

# LEVEL OF EFFECTIVENESS OF HUMAN RESOURCE MANAGEMENT PRACTICES AND ITS IMPACT ON EMPLOYEES' SATISFACTION IN THE BANKING SECTOR OF JORDAN

Hilda Ghaleb Madanat, WISE University  
Anis S Khasawneh, Yarmouk University

## ABSTRACT

*The study aims to identify the level of effectiveness in Human Resource Management (HRM) and its impact on employees' satisfaction in the banking sector of Jordan. A questionnaire was developed and administered to 540 employees in the banking sector of Jordan out of which 406 were returned to test research hypotheses. The findings revealed a high level of effectiveness of all HRM practices combined and for four individual practices (HR planning, staffing, training & development and performance appraisal); while, a medium level of compensation effectiveness was yielded. It has been found that employees' satisfaction level was medium. A strong positive relationship has been identified between the effectiveness of HRM and employees' satisfaction. The study recommended improving financial compensation system of banks, which would positively increase the level of employees' satisfaction. On the other hand, comparative studies between Islamic banks and commercial banks are highly suggested.*

**Keywords:** Human Resource Management, Human Resource Management Practices, Employees' Satisfaction Banking Sector of Jordan, Commercial Banks, Islamic Banks.

## INTRODUCTION

The banking sector in Jordan plays an important role in the country's movement toward free market trade due to country's large economic liberalization. Therefore, this sector is considered as one of the core pillars of Jordanian economy. According to Al-Shobaki et al. (2010); the banking sector shows amazing prospects for expansion and diversification. It accounted for 44.6% of total stock market capitalization and contributed 18.7% to GDP in 2004. Therefore, the Jordanian government has been giving great attention on the development of banking organizations. This effort is mainly aimed to improve the quality of bank services, increase competitive advantages of this sector and encourage investment in the country. At the end of 1999, twenty-two national and five international commercial banks were operating in the country with a structural network of 466 branches that play significant role in the revival of the Jordanian economy and country's future. Al-Jarrah (2012) mentioned that banking sector in Jordan plays a crucial role in the economic development and growth. Since last decade, this sector has undertaken various reforms aiming to enhance its dependability and increase its competitiveness. Khammash (2012) has asserted that banking sector of Jordan is comprised of 26 banks with a combined total of 695 branches spread across the country at the end of 2011. The Central Bank of Jordan classified the banks into two main groups; national banks and branches

of foreign banks. Each of these groups is further divided into commercial banks and Islamic banks.

Nowadays, majority of the organizations are seeking the best way to improve their business performance and achievements by developing and adopting new workplace practices that enhance sustained level of high performance and job satisfaction. Human Resource Management (HRM) is a widely known management philosophy that has become a key factor for enhancing organizations' competitive advantage. Furthermore, it is recognized as an important tool to enhance customer satisfaction, loyalty and retention that positively affect organizational performance. On the other hand, HRM is the strategic and coherent approach to the management of organization's most valued assets and matches them to the strategic requirements of business. It is being recognized that competitive advantage can be obtained with a qualified workforce that enables organizations to compete and succeed in business (Al-Daibat & Irtaimeh, 2012).

The declining foreign financial aid and assistance, particularly from Arab gulf countries, have aggravated economic and financial hardships in the last few years. This has made local funding of small and medium size development projects essential for Jordan development. Therefore, the banking sector of country is increasingly becoming an important player in country's development. However, published studies investigating the impact of HRM practices on employees' satisfaction in Jordanian organizations are scarce and very limited. Therefore, the findings of this study are expected to enrich the knowledge and fill-in the gap of literature. Thirdly on the practical side, the anticipated outcomes would help decision makers in Jordanian banking sector to recognize the potential of HRM effectiveness and assist them in developing employee satisfaction to gain superior performance.

Human resource management has become more important to general management because of its role in enhancing performance, securing and developing the talents of employees and enhancing cooperation between them to support organizational development (Elarabi & Johari, 2014). Employee satisfaction has always been an important issue and top priority for all type of organizations. Therefore, it is essential to investigate the potential impact of human resource management practices on employees' satisfaction. The study aims to explore the level of effectiveness of HRM practices and employees' satisfaction in the banking sector of Jordan. Moreover, the impact of effectiveness of HRM practices (HR planning, staffing, compensation, training and development, performance appraisal) on employees' satisfaction is investigated.

## **HUMAN RESOURCE MANAGEMENT-LITERATURE REVIEW**

Human Resource Management is concerned with planning, organizing, directing and controlling personnel functions. Elarabi & Johari (2014) described HRM as a process that specializes in securing and increasing skills of individual employees and enhances communication and cooperation between them to support organizational development. HRM practices have a positive impact on organizational innovation, implementation of business strategies, job performance, financial returns, managing the organizational conflict and a sustainable competitive advantage (Katou & Budhwar, 2010; Caliskan, 2010; Tan & Nasurdin, 2011; Boohene & Asuinura, 2011; Mukhtar & Siengthai, 2011; Atteya, 2012; Loshali & Krishnan, 2013).

## **Key HRM Practices**

Shahraki et al. (2011) outlined most important areas of HRM, inclusive of job design, teamwork, staffing, training, career management, performance appraisal and compensation. The following are the most commonly identified HR practices in the literature:

### **HR Planning (Workforce Planning)**

HR planning is the process that aims to forecast an organization's future needs in terms of workforce. According to Yadav & Dabhade (2014), HR planning refers to good strategic business and people management. These processes aim to estimate future needs of manpower and compare them with the available labor force. Noe et al. (2010) explained that HR managers determined the supply and demand for human resources to avoid any labor shortages or surpluses by taking the right action to face these potential problems.

### **Staffing (Recruitment and Selection)**

According to Werner & DeSimone (2009), recruitment and selection techniques are planned for the identification of potential applicants for current and future jobs and make appropriate choices. Mondy & Mondy (2014) stated that recruitment is the process of attracting individuals on a timely basis in sufficient numbers with appropriate qualifications to apply for jobs with an organization. Durai (2010) indicated that the efficiency of recruitment can be measured in terms of quality and quantity of the applicant pool. Thus, recruitment needs to attract not just applicants, but qualified candidates and encourage them to apply for a job.

### **Training and Development**

Today's dynamic work environment and complex business demands require employees to be skilled in performing multifarious tasks in an efficient and effective way. A well-organized training and development program gives employees continuous knowledge and experience. Training and development is important for increasing job performance, enhancing employee productivity and satisfaction, reducing cost and developing the quality of work. Mondy & Mondy (2014) indicated that training and development are the continuous efforts aimed to improve employee capability and organizational performance by providing employees with the needed knowledge and skills to perform their jobs.

### **Compensation**

Compensation plays an important role in recruitment and retention of talented people. It pertains to all payments and rewards provided to employees in response to their efforts and as a result of their employment and contribution to business success (Mondy & Mondy, 2014; Noe et al., 2010; Dessler, 2011). Gilmore & Williams (2009) mentioned that compensation is an HR instrument aims to enhance employee performance and behaviors. According to Irshad (2008), every organization wants the best people to work for it and makes every effort to increase their achievements. Attracting the best people and pulling staff from competitors require better compensation.

## **Performance Appraisal**

Aggarwal & Thakur (2013) illuminated several appraisal methods such as; ranking method, graphic rating, critical incident, narrative essays and management by objectives, human resource accounting and others.

## **Effectiveness of Human Resource Managements**

The HR department should manage its functions and practices effectively to improve its performance and the overall performance of the organization. Therefore, HR needs to minimize the operational cost of its activities and provide excellent service to internal and external customers. Bai (2013) emphasized the importance of making sure that all HR activities are concentrated on the objectives of the organization to have the effective SHRM system. Activities that are not meeting this goal need to be improved. Agarwala (2003) agreed that management of human resources must move from traditional programs to a new system of work that fits the specific needs and objectives of an organization and link HR practices with the business needs of the organization. Jain & Gupta (2012) underlined the indicators for effective HRM outcomes which include: employee satisfaction, employee motivation, employee trust, employee commitment and employee loyalty. Hence, the company should maintain a work environment that supports the satisfaction, commitment and motivation of employees. Noe et al. (2010) pointed out that managers at organizational level should be able to define effective HRM practices to help the company enhance customer satisfaction and gain competitive advantages.

Al-Hyasat (2006) investigated the efficiency and effectiveness of HRMS (human resource planning, selection and placement, evaluation of personnel's performance, training of employees) and the relationship between these strategies and organization performance. Research data were collected from employees who occupy positions lower than section head in twenty-one press organizations in Jordan. Findings showed a positive relationship between efficiency and effectiveness of (human resource planning strategies, testing and appointment strategies, strategies of personnel performance evaluation, training strategies) and institutional performance. Al-Sahryra & Al-Graeb (2010) examined the application level of HRM practices and organizational creativity. The study also investigated the relationship between the two dimensions and detected the impact of demographic and functional factors on the functions of HRM and organizational creativity in the Jordan telecommunications company. It has been found that the level of practice of HRM functions and organizational creativity is high. Moreover, a significant effect of the functions of HRM on organizational creativity has been revealed.

Moideenkutty et al. (2011) explored the relationship between high-involvement HRM practices and organizational performance in the Sultanate of Oman. The target population of this study consisted of 87 companies from publicly-traded (SAOG) and closely-held (SAOC) companies in the Muscat Securities Market (MSM). The findings showed that high involvement human resource management practices are significantly and positively related to organizational performance. Abutayeh & Al-Qatawneh (2012) studied the effect of human resource practices on job involvement in 20 business organizations, located in Amman. Results indicated that all human resource practices have a positive effect on job involvement. Hong et al. (2012) investigated how the effectiveness of HRM practices (employee empowerment, equity of compensation, job design through training and effective performance management) affect employees' retention decision and loyalty to an organization in an institute of higher learning.

Respondents were selected from a single private university in Malaysia. Results showed the importance of the following three HRM practices: training, compensation and appraisal for employee retention decisions; while empowerment is less fundamental as this can be attributed to the Asian cultural characteristic of higher authority conformity, it is widely believed that managers are the ones who can make the best decision. It has been argued that different cultures might have different expectations on determining their employment satisfaction and retention.

Atteya (2012) analyzed the impact of human resource management practices on job performance. The population consisted of 549 supervisors in the petroleum industry in Egypt. Findings revealed a significant positive impact of HRM practices on job performance and the mediating role of job satisfaction, organizational commitment, quitting intention, negative word of mouth and organizational citizenship behavior. Loo & Beh (2013) probed the relationship between SHRM practices and organization performance. The target population consisted of non-executives, executives, managers and top management from seven headquarters of the Malaysian insurance industry operating in Klang Valley. Findings revealed that performance appraisal, internal communication, SHRM alignment in the organization and career planning were the best judges of firm performance. Al-bahussin & El-Garaihy (2013) explored the impact of human resource management practices, organizational culture, organizational innovation and knowledge management on organizational performance. The study population consisted of 203 human resource directors working in large organizations in the eastern region of Saudi Arabia. Results showed that human resource management is an important antecedent of organizational culture, knowledge management and organizational innovation. On the other hand, it has been found that human resource management practices positively impact organizational performance.

### **The Effectiveness of HRM Practices**

Managing and implementing HRM practices in a way to meet HRM objectives, fulfilling organizational strategic objectives, providing the best service that meets internal customers' needs and enhances the HRM outcome (employee satisfaction).

#### **Effective HR Planning (Workforce Planning)**

Using updated technologies and techniques to provide the best manpower and ensuring that the organization has a sufficient number of employees, with the right skills, in the right place.

#### **Effective Staffing (Recruiting, Selecting)**

Having the right candidates with the appropriate skills, from different resources and guaranteeing the best fitting of employees' needs. It is most effective when using updated recruiting technologies.

#### **Effective Compensation**

Compensation systems that recognize and encourage individual and team performance, satisfying internal customer needs and requirements; by applying adequate and equitable payments.

### **Effective Training and Development**

Ensuring that employee's at all organizational levels are continuously acquiring the needed knowledge and skills required to develop their performance, attitude and quality of work. It is most effective when using updated training tools and technologies.

### **Effective Performance Appraisal**

It is the appraisal which is oriented toward ensuring performance development and measuring employee's actual performance. It is most effective when based on the objectives that support the strategic directions of the organization and using updated performance appraisal technologies.

### **Employees Satisfaction**

Employee's positive emotional state resulting from the effective HRM practices.

### **Employee and Labor Relations**

According to Durai (2010), performance evaluation seeks to achieve variety of objectives including; defining the performance gaps, identifying employees who deserve promotion, transfer or termination, defining compensation and incentives plan, improving employees' effectiveness and enhancing employees' relationship with the management.

### **HRM Practices in Jordan**

Human Resources Management in the Arab countries is impressively influenced by culture, religion and the role of social intermediation "wasta" as well as by national and global politics, all these factors must be considered in the adoption of HRM policies and practices, culture is probably the most difficult to isolate. Similarly, HRM policies and practices that do exist in Jordan are impacted quite histrionically by the Jordan's national cultural values. Most of Jordanian organizations' have personnel or human resource departments at their headquarters, in addition to, the local or regional level sections human resource strategies and practices in Jordan are crucial and play an essential role in maximizing overall organization productivity and effectiveness (Altarawneh, 2005). Al-Ghazawi (2012) pointed out that investment in human resources activities has significant impact on the effectiveness of investment in human capital in commercial banks in Jordan. Moreover, the study findings showed a significant impact of staffing, training & development, incentives and retention policy on the effectiveness of investment in human capital. On the other hand, training & development and employee incentives systems have a direct impact on the human capital return on investment and human capital added value. Investing in human capital is one of the factors that have a direct impact on minimizing the turnover rate, through preparing and implementing a retention policy to focus on building professional loyalty among employees. Abdel & Al-Mahayreh (2015) mentioned that a practice of HR in the Arab or Jordanian environments has significant impact on organization financial performance and the employee's productivity.

Bisharat et al. (2016) examined the influence of HRM practices on the organizational commitment in Jordanian chain pharmacies. The data was collected through a self-structured questionnaire. The study has indicated that affective commitment was directly and positively

influenced by training and development and reward system. Suifan (2015) signified positive and significant association of reward systems, training and person-organization fit with organizational commitment of 431 employees working in public and private organization. Olaimat (2014) indicated positive and significant association between different knowledge management dimensions and HRM practices. Similarly, findings have indicated that the relationship between training and development and staffing is mediated through technical knowledge management. Darwish, Singh & Wood (2016) investigated a significant impact of training on organizational performance. However, findings have shown that regulation and practice in mature markets is generated through the type of complementarities. Zureikat (2017) indicated that E-HRM is influenced by management support, IT infrastructure and degree of awareness among 313 managers working in the commercial banks in Jordan.

### **Hypotheses Building**

For the purpose of this study three hypotheses are developed and empirically tested. These hypotheses are:

*H<sub>1</sub>: There is a medium level of employees' satisfaction in the banking sector of Jordan.*

*H<sub>2</sub>: There is no significant impact at ( $\alpha \leq 0.05$ ) of the level of effectiveness of HRM practices on the level of employees' satisfaction in the banking sector of Jordan.*

### **METHODOLOGY**

The study has incorporated descriptive analytical approach to detect the impact of the effectiveness of HRM practices on employees' satisfaction. A structured questionnaire has been developed and distributed to a systematic sample of managers, section heads and employees in bank headquarters in Jordan.

### **The Sample**

The study has covered banking sector in Jordan, which consists of 26 banks; out of which 16 are national banks and the rest are foreign. Each of these categories has been divided into commercial (22 banks) and Islamic (4 banks). The sample has been selected from (15) bank headquarters operating in Amman. The other remaining banks (11) declined to participate in the survey. Eleven of the bank samples are commercial banks; while, the other four are Islamic banks. Employees' sample consists of executives, line managers, section heads and operating employees. An equal size sample of (35) respondents from each bank was selected using a systematic random sampling technique. Five hundred and twenty-five questionnaires were distributed, out of which (406) were returned and used in analysis.

### **Data Collection Method**

The data has been collected from various secondary sources; such as books, articles, dissertations, journals, the internet and periodic reports issued by the Jordanian banking sector. Primary Data was obtained through a questionnaire related to the variables. The questionnaire was divided into three parts: the first includes items pertaining to respondents' characteristics. The second part comprises of 39 Likert-type items related to HRM practices and the third part

includes six items related to employees' satisfaction. The questionnaire was designed and distributed in Arabic and then it was translated into English later. Pearson correlation coefficient between each item and related dimension has been computed and all values were above 0.70, which indicated a strong positive relationship. The questionnaire was pre-tested and an internal consistency was computed via using Cronbach's Alpha. All variables have reliability exceeding standard value 0.7 and reliability coefficients for HRM effectiveness ranged from (0.894-0.954); while, reliability coefficient for employees' satisfaction amounted to (0.879). The overall reliability of the questionnaire value was (0.974).

### Scale of Measurement and Statistics

The measurement scale adopted in this research is as follows: the average of (1-2.33) indicates low level, an average of (2.34-3.67) indicates medium level and the average of (3.68-5) indicates a high level.

The collected data have been analyzed by using various statistical techniques such as: Cronbach's Alpha and Person Correlation Coefficients, Descriptive Statistics (Mean and Standard Deviations, T-Test), One Way (ANOVA) and Regression Analysis through Statistical Package for Social Science (SPSS) (Table 1).

### Sample Characteristics

<b>Table 1 DISPLAYS CHARACTERISTICS OF THE SAMPLE</b>			
<b>Demographical Variables</b>	<b>Percent</b>	<b>Cumulative Percent</b>	<b>Frequency</b>
<b>Gender</b>	59.8%	Males	100%
	40.2%	Females	242
<b>Age</b>	40 years old and younger	81.1%	100%
	over 40 years	18.9%	329
<b>Education</b>	College degree	15.5%	77
	bachelor degrees	70.4%	63
	postgraduate degrees	14.1%	285
<b>Years of experience</b>	less than 10 years	65.2%	100%
	10 years and above	34.8%	265
<b>Job title</b>	operating employees	56.2%	100%
	heads of departments	25.2%	227
	executives and line managers	18.6%	102
Respondents from commercial banks		75.1%	100%
Respondents from Islamic banks		24.9%	75
<b>Total Number of Respondents</b>			<b>406</b>

### Research Results

Hypothesis 1-There is a medium level of effectiveness of HRM practices (HR planning, staffing, compensation, training & development, performance appraisal) in the banking sector of Jordan.



<b>Dimension</b>	<b>Mean</b>	<b>SD</b>	<b>t</b>	<b>Sig.</b>	<b>Level</b>
HR Planning	3.7288	0.64542	22.752	0.000	High
Staffing	3.7100	0.68265	20.957	0.000	High
Compensation	3.4470	0.83504	10.785	0.000	Medium
Training and Development	3.8620	0.66519	26.110	0.000	High
Performance Appraisal	3.7520	0.69127	21.891	0.000	High
<b>Overall HRM</b>	3.6998	-	22.995	0.000	High

Table 2 has clearly shown a high level of four dimensions of HRM effectiveness (HR planning, staffing, training & development and performance appraisal) and overall high level of HRM effectiveness. The mean response of implementation ranged from 3.4470 for compensation to as high as 3.8620 for training & development. Performance appraisal's reported mean response of 3.7520 followed in order, by HR planning (3.7288), staffing (3.7100) and overall HRM effectiveness (3.6998). Findings show a high level of HRM effectiveness in the Jordanian banks, except for compensation that yielded a medium level. However, this finding reflected a commitment by the management of the Jordanian banks to enhance the effectiveness of HR practices by implementing more current, quality-oriented practices and using updated technology. Such measures would lead to a higher level of service delivery and better strategic contribution, which in turn would contribute to achieve banks' strategic objectives. Nevertheless, HR managers should pay more attention to enhance the banks' compensation systems. The researchers believe that the medium level of compensation might be attributed to the difficult economic conditions Jordan is facing as a result of the global economic crisis, the 'Arab Spring' and the political uprisings in Arab countries. These challenges negatively affected foreign investment in Jordan, increased inflation rate, limited private sector development, increased competition level and represented challenge for resource availability. Bank management concerns for maximizing revenue and minimizing costs to meet these challenges might be the reason for the medium level of compensation effectiveness. These results substantiate the findings of Al-Daibat & Irtameh (2012) on high levels of implementation for HRM strategies in the banking sector.

### **First Dimension: Effectiveness of HR Planning**

Table 3 shows individual means and standard deviations for all statements pertaining to effectiveness of HR planning.

Table 3 has shown that all statements pertaining to the HR planning dimension, individually and collectively, reported a high level of effectiveness. Means ranged from 3.6864 to 3.8049 and standard deviations ranged from 0.76216 to 0.81107. Responses indicate that question 1, related to HR planning in the bank and typically derived from analyzing the best usage of available human resources and attained the highest level with a mean of 3.8049. Responses to item seven pertaining to the application and use of modern technique in the process of identifying available human resources reported "high" level with mean amounting to 3.7660. These findings may be attributed to management's focus on using current technologies and techniques for the most effective provision of manpower and assurance of properly trained and placed staff.

<b>Table 3</b>					
<b>MEANS, STANDARD DEVIATIONS AND LEVEL OF EFFECTIVENESS OF HR PLANNING</b>					
Dimension	No.	Items	Mean	SD	Level
		<b>HR Planning in the bank focuses on:</b>			
Effectiveness of HR Planning	1	Good distribution and use of available human resources.	3.8049	0.80467	High
	2	The study of the internal environment to determine the needed workforce.	3.7679	0.78378	High
	3	Achieving the effective use of human resources.	3.7704	0.77339	High
	4	Determining the quantitative and qualitative requirements of employee in line with business needs.	3.7167	0.81107	High
	5	Determine the quantitative and qualitative work needs of employee in line with the objectives of total quality requirements.	3.6864	0.81017	High
	6	The application of the principles of total quality management in a way that increases the effectiveness of human resources planning.	3.7340	0.76218	High
	7	The use of modern techniques in identifying available human resources.	3.7660	0.78688	High
<b>Effectiveness of Overall HR Planning</b>			3.7288	-	High

### Second Dimension: Effectiveness of Staffing

<b>Table 4</b>					
<b>MEANS, STANDARD DEVIATIONS AND LEVEL OF EFFECTIVENESS OF STAFFING</b>					
Dimension	No.	Items	Mean	SD	Level
		<b>Human resources management in the bank focuses on:</b>			
Effectiveness of Staffing	8	Recruiting from different sources.	3.8985	0.83181	High
	9	Achieving the objectives of total quality management through employee selection process.	3.7481	0.76804	High
	10	Carrying out the recruiting process effectively.	3.7414	0.79481	High
	11	Employment according to objective and unbiased principles.	3.6281	0.91198	Medium
	12	Selecting applicants who meet job requirements and specifications.	3.7030	0.86331	High
	13	Linking the employment process with the actual need of the workforce.	3.7704	0.86122	High
	14	Recruiting the right person for the job.	3.5764	0.94951	Medium
	15	Apply the principles of total quality management in a way that increases the effectiveness of the recruitment process.	3.7129	0.78871	High
	16	Using modern techniques and technologies in recruitment process.	3.654	0.8319	Medium
<b>Effectiveness of Staffing</b>			3.7100	-	High

Table 4 has shown that all statements associated with staffing display a high level of effectiveness, individually and overall, except for questions 11, 14 and 16, which fall within the medium level. The range of means extends from 3.5764 to 3.8985 and the distribution of standard deviations was from 0.76804 to 0.94951. Respondents' replies indicated that question 8,

focusing on recruitment from different sources, was at the highest level with a mean of 3.8985, whereas question number 14 related to recruiting the right person for the job was at the lowest level with a mean of (3.5764). It is worth noting, however, that the use of modern techniques in recruitment has reported a medium level. Management's concentration on recruiting suitable candidates with necessary skills, diversification of sources and proper placement of employees to meet quality needs are all contributing factors to the highest level of staffing effectiveness.

### Third Dimension: Effectiveness of Compensation

<b>Table 5</b>					
<b>MEANS, STANDARDS DEVIATION AND LEVEL OF EFFECTIVENESS OF COMPENSATION</b>					
Dimension	No.	Items	Mean	SD	Level
		The compensation system at this bank intends to:			
Effectiveness of Compensation	17	Reward employee fairly.	3.3267	1.03707	Medium
	18	Reward employee according to their contribution in achieving objectives.	3.4163	0.97961	Medium
	19	Encourage employee' to enhance their performance.	3.6330	0.89487	Medium
	20	Enhance quality of employee' performance.	3.6634	0.82789	Medium
	21	Use group incentives to enhance teamwork.	3.3630	0.99708	Medium
	22	Provide equal salaries for similar jobs.	3.3975	1.05187	Medium
	23	Provide equal incentives to identical performance.	3.4074	1.06215	Medium
<b>Effectiveness of Compensation</b>			3.4470	-	Medium

Table 5 has clearly shown a medium level of effectiveness for all statements related to compensation, as well as overall compensation effectiveness with means ranging from 3.3267 to 3.6634 and standard deviations ranging from 0.82789 to 1.06215. Responses indicate the role of the compensation system in enhancing quality of employee' performance, occupied the highest level with a mean of 3.6634, while question number 17, pertaining to reward system fairness, reported the lowest level with a mean of 3.3267. These findings might be attributed to the difficult economic conditions Jordan is currently facing which augment management concerns toward maximizing revenue at the lowest level of cost, by considering drastic employment decisions like workforce and benefit reductions or freezing salary and benefit increases. Consequently, bank management should pay more attention to enhance the effectiveness of employee compensation.

### Fourth Dimension: Effectiveness of Training and Development

Table 6 has shown individual means and standard deviations for all statements pertaining to effectiveness of training and development.

<b>Table 6</b> <b>MEANS, STANDARD DEVIATIONS AND LEVEL OF EFFECTIVENESS OF TRAINING AND DEVELOPMENT</b>					
<b>Dimension</b>	<b>No.</b>	<b>Items</b>	<b>Mean</b>	<b>SD</b>	<b>Level</b>
		<b>Bank's training programs focus on:</b>			
Effectiveness of Training and Development	24	Providing adequate training to enable employee to do their jobs effectively.	3.8938	0.79359	High
	25	Covering all administrative levels.	3.9012	0.80538	High
	26	Providing employee with the necessary skills to improve the quality of services provided to customers.	3.9138	0.77934	High
	27	Making real improvement in the level of performance of employee.	3.8522	0.78745	High
	28	Promoting positive work attitudes among employee.	3.7951	0.79601	High
	29	Conducting ongoing training and staff development processes.	3.8793	0.85069	High
	30	Evaluating and following up on the training process.	3.8596	0.83887	High
	31	Applying updating training techniques.	3.8653	0.84369	High
<b>Effectiveness of Overall Training and Development.</b>			3.8620	-	High

Table 6 has shown that all statements aligned with the training and development dimension, individually and collectively, reported a high level of effectiveness. Means extend from 3.7951 to 3.9138, with standard deviations ranging from 0.77934 to 0.85069. Results indicate that question 26, which investigates the extent to which training provides the necessary skills to improve quality of service, attained the highest level with a mean of 3.9138, whereas question number 28, pertaining to the effect of training on employees' attitude obtained a mean of 3.7951. These findings may be attributed to the fact that today's dynamic business demands and environment create pressure on bank managements to increase the degree of competition, innovation and efficiency so as to enhance effectiveness and remain competitive. People are the most important competitive advantage that organizations should invest in. Another contributing factor is management's belief in the continuous improvement concept as a critical factor for banking success and as a vital sign of HRM effectiveness. Therefore, banks are becoming more focused on developing the skills of their employees and upgrading their professional and performance standards that are required for enhancing the quality of services provided to customers.

#### **Fifth Dimension: Effectiveness of Performance Appraisal**

Table 7 shows individual means and standard deviations for all statements pertaining to effectiveness of performance appraisal.

<b>Table 7</b> <b>MEANS, STANDARD DEVIATIONS AND LEVEL OF EFFECTIVENESS OF PERFORMANCE APPRAISAL</b>					
<b>Dimension</b>	<b>No.</b>	<b>Items</b>	<b>Mean</b>	<b>SD</b>	<b>Level</b>
		<b>Bank performance appraisal process contributes to:</b>			
Effectiveness of Performance Appraisal	32	Relying on the quality of work as a criterion in performance appraisal.	3.7975	0.78570	High
	33	Considering customer satisfaction as an important criterion in performance appraisal.	3.7896	0.84112	High
	34	Correlating results of the performance appraisal clearly with employee' actual performance.	3.7363	0.82669	High
	35	Identifying employee' strengths and weaknesses.	3.7104	0.87581	High
	36	The adoption of objective standards and bases for judging the performance of employee.	3.7239	0.88820	High
	37	Achieving quality objectives.	3.7593	0.74922	High
	38	Achieving strategic objectives of the organization.	3.8564	0.76472	High
	39	Using modern techniques in employee' performance appraisal process.	3.7599	0.88510	High
<b>Effectiveness of Performance appraisal</b>			3.7520	-	High

As depicted in Table 7, performance appraisal statements attained a high level of effectiveness, individually and collectively. The means generated from each question ranged from 3.7104 to 3.8564, with a standard deviation distribution of 0.74922-0.88820. Question 38, pertaining to performance appraisal's contribution to achieving the bank's strategic objectives occupied the highest level with a mean of 3.8564, whereas question number 35 pertaining to Identifying employee' strengths and weaknesses reported the lowest level with a mean of 3.7104. The causal factor in these findings might be the bank management's belief in performance appraisal's maximal effectiveness as it relates to objectives that support the strategic directions of the organization and quality of work. Moreover, business pressures are increasing and banks are now required to become more effective and efficient and perform better on business strategy in order to remain competitive. Therefore, banks are becoming more focused on developing the business performance and upgrading their performance standards. They have also started to see the benefits of developing their performance appraisal systems and techniques in order to enhance individual and group performance and work quality. An effective performance management process enables bank managers to evaluate and measure individual performance and optimize employee' productivity.

As depicted in Table 8, employees' satisfaction statements attained a medium level, individually and collectively, except for question number 44 pertaining to satisfaction about training programs. The means generated from each question ranged from 3.3645 to 3.7951, with a standard deviation distribution of 0.79290-0.99589. Question 44, pertaining to employees' satisfaction related to training and development program 3.8564 reported the highest level, whereas question number 42 pertaining to employees' satisfaction related to bank compensation system reported the lowest level with a mean of 3.3645. Nonetheless, employee's satisfaction with the effectiveness of human resources practices yielded medium level.

<b>Dimension</b>	<b>No.</b>	<b>Items</b>	<b>Mean</b>	<b>SD</b>	<b>Level</b>
<b>Employees' Satisfaction.</b>	40	Employees are satisfied with the human resources planning system currently applied at the bank.	3.5877	0.82675	Medium
	41	Achieving employee satisfaction regarding selection system currently applied at bank	3.6691	0.82304	Medium
	42	The Compensation System at this Bank Intends to: Achieving employee satisfaction regarding their salaries.	3.3645	0.98388	Medium
	43	The Compensation System at this Bank Intends to: Achieving employee satisfaction regarding their incentive.	3.4431	0.99589	Medium
	44	Banks Training Programs Focus on: Achieving satisfaction of employees for the information and skills provided to them.	3.7951	0.79290	High
	45	Bank Performance Appraisal process contributes to: Achieving employee satisfaction.	3.6700	0.84215	Medium
<b>Employees' Satisfaction</b>			3.5878	--	Medium

As depicted in Table 8, employees' satisfaction statements attained a medium level, individually and collectively, except for question number 44 pertaining to satisfaction about training programs. The means generated from each question ranged from 3.3645 to 3.7951, with a standard deviation distribution of 0.79290-0.99589. Question 44, pertaining to employees' satisfaction related to training and development program 3.8564 reported the highest level, whereas question number 42 pertaining to employees' satisfaction related to bank compensation system reported the lowest level with a mean of 3.3645. Nonetheless, employee' satisfaction with the effectiveness of human resources practices yielded medium level.

Hypothesis 2-There is no significant impact at ( $\alpha \leq 0.05$ ) of the level of effectiveness of HRM practices on the level of employees' satisfaction in the banking sector of Jordan.

A simple, multiple and stepwise linear regression is carried out to investigate the impact of the effectiveness of HRM practices on the level of employees' satisfaction. Table 9 shows the regression results.

<b>Independent</b>	<b>R</b>	<b>R<sup>2</sup></b>	<b>df</b>	<b>F</b>	<b>Beta</b>	<b>t</b>	<b>Sig.</b>	<b>Statistical decision</b>
Effectiveness of HRM	0.921	0.849	405	2272.042	0.921	47.666	0.0000	Rejected

Significant at ( $\alpha \leq 0.05$ )

Simple linear regression results as shown in Table 9 indicate that effectiveness of overall HRM practices has a significant impact at ( $\alpha \leq 0.05$ ) on the overall employees' satisfaction. The change of one standardized unit of HRM practices will change the employees' satisfaction by (0.921) standardized unit, as Beta value is 0.921 ( $t=47.666$ ) which reflects the high effect of the independent variable on the value of the dependent variable. The value of  $R^2$  is (0.849), which

means that effectiveness of HRM explains 84.9% of the variation in employees' satisfaction. As a result, the null hypothesis is rejected and an alternative hypothesis is accepted:

“There is significant impact at ( $\alpha \leq 0.05$ ) of the level of effectiveness of HRM practices on the level of employees' satisfaction in the banking sector of Jordan”.

As reflected by the findings, the effectiveness of HRM practices have a great bearing on the employees' satisfaction, which underline the important role HRM practices play in utilizing human resources in the bank. Therefore, bank management should enhance their human resources management practices to contribute effectively towards employees' satisfaction.

The findings of this study are partially consistent with other international studies that have addressed the impact of HRM practices on employee satisfaction and retention. (Hong, Hao, Kumar, Ramendran & Kadiresan, 2012) found that the effectiveness of HRM practices (employee empowerment, equity of compensation, job design through training and effective performance management) affect employees' retention decision and loyalty. A multiple and stepwise linear regression is carried out to investigate the impact of HRM Dimensions on the Employees' satisfaction. Tables 10 and 11 have shown the regression results.

**Table 10**  
**MULTIPLE REGRESSION FOR THE IMPACT OF HRM DIMENSIONS ON THE EMPLOYEES' SATISFACTION**

HRM Dimensions	Beta	t	Sig.	Statistical decision
HR Planning	0.256	7.373	0.000	Rejected
Staffing	0.142	3.946	0.000	
Compensation	0.361	14.379	0.000	
Training and Development	0.055	2.063	0.040	
Performance Appraisal	0.192	6.906	0.000	

Significant at ( $\alpha \leq 0.05$ );  $R^2$  (0.875)

As highlighted in Table 10, effectiveness of overall HRM practices has a significant impact at ( $\alpha \leq 0.05$ ) on the employees' satisfaction with Compensation being at the top of these factors, followed by HR planning, performance appraisal, staffing and training and development. As a result, the null hypothesis is rejected and the alternative hypothesis is accepted: “There is significant impact at ( $\alpha \leq 0.05$ ) of effectiveness of overall HRM practices on the level of employees' satisfaction in the banking sector of Jordan”.

Table 11 shows the impact of HRM practices on employees' satisfaction and the order entry of these variables in the regression equation. Findings illustrate that compensation comes in the first position, accounting for 76.5% of the variation in employees' satisfaction, with correlation amounting to 0.875. HR planning appears in the second position and explains along with compensation 84.2%, (individually, 7.7 %), the variation in employees' satisfaction with correlation amounting to 0.917. Performance appraisal comes in the third-place accounting for 86.9 % along with compensation and HR planning, (individually, 2.7%) of the variation in employees' satisfaction with correlation amounting to 0.932. Staffing comes in the fourth-place accounting for 87.4 % along with compensation, HR planning and Performance appraisal (individually, 0.5%) of the variation in employees' satisfaction with correlation amounting to 0.935.

Training and development comes in the fifth-place accounting for 87.5 % along with compensation, HR planning, Performance appraisal and staffing (individually, 0.1%) of the variation in employees' satisfaction with correlation amounting to 0.936. Commenting on these

results, the researchers believe that compensation has a direct and positive impact on employee job satisfaction and performance. Therefore, engaging employees in decision making and giving more attention to employees' requirements need to be a top priority for banks. In the same vein, compensation effectiveness has been considered the most important HRM practice that influences the level of employees' satisfaction. Therefore, compensation and planning effectiveness needs to be a top priority for banks. Hence, employees will be more likely to perform better and feel a higher level of job satisfaction. The researchers attribute this finding to the fact that compensation effectiveness plays a vibrant role in improving the level of the employees' satisfaction and building a sense of responsibility and accountability by bank employees. Moreover, top management should support the involvement of employees in the whole process of goal setting and increase employee empowerment, which will impact their job satisfaction and commitment.

**Table 11**  
**STEPWISE MULTIPLE REGRESSION FOR THE IMPACT OF HRM DIMENSIONS ON THE EMPLOYEES' SATISFACTION**

HRM Dimensions	R	R <sup>2</sup>	f	Beta	t	Sig.	Statistical decision
Compensation	0.875	0.765	1312.451	0.875	36.228	0.000	Rejected
Compensation	0.917	0.842	1068.663	0.585	20.398	0.000	
HR Planning				0.400	13.948	0.000	
Compensation	0.932	0.869	884.194	0.485	17.084	0.000	
HR Planning				0.320	11.558	0.000	
Performance Appraisal				0.235	9.078	0.000	
Compensation	0.935	0.874	694.680	0.436	14.447	0.000	
HR Planning				0.249	7.830	0.000	
Performance Appraisal				0.212	8.141	0.000	
Staffing				0.148	4.175	0.000	
Compensation	0.936	0.875	561.121	0.433	14.379	0.000	
HR Planning				0.238	7.373	0.000	
Performance Appraisal				0.191	6.906	0.000	
Staffing				0.140	3.946	0.000	
Training and Development				0.053	2.063	0.040	

Significant at ( $\alpha \leq 0.05$ )

## CONCLUSION AND RECOMMENDATIONS

The findings have shown a higher level of effectiveness of all the combines HRM practices. Similarly, a high level of effectiveness for each HR planning, staffing, training & development and performance appraisal has been manifested through the study. In terms of employees' level of satisfaction, respondents' replies reflected a medium level of satisfaction due to the medium level of compensation effectiveness. The study has concluded that employees' satisfaction statements attained a medium level, individually and collectively. Moreover, it is concluded that employees' satisfaction related to bank compensation system reported the lowest level with a mean of 3.3645. A significant impact of the effectiveness of HRM practices on employees' satisfaction explaining 87.5 % of the variation in effectiveness of employees' satisfaction. Notably, compensation was found to be the most potent HRM practice, explaining 76.5% of the variation in employees' satisfaction. It has been recommended that bank management should implement effective steps to enhance financial compensation systems for



supporting strategic plans and actions of banks. In particular, the pay compensation system of banks should be enhanced effectively by HR managers to offer fair and equitable rewards to employees. It has also been recommended that future studies should include studies in the context of Middle Eastern countries to cover explicit understandings on HRM practices. Future studies should include additional variables to focus on the HRM practices adoption in Jordan to examine its wider applicability in cross-sectorial as well as cross-cultural contexts.

### LIMITATIONS AND IMPLICATION OF THE STUDY

The study has identified that mostly patients unwillingly provide authentic responses to the questions asked about organizational satisfaction and compensation. The study merely includes Jordan as its population area, while future studies should attempt comparative analysis by undertaking Middle Eastern countries to provide differences between their HRM practices. The findings will be beneficial for CEOs and managers of the banks in refining their HRM practices. The importance of this study is enlightened from the effectiveness of a crucial fundamental HRM function that is compensation. However, banks' management may show concern for both financial and non-financial compensation as financial compensation seems to have an amounting impact on employees' satisfaction. Consequently, it is indispensable for Jordan's banks to consider and engage in a process of redesigning and reengineering their pay systems along with financial compensations in other fast-growing sectors such as IT and communication sectors.

### REFERENCES

- Abdel, Q. & Al-Mahayreh (2015). The impact of human resources management on the learning and growth of employees in the Jordanian insurance companies. *European Journal of Business and Management*, 7(7).
- Abutayeh, B. & Al-Qatawneh, M. (2012). The effect of human resource management practices on job involvement in selected private companies in Jordan. *Canadian Social Science*, 8(2), 50-57.
- Agarwala, T. (2003). Innovative human resource practices and organizational commitment: An empirical investigation. *International Journal of Human Resource Management*, 14(2), 175-197.
- Aggarwal, A. & Thakur, G.S.M. (2013). Techniques of performance appraisal: A review. *International Journal of Engineering and Advanced Technology (IJEAT)*, 2(3).
- Al-Sahryra, A. & Al-Graeb, R. (2010). The impact of human resource management on the organizational creativity as perceived by the employees of telecommunications' company: Case study. *Jordan Journal of Business Administration*, 6(4).
- Al-Sharjah, A.E.M., Irtaimh, H.J., Abu, R.M. & Althyabat, B.F. (2013). The strategic human resource management practices in applying Total Quality Management (TQM): An empirical study on Jordanian banking sector. *International Journal of Management*, 4(5), 179-190.
- Al-Bahussin, S.A. & El-Garaihy, W.H. (2013). The impact of human resource management practices, organizational culture, organizational innovation and knowledge management on organizational performance in large Saudi organizations: Structural equation modeling with conceptual framework. *International Journal of Business and Management*, 8(22).
- Al-Daibat, B.F. & Irtaimh, H. (2012). The role of strategic HRM at Jordanian banking sector through implementation TQM. *European Scientific Journal*, 8(25).
- Al-Ghazawi, M. (2012). The impact of investments in human resources activities on the effectiveness of investment in human capital: The case of commercial banks in Jordan. *International Journal of Business and Social Science*, 3(18).
- Al-Hyasat, K.M. (2006). Measurement criteria for efficiency and effectiveness of human resource management strategies in the Jordan's press foundations and their relationship with corporate performance in the viewpoint of the employees. *Jordan Journal of Business Administration*, 2(4).
- Al-Jarrah, I.M. (2012). Evaluating the riskiness of the banking sector of Jordan. *European Journal of Economics, Finance and Administrative Sciences*, 48.

- Al-Shobaki, S.D., Fouad, R.H. & Al-Bashir, A. (2010). *The implementation of Total Quality Management (TQM) for the banking sector in Jordan*.
- Altarawneh, I. (2005). *Training and development effectiveness: Practices, roles and impacts on performance in Jordanian banking organizations*. PhD Thesis: The University of Huddersfield.
- Atteya, N.M. (2012). Testing the impact of the human resource management practices on job performance: An empirical study in the Egyptian joint venture petroleum companies. *International Journal of Business and Social Science*, 3(9).
- Bai (2013). The successful implementation of strategic human resource management practices: An Indian survey. *Golden Research Thoughts*, 2(12).
- Bisharat, H., Obeidat, B.Y., Tarhini, A. & Mukattash, I. (2016). The effect of human resource management practices on organizational commitment in chain pharmacies in Jordan. *International Journal of Business and Management*, 12(1), 50.
- Boohene, R. & Asuinura, E.L. (2011). The effect of human resource management practices on corporate performance: A study of graphic communications group limited. *International Business Research*, 4(1).
- Caliskan, E. (2010). The impact of strategic human resource management on organizational performance. *Journal of Naval Science and Engineering*, 6(2), 100-116.
- Darwish, T.K., Singh, S. & Wood, G. (2016). The impact of human resource practices on actual and perceived organizational performance in a Middle Eastern emerging market. *Human Resource Management*, 55(2), 261-281.
- Dessler, G. (2011). *A framework for human resource management (6<sup>th</sup> Edition)*. International Edition, Pearson/Prentice-Hall, New Jersey.
- Durai, P. (2010). *Human resource management*. Pearson education, New Delhi, India.
- Elarabi, H.M. & Johari, F. (2014). The impact of human resources management on healthcare quality. *Asian Journal of Management Sciences & Education*, 3(1).
- Gilmore, S. & Williams, S. (2009). *Human resource management*. Oxford University presses INC, New York.
- Hong, E.N.C., Hao, L.Z., Kumar, R., Ramendran, C. & Kadiresan, V. (2012). An effectiveness of human resource management practices on employee retention in institute of higher learning: A regression analysis. *International Journal of Business Research and Management (IJBRM)*, 3(2).
- Irshad, A. (2008), Problems and challenges in human resource management: A case of large organization in Pakistan. *Journal of Commerce and Social Sciences*, 1.
- Jain, A. & Gupta, S.L. (2012). Effects of total quality management on perceptual human resource management outcomes in software industry in India. *Research in Business and Management*, 1(2), 23-35.
- Katou, A.A. & Budhwar, P.S. (2010). Causal relationship between HRM policies and organizational performance: Evidence from the Greek manufacturing sector. *European Management Journal*, 28, 25-39.
- Khammash, T. (2012). *Jordan banking sector report*. Jordan Investment Trust P.L.C.
- Loo, L.H. & Beh, L.S. (2013). The effectiveness of strategic human resource management practices on firm performance in the Malaysian insurance industry. *International Journal of Academic Research in Business and Social Sciences*, 3(5).
- Loshali, S. & Krishnan, V.R. (2013). Strategic human resource management and firm performance: Mediating role of transformational top management. *Journal of Strategic Human Resource Management*, 2(1).
- Moideenkutty, U., Al-Lamki, A. & Murthy, Y.S. (2011). HRM practices and organizational performance in Oman. *Personnel Review*, 40(2), 239-251.
- Mondy, R.W. (2010). *Human resource management (11<sup>th</sup> Edition)*. Prentice Hall, New Jersey.
- Mondy, R.W & Mondy, J.B. (2014). *Human resource management (13<sup>th</sup> Edition)*. Global Edition, Pearson education Limited, Courier/Kendallville, United State of America.
- Mukhtar, U. & Siengthai, S.R.S. (2011). Mediating role of HRM in organizational conflict and impact on organizational effectiveness: Empirical evidence of Pakistan public universities. *Int.J.Buss.Mgt.Eco.Res.*, 2(6), 391-403.
- Noe, R.A., Hollenbeck, J.R., Gerharts, B. & Wright, P.M. (2010). *Human resource management: Gaining a competitive advantage (7<sup>th</sup> Edition)*. McGraw-Hill international edition, Irwin.
- Olaimat, D.E.N. (2014). *Human resource management practices and organizational performance: The mediation of knowledge management and the moderation of competitive strategies in Jordanian service organizations*. Doctoral dissertation, University Utara Malaysia.
- Shahraki, A., Konarizadeh, M., Paghaleh, M. & Zarei, M. (2011). HRM effects on TQM. *Business Management Dynamics*, 1(3), 1-12.

- Suifan, T.S. (2015). The effect of human resources practices on organizational commitment: A Jordanian study. *Journal of Management Research*, 7(4), 222-232.
- Tan, C.L. & Nasurdin, A.M. (2011). Human resource management practices and organizational innovation: Assessing the mediating role of knowledge management effectiveness. *Electronic Journal of Knowledge Management*, 9(2).
- Werner, J.M. & DeSimone, R.L. (2009). *Human resource development (5<sup>th</sup> Edition)*. International student edition, south-western Cengage Learning, USA.
- Yadav, R.K. & Dabhade, N. (2014). Human resource planning and audit-A case study of HEG limited. *International Letters of Social and Humanistic Sciences*, 5, 44-62.
- Zureikat, K.K. (2017). The extent of applying e-human resources in Jordan from the perspective of human resource managers within commercial banks in Jordan. *International Business and Management*, 14(2), 54-64.