Human Resources Practices in Banks Incorporated in the Kingdom of Bahrain

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Abstract

This study on the HR practices in banks incorporated in Bahrain stemmed from two important aspects; 1) the banking sector being a key sector in Bahrain and 2) the role the HR function plays in the success of the banking sector. The study covered main HR mechanisms like HR strategy and culture, HR and talent planning, recruitment and selection, learning and development, compensation and benefits, performance appraisals and other key support policies. An average of 50% of the banks sampled for this study indicated that ‘most of the time’ their senior managers’ support best HR practices and have a proactive approach to people management. About 33% of the banks indicated that ‘most of the time’ they are taking proactive measures to retain employees. Though most of the banks (83%) have a formal performance appraisal method for all jobs/levels, only 8% of them indicated that the appraisals were conducted in a professional manner and that the appraisal decisions were fair. Half of the sample banks have a salary range for all jobs, and 33% of them expressed that the compensation and benefits policy is a hybrid; i.e. they pay the highest in the market for some jobs and for others they match the salaries in the market. Overall the findings revealed that the key HR mechanisms as assessed through various dimensions were being implemented ‘most of the time’ or ‘sometimes’ in the sample banks.

Keywords: HR practices, strategy, culture, talent planning, compensation, benefits

1. Introduction

The Kingdom of Bahrain is striving to achieve a high level of Bahrainization by improving the productivity of Bahrainis through various talent development, career progression and salary/ employment support initiatives.

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2Bahrain is an archipelago of 33 islands located off the coast of Saudi Arabia.
These initiatives are largely being funded by the government of Bahrain. HRM practitioners in Bahrain have a crucial role to play in achieving the individual, organizational and national objectives. On an individual level, they have to focus on the training and development of Bahrainis, and help in their career growth. Managers need to be good coaches to Bahrainis. By having HR systems in place, and by ensuring the right implementation of these systems, they can increase the motivation level of Bahrainis. Through a planned career progression of Bahrainis, the Bahrainization level in organizations would increase, thereby contributing to one of the national goals.

According to Moovala and Janahi (2013), the HR practice in Bahrain improved during the last two decades. In the recent past, organizations in Bahrain have recruited professionally qualified HR personnel and/or sponsored them for acquiring professional HR qualifications. There has been an improvement in the HR practice in organizations, though not at the pace it should have been. Organizations in Bahrain need to strengthen their HR mechanisms. Many organizations do not have good HR systems, especially related to compensation and performance management. Qualified and trained HR professionals need to be more persuasive and influence the top management to have scientific HR mechanisms in their organizations.

2. Banking sector in the Kingdom of Bahrain

Bahrain’s strategic location within the GCC region provides financial institutions operating in the Kingdom with easy access to the regional economy, which is worth some USD 1.4trn. The region is characterized by one of the largest concentrations of private and public wealth in the world, and supported by a growing oil and gas industry, the GCC remains critical to the global market for energy. Bahrain is the oldest financial services centre in the Gulf region, having emerged as a major offshore banking hub in the 1970s. The Kingdom hosts a total of 406 banks and financial institutions (as of 28th February 2014), diversified over a range of well-established industry sectors, including retail and wholesale banking, Islamic finance, asset management, and insurance.³

³Kingdom of Bahrain- Economic Yearbook-2013 published by Economic Development Board-Bahrain
### Table 1: Key Economic Indicators [Bahrain]

<table>
<thead>
<tr>
<th>Regulator:</th>
<th>Central Bank of Bahrain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Institutions:</td>
<td>406 (Feb 2014)</td>
</tr>
<tr>
<td>Financial Sector Workforce:</td>
<td>14,009 (2012)</td>
</tr>
<tr>
<td></td>
<td>Bahraini nationals 9,253 (66%)</td>
</tr>
<tr>
<td></td>
<td>Foreign nationals 4,756 (34%)</td>
</tr>
<tr>
<td>Key Economic Indicators:</td>
<td>GDP (Current) US$30.4 billion (2012)</td>
</tr>
<tr>
<td></td>
<td>Growth 4.1% (2012)</td>
</tr>
<tr>
<td></td>
<td>GDP (Constant) US$27.1 billion (2012)</td>
</tr>
<tr>
<td></td>
<td>Growth 3.5% (2012)</td>
</tr>
<tr>
<td></td>
<td>Financial Sector contribution to GDP 16.8%</td>
</tr>
<tr>
<td></td>
<td>Population 1,195,020 (2011)</td>
</tr>
</tbody>
</table>

Source: Central Bank of Bahrain website

### 3. Aim and Scope of the Study

This study on the HR practices in banks incorporated in Bahrain stemmed from two important aspects; 1) the banking sector being a key sector in Bahrain and 2) the role the HR function plays in the success of the banking sector. The study covered banks incorporated in Bahrain which totalled to 43 (as of 28th February 2014). The main aim was to gain input and feedback on HR practices and mechanisms. The study did not extend to the employee opinion or senior management input on the topic. It did not make a comparative analysis of HR practices in different types of banks, like Islamic and conventional.

### 4. Methodology

The sampling method used for this study was stratified sampling. Only banks incorporated in Bahrain [43] were selected. Of the 43 banks incorporated in Bahrain, 30 were contacted. Non probability method - judgemental sampling was used to select these 30 banks. Judgemental sampling method was considered appropriate taking into account the sensitivity of the topic and willingness of the banks to participate. The researcher through personal network developed over the last 1½ decade in the country approached HR managers/ officers in banks who were inclined to throw light on the study. Of the 30 banks selected, 24 participated in the study giving it a response rate of 80%.
A comprehensive questionnaire comprising seven sections/mechanisms was designed. One section dealt with the HR strategy and culture (5 dimensions). The other 6 sections included HR mechanisms like HR and talent planning (7 dimensions), recruitment and selection (6 dimensions), learning and development (6 dimensions), compensation and benefits (6 dimensions), performance appraisals (7 dimensions) and related policies (11 dimensions). All these dimensions were rated on a Likert-type scale, with ratings of, ‘all the time’, ‘most of the time’, ‘sometimes’, ‘not at all’, and ‘in process’. The questionnaire was pre-tested on two HR consultants and two HR practitioners for validity and clarity. It was then sent to HR managers of these selected banks who were required to fill in the questionnaire online.

The responses to the questionnaire were collated, analysed and statistically tested to obtain meaningful interpretations of the input. Descriptive statistics was used to analyse the data collected through the survey. The Likert-type scale generated data in an ordinal form. The commonly used measures to describe an ordinal data set are measures of central tendency and measures of variability. The appropriate measure of central tendency – median, and variability - standard deviation, was calculated for analysing the collected data. Graphs and percentages were used to draw meaningful interpretations of the data. Finally, significant conclusions were drawn from the findings related to HR practices in banks incorporated in Bahrain.

5. Literature Review

The best practice or universal approach has its roots in the so-called ‘excellence’ movement (Peters and Waterman, 1982; Peters, 1987) which advocated the existence of a number of basic underlying philosophies that resulted in the successful management of people and in turn led to improved work performance and to organizational success. The logic of the argument was that people were the most valuable resources of any organization and that training and developing them, adequately rewarding them, involving them in organizational policy-making, especially at the customer-interface level, resulted in enhanced motivation and organizational performance.

Underpinning human resources management [HRM] is the idea that management of human resources is much the same as any other aspect of management and an integral part of it and cannot be separated out for specialists to handle.
People have a right to proper treatment as dignified human beings while at work, and they will be effective when their personal career and competence needs are met within a context of efficient management and a mutually respectful working relationship. The specialist role is directed towards getting the deployment of right numbers and skills at the right place, supporting other managers in their people management and contributing to major strategic change (Torrington and Hall, 1991).

According to Gomez-Mejia et al (2010) the field of strategic HRM is still evolving and there is less agreement amongst scholars about an acceptable definition for it. An organization’s strategic HR choices are the options it has available in designing its human resources system. The strategic HR choices are work flows, staffing, employee separations, performance appraisal, training and career development, compensation, employee and labor relations. HRM strategies are essentially plans and programs which address and solve fundamental strategic issues related to the management of human resources in an organization (Schuler, 1992). They focus on alignment of the organization’s HR practices, policies and programs with corporate and strategic business unit plans (Greer, 1995).

Human resource management refers to the policies, practices, and systems that influence employees’ behavior, attitudes, and performance. HRM practices include analyzing and designing work, determining human resource needs (HR planning), attracting potential employees (recruiting), choosing employees (selection) teaching employees how to perform their jobs and preparing them for the future (training and development), rewarding employees (compensation), evaluating their performance (performance management), and creating a positive work environment (employee relations) (Noe et al, 2003).

Although expressed in different ways by different authors, the essential point is that HRM strategies and systems for recruitment, selection, training, development, and pay produce employee behaviors that are focused on key business priorities and which in turn impact on organizational financial indicators. The best practice approach suggests that the application of universal set of HR practices results in superior organizational performance. The contingency approach which argues that HR strategy and practice need to be integrated and responsive to business strategy and the environment within which the organization is operating.
The concept of universal best practice HR is supported by the so-called ‘configurational’ or ‘bundling’ approach which emphasizes the need for particular sets of people management practices to be internally consistent, mutually supportive and reinforcing (MacDuffie, 1995; Huselid, 1995).

Configurational approaches argue that organizations stand to gain potentially attractive pay-offs when adopting integrated clusters or bundles of HR practices. However, studies have shown considerable diversity in the HR practices that make up so-called HR bundles. Huselid (1995) identified 13 HR practices factored around two key dimensions. The first dimension, ‘employee skills and organizational structures’, included practices such as formal job design, selectivity in recruitment and selection, formal training, information-sharing, programs for employee involvement, and profit and gain-sharing schemes. The second dimension focused on ‘employee motivation’ and included practices such as promotion policies and formal performance appraisal linked to pay.

There is little doubt that the HRM terminology originated in the USA subsequent to the human relations movement (Marchington and Wilkinson, 2008). According to Kaufman (2007, pp33-4), the term first appeared in the textbook literature from the mid-1960s, specifically in relation to the specialist function which was interchangeably termed ‘personnel’ or ‘human resources.’ What really helped HRM to take root a couple of decades later, however, was the Harvard framework developed by Beer et al (1985). Here HRM was seen as proactive, integrative, part of an employee commitment perspective and long term in focus. The Harvard framework consists of six basic components, such as situational factors, stakeholder interests, HRM policy choices, HR outcomes, long term consequences, and a feedback loop. A key feature of the Harvard approach is that it treats HRM as an entire system, and it is the combination of HR practices that is important. As Allen and Wright (2007, p.91) note: ‘This led to a focus on how the different HRM sub-functions could be aligned and work together to accomplish the goals of HRM’.

In organizations it tends to be the task of HR managers to facilitate the process of efficient value adding, or transformation, by making sure they hire the correct human resources and then retain them.
In addition to this, human resources managers have also to provide training and development courses to ensure that employees can do their job; they must ensure that staff are provided with sufficient compensation and rest that they feel motivated to work hard, and ensure too that they are given appraisals and promotion opportunities for further development (Muller-Camen et al., 2008). The HR policies that need to be focused on, according to Leatherbarrow et al. (2011) are employment security, selective hiring, self-managed teams/ team working, high compensation contingent upon organizational performance, extensive training, reduction of status differences and sharing information. The emphasis is either incorporating all the above processes into the human resources strategy.

6. Survey Findings and Data Analysis

The findings of the study have been analyzed with the help of percentages, simple statistical tools like median and standard deviation. Further analysis is given under the main HR headings in the following sections.

Table 2: Descriptive Statistics [Median and Standard Deviation]

<table>
<thead>
<tr>
<th>HR Mechanisms</th>
<th>Measure</th>
<th>All the time</th>
<th>Most of the time</th>
<th>Sometimes</th>
<th>Not at all</th>
<th>In process</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR strategy and culture</td>
<td>Median</td>
<td>2.00</td>
<td>10.00</td>
<td>8.00</td>
<td>0.00</td>
<td>2.00</td>
</tr>
<tr>
<td>[5 Dimensions]</td>
<td>Std Dev</td>
<td>1.79</td>
<td>1.67</td>
<td>1.67</td>
<td>1.79</td>
<td>1.10</td>
</tr>
<tr>
<td>HR and talent planning</td>
<td>Median</td>
<td>6.00</td>
<td>8.00</td>
<td>6.00</td>
<td>6.00</td>
<td>2.00</td>
</tr>
<tr>
<td>[7 Dimensions]</td>
<td>Std Dev</td>
<td>3.60</td>
<td>1.57</td>
<td>2.43</td>
<td>3.83</td>
<td>1.07</td>
</tr>
<tr>
<td>Recruitment and selection</td>
<td>Median</td>
<td>3.00</td>
<td>5.50</td>
<td>6.50</td>
<td>4.00</td>
<td>0.00</td>
</tr>
<tr>
<td>[6 Dimensions]</td>
<td>Std Dev</td>
<td>2.94</td>
<td>2.25</td>
<td>2.73</td>
<td>3.20</td>
<td>0.00</td>
</tr>
<tr>
<td>Learning and development</td>
<td>Median</td>
<td>1.00</td>
<td>6.00</td>
<td>11.00</td>
<td>6.00</td>
<td>0.00</td>
</tr>
<tr>
<td>[6 Dimensions]</td>
<td>Std Dev</td>
<td>7.09</td>
<td>3.79</td>
<td>6.28</td>
<td>3.44</td>
<td>1.67</td>
</tr>
<tr>
<td>Compensation and benefits</td>
<td>Median</td>
<td>6.00</td>
<td>8.00</td>
<td>4.00</td>
<td>6.00</td>
<td>1.00</td>
</tr>
<tr>
<td>[6 Dimensions]</td>
<td>Std Dev</td>
<td>2.94</td>
<td>4.13</td>
<td>3.35</td>
<td>1.63</td>
<td>1.10</td>
</tr>
<tr>
<td>Performance appraisals</td>
<td>Median</td>
<td>8.00</td>
<td>4.00</td>
<td>4.00</td>
<td>4.00</td>
<td>0.00</td>
</tr>
<tr>
<td>[7 Dimensions]</td>
<td>Std Dev</td>
<td>6.26</td>
<td>3.80</td>
<td>3.21</td>
<td>3.15</td>
<td>0.00</td>
</tr>
</tbody>
</table>

The data collected under this study is ordinal hence median in considered as the measure of central tendency and standard deviation is used as a measure of dispersion. For ordinal data, median summarizes the locational features effectively compared to other measures. As depicted in Table 2, the six main HR mechanisms were analyzed using median and standard deviation.
For three main mechanisms like HR strategy and culture, HR and talent planning and compensation and benefits the median was ‘most of the time’ centered around 10, 8, and 8 respectively with a low deviation from the central values. However, the deviations registered are high for learning and development, and centered around ‘sometimes’ with a high deviation.

6.1 HR Strategy and Culture

All people-oriented practices must be internally consistent and consistent with and determined by the organization’s competitive strategy. HRM practices must thus not only be internally coherent but they must be consistent with the organization’s business strategy (Lucas et al., 2006). The source of competitive advantage comes from the presence of HR practices that are valuable, efficient, and effective (Barney, 1991).

The success of the HR function depends solely on the support it gets from the senior management. The HR strategy and culture in the sample banks were assessed on five dimensions detailed in Figure 1. It examined the linkage of HR practices to the corporate strategy and the senior management philosophy towards HR. The other important dimensions like senior managers support to HR practices, transparency, and fairness and if they have a positive and proactive approach to people management, were also examined.

**Figure 1: Dimensions Related to HR Strategy and Culture**
An average of 50% of the banks indicated that ‘most of the time’ their senior managers, support best HR practices and have a proactive approach to people management. About 42% of the banks indicated that HR philosophy is progressive and positive and that ‘most of the time’ senior managers encourage transparency and fairness. Senior management need to implement and uphold the five dimensions related to HR strategy and culture, ‘all the time’ and not ‘sometimes’ as indicated for key dimensions by 33%, 42% and 25% of the banks. Only 8% of the participating banks indicated that ‘all the time’ their senior management supports best HR practices, encourages transparency, fairness and has a proactive approach to people management [see Figure 1].

6.2 HR and Talent Planning

King (2004) stated that by developing able and motivated employees and giving them an environment in which they can excel, effective career management should, in conjunction with other factors, enable the business to achieve superior performance. HR and talent planning dimensions like using scientific methods to forecast HR requirements based on business needs, restructuring and reengineering, as and when required, is important. In addition having succession and career plans along with other proactive measures to retain employees are equally important. About 33% of the banks indicated that ‘most of the time’ they are taking proactive measures to retain employees. This could probably be for those key job holders/ material risk-takers whose retention is key to the success of the banks. HR requirements are ‘all the time’ based on business needs in 42% of the sample banks. Restructuring as well as succession planning are ‘all the time’ done by 33% of the banks [see Figure 2].

![Figure 2: Dimensions Related to HR and Talent Planning]
6.3 Recruitment and Selection

Recruitment is concerned with generating a candidate pool, selection is about evaluating and deciding on an individual's suitability for a particular job. Selection methods like test, interviews, and references are commonly used in organizations (Lucas et al, 2006). In the survey, questions covering this mechanism examined if a variety of recruitment sources are used and if internal recruitment was preferred/encouraged by the sample banks. It also dealt with cost-effectiveness and yield of the recruitment sources. The most important aspects related to this dimension are if supervisors/managers/HR personnel are trained in the best practices of recruitment and selection processes and if employee selection process is fair and effective at all levels. On an average 29% of the sample banks indicated that ‘most of the time’ they implemented these dimensions, and 31% indicated that only ‘sometimes’ they do it, whereas 14% responded as ‘not at all’.

An average of 33% of the sample banks are using a variety of selection methods like tests, interviews, reference/background checks and medical examination, thereby having a more balanced approach to employee selection [see Figure 3].

![Figure 3: Selection Methods](image)

6.4 Learning and Development

The internal organizational context of learning and development is directly shaped by top management’s vision and values, goals and leadership, management, especially front line management style and actions, and HR strategies and practices (Harrison, 2009).
If an organization is to reap the benefits of the learning of its staff, it has to be sensitive to the differing needs of non-managerial staff as well as general and line managers (Lucas et al, 2006).

For learning and development function to be effective, organizations should have a method of tracking the competency mix for jobs/benchmarking, training needs assessment, post-training evaluation and return on training initiatives. Above all, supervisors/managers should be coaches and in turn be trained and coached as part of their development. Only 36% of the banks indicated that ‘sometimes’ these dimensions are implemented, 25% replied as ‘most of the time’ and 22% indicated that these dimensions were ‘not at all’ implemented. Only 17% of the banks were implementing them ‘all the time’.

6.5 Compensation and Benefits

Reward strategy has been broadly defined as ‘the intentions of the organization on how its reward policies and processes should be developed to meet business requirements’ (Armstrong, 1996). Many organizations give their employees too little information about the reward/ pay/ benefits that apply to them. The general principle of transparency of pay policies and practices is also a requirement (Wright, 2004).

![Figure 4: Dimensions Related to Compensation and Benefits](image-url)
Compensation and benefits is a key indicator of the HR culture in any organization. The survey covered six dimensions related to compensation and benefits. As depicted in Figure 4, 17% of the sample banks' compensation packages are 'all the time' based on the principle of equity and fairness aligned to the concept 'equal pay for equal work'. Only in 25% of the sample banks the compensation strategy links pay to performance, jobs are classified based on job ranking/evaluation and the compensation package is communicated to all employees 'all the time'. However 50% of the banks indicated that they have salary ranges for all jobs. On an average 25% of the sample banks gave a 'not at all' rating to these dimensions. Majority of the banks (33%) expressed that the compensation and benefits policy they have is a hybrid one; i.e. they pay the highest in the market for some jobs and for others they match the salaries in the market (see Figure 5).

**Figure 5: Compensation and Benefits Policy**

6.6 Performance Appraisals

The need for ongoing informal review, formal assessment is a key component of any performance management system and performance appraisal is one of the most common vehicles for reviewing performance against objectives (Redman, 2001). The manager plays an important role here not only in motivating, coaching and enabling performance, organizing resources and facilitating any development opportunities, but also monitoring and if necessary revising performance expectations and objectives (Torrington et al, 2005).
Performance appraisals in the sample banks were examined through seven main dimensions. Though most of the banks (83%) have a formal performance appraisal method for all jobs/levels, only 8% of them indicated that the appraisals were conducted in a fair and professional manner and that the appraisal decisions were fair. In 33% of the banks performance appraisals were linked to job descriptions/ objectives and employees received training. Whereas only 25% of the banks stated that their managers were trained in best practices of performance appraisals and appraisal interviews [see Figure 6]. A majority of the banks (54%) conducted performance appraisals annually and 31% bi-annually.

Figure 6: Dimensions Related to Performance Appraisals

6.7 Related HR Policies

The survey also elicited information on related HR policies. More than 50% of the sample banks have an induction program (58%), conduct exit interviews (50%) and have a formal grievances handling procedure (58%).
A majority of the banks have a progressive disciplinary policy (83%), employee handbook (75%) and a HRIS (55%). Nearly 92% of them have a formal health and safety policy, and 83% of them make the HR policies accessible to employees. About 42% of the banks include employee rights in the employee handbook and only 33% of them conduct employee opinion surveys, town halls, web meetings, and etc.

7. Conclusions

The banking sector is a key sector for Bahrain and as such should have progressive and proactive HR mechanisms in place. However the study revealed that only in 8% of the sample banks, the senior managers support HR practices ‘all the time’ and 33% of them ‘most of the time’ take proactive measures to retain employees. The banks are most probably trying to retain those employees who are key performers/ material risk takers who are crucial for the banks’ profitability. An average of 33% of the sample banks are having a balanced approach to employee recruitment and selection by using a variety of selection methods. Only 17% of the banks have an effective learning and development function.

Compensation and benefits packages are based on fairness and equity aligned to the concept of ‘equal pay for equal work’ in only 17% of the banks. Though 83% of the banks have formal performance appraisal method for all jobs/levels, only 8% of them indicated that the appraisals were conducted in a professional manner, and the appraisal decisions were fair. Another important finding is that 58% of the banks do not inform employees of their rights thus violating the principle of transparency, and definitely not in line with a progressive and positive HR culture. This was also validated by the finding that only 8% of the banks have progressive and positive HR culture. Majority of the banks (63%) do not conduct employee opinion surveys, town halls, etc., indicating that employee input and feedback is not considered important enough in these banks. This once again is not in tune with a healthy HR culture. The analysis of the findings on HR policies in the sample banks clearly emphasises the need for further improvement in the HR culture and the necessity for senior managers to consider HR as a strategic function and a partner in banks.
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[Accessed 05/05/2014]