do not hesitate to contact me at below address and telephone number.

Yours sincerely,

A blue ink signature of Siv Hornpiseth is written over a circular official stamp. The stamp contains the text 'ព្រះរាជាណាចក្រកម្ពុជា' (Kingdom of Cambodia) at the top, 'ផ្នែកធនធានមនុស្ស' (Human Resources Department) in the middle, and 'J TRUST ROYAL BANK PLC.' at the bottom.

**Siv Hornpiseth**  
**Chief Human Resources Officer**  
**J Trust Royal Bank**

## APPENDIX 2: Permission Letter



សាកលវិទ្យាល័យប្រឡាយ  
Build Bright University

លេខ: 406/22 ព.ប.ប.

ព្រះរាជាណាចក្រកម្ពុជា  
Kingdom of Cambodia  
ជាតិ សាសនា ព្រះមហាក្សត្រ  
Nation Religion King

Date: 15th March, 2022

To:  
Mr. Yun Phan  
Ph.D. Scholar (Area: Management)  
Build Bright University

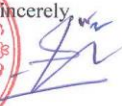
*Subject: Approval of the Research Proposal*

Mr. Yun Phan,

I am pleased to inform you that the Doctoral Review Committee of the university has in principle agreed on your research proposal entitled *"Examining the Impact of the Human Resource Management Practices on the Organizational Performance and Competitiveness: A Case Study on ANZ Royal Bank in Cambodia"*. You are hereby allowed to continue your research work on the selected theme of research, *but you have to write very clearly how Proportional Stratified Random Sampling has been used to select 200 respondents from four units of the bank.*

The University will process your research proposal to the MoEYS for final approval. However, please inform the School of Doctoral Studies, Build Bright University about the progress of your research work through your research supervisor.

Thanking you,

Yours sincerely,  
  
Dr. Dy Davuth  
Chairman  
Doctoral Review Committee

Copy to Dr. Kenneth Kee Kia Hiong, Research Supervisor for information.



## **APPENDIX-3: Sample of selected respondents—HRM Practices**

### **3.7. Sampling Design Procedures**

From the sample size of 200 respondents, stratified sampling method was used to further select the respondents from each of the five locations from the Business lines division and Enablement division of J Trust Royal Bank in Cambodia. These five locations are: (1) Phnom Penh Head Quarters (HQ) including Phnom Penh Branches, (2) Siem Reap Branch, (3) Battambang Branch, (4) Sihanoukville Branch, and (5) Kompongcham Branch. The detail selected respondents based on the stratified sampling method are shown in Table 3.1 below.

<b>Sl. No.</b>	<b>Name of Location</b>	<b>Total Number of Employees</b>	<b>Percentage (%) to Total</b>	<b>Sample Size</b>
1	Head Quarters (HQ)	546	93 percent	180
2	Battambang Branch	10	1.8 percent	5
3	Siem Reap Branch	14	2.5 percent	7
4	Kompongcham Branch	8	1.37 percent	4
5	Sihanoukville Branch	8	1.37 percent	4
<b>Total</b>		<b>N=586</b>	<b>100%</b>	<b>n=200</b>

Source: J Trust Royal Bank's Annual report in 2021

Simple Random Sampling such as lottery method was also used to select staff from each stratum (branch and headquarters) in J Trust Royal Bank. In using this method, all the names of the staff were obtained from each location and their names were then

placed in each box for each location, and the staff's name was then randomly picked from the box to meet the above-mentioned sample size of each stratum in the Table 1 above. The survey questionnaire was then administered to these selected respondents for the purpose of primary data collection.

Simple Random Sampling such as lottery method was also used to select staff from each stratum (branch and headquarters) in J Trust Royal Bank. In using this method, all the names of the staff were obtained from each location and their names were then placed in each box for each location, and the staff's name was then randomly picked from the box to meet the above-mentioned sample size of each stratum in the Table 1 above. The survey questionnaire was then sent to the selected respondents for the purpose of primary data collection.

## **APPENDIX 4: Questionnaire Design**

Dear Respondent,

### **RE: Survey on Human Resource Management Practices in your organization.**

I am presently a doctoral candidate in general management at Build Bright University, Phnom Penh. As a requirement for completing my Ph.D. degree, I am presently conducting a survey on Human Resources Practices in an international Bank in Cambodia.

The purpose of this survey is to examine employees' perceptions about their jobs and their work environment. Specifically, the survey aims to examine the effectiveness of human resource practices in the international bank in Cambodia pertaining to: staff recruitment and selection; staff compensation; staff training and development; staff performance appraisal; and staff retention.

Your participation in this survey is very important as it will contribute to have a clearer insight of the employees' perceptions of the international bank's human resource management practices, to reveal the important aspects of employees' satisfaction in their jobs and work environment, and also to propose suggestions to further improve job satisfaction and the work environment to meet individual and organizational needs.

I would therefore appreciate it very much if you could be kind enough to participate in this survey by completing the attached questionnaire. Your name has been randomly selected from your organization. Please also be informed that this survey is only for the

purpose of my academic research and individual responses will be treated as strictly confidential. All other aspects of this research will be conducted strictly in accordance with Build Bright University's Research Code of Conduct.

Please kindly read the questions carefully and answer it according to how you personally feel about it and there are no right or wrong answers. In order for the research to be meaningful, it is very important that you complete all the questions in the survey.

Please return the completed questionnaire to Mr. Yun Phan by June 17, 2021.

Thank you very much for your kind participation and cooperation in this survey.

Yours sincerely,

---

**Mr. Yun Phan**

Doctoral Candidate

Build Bright University

cc: Head of Human Resources, the International Banks in Cambodia

: Head, Secretariat of Graduate Studies, Build Bright University, Phnom Penh

: Supervisor of Ph.D. Thesis writing, Build Bright University, Phnom Penh

Attached: Letter of Permission from the organization

## **QUESTIONNAIRE SURVEY ON HRM PRACTICES AT THE INTERNATIONAL BANK IN CAMBODIA**

### **SECTION A:**

#### **About Your Job and Yourself**

1. Gender (Please place a (✓) on the box

☐ Male

☐ Female

2. Age (Please place a (✓) on the box

☐ 18-25

☐ 26-30

☐ 31-40

☐ Over 40

3. Your Position

☐ Officer

☐ Team Leader

☐ Manager

☐ Head of BU and above

4. Your education backgrounds

☐ Undergraduate

☐ Bachelor Degree

☐ Master Degree

☐ Ph.D. Degree and above

5. How long have you worked for the organization?

☐ Less than 1 year

☐ 2- 3 years

☐ 4-5 years

☐ More than 5 years

6. Is your job permanent, temporary or for a fixed term?

☐ Permanent

☐ Temporary

☐ Fixed-term

6. During the last 12 months, have you discussed any of these with your supervisor?

☐ How to recruit new staff?

☐ Your chance of promotion

☐ Your training and development needs

☐ Your pay increases

☐ The retention program for you and employees who are motivated and potential

☐ How to evaluate your job performance?

☐ None of these

## **SECTION B:**

Please rate how much you agree or disagree on the following statements (1-79) using one of the scales below:

1. Strongly Disagree
2. Disagree
3. No Opinion
4. Agree
5. Strongly Agree

## I. Recruitment and Selection of Employees

Questionnaire Items	Level of Agreement				
	1	2	3	4	5
1. My firm provides me with a clear understanding of the recruitment and selection processes.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. My firm provides a clear job description and Job specification in its internal and external job ads.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. The shortlisted candidates for the interview were selected based on transparency and fairness.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. The invitation to interview included clear Instructions of the venues, date, and time of the interview.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. The interview was carried out in a professional manner by selecting the right candidate for right job.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. I was treated fairly in the interview.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. I was clearly informed who to contact for any further information.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. I was informed the selection decision and feedback of result within 7 working-days of the interview.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. I was given the opportunity to provide feedback during the interview.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. The staff replacement was always done on time.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. The overall pay and benefits of my firm for employees are good and competitive in the market.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## II. Compensation and Benefits of Employees

Questionnaire Items	Level of Agreement				
	1	2	3	4	5
1. The overall pay and benefits of my firm for employees are good and competitive in the market.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. My firm provides me with detailed information on all company pay and benefits when I first joined the firm.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. My level of pay compared to others in the firm is reasonable and acceptable.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. My level of pay is very competitive compared to what other firms' offer to their staff in the same job	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. My firm offers me with the competitively annual pay merit and an incentive comparing with other firms in the same industry.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. The way in which my firm recognizes and rewards best performers and high-quality work is fair and good.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. My firm provides me with medical and accident insurance benefits.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. My firm provides me with accidental death insurance and dismemberment insurance.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. My firm provides staff with a good disability plan.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



10. My firm provides staff with education sponsorship.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. My firm provides me with pension plan.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. My firm provides me with the Life insurance plan.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13. My firm provides me with the employee-share/stock purchase plan.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14. My firm provides me with annual leave plan.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15. My firm provides me with sick leave, compassionate leave, and special leave.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16. My firm values individual excellence and role modeled values over teamwork aligned with the firm's values.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17. Overall, I am satisfied with the firm's staff compensation and welfare program such as rewards, incentives, allowance, insurance, insurance, health care, other benefits, etc.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### III. Training and Development of Employees

Questionnaire Items	Level of Agreement				
	1	2	3	4	5
1. I have been provided with the proper induction training (job orientation) when I firstly joined the firm.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. My firm encourages me and other staff to take many- required trainings to extend the staff's range of skill and abilities.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3. I got the opportunity to discuss my training and development requirements with my line manager and HR Team.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. My firm is fully committed to the training and development of its employees.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. My firm provides enough development training courses with the potential employees (talents) and development plan for all employees.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. My manager monthly conducts the coaching to enhance my competency and work performance improvement.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. My firm provides me a chance to select the mentor in order to support my career development.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. My firm also sends high potential staff to have the oversea training courses for their career developments.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. My line manager clearly gave me the on-the-job training schedule and regularly feedback my progress monthly basis.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. My line manager and HR team evaluated my performance during the probation period and confirmed my employment.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. My line manager discussed with me about the training contents before I attended the training courses.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. My manager consistently evaluates my competency improvement after the completion of each training course.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

13. My manager always discusses with me about my career planning and development.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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#### IV. Performance Appraisal System of Employees

Questionnaire Items	Level of Agreement				
	1	2	3	4	5
1. My firm has an effective process of staff's work performance appraisal system.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. My line manager has good understanding of the process of staff's work performance appraisal system.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. My work performance's KPI evaluation was selected from my job description with agreed discussions with my line manager	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. My line manager clearly communicated and discussed my Key Performance Indicators (KPI) standard with me at the beginning of the financial year	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. My line manager fairly evaluated my performance and provided me positive and constructive feedback at the middle of the financial year.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. I was given the chance to do self-evaluation of my work performance at the year-end and discussed the outcome with my line manager.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. My line manager did my work performance- appraisal fairly, acceptably, and professionally.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

8. The result of my performance appraisal was based on the annual achievements of objectives and values against their annual target of objectives and values.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. My firm also uses the force distribution ranking method to fit the bell-curve standard of the staff performance-appraisal guideline.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. My line manager provided me with the reasonable feedback after receiving the work performance rating.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. My line manager took prompt and fair corrective actions on staff who failed to perform their work satisfactorily and other better performed staff to close their gaps for their performance improvements.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. The current performance appraisal system of my firm is fair and reliable.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13. My line manager recognized me and other staff for good and best work performance.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14. I am satisfied with my current performance appraisal system of my firm.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## v. Retention of Employees

Questionnaire Items	Level of Agreement				
	1	2	3	4	5
1. I'm very satisfied with my firm's culture, a fair amount of work and work environment.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. I am satisfied with my job duties, job responsibilities and my working condition.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. My supervisor and top management are interested in motivating me and other employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. My management consistently motivates staff through appreciation letters, incentive awards, recognitions and promotions.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. I am very satisfied with the annual salary incremental and incentives provided by my firm.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Salary incremental, promotion, motivational talk, recognition, and empowerment of my firm motivate me.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. The good incentives and a good benefits package will affect my work performance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. My line manager and top managers involve me in decision making and recognize my good contributions.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. My line manager trusts each staff and treats every staff equally, fairly, and respectfully.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

10. My line manager shows interest in my welfare, workload, career development and provides me clear instructions of my personal goal setting and performance.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. My line manager helps me improve myself, and I am satisfied with her/his supervisory and leadership.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. My firm provides staff with good retention programs such retention bonus, talent development, promotions, and others	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13. My firm provides me and all staff with wider opportunities to grow and develop the competency and career.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14. My firm provides me with employee-assistance program, employee advocacy, and employee counseling program.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15. My firm puts in efforts to retain me and other talent staff.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16. I enjoy my job and my co-workers at my firm and I feel free to talk openly and honestly with team members of my work groups.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17. In general, how would you describe the human resource management practices and the employee relation in your organization?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## VI. Employee Job Satisfaction

Questionnaire Items	Level of Agreement				
	1	2	3	4	5
1. I am very satisfied with the training and development opportunities provided by my firm.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. I'm satisfied with the firm's people programs such as annual staff gathering, team building activities, staff birthday announcement, valuable employees of the month/year, and bulletin/newsletter, etc.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. I'm overall satisfied with my firm's staff motivation and highly potential employee retention practices.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## VII. Organizational Performance (Optional)

Questionnaire Items	Level of Agreement				
	1	2	3	4	5
1. The firm's performance measured by return on assets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. The firm's performance measured by return on equity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. The firm's performance measured by return on sales	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. The firm's market share in its main products and markets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Question 1**-What do you think are the THREE major sources of job dissatisfaction and staff demotivation in your company? ***(Please circle any three of them only)***

A. Unclear organizational mission and vision

- B. Confused job-responsibilities and duties
- C. Unclear the employee work performance appraisal standard of the company
- D. Poor communication and information sharing
- E. Ineffective leadership and HR policies
- F. Conflicts of interest and opinions
- G. Lack of required trainings and developments
- H. Lack of monitoring the competency improvement of employees after their training courses
- I. Unfair staff recruitment and selection
- J. Selected some wrong candidates for the required positions
- K. The staff's salary and annual salary incremental are not competitive in the market
- L. Unfair work performance appraisal of staff
- M. Lack of retention programs of highly motivated and high performing staff
- N. Lack of career development, empowerment and promotion of employees
- O. Employees and management lack of knowledge and understanding of their respective rights and obligations under the law.

Others \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Question 2-**What do you think are the THREE most important things your company should do to improve its human resource management practices in your organization? ***(Please circle any three of them only)***

- A. The management consistently keeps all employees informed and updated new things.
- B. The organization promotes teamwork and collaboration including an across business units.
- C. Managers treat employees fairly and with respectful manner.
- D. Pay and annual salary incremental are very competitive in the job market in the same job grade in the same industry.
- E. The company provides staff with enough required training and development courses.
- F. The company develops staff and retains the highly motivated staff and potential staff.
- G. The company has good and reliable recruitment and selection practices.
- H. The company has a fair and reliable staff work performance appraisal system.
- I. The company firmly works on the staff's work performance appraisal result to continuously improve their work performance of the individual staff.
- J. I am empowered to make decisions and to voice ideas and concerns.
- K. I have the opportunity to be developed in my present job and to be advanced upward.
- L. The organization provides competitive and suitable compensation and benefits.
- M. The organization provides assistance in balancing my work and my personal life.
- N. Company forms the staff assistance program, staff counseling program and staff advocacy program to support the existing employees together with the creation of a good working environment.



- O. The organization consistently conducts the team building program, staff annual gathering party, and rewarding the outperforming employees and long-service tenor employees to become the employer of choice.

Others \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Question 3-**In general, how would you describe the human resource management practices and the employee relation in your organization?

☐ Very good

☐ Good

☐ Neutral

☐ Poor

☐ Very poor

☐ Don't know

**Question 4-**Would you like to recommend your friends, relatives and others to work in your organization?

☐ Yes

☐ No

Reasons: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Question 4-**Do you have any suggestions or recommendations to improve the human resource management practices in your organization?

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**THANK YOU VERY MUCH FOR YOUR KIND PARTICIPATION AND  
COOPERATION IN COMPLETING THE QUESTIONNAIRE**

## APPENDIX-5:

### The Results of Descriptive Statistics—HRM Practices

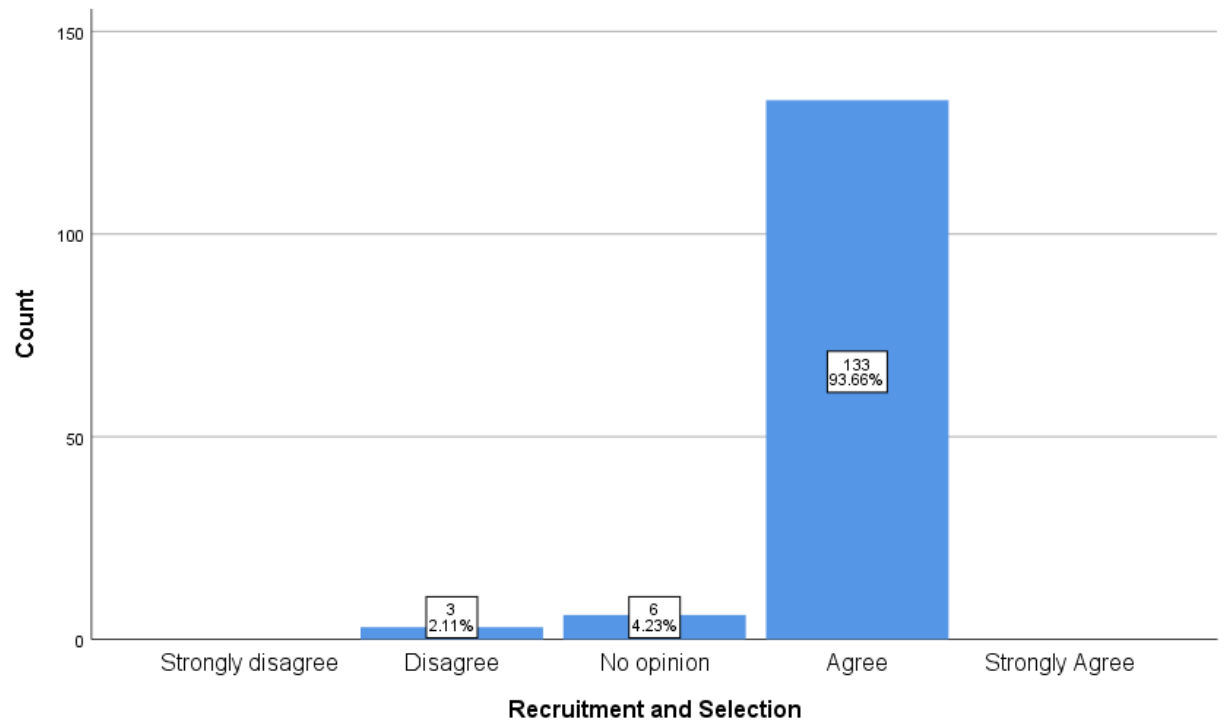


Figure A1-Recruitment and Selection

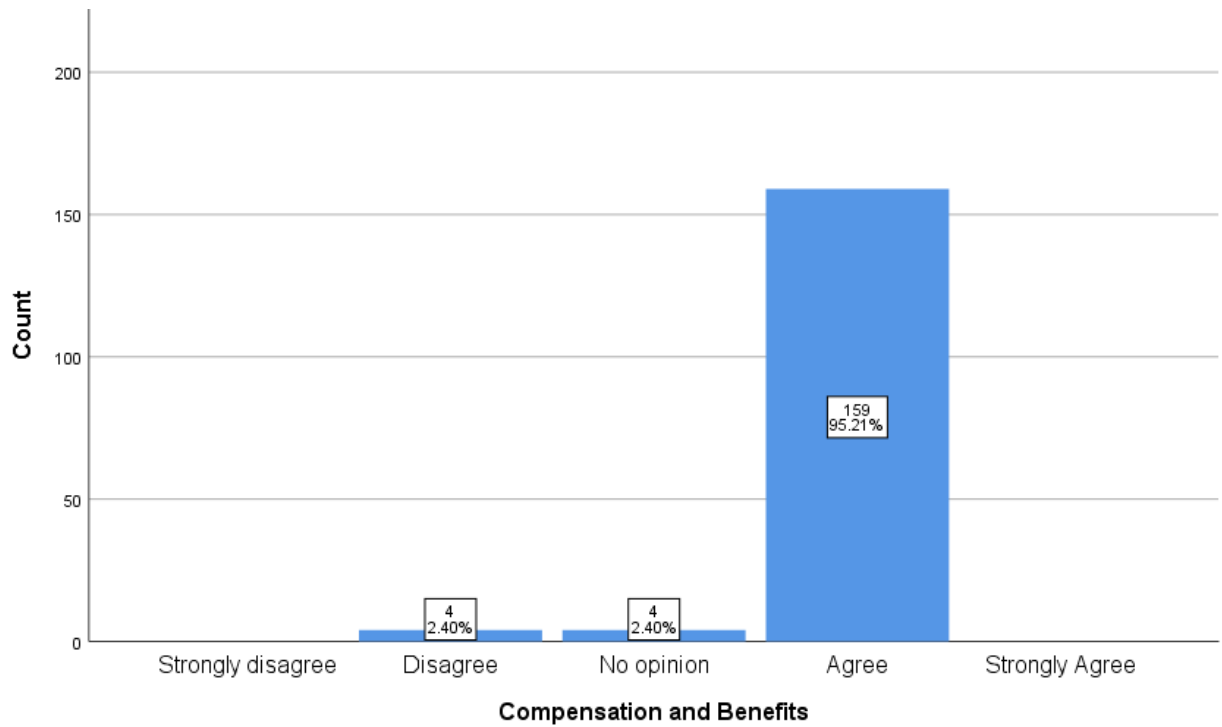


Figure A2-Compensation and Benefits

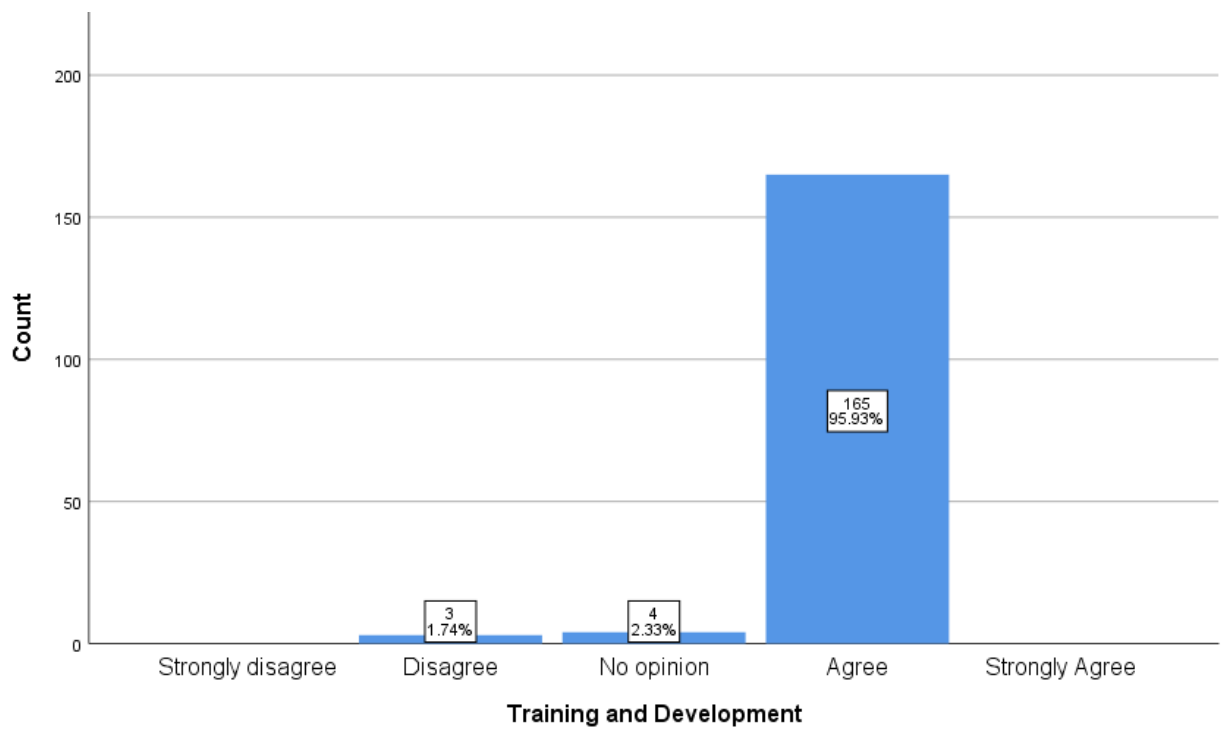


Figure A3-Training and Development

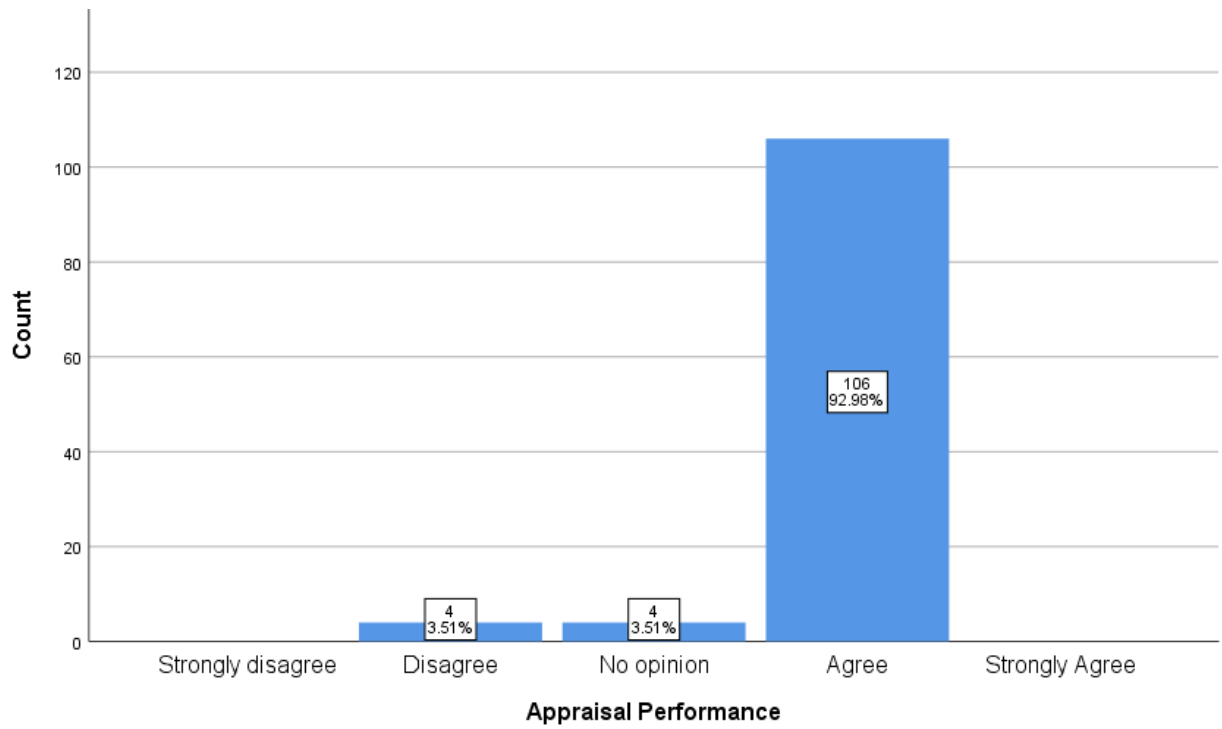


Figure A4- Performance Appraisal System of Employees

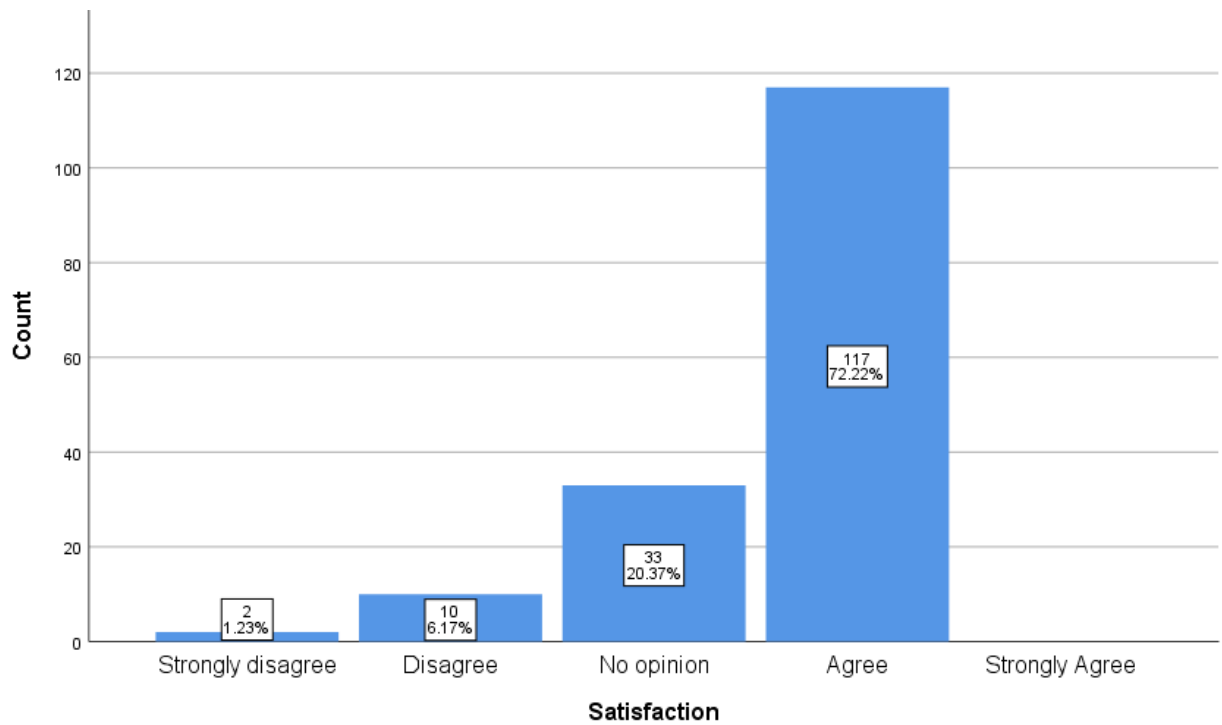


Figure A5- Employee's Job Satisfaction

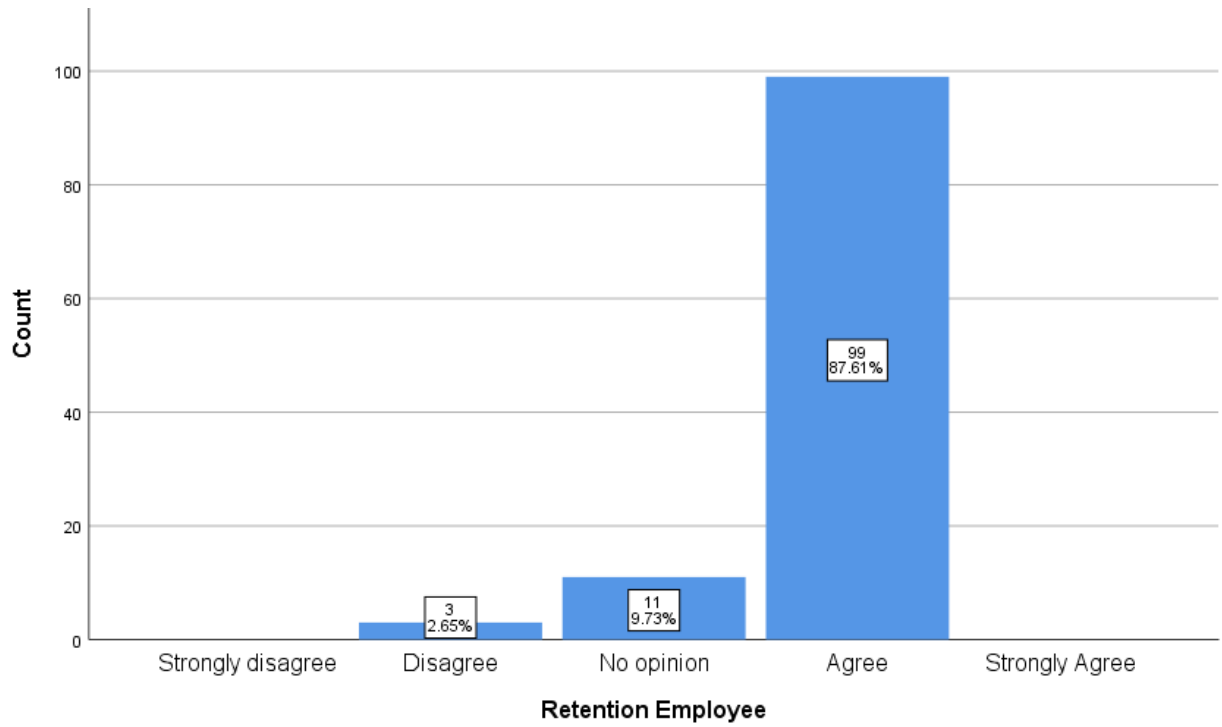


Figure A6- Retention of Employees