The effects of HRM practices on organisational performance in Lebanese banks

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Abstract: The purpose of this paper is to study the effects of human resource management (HRM) practices on organisational performance in the Lebanese banking sector, a sector that has been the main pillar of the Lebanese economy for the past 40 years. Twenty-three theoretically based hypotheses have been established that point to potential positive and negative relationships between HRM practices, mediating variables and organisational performance. The results demonstrate that HRM practices strongly affect organisational performance, a deduction that is not only consistent with the results of previous research on the subject, but also indicative of methods that are of ever-increasing significance to long-term development in organisations. This study has provided a new perception into HRM practices and organisational performance, reaching to the core of the role that mediating variables play in the network of relationships.

Keywords: HRM practices; human resource management practices; organisational performance; Lebanese banking sector; globalisation.


Biographical notes: Wael S. Zaraket is an Assistant Professor of Human Resource Management with an Emphasis on Strategic Human Resource Management and Cultural Management. His research interests include organisational behaviour, organisation citizenship behaviour (OCB) and organisation development.
1 Introduction

One of the major challenges that HR professionals deal with is selecting from a growing pool of brilliant and marginal workers, as well as permanent and temporary workers (Kayode, 2012). With the growing need for talented high-skilled workers, organisations must pursue human capital. Increasing the effectiveness of HRM is the best way to distinguish one company from another (Kapoor, 2011). This can be done by shaping a strategy that guarantees employees are managed by their organisations to the best effect, which consequently improves organisational performance (Gratton and Truss, 2003). Organisations that assess people as significant and essential assets should consequently emphasise HR practices (Subhash, 2011). They also need to reorganise HR practices that empower international influence and local awareness (Ulrich et al., 2005). Only banks that are prepared to adjust their HR practices to the shifting conditions in labour will be able to entice, improve and retain talents that will enhance their odds of succeeding in international competition (Kapoor, 2011).

The literature studying the association between HRM practices and organisational performance is substantial. In most of the published studies, the purpose was to find HRM practices or ‘high-performance work practices’ (Huselid, 1995) that made the best use of employees and that proved their impact on organisational performance; most of the studies discovered a positive relationship between employee impact and performance. Organisational performance has also been measured by employee turnover, employee retention, product-service quality and customer satisfaction (Mathis and Jackson, 2004; Arnold and Feldman, 1982; MacDuffie, 1995; Shaw et al., 1998; Maire and Nick, 2002).

The strong link between HRM practices and organisational performance, nonetheless, is not frequently considered. Studies have recognised variables that mediate the relationship between HRM practices and organisational performance. While the majority of studies measured a single mediating variable (e.g., Morrison, 1996), this study emphasises five: organisational citizenship behaviours (OCBs), job satisfaction, employee engagement, employee motivation and HR flexibility (see definition in Table 1). Understanding more about the connection between HRM practices and organisational performance not only will be helpful for managers who aim to achieve greater performance in organisations, but also will enable those organisations to become more competitive.
Table 1  Definitions of variables

<table>
<thead>
<tr>
<th>Variables</th>
<th>Definitions</th>
<th>Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>HRM Practices</td>
<td>A set of distinct yet interrelated activities, functions, and processes aimed at attracting, developing, and maintaining an organisation’s human resources. HRM practices include employee participation, compensation &amp; benefits management and reward system, career planning system, training &amp; development and employee empowerment</td>
<td>Lado and Wilson (1994)</td>
</tr>
<tr>
<td>Organisational citizenship behaviours (OCBs)</td>
<td>The extra work-related behaviours of employees which go above and beyond the routine duties prescribed by their job descriptions or measured in formal evaluations</td>
<td>Bateman and Organ (1983)</td>
</tr>
<tr>
<td>Job satisfaction</td>
<td>A positive emotional feeling, a result of one’s evaluation towards his job and his job experience by comparing between what he expects from his job and what he actually gets from it</td>
<td>Dunnette and Locke (1976), Locke (1969)</td>
</tr>
<tr>
<td>Employee engagement</td>
<td>Feeling of positive emotions from employees who find their work to be personally meaningful, consider their workload to be manageable, and have a positive outlook regarding the future of their work</td>
<td>Nelson and Simmons (2003)</td>
</tr>
<tr>
<td>Employee motivation</td>
<td>An internal drive to satisfy an unsatisfied need and the will to accomplish it</td>
<td>Bedeian (1993)</td>
</tr>
<tr>
<td>HR flexibility</td>
<td>A dynamic capability of the organisation in the sense that it is focused on adapting employee attributes – for instance, knowledge, skills and behaviours – to changing environmental conditions</td>
<td>Eisenhardt and Martin (2000), Teece et al. (1997), Zollo and Winter (2002); Wright et al. (2001), Wright and Snell (1998)</td>
</tr>
<tr>
<td>Employee attrition</td>
<td>The gradual reduction in membership or personnel through retirement, resignation or death. In other words, attrition is the number of employees leaving the organisation, which includes both voluntary and involuntary separation</td>
<td>Goswami and Jha (2012)</td>
</tr>
<tr>
<td>Employee retention</td>
<td>A systematic effort by employers to create and foster an environment that encourages current employees to remain employed, by having policies and practices in place that address their diverse needs</td>
<td>Chandio (2012)</td>
</tr>
<tr>
<td>Employee performance</td>
<td>A rating system used by organisations to decide on the abilities and output of an employee.</td>
<td>Darden and Babin (1994)</td>
</tr>
</tbody>
</table>

2  Theoretical background

Organisations need an advantage over competitors to endure in a progressively competitive market. To recognise the source of an advantage, it is essential to examine a company’s resources, HRM and HRM practices.

2.1 Resource-based view (RBV)

Barney’s (1991) resource-based view (RBV) theory proposes that an establishment requires valuable, exceptional, unique and non-substitutable resources so as to have a
maintainable competitive advantage, and that these resources contain everything internal to the organisation. The application of this theory to HRM demonstrates the part that individuals perform in constructing an establishment’s competitive advantage. To clarify how this theory can be applied to HRM, Wright and McMahan (1992) outlined the following four features that people, as resources, are obliged to have for the establishment to be competitive.

- First, value should be given to the establishment’s production processes – meaning, a significant level of individual performance is needed.
- Second, exceptional skills should be sought by the establishment. According to Wright and McMahan, all human resources should coincide with these two criteria, as they are equally distributed.
- Third, it should not be easy to copy the collective human capital investments of an establishment’s employees. Some claim that additional types of resources in an establishment, such as technology and natural resources, are accessible by anyone and easy to copy today. Instead, human resources – particularly HR systems – signify a multifaceted social system (Ulrich and Lake, 1990) and are considered as unseen assets.
- Finally, an establishment’s human resources must not be exchanged or switched for technological substitutes; the high levels of computerisation in many businesses and the ongoing move towards a service economy have made this type of substitution more difficult.

2.2 Human resource management (HRM)

Boselie et al. (2005) and Guest (1997) have categorised and listed HRM theories. According to Guest (1997), there are three types.

- The first is recognised as Strategic Theories; in the UK, this means that organisations following good HR practises within both the internal and the external contexts will achieve outcomes superior to those that do not. In the USA, the theory proposes that organisations signalling a balance between business strategies, structure and HRM policy will have superior performance.
- The second is recognised as Descriptive Theories, which either list areas of HR policy and outcomes (Beer et al., 1984) or embrace a system-based approach that defines the relationships between levels (Kochan et al., 1986). These are mainly non-prescriptive.
- The third type is recognised as Normative Theories, which means that an organisation launches a norm (or standard pattern) in the form of a prescribed best practice.

Referring to Boselie et al. (2005), there are three types of HRM theory.

- the first is the contingency theory, in which HRM is influenced by an organisation’s environment and circumstances (Legge, 1978)
• the second is the RBV, which proposes that HRM brings added value through strategic development of the organisation’s unique, hard-to-imitate and hard-to-substitute human resources (Barney, 1991, 1995)

• the third is the AMO theory, which is defined by the formula: Performance = Ability + Motivation + Opportunity to Participate.

This offers the basis for developing HR systems that will satisfy employees’ interests, mainly their skill requirements, motivations and quality of their work (Appelbaum et al., 2005; Bailey et al., 2001; Boxall and Purcell, 2003).

Models of human resource management (HRM). Various research teams have established many models of HRM. Each of these models has assisted HR practitioners to successfully manage human resources. Major among them is the Harvard Model (Beer et al., 1984), which guides all managers in their dealings with employees and concentrates on the human, or soft, aspect of HRM. Moreover, it focuses on employee commitment, resulting in employees having to be consistent, capable and cost effective.

Another considerable model is the Michigan Model (Devanna et al., 1984), which emphasises a strong HRM – meaning that people have to be managed like any other resource: acquired cheaply, used economically, developed and used fully.

Next, the Guest model (Guest, 1997) operates on the conviction that a set of incorporated HRM practices will lead to superior individual and organisational performance.

Lastly, there is the Warwick Model (Hendry and Pettigrew, 1990), which identifies the influence of personnel on HR strategy content and emphasises recognising the inner (organisational) and external (environmental) context.

2.2.1 Human resource management practices

Types of HRM practices. Researchers have categorised HRM practices in broad-ranging categories such as ‘best practice’ or ‘high-performance’ (Huselid, 1995); ‘formal’ (Aldrich and Langton, 1997); ‘sophisticated’ (Goss, Adam-Smith and Gilbert, 1994) and ‘professional’ (Matlay, 1999). On the other hand, Pfeffer (1994, 1998) claimed that the most appropriate term is ‘Best HRM Practices’.

Referring to Chandler and McEvoy (2000), one question remains in HRM research: Is there a single set of policies or practices that signifies a ‘universally superior approach’ to managing people? Theories on top practices or high commitment theories recommend that some HRM practices, either individually or in-group, are associated with enhanced organisational performance around the world (Pfeffer, 1994; Redman and Mathews, 1998).

3 Literature review and hypotheses

The literature review has recognised nine main variables that play a considerable role in the relationship between HR and organisational performance. This study specifies possible hypothetical relations between these variables, which were derived after a methodical analysis of the theoretical and empirical literature on the HR-organisational
performance relationship. Overall, 23 hypotheses were formulated; they are explained in the following subsections.

3.1 Human resource management system

The HRM system shows a strong image of the association between HRM and organisational performance. The HR system is best described as in Figure 1, in which Ferguson’s (2006) model summarises the various constituents of the HRM system.

Figure 1  Human resource management system

The model is founded on Barney’s (1991) RBV, which considers the variables that individuals carry to an organisation, like skills and motivation (Askov, 2000), in addition to human resource processes such as recruitment, selection, training, reward systems and performance management (Den Hartog and Verburg, 2004; Huselid, 1995). Products and services that eventually cause a sustained competitive advantage derive from these variables. In other words, the input (skills and motivation) is converted through HR processes to achieve the output (Lado and Wilson, 1994).

3.2 Organisational performance and organisational effectiveness

Campbell et al. (1993) explained that performance is not the consequence of behaviours, but rather is the behaviours themselves. In other words, performance consists of the observable behaviours that employees actually engage in.

In harmony with Lado and Wilson’s (1994) system-based view, organisational performance serves as a final outcome of an effective HR system. Organisational effectiveness is part of that construct, and is defined as an organisation’s ability to produce desired results (Oguntimehin, 2001). Researchers have examined both financial and non-financial aspects to determine organisational performance (Khan, 2010). This research concentrates on the non-financial aspects.

3.3 Human resource management practices

Using the system-based view of HR (Figure 1), this study explores observed HR practices (Lado and Wilson, 1994). These have been defined as a set of distinct yet interrelated activities, functions and processes aimed at attracting, developing and maintaining an organisation’s human resources (Lado and Wilson, 1994). This study, however, focuses
only on five such practices: employee participation, compensation and benefits management and reward system, career planning system, training and development and employee empowerment (Delery and Doty, 1996; Fey and Björkman, 2001; Harcourt and Wood, 2007; Ichniowski et al., 1997). These practices are recognised as supporting organisations in enhancing performance. For example, high employee-worker participation has been related to reduced turnover (Wilson and Peel, 1990), while compensation can be an attractive motivation (Gerhart and Milkovich, 1992). Benefits have been shown to link an employee to the organisation as well (Shaw et al., 1998), and as Qureshi et al. (2010) pointed out, a reward system has a direct effect on employee performance. HR policies with career-related practices develop the knowledge and abilities of employees in organisations, which will cause an increase in the retention of high-quality employees (Huselid, 1995).

Training and development create a win-win condition for employees and organisations by increasing the knowledge, skills, ability, competencies and employee good behaviour, which increase performance levels and enhance success of organisations (April, 2010). As employees evolve in the organisation, they become gradually satisfied with and committed to their jobs (Hameed and Waheed, 2011), and as a consequence, their performance improves and the organisation becomes a more effective structure (Champathes, 2006). Finally, providing employees with greater independence by decentralising authority reduces turnover (Arthur, 1994). Depending on the foregoing, we hypothesise that:

H1: HRM practices affect employee attrition.

H2: HRM practices affect employee retention.

H3: HRM practices affect employee performance.

HRM practices can help organisations increase the level of OCBs among employees. Employees who contribute to the decision-making process sense that their managers consider them significant members of the organisation. With such a positive outlook towards both management and the organisation as a whole, the employee is more enthusiastic in taking on extra roles, thereby raising the likelihood of improved OCBs (Bateman and Organ, 1983; Miles et al., 2002; Smith et al., 1983). Organisations may also simplify citizenship by rewarding OCBs. A reward system that directly distinguishes good citizenship makes it clear to employees that the organisation really supports good behaviour (Levering and Moskowitz, 2004; Meet Asda’s Happy Family Pack, 2002).

A career planning system is essential for employees to attain their precise career goals. Taking this into consideration, Greenhaus and Callanan (1994) established a number of career development strategies. They supposed that employees needed to go above and beyond the definite requirements of their tasks if they are to attain their career goals.

Employees who reflect positively on the benefits of training display better feelings of citizenship towards the organisation that provided the training (Shore and Wayne, 1993).

Empowered employees have the ability to invent and express OCBs (Morrison, 1996). Independence and the ability to influence outcomes within the scope of their roles encourage employees to contribute beyond their job requirements (Wat and Shaffer, 2005). Relating to the above, we hypothesise that...
H4: HRM practices affect organisational citizenship behaviours.

Employee participation leads to a sense of satisfaction in achievement, closure and work-related interpersonal contact (Sashkin and Burke, 1987). Two systems in particular, compensation and benefits and reward system, have been found to create job satisfaction (Boyt et al., 2001; Khojasteh, 1993; Miller et al., 2001). It is supposed that the source of job dissatisfaction is an employee’s not being happy in his/her career; on the other hand, the main cause of job satisfaction is career happiness, which stems from making a suitable career plan and seeing it through (Henderson, 2000). Therefore, organisations that participate in career management are more likely to raise employee job satisfaction (Lee, 2000). Providing employee training simplifies the updating of skills, raises professionalism and enhances employee commitment and satisfaction to the organisation (Bateman and Strasser, 1984; Bushardt and Fretwell, 1994; Cotton and Tuttle, 1986). Nevertheless, some employees need autonomy and a sense of self-actualisation to keep themselves satisfied (Khan et al., 2012). This causes a relationship between employee empowerment and job satisfaction (Mumtaz et al., 2011; Pelit et al., 2011; Syed and Yan, 2012). Given the foregoing information, we hypothesise that

H5: HRM practices affect job satisfaction.

Employees – through contribution in decision-making, or engagement – will frequently make extra effort for the organisation (Cascio et al., 1997). Employee engagement relies on staff sensing that they are justly rewarded for their skills, knowledge and contributions (Bhattacharya and Mukherjee, 2009). When managers offer opportunities for training and a level of support that obviously relates to career development, they help drive employee engagement (Mone and London, 2009). Consequently, we hypothesise the following:

H6: HRM practices affect employee engagement.

Employees who assist in making substantial decisions feel motivated at work, because decision-making realises their basic needs of clarity and social relations (Hussein, 2007). There are many ways to enhance motivation. According to Ali and Ahmed (2009), a reward system helps to motivate employees, as does a career planning system. Employers must provide guidance that will encourage employees to elaborate their own goals; employees feel most motivated to meet the ones they elaborate for themselves (Elrod, 2009), particularly if these goals may lead to a promotion or some other type of advancement. Employees who perform well in training and who feel that they have learned something that will enhance their profile find themselves motivated at work (Lester, 1999).

It is essential to empower employees (Kaplan and Norton, 1992, 1996), since empowerment is one of the most effective intervention programs to increase motivation (Yoon, 2001). On the basis of that, we hypothesise the following:

H7: HRM practices affect employee motivation.

A reward system permits employees to prove their functional flexibility; it provides them with the confidence to take initiative and rapidly adapt at work, as they know that the organisation will recognise them for suggesting creative solutions to problems (Frenkel et al., 1999; Unsworth and Parker, 2003). Training and development are also useful in building skill flexibility in the workforce. Employees want to improve upon their talents
to thrive in their careers; when combined with a strong educational foundation, ability in certain areas gives them the confidence to master and apply new skills (Wright and Snell, 1998). The organisations’ effort to extend workforce skills and competency gives employees the freedom to seek alternative methods of performing their tasks, which consequently promotes behavioural flexibility (Frese et al., 1996; Parker and Axtell, 2000).

Given the foregoing, we hypothesise that

**H8: HRM practices affect HR flexibility.**

### 3.4 Mediating variables

**Organisational Citizenship Behaviours (OCBs).** OCBs are the work-related employee behaviours that go above and beyond the routine duties that are either defined by jobs or measured in formal evaluations (Bateman and Organ, 1983). Taking on additional roles, like helping other employees with their tasks, causes a decline in intentional turnover (George and Bettenhausen, 1990; MacKenzie et al., 1998). OCBs can improve employee retention by making the organisation a more attractive place in which to work (Podsakoff et al., 1997). Employees should exhibit OCBs that show they are performing well at work (Podsakoff et al., 2009).

Therefore, we hypothesise that

**H9: Organisational citizenship behaviours affect employee attrition.**

**H10: Organisational citizenship behaviours affect employee retention.**

**H11: Organisational citizenship behaviours affect employee performance.**

**Job satisfaction.** Job satisfaction is a positive emotional state that stems from the assessment of an individual’s job or job experiences (Dunnette and Locke, 1976).

For organisations to be effective, they must safeguard the satisfaction of their employees (Likert, 1961; McGregor, 1960). Job satisfaction, or lack thereof, has been mentioned many times as the key reason why employees leave their jobs (Barak et al., 2001). Job satisfaction also correlates to employee retention (Van Saane et al., 2003); when employees are satisfied with their jobs, they perform well in the organisation (Judge et al., 2001). Given these findings, we hypothesise that:

**H12: Job satisfaction affects employee attrition.**

**H13: Job satisfaction affects employee retention.**

**H14: Job satisfaction affects employee performance.**

**Employee engagement.** Employee engagement refers to a feeling of positive emotions towards work. It means that employees find their work to be personally meaningful, consider their workload to be manageable, and have hope about the future of their work (Nelson and Simmons, 2003). On the basis of earlier studies, employee engagement has a positive effect on organisational performance outcomes, such as employee turnover and employee retention (Gibbons, 2006; Kgomo, 2010). Engaged employees who maintain positive attitudes have been shown to perform better (Harter et al., 2002; Towers Perrin, 2007). Thus, we hypothesise that:
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**H15:** Employee engagement affects employee attrition.

**H16:** Employee engagement affects employee retention.

**H17:** Employee engagement affects employee performance.

**Employee motivation.** Motivation means a person’s determination to fulfil an unfulfilled need and the determination to accomplish (Bedeian, 1993). A motivated employee is a productive employee who supports for the effectiveness of the organisation (Grawitch and Barber, 2009). There is a strong connection between motivation at work and turnover intention (Dysvik and Kuvaas, 2010), while motivation can also have an impact on employee retention (Aguenza and Som, 2012). When motivation is high, employees are more likely to enjoy working, and as a consequence, they spend more time and energy on their work tasks, and thus their performance increases (Deci and Ryan, 2000, 2002). Consequently, we hypothesise that:

**H18:** Employee motivation affects employee attrition.

**H19:** Employee motivation affects employee retention.

**H20:** Employee motivation affects employee performance.

**HR flexibility.** HR flexibility is a dynamic capability that simplifies an organisation’s response to changing environmental conditions.

Employee functional flexibility, which is a foundation of HR flexibility, is the degree to which employees can be relocated to different activities and tasks within the organisation.

Functional flexibility has been promoted as a mechanism to develop efficiency in the organisation. Higher functional flexibility can reduce employee turnover (Kelliher and Riley, 2003), and access to flexibility can increase employee retention (Ramendran et al., 2013). Functional flexibility is associated with superior employee performance (Rosenblatt and Inbal, 1999). From the above, we hypothesise that:

**H21:** HR flexibility affects employee attrition.

**H22:** HR flexibility affects employee retention.

**H23:** HR flexibility affects employee performance.

4 Research framework

This practical study emphasises the association between HRM practices and organisational performance. Having revised previous literature and defined variables in Figure 1, a comprehensive framework can be established entailing HRM practices, including employee participation, compensation and benefits management and reward system, career planning system, training and development and employee empowerment as independent variables. The mediating variables include OCBs, job satisfaction, employee engagement, employee motivation and HR flexibility. Organisational performance – with three observed variables: employee attrition, employee retention and employee performance – is the dependent variable.
5 Research methodology

5.1 Scope of the study

This study focuses on the impact of HRM practices on organisational performance in the Lebanese banking sector. Research was conducted on various banks from the Alfa list of top-10 Lebanese banks.

5.2 Research variables

The variables were chosen after examining earlier literature. To check the face validity of the variables used, the following complementary actions were taken:

- The list of items mined from the literature was mixed, and a panel of experts was asked to individually categorise them based on the theoretical definitions given for each variable.
- Another panel of experts was independently requested to allocate labels to unlabelled groups of items centred again on the definitions given for each variable. The two tasks were repeated until participants of each board reached a decisive settlement on the objects enclosed in their categories.

5.3 Survey instrument

The main research instrument in this research was a questionnaire. It was a self-assessment, divided into 10 parts.

Part 1 enclosed eight items, asking for information about the organisation. These questions were part of the selection process to discover which organisations were pertinent to this study. Part 2 enclosed six items, regarding personal information of the respondents.

Part 3 had a total of 28 items, containing the five components of HRM practices, namely employee participation, compensation and benefits management and reward system, career planning system, training and development and employee empowerment. These were obtained from Carden (2007), Chew (2004), Cushman (2000), Ferguson (2006), Huselid (1993) and Martin (2011).

Parts 4–8 contained the mediating variables, which were OCBs with eight items, job satisfaction with six items, employee engagement with eight items, employee motivation with seven items and HR flexibility with eight items. These were extracted from Bhattacharya (2000), Carden (2007), Cushman (2000), Kgomo (2010), Rose (2012) and Springer (2010).


Finally, Part 10 allowed respondents to suggest further comments about the questionnaire and indicate whether they planned to use this study, once the data had been analysed, to manage HR in their organisations. From Part 3 to Part 9 of the questionnaire, the respondents were also asked to make subjective judgements according to the 5-point
The effects of HRM practices on organisational performance

Likert scale: 1 = Strongly Disagree, 2 = Disagree, 3 = Agree, 4 = Moderately Agree and 5 = Strongly Agree. To reduce the possibility of key information bias, a set of questions in the survey enclosed revert questions for some of the variables, such as employee attrition and job satisfaction. This ensured that the respondents were assertive about answering the questions (Cannon and Perreault, 1999). The questionnaire was written in English and pre-tested to about 30 managers to find out whether reliability by alpha coefficient of Cronbach was positive between 0.80 and 0.90 regarding the correlation of HRM practices and organisational performance.

5.4 Sample population and data collection

The sample population came from the top-ten banks in Lebanon. Senior managers, human resource managers/leaders and line/functional managers were selected to represent banks that adhered to HRM practices as shown in Table 2. There were two channels for allocating the questionnaire. It was sent electronically by email and disseminated to all target respondents. A cover letter was included that clarified the purpose of the research. Within four weeks, all of the questionnaires were collected and received. Of the 450 questionnaires that had been distributed, 264 were returned (58.67% of response rate), and only 224 of these were completed.

Table 2 Profile of respondents

<table>
<thead>
<tr>
<th>Variable</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>140</td>
<td>62.5</td>
</tr>
<tr>
<td>Female</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age</td>
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<td>37</td>
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<td>31–40</td>
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<td>51 and above</td>
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<td>Position/title**</td>
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<td></td>
</tr>
<tr>
<td>Line Manager</td>
<td>173</td>
<td>77.23</td>
</tr>
<tr>
<td>HR Leader</td>
<td>33</td>
<td>14.70</td>
</tr>
<tr>
<td>Top Management</td>
<td>18</td>
<td>8.00</td>
</tr>
</tbody>
</table>

Position/Title**: Top Management: CEO, Managing Director, General Manager; HR Leader: HR Director, Sr. HR Manager, HR Manager, HR Leader; Line Manager: Any Line Manager in manufacturing, such as Manufacturing Manager, Production Manager, Quality Manager and others.

5.5 Statistical method

Path analysis was used to test the conceptual model. This is a flexible, powerful and robust statistical method that tests the relationships between measured (observed) variables that also require a highly flexible and comprehensive statistical methodology. The hypotheses were examined by using AMOS. Results are shown later in tables and figures.
5.6 Reliability and validity

This research has tested the reliability of all items to measure Cronbach’s alpha for the scale items to ensure internal consistency as shown in Table 3. Multi-item measures were established based on Cronbach’s alpha > 0.70 (Nunnally, 1978). The research then calculated Cronbach’s alphas for each variable.

Table 4 presents a summary of the variables used in the study and Table 5 provides a general picture of associations between the constructs where Pearson’s correlation coefficients were estimated. Standard is between –1.00 and 1.00. The fact that none of the calculations was greater than 0.80 indicates there were no multicollinearity problems.

### Table 3   Reliability statistics

<table>
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<tr>
<th>Cronbach’s alpha</th>
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<tr>
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<td>224</td>
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### Table 4   Descriptive statistics for major variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Std. deviation</th>
</tr>
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<tbody>
<tr>
<td>HRM Practices (HRMP)</td>
<td>3.8612</td>
<td>0.45368</td>
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<tr>
<td>Organisational Citizenship Behaviours (OCB)</td>
<td>4.1094</td>
<td>0.42817</td>
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<tr>
<td>Job Satisfaction (JS)</td>
<td>3.7641</td>
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<tr>
<td>Employee Engagement (EE)</td>
<td>4.0268</td>
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<td>Employee Motivation (EM)</td>
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<td>HR Flexibility (HRF)</td>
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<tr>
<td>Employee Attrition (EA)</td>
<td>2.8884</td>
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<tr>
<td>Employee Performance (EP)</td>
<td>3.9929</td>
<td>0.44615</td>
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### Table 5   Pearson’s correlation coefficients among constructs

<table>
<thead>
<tr>
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<th>OCB</th>
<th>JS</th>
<th>EE</th>
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<th>HRF</th>
<th>ER</th>
<th>EA</th>
<th>EP</th>
</tr>
</thead>
<tbody>
<tr>
<td>HRMP</td>
<td>–</td>
<td>–</td>
<td>0.564**</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>OCB</td>
<td>0.564**</td>
<td>–</td>
<td>0.399**</td>
<td>0.433**</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>JS</td>
<td>0.399**</td>
<td>0.433**</td>
<td>–</td>
<td>0.669**</td>
<td>0.466**</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>EE</td>
<td>0.402**</td>
<td>0.433**</td>
<td>0.525**</td>
<td>0.553**</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>EM</td>
<td>0.402**</td>
<td>0.433**</td>
<td>0.525**</td>
<td>0.553**</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>HRF</td>
<td>0.492**</td>
<td>0.292**</td>
<td>0.320**</td>
<td>0.331**</td>
<td>0.344**</td>
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<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>ER</td>
<td>0.616**</td>
<td>0.490**</td>
<td>0.416**</td>
<td>0.627**</td>
<td>0.464**</td>
<td>0.326**</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>EA</td>
<td>–0.040</td>
<td>–0.107</td>
<td>0.214**</td>
<td>–0.188**</td>
<td>0.117</td>
<td>0.274**</td>
<td>–0.201**</td>
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<td>–</td>
</tr>
<tr>
<td>EP</td>
<td>0.402**</td>
<td>0.424**</td>
<td>0.310**</td>
<td>0.474**</td>
<td>0.357**</td>
<td>0.254**</td>
<td>0.494**</td>
<td>–0.198**</td>
<td>–</td>
</tr>
</tbody>
</table>

N = 224.

**Correlation is significant at the 0.01 level (2-tailed).
6 Test results

The suggested hypothesis was tested using path analysis, which conformed to the empirical data for the conceptual framework: CMIN/DF 1.555, as well as the favourable nature of the other fit indices (RMSEA = 0.050(<0.08), NFI = 0.972(>0.90), CFI = 0.989(>0.90), GFI = 0.987(>0.90)), which were taken at an acceptable threshold level (Hooper et al., 2008; Kline, 2005). Results are shown in Table 6. The path coefficients are presented in Figure 2 to ensure that relationships exist between the variables and are, therefore, in line with the hypotheses. The results in Figure 2 show the following:

- HRM practices have a direct, substantial and positive impact on organisational performance for employee retention ($\beta = 0.34^{***}, \rho < 0.01$); a positive influence on OCBs ($\beta = 0.23^{***}, \rho < 0.01$); a positive influence on job satisfaction ($\beta = 0.14^{**}; \rho < 0.05$), a positive impact on employee engagement ($\beta = 0.53^{***}; \rho < 0.01$), a positive influence on employee motivation ($\beta = 0.40^{***}, \rho < 0.01$) and a positive influence on HR Flexibility ($\beta = 0.42^{***}, \rho < 0.01$), therefore supporting H2, H4, H5, H6, H7 and H8.

- Job satisfaction has a direct, significant and positive influence on organisational performance for employee attrition ($\beta = 0.29^{**}, \rho < 0.05$), therefore supporting H12.

- Employee engagement has a direct, substantial and positive impact on organisational performance for all three dependent variables – employee attrition ($\beta = 0.41^{***}, \rho < 0.01$), employee retention ($\beta = 0.20^{**}, \rho < 0.05$) and employee performance ($\beta = 0.34^{***}, \rho < 0.01$), therefore supporting H15, H16 and H17, respectively.

- Employee motivation has a direct, substantial and positive impact on organisational performance for employee attrition ($\beta = 0.16^{**}, \rho < 0.05$) and employee retention ($\beta = 0.17^{**}, \rho < 0.05$), therefore supporting H18 and H19, respectively.

- Human resource flexibility has a direct, significant and positive influence on organisational performance for employee attrition ($\beta = 0.31^{***}, \rho < 0.01$), therefore supporting H21.

- There are no direct effects on organisational performance, and therefore no support for H1 and H3 of HRM practices and employee attrition, employee performance, respectively; H9, H10 and H11 of OCB and employee attrition, employee retention, employee performance, respectively; H13 and H14 of job satisfaction and employee retention, employee performance, respectively; H20 on employee motivation has no association with employee performance; H22 and H23 on HR flexibility has no relationship with employee retention and employee performance, respectively.

- However, results from the test found new associations between variables that have significant influences: employee motivation has a direct, positive impact on job satisfaction ($\beta = 0.39^{***}, \rho < 0.01$), employee engagement ($\beta = 0.34^{***}, \rho < 0.01$) and HR flexibility ($\beta = 0.17^{**}, \rho < 0.05$). Employee engagement has a direct, positive impact on OCBs ($\beta = 0.49^{***}, \rho < 0.01$). Employee performance has a direct, significant and positive impact on employee retention ($\beta = -0.18^{**}, \rho < 0.05$),
and has a direct, significant and negative impact on employee attrition ($\beta = -0.23^{***}$, $\rho < 0.01$). Employee attrition has a direct, significant and negative impact on employee retention ($\beta = -0.14^{***}$, $\rho < 0.05$).

Table 6  Results of measurement model

<table>
<thead>
<tr>
<th>Item</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>CMIN/DF</td>
<td>1.555</td>
</tr>
<tr>
<td>GFI</td>
<td>0.987</td>
</tr>
<tr>
<td>CFI</td>
<td>0.989</td>
</tr>
<tr>
<td>NFI</td>
<td>0.972</td>
</tr>
<tr>
<td>RMSEA</td>
<td>0.050</td>
</tr>
</tbody>
</table>

Based on a five-point Likert scale ranging from “Strongly disagree” (1) to “Strongly agree” (5); Fit statistics for measurement model are in Table 6.

7 Research result and discussions

The results shown earlier provide a new perception into the associations between variables. Initially, the findings explained that there is a positive relationship between HRM practices and employee retention ($\beta = 0.34^{***}$, $\rho < 0.01$), a result that is backed by an earlier study (Ryan, 2005). This research, however, was unable to verify the relations between HRM practices and employee attrition, and HRM practices and employee performance. Regarding the former, this research has produced findings that differ from the results of studies conducted by Dhiman and Mohanty (2010) and Shaw et al. (1998).

Figure 2  Structure model
The effects of HRM practices on organisational performance

Maybe this difference stems from the sector studied. Dhiman and Mohanty (2010) looked at the oil and gas sector in India, while this study was conducted in Lebanon and covered the banking sector. Additionally, Dhiman and Mohanty examined regular employees, while this research studied staff at managerial levels. Shaw et al. (1998) examined companies in the trucking industry that had at least 30 employees, while in this research, all the participating banks had over 100 employees.

The results regarding employee performance differ from those in a previous study by Qureshi et al. (2010). In that study, however, data were collected from the cement industry in Pakistan and included low-level employees. Furthermore, it did not reveal mediating variables in the association between HRM practices and organisational performance. Given the results shown in Figure 2 and Table 7, HRM practices were indirectly related to employee attrition and employee performance through the mediating variables; there were still substantial positive associations between HRM practices and organisational performance.

### Table 7

The indirect association between HRM practices and organisational performance

<table>
<thead>
<tr>
<th>HRM Practice</th>
<th>Mediator Variable</th>
<th>Correlation</th>
<th>Employee Performance</th>
<th>Employee Attrition</th>
<th>Employee Retention</th>
</tr>
</thead>
<tbody>
<tr>
<td>HRMP 0.23</td>
<td>Org. Citizenship Behaviours</td>
<td>0.20</td>
<td>0.046</td>
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<td></td>
</tr>
<tr>
<td>HRMP 0.14</td>
<td>Job Satisfaction</td>
<td>0.29</td>
<td>0.041</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HRMP 0.53</td>
<td>Employee Engagement</td>
<td>–0.41</td>
<td>–0.227</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HRMP 0.53</td>
<td>Employee Engagement</td>
<td>0.34</td>
<td>0.180</td>
<td></td>
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</tr>
<tr>
<td>HRMP 0.53</td>
<td>Employee Engagement</td>
<td>0.20</td>
<td>0.106</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HRMP 0.40</td>
<td>Employee Motivation</td>
<td>0.16</td>
<td>0.064</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HRMP 0.40</td>
<td>Employee Motivation</td>
<td>0.17</td>
<td>0.068</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HRMP 0.42</td>
<td>HR Flexibility</td>
<td>0.32</td>
<td>0.134</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The results show a positive correlation between OCBs and employee performance ($\beta = 0.34^{***}$, $\rho < 0.01$), which supports Appelbaum et al. (2005). It was obvious from that study that the low level of employee performance was the result of reduced commitment to performing beyond job descriptions. The findings in this study, though, did not find OCBs to have a substantial effect on either employee attrition or employee retention, supporting somewhat the relationship between job satisfaction and organisational performance. There was an obvious relationship between job satisfaction and employee attrition, but there were no correlations with employee retention and employee performance, results contrary to the findings of Halkos and Bousinakis (2010). But, it should be noted that their study was conducted in Greece, involving employees from both private and public organisations, including some in the service sector, such as insurance, information technology and financial services. This research, in contrast, obtained its results from the Lebanese banking sector.

Employee engagement played a vital role in determining organisational performance as demonstrated by the results ($\beta = 0.34^{***}$ employee performance, $\beta = –0.41^{***}$ employee attrition, and $\beta = –0.17^{**}$ employee retention). As employees become more engaged, they are less willing to leave their organisation, a finding that supports the views held by Gibbons (2006) and by Halbesleben and Wheeler (2008). This research also discovered that engaged employees will stay longer with one organisation, a conclusion that supported Markos and Sridevi (2010), Kgomo (2010) and Ngobeni and Bezuidenhout (2011).
The results show that it is vital to motivate employees to increase organisational performance, because motivation positively influences employee attrition and retention ($\beta = 0.16^{**}$ and $\beta = 0.18^{**}$, $\rho < 0.05$). Nevertheless, there was no noticeable association between employee motivation and performance, a finding that contradicts research by Solomon et al. (2012). This disagreement, again, is probably a product of the sample and environment; Solomon et al. (2012) conducted their study in just one company in the food sector, whereas this study examined many banks in the Lebanese banking sector. Additionally, Solomon et al. (2012) performed their research in Nigeria, acquiring data from low-level staff, but this study was based in Lebanon and the results came from senior bank managers and HR managers.

The results of this study show that HR flexibility affects organisational performance ($\beta = 0.32^{***}$, $\rho < 0.01$). This follows a previous study by Kelliher and Riley (2003). However, this research showed no correlation between HR flexibility and employee retention and performance. The results showed, however, that HRM practices are positively related to HR flexibility ($\beta = 0.42^{***}$, $\rho < 0.01$), which supports a previous finding by Beltrán-Martin et al. (2008). The findings also show ($\beta = 0.23^{***}$, $\rho < 0.01$) that HRM practices support OCBs (Babaei et al., 2012; Cappelli and Rogovsky, 1998; Cushman, 2000; Gong et al., 2010). HRM practices leave employees feeling increasingly satisfied with their jobs ($\beta = 0.14^{**}$, $\rho < 0.05$), a result that supports earlier studies (Absar et al., 2010; Bhatti and Qureshi, 2007; Carden, 2007; Rehman et al., 2010; Swarnalatha and Sureshkrishna, 2012). Employee engagement has the highest positive influence on HRM practices ($\beta = 0.53^{***}$, $\rho < 0.01$), which is also reinforced by earlier studies (Nxumalo, 2010; Ram and Prabhakar, 2011; Shafer, 2010). What is more, HRM practices motivate employees to work hard and struggle for success (Al-Nsour, 2011; Ali and Ahmed, 2009; Gawali, 2009; Mwanje, 2010; Yoon, 2001).

8 Implications, limitations and recommendations for future researches

The results of the study propose a strong association between HRM practices and employee retention. This finding proves valuable to managers who wish to retain employees and avoid high turnover in their organisations. By employing the five specified HRM practices, managers can guarantee that their employees will remain loyal to their organisation and work there for as long as possible. Employees should be permitted to make suggestions concerning policies and procedures through a command structure that welcomes employee-employer interaction, and activities should be targeted towards encouraging employees to express their views.

Managers should build a system of compensation, benefits and rewards that gives employees positive recognition for good performance. Besides, there should be a competitive benchmark that considers the amount and quality of work that employees do, and within this system, the benefits should be equitable.

Organisations should establish a career planning system to help employees map out their visions of the future; it should be long term and concentrated on individual development. Career planning in organisations has to be both vertical and horizontal, permitting employees not only to grow within the scope of their jobs but also to function and succeed in other roles. It is the responsibility of the organisation to create the opportunity for employees to advance in their careers. This can be done through effective and timely training and development. Once training is complete, organisations should
track employee progress both to ensure proper development and to monitor workforce satisfaction. In that sense, organisations must empower employees, giving them autonomy over their jobs.

While the results clearly demonstrate a strong direct and positive relationship between HRM practices and employee retention – a good indicator of organisational performance – there is an indirect relationship between HRM practices and the other two indicators of organisational performance: employee attrition and performance. HRM practices influence the five mediating variables that, in turn, have a positive impact on organisational performance. Of these five variables, the two that have the strongest influence on organisational performance are employee engagement and employee motivation. Managers should develop a program that reduces the level of employee attrition (employees leaving their jobs and looking for new ones) and increases employee performance. Managers should connect with their employees and care highly about the work they do. Actually, the whole organisational mission should make employees feel that their work has to be up to standard. Customers and suppliers should also know that employees represent the organisation in performing business transactions. The work environment has to be a positive environment, a place in which employees feel satisfied – a place that plays an important role in their lives. To build such an environment, employees have to be encouraged to seek out and make satisfactory enhancements that will help them progress in their careers and come nearer to achieving their goals.

HRM practices have a solid and positive impact on organisational performance, whether directly or indirectly. This finding is useful for managers who aim to renovate their human resources and raise performance in their organisations.

This research has created a model that encourages both organisations and academics to reassess the importance of HRM practices. It is specifically these practices that will help organisations discover ways to better implement HRM practices that are in line with their corporate marketing strategies. Moreover, the five mediating variables have an essential role in the association between HRM practices and organisational performance. Organisations should develop activities to improve organisational performance, mainly those that increase employee engagement. Previous studies have shown that employee engagement has a positive effect on numerous organisational performance outcomes, such as employee turnover and employee retention (Gibbons, 2006; Kgomo, 2010). Engaged employees also contribute to better performance (Harter et al., 2002; Towers Perrin, 2007). As well as helping Lebanese banks of all sizes to introduce HRM practices more effectively, the results also have larger implications for Lebanon, where the country has played a key role in the regional economy. Banks willing to adapt their HR practices to facilitate the changing global labour conditions will be able to attract, develop and retain the right talent, increasing their chances of succeeding in regional competition (Kapoor, 2011). This overall investment will bring success to the Lebanese banks, ultimately leading to sustainable growth for the country and the region as a whole.

Although this research has shown that HRM practices have a positive effect on organisational performance, it has some limitations.

First, the study was conducted in Lebanon and was limited to one sector, and therefore the conclusions are representative only in that context. Those who intend to do further research on the topic should include other sectors, particularly insurance companies and financial institutions in general. Doing this would reinforce the value of studies on HRM practices by adding varied, cross-sectorial contexts. Second, this study focuses on HRM practices, in general, and does not include individual practices;
studies should examine each individual HRM practice, such as compensation and benefits management and reward systems, to determine the extent of their effects on organisational performance. Third, similar research should be performed for industries other than banking, such as service, hospitality and airline.

9 Conclusion

This study has provided a better understanding of the ways in which HRM practices and mediating variables influence organisational performance in the Lebanese banking sector. One of its strengths is that it has clarified the direct positive relationships between variables. Moreover, it has discovered additional relationships that could help identify future studies. Similar studies on others sectors of the economy would increase our knowledge and understanding of HRM practices.

Above all, the study is illuminating for its statistically backed discoveries: employee motivation has a direct and positive influence on job satisfaction ($\beta = 0.39^{***}$), employee engagement ($\beta = 0.34^{***}$) and HR flexibility ($\beta = 0.17^{**}$); employee engagement has a direct and positive influence on OCB ($\beta = 0.49^{***}$); employee performance has a direct, significant and positive influence on employee retention ($\beta = -0.18^{**}$) and has a direct, significant and negative influence on employee attrition ($\beta = -0.23^{***}$) and employee attrition has a direct, significant and negative influence on employee retention ($\beta = -0.14^{***}$). The results confirm the importance of HRM practices, demonstrating that they are paramount to long-term sustainable growth and success in organisations.

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The effects of HRM practices on organisational performance


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