HRM Practices and its Impact on Employee Satisfaction: A Case of Pharmaceutical Companies in Bangladesh

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Abstract

This paper aims to investigate the impact of HRM practices on employee satisfaction in the pharmaceutical companies of Bangladesh. A structured questionnaire was developed and distributed among 108 employees of four pharmaceutical companies, whereas 96 employees answered rightly. Statistical tools like z test, mean and proportion analysis was used to assess the impact of HRM practices on employee satisfaction. The study reveals that employees in pharmaceutical companies are satisfied with the recruitment and selection, and training and development policy and practices of pharmaceutical companies. On the other hand, employees are dissatisfied with the human resource planning, working environment, compensation policy, performance appraisal, and industrial relations. The study suggests that the pharmaceutical companies should develop proper human resource policy and given emphasis on proper human resource practices to enhance the satisfaction of their employees and build them effective human resources.

Keywords: Human resource management practice, Employee satisfaction, z-test, Pharmaceutical company, Bangladesh

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1. Introduction

Pharmaceuticals industry is a rising economic sector in Bangladesh. It produces and design pharmaceutical products are drugs, infusion products, and medical equipments. The product is not confined only open sale but it also deals with doctors, nurses, hospitals, pharmacist and researchers for further development. Bangladeshi pharmaceuticals companies produce products not only for the home country but also they are exporting their medicine to Australia, Brazil, Afghanistan, Cambodia, Guyana, Jordan, Kenya, Malaysia, Myanmar, Nepal, Philippines, Hong Kong, Sri Lanka, Vietnam, United Kingdom, and among others. This trend of exporting volume and profit generation is upwarding. There are 250 licensed pharmaceutical companies in the economy and they are contributing 1% in gross domestic product (GDP). Top 20 companies earned 80% revenue in 2011.

Human resource management (henceforth HRM) is the effective management of people at work. Beardwell, Holden & Claydon (2004) regard HRM as the philosophy, policies, procedures, and practices related to the management of people within the organization. Senyucels (2012) sees HRM as a combination of people centered management practices that recognize employees as assets geared to creating and maintaining skillful and committed workforce for achieving organizational goals. Mondy and Noe (2005) believe that HRM is the utilization of individuals to achieve organizational objectives. Denishi and Griffin (2009) suggest that HRM is the comprehensive set of managerial
activities and tasks concerned with developing and maintaining a qualified workforce. Human resource is a way that contributes to organizational effectiveness. In most of today’s organizations, the role of HRM has become quite important (Blake 1995).

Satisfied and efficient human resources are the key factor for any organization to face the challenges of today’s business. Moreover, the growth, development and expansion of the organization are highly dependent on their performance. In addition, employees’ performance is related with the satisfaction of employees. To create a satisfied, productive and efficient workforce, for any organization, proper HRM policies and practices are imperative. It is also true for pharmaceutical companies in Bangladesh. Proper HRM practices can ensure satisfied and efficient workforce to continue the pace of growth of this industry. The study is an attempt to find out the impact HRM practices on the employees’ job satisfaction of pharmaceuticals companies in Bangladesh.

2. Literature Review

HRM is the prominent success factor of an organization. The five functional areas are associated with effective HRM: staffing, human resource development, compensation and benefits, safety and health, and employee and labor relations (Mondy and Noe 2005). Edgar and Greare (2005) identified that HRM practices had a significant impact on employee attitudes such as job satisfaction, organizational commitment and organizational fairness. Yu and Egri (2005) found that HR practices had a significant impact on the affective commitment of employees on Chinese firms. Aswathappa (2008) argued that the organization should have better HR plans to motivate its employees. Sophisticated recruitment and selection system can ensure a better fit between the individual’s abilities and the organization’s requirement (Fernandez 1992). Katou and Budhwar (2007) discussed in a study on Greek manufacturing firms that recruitment and selection was positively related to all organizational performance variables such as effectiveness, efficiency, innovation, and quality. The motivation and opportunity focused bundles of HR practices positively related to affective commitment and negatively related to turnover (Gardner, Moynihanand & Wright 2007). The best human resource practices areas are recruitment and selection, socialization, job design, training, communication/participation, career development, performance management, employee reward and job security (Huselid1995). HRM refers to the policies and practices involved in carrying out the human resource aspects of a management position including human resource planning, job analysis, recruitment, selection, orientation, compensation, performance appraisal, training and development, and labor relations (Dessler 2007). Training and development has a significant positive impact on employees’ job satisfaction (Garcia 2005). Thang and Buyens (2008) believed that training and development lead to superior knowledge, skills, abilities, attitudes, and behavior of employees that ultimately enhance excellent financial and nonfinancial performance of the organizations. DeCenzo and Robbins (1996) suggested that employee training has become increasingly important as job have become more sophisticated and influenced by technological changes. Shaw et al. (1998) assert that involuntary turnover is affected by staffing practices (recruitment and selection process) and employee monitoring (performance appraisal). Bernardin and Russel (1993) opined that over the years, training has become increasingly popular as HR tool for improving employee and managerial performance in organization. Buck and Watson (2002) indicated nine important HRM practices such as decentralization, compensation, participation, training and development, employment security, social interactions, management style, communications, and performance appraisal. Klaus, LeRouge& Blanton (2003) expressed that, through better job assignment or work design; employees may display greater commitment, leading to better job performance. The above literature review shows that there have been several studies on HRM practices and job satisfaction. In Bangladesh, however, there is a research gap in this area especially on pharmaceuticals companies. Hence, the study is undertaken. To find out the impact of HRM practices on employees job satisfaction, the human resource planning, working environment, training and development, compensation policy, recruitment and selection, performance appraisal and industrial relations has considered as HRM aspects.

3. Methodology

The study was conducted on the basis of both primary and secondary data sources from four renowned pharmaceutical companies namely Square Pharmaceutical Company Ltd., Beximco Pharmaceutical Company Ltd., Renata Pharmaceutical Company Ltd., and Eskayef Bangladesh Ltd. Primary data were based on a face to face interview and collected thorough structured questionnaire which was administered personally to the 108 pharmaceutical employees, 27 from each company. Out of 108 employees, 96 respondents (89%) were answered properly. The questionnaire consists of questions from the seven aspects of HRM practices i.e., human resource planning, working environment, training and development, compensation policy, recruitment and selection, performance appraisal and industrial
relations. The design of questionnaire was based on five point Likert scale, where 1= dissatisfied, 2= poorly satisfied, 3= satisfied, 4= moderately satisfied and 5= highly satisfied. The secondary sources of data were books, published research articles, and websites. In this study statistical tool like z-test, mean and proportion analysis were used to analyze the employee’s satisfaction. On the basis of different factors that affect the HRM practices, the following hypotheses were developed for the study:

H1: Employees are satisfied with Human Resource Planning
H2: Employees are satisfied with Working Environment
H3: Employees are satisfied with Training and Development
H4: Employees are satisfied with Compensation policy
H5: Employees are satisfied with Recruitment and Selection
H6: Employees are satisfied with Performance Appraisal
H7: Employees are satisfied with Industrial relations

4. Findings

4.1 Analysis of Study Factors

The table 1 shows the percentage analysis of employees’ satisfaction under HRM. In HRP 40.63%, employees are satisfied and 34.38% employees are poorly satisfied. In WE 41.67% employees are poorly satisfied whereas 30.21% employees are satisfied. In TD 16.67%, employees are highly satisfied, 18.75% employees are moderately satisfied and 20.83% satisfied; whereas 36.46% employees are poorly satisfied. In CP 31.25%, employees are satisfied, 27.08% employees are poorly satisfied, and 36.46% employees are dissatisfied. In RS 27.08% and 26.04%, employees are poorly satisfied and moderately satisfied respectively. In PA and IR 30.21% and 40.63%, employees are poorly satisfied. From the analysis, it is evident that employees are not satisfied with the human resource practices in pharmaceutical companies in Bangladesh.

Table1: Percentage of employees in different level of satisfaction under HRM Factors:

<table>
<thead>
<tr>
<th></th>
<th>HRP1</th>
<th>WE2</th>
<th>TD3</th>
<th>CP4</th>
<th>RS5</th>
<th>PA6</th>
<th>IR7</th>
</tr>
</thead>
<tbody>
<tr>
<td>1= Dissatisfied</td>
<td>7.29%</td>
<td>13.54%</td>
<td>7.29%</td>
<td>36.46%</td>
<td>8.33%</td>
<td>27.08%</td>
<td>22.92%</td>
</tr>
<tr>
<td>2= Poorly satisfied</td>
<td>34.38%</td>
<td>41.67%</td>
<td>36.46%</td>
<td>27.08%</td>
<td>27.08%</td>
<td>30.21%</td>
<td>40.63%</td>
</tr>
<tr>
<td>3= Satisfied</td>
<td>40.63%</td>
<td>30.21%</td>
<td>20.83%</td>
<td>31.25%</td>
<td>22.92%</td>
<td>20.83%</td>
<td>13.54%</td>
</tr>
<tr>
<td>4=Moderately Satisfied</td>
<td>13.54%</td>
<td>8.33%</td>
<td>18.75%</td>
<td>2.08%</td>
<td>26.04%</td>
<td>8.33%</td>
<td>17.71%</td>
</tr>
<tr>
<td>5= Highly satisfied</td>
<td>4.17%</td>
<td>6.25%</td>
<td>16.67%</td>
<td>3.13%</td>
<td>15.63%</td>
<td>13.54%</td>
<td>5.21%</td>
</tr>
<tr>
<td>Total</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

HRP1 = Human Resource Planning; WE2 = Working Environment; TD3 = Training and Development; CP4 = Compensation Policy; RS5 = Recruitment and Selection; PA6 = Performance Appraisal; IR7 = Industrial relations.
4.2 Hypothesis Testing

H1: Employees are satisfied with human resource planning

In this hypothesis, it was assumed that the employees of pharmaceutical companies are satisfied with their human resource planning. The calculated value of \( z \) in table 2 is 2.83, the table value of \( z = 1.96 \) at 5% level of significance in two tailed test. The calculated value of \( z \) is higher than the table value; therefore, the null hypothesis is rejected. Hence, the employees of pharmaceutical companies in Bangladesh are not satisfied with their human resource planning.

H2: Employees are satisfied with working environment

The assumed hypothesis is that the employees of pharmaceutical companies are satisfied with their working environment. The result from table 2 shows that the calculated value of \( z = 4.54 \) which is much higher than the table value \( z = 1.96 \) at 5% level of significance in two tailed test, thus the assumed null hypothesis is rejected. Hence, the employees of pharmaceutical companies in Bangladesh are not satisfied with their working environment.

H3: Employees are satisfied with training and development

This hypothesis assumed that the pharmaceutical employees are satisfied with training and development facilities. The result from table 2 shows that the calculated value of \( z = 0.08 \) is lower than the table value of \( z = 1.96 \) at 5% level of significance in two tailed test. Therefore, the null hypothesis is accepted. Thus, it can be concluded that the pharmaceutical employees are satisfied with training and development.

H4: Employees are satisfied with compensation policy

The assumed hypothesis is that pharmaceutical employees are satisfied with the compensation policy of their companies. The test result (table 2) shows that \( z = 8.82 \) which is much higher from table value \( z = 1.96 \) at 5% level of significance in two tailed test. So the null hypothesis is rejected. Therefore, the employees are not satisfied with compensation policy.

H5: Employees are satisfied with recruitment and selection

In this hypothesis, it is assumed that the employees of pharmaceutical companies are satisfied with the recruitment and selection process. The result from table 2 shows that the calculated value of \( z = 1.12 \) is lower than the table value of \( z = 1.96 \) at 5% level of significance in two tailed test. So the assumed null hypothesis is accepted. Hence, the pharmaceutical employees are satisfied with recruitment and selection.

Table 2: Computation of \( z \) value

<table>
<thead>
<tr>
<th>Factors of employee satisfaction</th>
<th>Sample Size</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>Standard error</th>
<th>z- Value (Calculated)</th>
<th>Mean Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Resource Planning</td>
<td>96</td>
<td>2.73</td>
<td>0.93</td>
<td>0.10</td>
<td>2.83</td>
<td>03</td>
</tr>
<tr>
<td>Working Environment</td>
<td>96</td>
<td>2.52</td>
<td>1.04</td>
<td>0.11</td>
<td>4.54</td>
<td>04</td>
</tr>
<tr>
<td>Training and Development</td>
<td>96</td>
<td>3.01</td>
<td>1.24</td>
<td>0.13</td>
<td>0.08</td>
<td>02</td>
</tr>
<tr>
<td>Compensation policy</td>
<td>96</td>
<td>2.08</td>
<td>1.02</td>
<td>0.10</td>
<td>8.82</td>
<td>07</td>
</tr>
<tr>
<td>Recruitment and Selection</td>
<td>96</td>
<td>3.14</td>
<td>1.22</td>
<td>0.12</td>
<td>1.12</td>
<td>01</td>
</tr>
<tr>
<td>Performance Appraisal</td>
<td>96</td>
<td>2.51</td>
<td>1.34</td>
<td>0.14</td>
<td>3.59</td>
<td>05</td>
</tr>
<tr>
<td>Industrial relations</td>
<td>96</td>
<td>2.42</td>
<td>1.18</td>
<td>0.12</td>
<td>4.83</td>
<td>06</td>
</tr>
</tbody>
</table>
H6: Employees are satisfied with performance appraisal

The assumed hypothesis is pharmaceutical employees are satisfied with performance appraisal. The calculated result shows that $z = 3.59$ (table 2) which is higher than the table value $z = 1.96$ with 5% level of significance in two tailed test. So the assumed null hypothesis is rejected. Therefore, the employees are not satisfied with performance appraisal.

H7: Employees are satisfied with industrial relations

The assumed hypothesis is that the employees of pharmaceutical companies are satisfied with industrial relations. The result from table 2 shows that the calculated value of $z = 4.83$ is higher than the table value $z = 1.96$ at 5% level of significance in two tailed test. So the assumed null hypothesis is rejected. Hence, the employees of pharmaceutical companies are not satisfied with industrial relations.

The results of z-test analysis and mean rank (table 2) represent the employees are satisfied with recruitment and selection (mean rank 1), and training and development (mean rank 2). The employees are poorly satisfied respectively with human resource planning (mean rank 3), working environment (Mean Rank 4), performance appraisal (Mean Rank 5), industrial relations (Mean Rank 6), and compensation policy (Mean Rank 7).

5. Conclusion and Recomendation

The study shows that HRM practices are very poor in pharmaceutical companies in Bangladesh that leads poor satisfaction of employees. The study found employees are satisfied to recruitment and selection process, and training and development of pharmaceuticals companies. Employees are dissatisfied about human resource planning. The pharmaceuticals companies should have the right process to forecast the demand and supply of human resources, to estimate the external supply and to match proper demand and supply. Working environment is always an important variable of employee satisfaction. Congenial working environment provides additional satisfaction toward work; conversely, irritable working environment creates problem to do the work simply. However, the study shows employees are not satisfied with working environment. It is recommended that pharmaceuticals companies will ensure proper working environment for their employees. The most of the pharmaceutical employees have a high dissatisfaction on compensation policy. It is suggested that the pharmaceutical companies should restructure their compensation policy to grab and retain valuable human capitals. Performance appraisal evaluates employees’ job performance both in qualitative and quantitative aspects that cause positive intension toward work and enhance employees’ productivity. The study shows that employees are poorly satisfied with the performance appraisal system of the pharmaceuticals companies. The pharmaceutical companies have to undertake apposite methods of performance appraisal for procedural evaluation and supervision of employees. The proper industrial relations imply harmonious and peaceful relation between labour and management. It leads to sound industrial environment, industrial democracy, social peace, etc. and it causes satisfaction for both parties. The study demonstrates that most of the employees are not satisfied with the industrial relations. The companies should take necessity actions as soon as possible for pleasant-sounding industrial relations. Therefore, the study suggests that the pharmaceutical companies should develop proper human resource policy and given emphasis on proper human resource practices to enhance the satisfaction of their employees and building them effective human resources.

References


