The Importance of Context in the ‘High Performance Work Systems’ Research: A Study on Bangladeshi Banking Industry

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Abstract
The importance of both internal and external context in the selection of business practices has been emphasised in many recent studies in the High Performance Work Systems (HPWS) area. This paper argues that all western-style HR practices may not necessarily improve performance; irrespective of an organisation’s strategic context. This study has demonstrated the importance of context in HPWS studies, and more specifically in the Bangladeshi banking sector. This qualitative study used information from secondary sources and interviews of nineteen local industry experts. The results show that political influence, corruption, history of interlocked exchanges, and the consequent interference of local and external regulatory bodies on the internal operation of banks have had counteracting impacts on their HR systems. Moreover, determining how a particular bank manages and interacts with the same set of external factors depends on the internal context of the bank. Therefore, an in-depth understanding of both internal and external context seems vital for predicting and explaining the findings of any future HPWS research in the context of Bangladeshi banking industry. There is a gap in the HPWS literature relating to non-western contexts, especially the South Asian underdeveloped countries. The context of this study is substantially different from both developed western countries and other developing Asian countries. Choosing Bangladesh as representative of the forty-nine least developed but economically most promising (N-11) countries, will contribute to the HPWS literature by providing a rare non-western empirical evidence for future academic researchers and HR practitioners. Only 19 experts have been interviewed for the study. The participants predominantly belong to two purposively selected banks in Bangladesh. A wider coverage of data using multiple methods would probably provide a more rounded view of the topic. However, extensive uses of secondary sources of data and researcher’s observation have ensured
reliability and validity of the findings.

**Key words:** Context, High Performance Work Systems, Bangladeshi banking sector, International Strategic Human Resource Management, least developed countries.

### 1. Introduction

This study defines the institutional context of the banking industry in Bangladesh and highlights the importance of understanding the context in the High Performance Work Systems (HPWS) studies. Wei and Lau (2010) viewed HPWS as a systematic and integrated approach of managing human resources toward the alignment of HR functions and the achievement of firm strategy. Parks (1995) pointed out; the definition of a high performance workplace varies between writers, academic disciplines, companies, production plants and countries. This paper argues that all western-style HR practices may not necessarily improve performance, irrespective of an organisation’s strategic context. Therefore, investigating what constitutes HPWS in the context of the Bangladeshi Banking sector is important for HPWS studies and understanding the context is of prime importance. The selection of the Bangladeshi banking sector as the research context may potentially be the paramount contribution of this study to minimise the research gap in the contextual coverage in International Human Resource Management (IHRM) literature.

#### 1.1 The Importance of Context in IHRM Studies

A number of authors have focused on the identification of contexts where the influence of HRM practices on organisational performance varies, as a means of advancing Strategic Human Resource Management (SHRM) research (Combs, Liu, Hall, & Ketchen, 2006). The importance of both internal and external context in the selection of business practices (especially HR policy and practices) has been emphasised in many recent studies in the HPWS area (Boxall & Macky, 2009; Budhwar & Debrah, 2001; Newell & Scarbrough, 2003). Furthermore, industry context has been suggested as a potentially important moderator that deserves attention (Combs, Liu, Hall, & Ketchen, 2006; Batt, 2002; Datta, Guthrie & Wright, 2005). As a key service industry in Bangladesh, the banking sector has been selected for the current study as a means to expand SHRM research beyond the more familiar western context. Defining the HR context of the banking sector in Bangladesh and identifying the expected sharp contextual distinction between Asian countries (or N-11 countries) and western countries lay the foundation for the
academic contribution of this research.

The importance of context in the field of HPWS (and particularly in this study) will be elaborated in the next segment. Moreover, the significance of studying the banking sector in Bangladesh is explained in the following sections of the study. The study ends with a discussion of the external context of Bangladeshi banking sector based on relevant secondary and empirical evidences.

1.1.1 Influence of Context on HR Practices and Expected Employee Role Behaviour

The importance of context in any area of social science (including the study of management) has been recognized since the early 1950s. General systems theory is used to describe the effects of internal and external factors on organisations (Von Bertalanffy, 1950). The ‘role behaviour perspective’ has further extended the study of contextual impact by concentrating on individual employees rather than organisations as a whole (Katz & Kahn, 1978). This theory recognises the impact of social systems characterised by multiple roles, and expectations from different role partners within and beyond the organisational boundaries. According to Jackson and Schuler (1995) these two theoretical perspectives are relevant to understanding HRM in context. The same authors also recognised resource dependence (Pfeffer & Cohen, 1984) and institutional theories (Meyer & Rowan, 1977) as supporting the role of context in examining large public bureaucracies. They highlighted the concept of human capital theory (Becker, 1967), transaction cost theory (Williamson, 1979), and agency theory (Jensen & Meckling, 1976) and resource based theory (Barney, 1991; Conner, 1991; Porter, 1985) in understanding business enterprises where performance is of prime importance. The basic constitution of these theories implies that in order to create a high performing organisation, contextual understanding plays a major role. In particular, resource based theory, resource dependence theory and human capital theory directly put human resource management (policies, practices, productive behaviour and roles) into a contextual setting.

Bowen and Ostroff (2004) identified different elements of the internal context (such as HR strength/climate) as antecedents to HR policy and practices, or as a mediator in HRM-firm performance linkage. Climate, according to Bowen and Ostroff (2004) has two aspects: individual level perception (such as psychological climate) and organisational level climate (shared perception at firm level). The above research used situationism, taken from social
psychology (Lewin, Lippitt, & White, 1939), as a theoretical framework to emphasise the importance of changing roles and decisions based on the employees’ perceptions of a situation. Hence this theory recognises the importance of context, and its implications for managerial policy and practices.

The context-specific nature of HR policies and practices and their subsequent reflection on performance is accepted today by most researchers in the HPWS area (Boxall, 1996; Brewster, 1995; Jackson & Schuler, 1995). Those working in the HR area (such as Budhwar & Debrah, 2001; Budhwar & Debrah, 2009; Debrah & Budhwar, 2004) have identified the necessity of studying HR in different country contexts. Some social science researchers have tried to describe the nature of contextual differences between regions, and even tried to group countries into different clusters based on similarities and differences in contextual characteristics, especially cultural orientations (Ronen & Shenkar, 1985). The basis of such clustering is national cultural context (using power distance, uncertainty avoidance, individualism and masculinity), which resulted in clustering countries based on shared language, history and proximity of locations. This clustering is justifiable with the exception of countries like India, which falls into more than two different clusters. Additionally this research only categorises countries that have been previously included in different cross-cultural management studies. Little of this research includes Bangladesh, and the lack of substantial or recognisable studies that include Bangladesh is the central motivation for conducting this research.

Depending on the characterisation of the clusters, it can reasonably be assumed that Anglo cluster (USA, UK, Canada, and Australia etc.) is positioned at the opposite end to the far-east cluster (Pakistan, India, Philippines, Taiwan, Thailand etc.). Based on language, history, and geographical and cultural proximity, it can be inferred that Bangladesh should fall into the latter group. However the basic logic behind clustering countries based on power distance, uncertainty avoidance and so forth (together with the measurement of these) could be flawed or biased toward western distinctions. Thus this cannot be the ultimate parameter of measuring cultural differences. This weakness is evident in case of repeated or multiple clustering of countries like India and Japan. Again this demonstrates how a clear lack of adequate and comprehensive studies adds to limitations in evaluating the effectiveness of certain management practices. That said, cultural clustering does provide a reasonably good starting point for understanding the national cultural context of Bangladesh.
1.1.2 The Research Gap Existing in Context Coverage

To date HR practices have been studied most significantly within the western context (Boxall & Macky, 2009). However, there is a gap in the HPWS literature relating to non-western contexts (Brewster, 2006) especially relating to South Asian underdeveloped countries. This is significant as this context is substantially different from both developed western countries and also from other developing Asian countries. Therefore, choosing Bangladesh as representative of the forty-nine least developed countries listed by United Nations in 2008 (and also of the N-11 countries), will enable contribution to the HPWS literature by providing non-western empirical evidence.

A recent study by Chowdhury and Mahmood (2011) indicated a partial influence of societal institutions, such as national education and training systems, regulatory frameworks and IR systems on the development of HRM practices (recruitment and selection, training, pay structure and industrial relations) in foreign subsidiaries in Bangladesh. The above study contributes to minimising the research gap in HR within the context of developing countries. However, there is still a considerable research gap related to exploring HR in a purely local Bangladesh context, especially as HRM practices in foreign subsidiaries are heavily influenced by the weight of pressure and the degree of legitimization from both headquarters and local institutions (unlike local private firms) (Chowdhury & Mahmood, 2012). This study revealed how leading domestic business groups and private banks in Bangladesh are slowly adopting the systematic HRM practices of the MNEs, which indicates the covert influence of western HR practices in Bangladeshi banking sector. Chowdhury and Mahmood’s (2012) study is one of the very few research investigations that covers a ‘paradoxically strange country’ like Bangladesh. Consequently it has been used to predict the influence of social and institutional arrangements in shaping HRM practices in Bangladesh. The study also highlights the budding influence of western HR practices on Bangladeshi firms alongside the influence of globalisation. Other studies have been conducted in the context of India, China and Nepal (Budhwar & Debrah, 2001; Gautam & Davis, 2007), which are possibly closest to the context of Bangladesh. However, most of these studies suffer major limitations in terms of methodology, and the extent and depth of data collection and coverage. For example, a study of the financial sector of Nepal (Gautam & Davis, 2007) fails to link HPWS to performance, although it tries to link context to integration of HR practices in Nepalese financial institutions, and gives a realistic definition of
the context of emerging economy. It should be interesting to examine the contextual dynamics that may lead to similarities or differences of HR practices across borders.

Most of the studies done in the area of HPWS in the banking sector (or any other service sector) fail to provide for meaningful comparison and deeper understanding of different firms operating in similar macro contexts, with most having collected data through industry-wide surveys (Gautam & Davis, 2007; Liao et al., 2009) or in-depth case study of one organisation and its internal divisions or units (Stanton, Bartram, & Harbridge, 2003). The differences between the divisional objectives and nature of the jobs provide very little ground for realistic comparison in terms of performance, because the performance criteria across divisions of the same organisation are simply not the same (Boxall & Macky, 2009). Variation is expected in relation to how HPWS is operationalised across two case study banks operating in similar or same external (macro) context due to the differences in their internal contexts. This is because no two firms can be identical.

Most of the studies conducted so far in the context of emerging economies have used the western list of HPWS. Some have studied the western subsidiaries that largely follow the parent organisation’s HR practices, or have aimed to explore the nature of local HR practices while overlooking links to performance (Gautam & Davis, 2007). This study implicates that the perceived HPWS configuration should be evolved within the local Bangladeshi context, in order to provide a clear understanding of why these are deemed appropriate in this context (Guest, 2011), before analysing how these HR practices are then linked to desired outcomes. Hence the what, why and how aspects of HPWS theory are thoroughly covered by the current study, whereas they have rarely been covered by any other HPWS study in Asian emerging economy context.

Two recent articles (Haque et al., 2011; Rahman et al., 2011) have explored the effects of workforce diversity, work environment, reward (financial and non-financial) and training and development on employee performance in the private sector in Bangladesh. They established that a significant relationship existed between the above factors (especially reward and employee performance) using SEM. However, the method of collecting individual employee performance data is not clearly explained in this literature. The researchers appear to have used individual performance as a latent variable, assessed through perception of changes in the individual performance resulting from changes in the four independent variables mentioned above. Due to
lack of disclosure of the procedures used in obtaining the information for the dependent variable (individual performance), the validity of the findings from above literature is somewhat questionable. Moreover, if all dependent and independent variables are based on perception, CMV issues need to be tested and addressed, and this is not evident in the above papers. Moreover, the selection of factors affecting employee performance seems random and non-specific to a particular context.

Given these considerations it is fair to argue that not enough country (or industry) specific reliable and valid research has been done in HR in Bangladesh (Budhwar & Debrah, 2009). More importantly, no literature linking HPWS to performance has been found to date that studies Bangladeshi banks. Many studies have been done on CSR or corporate governance (Chowdhury, 2002), IR issues, or HR practices in multinational subsidiaries (without considering their link to performance) (Chowdhury & Mahmood, 2012), and none of these are directly relevant to HR context.

The above discussion highlights the importance of conducting more context specific studies to enrich the HPWS literature. Guest (1997, 2011) identified the need for having more case or longitudinal studies in order to provide strong empirical evidence and an alternative set of practices for different contexts. Guest (1997) argued that such studies are needed in order to establish the relationship between HR practices and employee or organisational outcomes. Many researchers to date have attempted to remedy this by taking selected outcome variables into account (Newell & Scarbrough, 2003). However, the expected outcomes need to be defined on the basis of the strategic goals of the organisation, as most SHRM research suggests and its relevance to differing cultural contexts (Guest, 2007). Moreover, the reasoning for selecting a bundle of HR practices also needs to be identified (Guest, 1999). A number of studies have been undertaken in the western context that considers strategy and context driven HR practices and outcomes (Newell & Scarbrough, 2003). However, there is a gap in the HPWS literature with regard to systematic studies conducted in the less developed South Asian (or N-11) countries. These countries are significantly different from western countries (Budhwar & Debrah, 2001) and the other N-11 countries (Budhwar & Debrah, 2009; Chowdhury & Mahmood; Sarker, 2006) and therefore require further coverage. The remainder of this study discusses the external context of the Bangladeshi banking sector through the use of secondary sources and a preliminary field study in order to initiate an understanding of the national context, with regard
to potential HR implications.

1.2 Research Design

This paper outlines the foundations for studying the macro context (the Bangladeshi banking sector) using secondary sources in conjunction with the findings from a preliminary field study. The participants were consulted in order to gain preliminary knowledge about the banking sector in Bangladesh (with potential HR implication), through unstructured face-to-face interviews. The participants include a faculty member and researcher from the Bangladesh Institute of Bank Management (BIBM), a representative from the research division of the Bangladesh central bank, two retired bankers with more than 15 years of work experience in different banks in Bangladesh, and 15 top level managers including HR heads from two private commercial banks.

Secondary sources used in this study include academic literature, Bangladesh Bank (BB), other government publications, and newspaper articles. Observations made by the researcher during the preliminary field study were also used to understand the research setting. A recursive abstraction technique has been used to extract major themes from the transcripts of unstructured interviews.

1.3 The Theoretical Framework

For the purposes of this study, context has been defined as a combination of both internal and external factors, as suggested by the Framework of Strategic HRM in Multinational Enterprises by De Cieri and Dowling (1999, as cited in Dowling, Festing, & Engle, 2008). This framework implies that external factors influence internal factors, and both impact HR functions, strategy, and HR practices - leading to the achievement of corporate goals. All these elements affect each other in similar ways except with regard to internal and external factors. Stahl and Bjorkman (2006:1) defined International Human Resource Management (IHRM) as broadly covering “all issues related to the management of people in an international context” and they also included comparative analysis of HRM in different countries. This study inherently tests the western HPWS construct within a local Bangladeshi context, and is expected to facilitate future comparative studies between western and non-western contexts. According to Scullion’s (1995: 352) holistic definition, ISHRM includes “the human resource management issues and problems
arising from the internationalization of business, and the human resource management strategies, policies and practices which firms pursue in response to the internationalization process”. Moreover, as all kinds of international trade and monitory transactions require banking services across national borders. Banking (more than other financial sectors) is more directly affected by globalisation and changes in global economy - as included in this framework. Therefore, external environmental factors in the framework are most appropriate for discussing the broader context of the Bangladeshi banking industry. According to De Cieri and Dowling (1999 & 2008), the external environmental factors are comprised of industry/sector characteristics, global, regional, national and local characteristics and inter-organisational networks.

This conceptual framework informs the major themes to be explored in this qualitative study. The following sections will discuss the context of Bangladeshi banking sector under the three broad external environmental themes stated above.

1.4 Findings and Discussions

1.4.1 Industry/Sector Characteristics

The banking sector in Bangladesh has long suffered from the so-called ‘informal economy’ (Schick, 1998: 127) in the absence of a sufficient market economy in Bangladesh (Islam, 2004; Sobhan, 2002), and this is characteristic of most developing countries. The industry has also faced privatisation and financial sector reforms since the structural adjustment programmes in the 1980s (Sarker, 2006). This sector has been used and abused by the web of inter-locked exchanges among political elites, bureaucracy and business elites (Khan, 1998; Sarker, 2006) which has led to severe damage to organisational performance.

Sarker (2006) further observed how financial institutions have been systematically discouraged from effectively designing and implementing tighter credit policy, and have overlooked large-scale tax evasion and non-enforcement of legal provisions from the state. There is evidence to suggest that public enterprises including state owned banks were sold to the industrial groups at a give-away price during the privatisation in 1980s onwards, and the buyers of certain industrial groups received subsidised credit from government financial institutions, until they eventually became ‘wilful defaulters’ (Chowdhury, 2002: 980). This trend eventually translated into a culture of default, which has been marked as a major cause of financial sector reforms (with the influence of World Bank and other internal monitoring agencies) in
Bangladesh. These reforms led to greater operational independence for management and less influence from external groups channelled through the dominant shareholders.

The above history, facts and characteristics show the motivation for using the BvDep Independence indicator (which indicates managerial autonomy) as a major criterion for selecting any case study banks in Bangladeshi context for HPWS studies. Higher ranks held by organisations in the BvDep Independence Indicator (i.e., Rank A) indicate lesser scope for undue influence (induced by the web of inter-locked exchanges among political elites, bureaucracy and business elites) channelled through the shareholders onto bank operations. The aforesaid phenomenon has direct impact on banks’ operation, human resource effectiveness and overall performance in Bangladesh.

The web of inter-locked exchanges among political elites, bureaucracy and business elites - often referred to as ‘patron-clientage relationships’ (Sarker, 2006) - has been explained by Khan (1998) in great detail. Different regimes in Bangladesh have attempted to consolidate political power through economic liberalisation programmes (Quadir, 2000; Sarker, 2006). Sarker (2006: 193) observed how “the business community offers political leaders political and financial support. In return, they receive from the state legal and illegal, formal and informal, economic and political concessions”. Transparency International observes that since independence (in 1971), corruption has accounted for a staggering 540 billion taka in three key sectors of the economy. Privatisation of industries and major financial institutions (banks and insurance) are two of these (Ahmad, Khan, & Nazneen, 1999). The sector wide corruption report of Financial Institutions (Banks, formal micro credit etc.) shows that this sector accounts for seven percent of the total reported corruption in 1997, reduced to six percent in the year 2000 (Transparency International, 2000).

Despite the diminishing trend of reported corruption in the banking sector in Bangladesh in the years prior to 2011, the preliminary field study for this paper revealed that many shareholders of banks are known to be included in the ‘web of inter-locked exchanges’ as part of the business community. The reputation of a bank in Bangladesh is largely dependent on the personal and professional reputations of known shareholders and top executives (Managing Directors and Deputy Managing Directors). This may have a reflection on the salary differentials of top executives from different banks and between MD and DMDs in the same bank. It may also affect the intended HPWS and each bank’s overall market performance.
Like many other post-colonial societies, Bangladesh has inherited a strong bureaucratic system from its colonial rulers (Alavi, 1972). By the same token, the banking sector has maintained a colonial bureaucratic structure through the staff trafficking (from public to private banks) during privatisation. Most of the early recruits in local private commercial banks migrated from government owned banks and then culturally influenced the PCBLs. However, our preliminary field study indicated that the new trend in PCBLs was the recruiting of top executives with longer experience in successful operations in foreign banks in Bangladesh who could culturally re-shape the PCBLs and position them to compete with the foreign banks’ operations. This new generation of leaders in the banking sector has gradually changed the image of the banks, their pay structure, job design, recruitment and selection procedures, promotion policies, service quality and staff performance expectations.

A number of leading newspaper articles in Bangladesh in recent years have reported on the competition faced by the banking sector in Bangladesh from non-bank financial institutions (NBFI) and microfinance institutions (MFI) and the wider capital market (Rashid, 2010). This demonstrates the importance of developing a highly capable team of bankers, and this has been a leading recommendation printed in many newspaper articles (Rashid, 2010). The same solution has been suggested by researchers, bankers and regulatory bodies closely involved with the banking industry in Bangladesh who were interviewed in the preliminary field study.

1.4.2 Global, Regional, National and Local Characteristics

   The global, regional, national and local characteristics include geopolitical, legal, cultural and economic factors (De Cieri & Dowling, 2006). All these factors are connected to (and influenced by) each other like a chain. If any of the above factors is weak, it poses threat to the whole system, which is evident in case of the Bangladeshi banking sector. The following segment will explain the combined effects of geopolitical, legal, cultural and economic factors, and their inter-connections and possible influence, on the banking sector in Bangladesh.

Phenomenon of informality in the Peruvian economy (Sarker, 2006) that resembles Bangladesh:

   The above phenomenon is described by Soto (quoted in Schick, 1998:127) as “a grey area which has a long frontier with legal world and in which individuals take refuge when the cost of
obeying the law outweighs the benefits”. The above statement shows the effects of the absence of a formal market economy in Bangladesh and most other developing countries in South East Asian region (Sarker, 2006; Sobhan, 2002; Schick, 1998), which is culturally embedded and supported by the legal system. This phenomenon has directly affected banks, especially with regard to fostering the default culture that existed from the 1980s till the early 1990s, and the consequent strategic prioritisation of compliance issues over economic performance in the banking sector in Bangladesh. This change has eventually redirected the focus of HRM in Bangladeshi banks from financial outcomes to compliance issues.

The impact of state power on market in East and Southeast Asian region:

McCourt (2002) recommended public administration mode in case of countries where corruption is a real problem. The central bank in Bangladesh has gradually been increasing its attention on and support for compliance issues/due process over the years, especially in case of foreign exchange (FOREX) dealing and lending services provide by financial institutions. The main reason behind such emphasis on compliance is the default culture and money laundering, both of which are caused and nurtured by the corrupt political and legal system and the informal market economy discussed earlier. However, corruption at the state level prohibits proper implementation of good governance in private sector (Chowdhury, 2002).

Sarker (2006) acknowledged the power of state institutions in Eastern and South eastern Asian countries, contending that the market (for practical purposes) had seldom been independent of state power. Bangladesh has long suffered from poverty, unemployment, low economic growth, trade imbalance, external debt, aid dependence and influence - like many other developing countries in this region (Caulfield, 2002; Clarke & Wood, 2001; Cook & Kirkpatrick, 1998; Haque, 2001; Knapman & Saldanha, 1999; McCourt, 1998, 2002; Nixson, Cook, & Kirkpatrick, 1998). The state, as the most corrupt institution in the country, has failed to provide any visible assistance to the banking sector other than financial sector reforms implemented in the late 1980s onwards which were dominated by the International Monetary Fund (IMF), World Bank and other aid/donor agencies’ recommendations.

The role of IMF, WB and international donor agencies:

The role of multi-lateral and bilateral donor agencies in stimulating reforms in the
developing world is significant - though not always viewed favourably. As mentioned earlier, the IMF and World Bank play a major role in the financial sector reform in Bangladesh by providing research based recommendations to the state authority which are then implemented through the Bangladesh Bank. Many authors have evaluated the attempts to impose western organisational and institutional structures on the developing world as counterproductive (Farazmand, 1998; Knack, 2001; Macdonald, 1998; Ray, 1999; Turner & Hulme, 1997). However, the government of Bangladesh can hardly resist the policy prescriptions of the donor agencies (like most other developing countries) despite their questionable contribution to the provision of context specific recommendations (Sarker, 2006).

**Relevant legal structure governing the banking sector in Bangladesh:**

Since the inception of Bangladesh as an independent nation (in 1971), the first major change in the IR system took place in 2006 (Chowdhury & Mahmood, 2012). According to the latest research published prior to the current study period, 21 labour and industrial laws provide the framework for IRS in the country (Faruque, 2009). The central bank of Bangladesh, Bangladesh Bank (BB), is the direct authority with the power to monitor, suspend, audit, inspect and recommend reforms for the banking sector (or any particular bank) as required within the boundaries of the rules and regulations of the ‘The Banking Companies Act, 1991’. Other laws that have implications for the banking sector in Bangladesh are: The Artha Rin Adalat Ain, 2003 (that regulates lending by financial institutions); The Artha Rin Adalat Rule, 1990 (which comprises the rules underpinning the above law); The Financial Institutions Act, 1993; The Financial Institutions Regulations, 1994; The Money Laundering Prevention Act, 2009; The Bankers’ Book Evidence Act, 2009; The Bank Amanat Bima Ain, 2000; The Bangladesh Currency Order, 1972; The Bangladesh Bank Order, 1972; The Karmasangthik Bank Ain, 1998 and Bangladesh Labor Act, 2006 (Dhar, 2007).

A few of the above acts have direct implications for this study (e.g., the Bangladesh Labour Act, 2006). The regulatory bodies, mainly the BB, exert the most direct influences on bank operations. The BB reserves the right to disqualify or appoint Managing Directors of banks according to The Financial Institutions Act, 1993: Section-25. The BB has the right to remove the Chairperson, Chief Executive, Board of Directors or any other Director, according to Section-26 of the same act. The compliance to the BB rules and reforms is seen as a major
performance indicator for the banks in Bangladesh both at the individual and organisation performance levels. Compliance issues have a significant impact on the bank operations, which raises concerns about the possible power abuse by BB officials (who represents the corrupt state owned organisations’ employees). However, the compliance to BB rules also has had positive impacts on minimising the default culture in this sector by balancing the authority of the directors of banking operations. Conversely, a number of regulations imposed by BB (e.g., BASEL III from September 12, 2010, and automated clearing houses) have been widely criticised in the market for being planned and executed without assessing the capability of the banks, which eventually leads to delays in implementation, confusion among the stakeholders, and poor customer service. These types of unplanned regulations encourage bankers to bypass the regulations. This is commonly termed ‘managing non-compliance’ in Bangladeshi banks (Rashid, 2010).

The Bangladesh Labour Act (2006) covers issues related to (1) wages and benefits, (2) trade unions and industrial disputes, (3) working conditions, and (4) labour administration and related matters. According to this act, all workers have the right to establish and join an association of their own choice without prior authorization. In the private sector, collective bargaining (CB) takes place at the enterprise level between the management and the union. If more than one union is involved then CB takes place with the collective bargaining agent (CBA) (Khan, 1996; Faruque 2009). “Employers can terminate any employee, trade union leaders included, with two months’ notice without any explanation” (Chowdhury & Mahmood, 2012: 5). These acts appear to be protective of employee rights; however it is the execution of these laws and the lack of credibility of the legal systems and governing bodies that remain a source of concern. “Trade unions, professional associations, business associations and newspapers in Bangladesh are identified primarily on the basis of their political affiliations and links” (Chowdhury & Mahmood, 2012:5). Authors who have studied the socio-economic, political and legal context of Bangladesh argue that a weak and unreliable set of formal societal institutions, against a much powerful set of informal institutions has made Bangladesh complex and unique compared to any other countries, even countries other countries in Asia (Quadir 2000; Chowdhury, 2002; Sarker, 2006; Chowdhury & Mahmood, 2012; Huque, 2011). Widespread corruption, patrimonial politics, and loose or no ethics in the ruling administrative machinery have been identified as the informal societal institutions in Bangladesh that counteract and
undermine the benefits of reasonably standardised and well-written laws.

1.4.3 Inter-organisational Networks

Inter-organisational networking is a vital part of core banking operations. Most of the private commercial banks (PCBL) in Bangladesh maintain correspondence relationships with banks in different foreign locations in order to manage their ‘Nostro’ and ‘Vostro’ (i.e., foreign currency remittance accounts) accounts. The banks also use inter-organisational networks for efficient FOREX dealing and for competing with foreign banks and other capital intensive banks in the marketplace.

Syndication (in case of high profile lending) for risk management purposes, and combined ATM networks among a number of PCBLs (to counter the service quality of the foreign banks and other local banks with significant capital or reserve) are proven initiatives that have demonstrated successful inter-organisational networking over the years. The formal and mandatory inter-bank network is monitored by the central bank through clearance house operations for inter-bank cheque clearance, and CBI reports from BB that report the credit history of any loan applicant in any bank and determine risks associated to new loan applications. This systematic and continuous regulatory cooperation among the banks helps minimise business risk and ultimately contributes to the banks’ performance improvement.

1.5 Conclusion and Implication for Future Research

This study has demonstrated the importance of context in HRM studies, and more specifically in the Bangladesh banking sector. A complex set of historical, cultural and economic factors makes the HR context of the Bangladeshi banking sector unique (Chowdhury & Mahmood, 2012). Political influence, corruption, history of inter-locked exchanges, and the consequent interference of local and external regulatory bodies on the internal operation of banks have had potentially counteracting impacts on their HR systems. For example, the ‘patron-clientage relationships’ among internal and external stakeholders may lead to unfair recruitment and selection practices. On the other hand, the BB authority imposes strict rules and selection criteria for recruitment of key personnel that counterbalances the negative effects of informal recruitment practices.

Ultimately, the overwhelming history of corruption among BB officials and other
government regulatory bodies may instil a new set of contradictory HR practices. A number of top managers informed the researcher that BB officials often pressure the banks to recruit their family members by abusing their (BB officials) inspection and monitoring authority over the banks. According to Chowdhury and Mahmood (2011: 4), the private sector owners and managers consider recruitment and selection of employees as a personal matter, and maintain informal channels to fulfil this purpose. The same authors also contended that friendship and kinship and pressure from politicians from the ruling party take precedence over qualifications and skills of the candidates. These types of underhanded practices may counteract the benefits of strict policies imposed by BB and IMF through BB.

Informal selection practices (as opposed to selective hiring practices) are likely to shape up the trust and commitment of the high performing employees of an organisation. The favouritism or informal power wielded of unethically selected employees may also lead to further wrongful HR decisions related to training and development opportunities, empowerment, performance evaluation and rewards related practices. The wrongfully selected (but informally powerful) employees may become eligible to receive greater opportunities than employees selected based on their higher capabilities and merit. Consequently, employee performance and organisational performance are likely to suffer from poor HR practices and outcomes. These factors explain how external environmental factors, such as undue political pressure may shape organisational culture and show how unfair HR practices result in impoverished HR outcomes. However, there are firms that are consistently performing better than others in the same market despite facing similar negative external forces. Therefore, it seems imperative to consider and analyse each organisation as a unique case - and only case study research allows that.

Based on the aforementioned arguments from both secondary sources and preliminary field study, it is argued in this paper that external context of Bangladesh plays an important role in defining the HR context of Bangladeshi banking sector. Moreover, determining how a particular bank manages and interacts with the same set of external factors depends on the internal context of the bank. Therefore, an in-depth understanding of both internal and external context seems vital for predicting and explaining the findings of any HPWS study. A case study form of research is recommended to accomplish the above task. The selected cases should consider the performance levels of the banks and the level of managerial autonomy as important selection criteria. The above criteria may provide valuable insights (based on understanding their
internal HR context) into why and how some banks are able to perform better under similar circumstances.

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