



## Exploring the dynamics: HRM practices and employee performance in Libyan commercial banks

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### Key words:

Human resource management  
Performance  
Compensation  
Practices  
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### ABSTRACT

The impact of human resource management on performance is examined. The study collected responses from commercial banks employee . According to the findings, Employees are not happy with the compensation structure and the fairness of performance appraisals. There is a need for interventions to address these concerns according to the results of the survey. Specific sample size was identified as a limitation by the research. A nuanced understanding of HRM practices is important in the study. There is no significant impact of HRM practices on performance. Some of the things that the abstract suggests are future research directions, Advocacy for mixed-method approaches, Expanded sample sizes, And the inclusion of diverse perspectives.

استكشاف ديناميكيات ممارسات إدارة الموارد البشرية وأداء الموظفين في البنوك التجارية الليبية

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### الكلمات المفتاحية:

إدارة الموارد البشرية  
الأداء  
التعويض  
الممارسات  
تقييم الأداء

### المخلص

تم دراسة تأثير إدارة الموارد البشرية على الأداء من خلال جمع استجابات من موظفي البنوك التجارية. ووفقاً للنتائج، فإن الموظفين غير راضين عن هيكل التعويض وعدالة تقييم الأداء. يوجد حاجة لتدخلات لمعالجة هذه المخاوف وفقاً لنتائج الاستطلاع. تم تحديد حجم العينة المحدد كقيد من قبل البحث كفترة محدودة، وتعتبر فهماً متعمقاً لممارسات إدارة الموارد البشرية أمراً مهماً في الدراسة. لا توجد أي تأثيرات كبيرة لممارسات إدارة الموارد البشرية على الأداء.

### 1. Introduction

As stated by Akdere and Egan (2020), the role of human resource management practices in shaping employee performance is important in the dynamic landscape of contemporary businesses. Libya's economic framework relies on commercial banks. The evolving nature of HRM practices globally and their potential implications within the unique context of Libyan commercial banks are the backdrop of the research (Otoo, 2019, Sugiarti, Finatarians and Rahman, 2021). Moreover, as stated by Perkins and Jones (2020), Organizational success is linked to the efficiency and effectiveness of its human capital. As Libyan commercial banks strive to compete on both national and international levels, The need to improve employee performance becomes more important. The study wants to understand the influence of HRM practices on employee performance. The purpose of the research is to understand the relationship between employee performance and HRM practices. The study is meant to illuminate the mechanisms that HRM practices manifest their impact.

#### Research objectives:

- To scrutinize the existing HRM practices prevalent in

Libyan commercial banks

- To ascertain the extent of their influence on the performance of bank employees
- To foster a relationship between HRM practices and employee performance.

### 2. Literature review:

There is a rich tapestry of existing literature on human resource management practices woven into the foundation of this research. As organizations wrestle with the complexity of workforce management, Scholarly endeavors offer valuable insights that serve as guideposts for our understanding. The literature review tries to revisit established theories but also explore the nuanced dynamics within the banking sector (Aguinis, 2019).

According to Saptia, Muafi and I (2021), There is a relationship between employee performance and HRM practices. The studies looked at how recruitment, Training, Performance appraisal, Compensation, and workplace culture affect employee behavior and productivity.

As per Buil and Matute (2019), the impact has been studied. The

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banking industry's emphasis on client interactions, financial prowess and service excellence has led to extensive exploration into the specific HRM strategies that yield optimal results. The industry's demands are aligned with the key role of recruitment processes in acquiring talent. There is a correlation between the competencies of employees (Ridwan, Mulyani and Ali, 2020).

There is a gap in the context of Libyan commercial banks. As stated by Lasiny, Astuti and Utami (2021), Necessitates a focused examination of the unique nature of the Libyan socio- economic landscape and the challenges and opportunities faced by its banking sector. The research aims to bring empirical evidence that is relevant to the banks. The originality of the study is the commitment to unraveling the intricacies of HRM practices within a specific and under explored context (Sitopu, Sitingjak and Marpaung, 2021). The research aims to contribute novel insights into how recruitment, Training, Performance appraisal, Compensation, and workplace culture affect employee performance in Libyan commercial banks. The study aspires to extend the boundaries of current knowledge, provide a foundation for future research endeavors, and offer

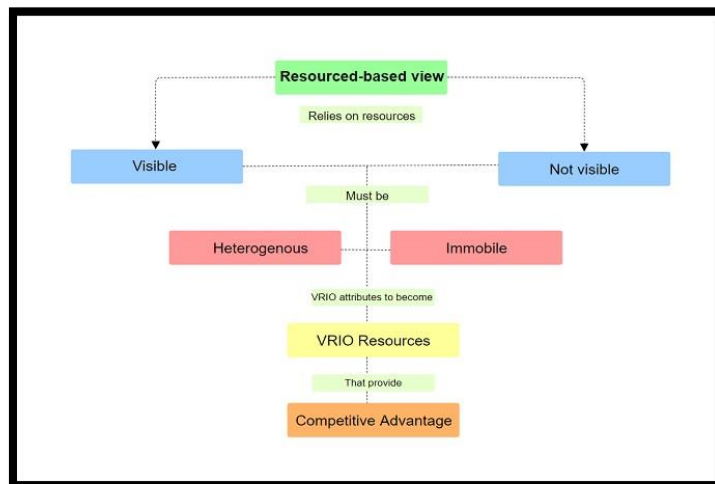
actionable recommendations tailored to the unique challenges and opportunities present within Libyan commercial banks (Byrne, 2022).

### Theoretical Framework

Two theories within the realm of human resource management and organizational behavior have been selected to provide a strong foundation for understanding the impact of HRM practices on employee performance in Libyan commercial banks.

#### Resource-Based View (RBV):

According to Darmawan et al. (2020), the resource-based view theory states that organizations can gain a competitive advantage by using their unique and valuable resources. The effectiveness of HRM strategies is dependent on their ability to nurture and deploy human capital. The objectives are in line with the RBV (Pereira, V. and Bamel, U., 2021). The study seeks to determine how recruitment, Training, Performance appraisal, Compensation, and workplace culture contribute to the competitive advantage of these banks (Setyaningrum and Pawar, 2020).



**Figure 1:** A Review of the Resource-Based View Methodology with Examples (Source: Gitmind.com, 2023).

### Expectancy Theory:

As stated by Lasiny, Astuti and Utami (2021), The expectation theory says that people are motivated to act in a certain way because of their anticipation of desired outcomes. The theory suggests that employees will be motivated to perform at a high level if they believe that their efforts will lead to positive outcomes such as recognition, Rewards, And career advancement. As per Varma, Budhwar and Nisi (2023), the impact of HRM practices on employee motivation and performance can be analyzed using this theory. The study aims to decipher the motivational dynamics within the organization by understanding the expectations employees have regarding recruitment, Training, Performance appraisal, Compensation and workplace culture (Hendri, 2019).

### 3. Research Methodology

The research problem of investigating the impact of human resource management practices on employee performance is aligned with the chosen research method. Quantitative research data can be collected from a targeted sample of participants.

#### Research Design:

The design of the research allows for a detailed exploration of the existing HRM practices within the Libyan commercial banks. As per Flick (2020), a descriptive design can be used to capture the many aspects of a researcher's work.

#### Research Approach:

The method used for this research is called deductive. Testing hypotheses is a part of the approach. By starting with established HRM theories and testing their applicability in the specific context of Libyan commercial banks the deductive approach allows for a systematic investigation into the relationship between HRM practices and employee performance.

#### Research Philosophy:

Positivism is a philosophy of research. Positivism tries to find relationships. Positivism gives a framework for analyzing

quantifiable data and drawing objective conclusions in the context of HRM practices and employee performance.

#### Sampling Technique and Sample Size:

A purposive sampling technique has been used. The method makes sure participants are aware of what is happening (Kang and Hwang, 2021). A sample size of 150 people employed in Libyan commercial banks is included in the survey. This size allows for a focused analysis of the significant statistical findings and results.

#### Data Collection Methods:

The primary data collection method is a survey, designed to gather quantitative information on employees' perception of HRM practices. The objectives are related to the questions of the survey instrument.

#### Data Analysis Techniques:

MS Excel- the Data analysis tool will be used to analyze the responses. The techniques aim to uncover patterns and relationships within the data, Providing empirical insights into the impact of HRM practices on employee performance in Libyan commercial banks. As per Flick (2020), Data analysis techniques are used to address research questions and objectives.

### 4. Results and findings

(Refer to the questions in the Appendix)

#### Analysis of Q1:

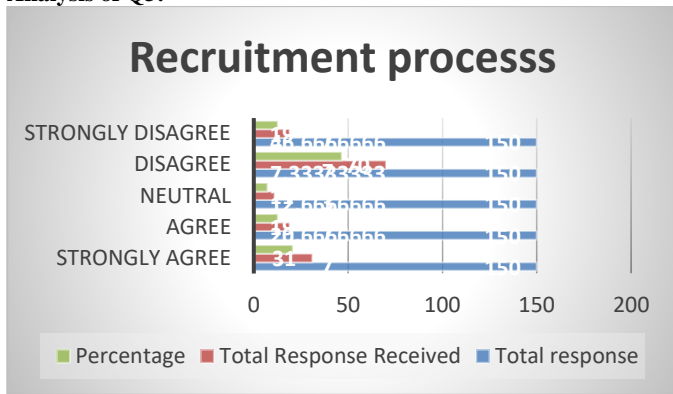
Middle management consisted of 40% of the respondents and 25% were executives whereas frontline staffs were 35%. Hence, it is clear that there is quite a fair distribution at different hierarchical levels within Libyan commercial banks.

#### Analysis of Q2:

The distribution of experience in the banking sector is varied. Roughly 15% had less than 2 years of experience, 30% had less than 2-5 years, 25% had less than 6-10 years, 20% had 11-15 years, And 10% had more than 15 years. The varied experience profile contributes to a comprehensive understanding of HRM practices and their impact on different career spans within the Libyan commercial

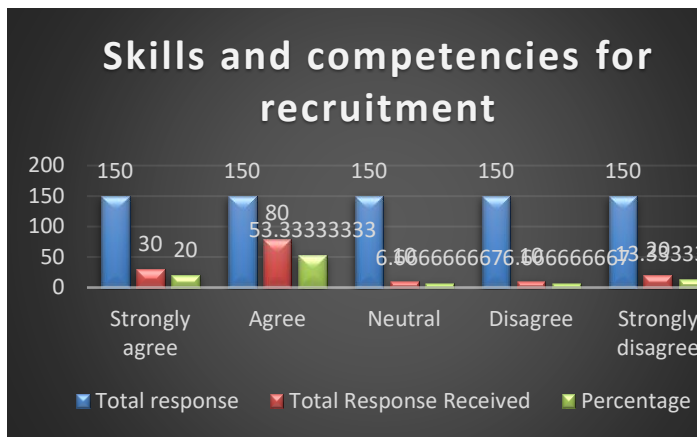
banks.

**Analysis of Q3:**



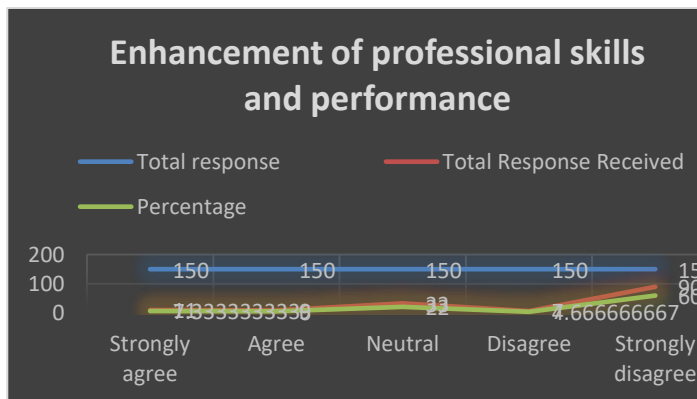
**Figure 2:** Survey response of Q3 among the 150 survey participants, 20.67 strongly agreed, 12.67 agreed, 46.67% were neutral, 10.67 disagreed, and 26.67 strongly disagreed about the effectiveness of recruitment processes in identifying and attracting qualified candidates in their respective banks. There are different views of recruitment.

**Analysis of Q4:**



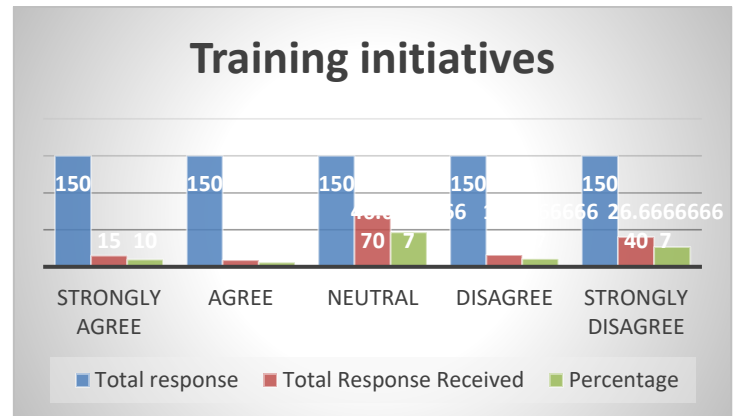
**Figure 3:** Survey response of Q4 In the survey involving 150 participants, 20% strongly agreed, 53.33 agreed, 6.67% were neutral, 6.67% disagreed, and 13.33% strongly disagreed about the adequacy of assessing skills and competencies during the recruitment process. Most people agree that the recruitment process is in line with role requirements.

**Analysis of Q5:**



**Figure 4:** Survey response of Q5 In the survey with 150 respondents, 7.33% strongly agreed, 6% agreed, 22% were neutral, 4% disagreed, and 60% strongly disagreed regarding the training programs' effectiveness in enhancing professional skills. There can be significant discontent with training offerings in Libyan commercial banks.

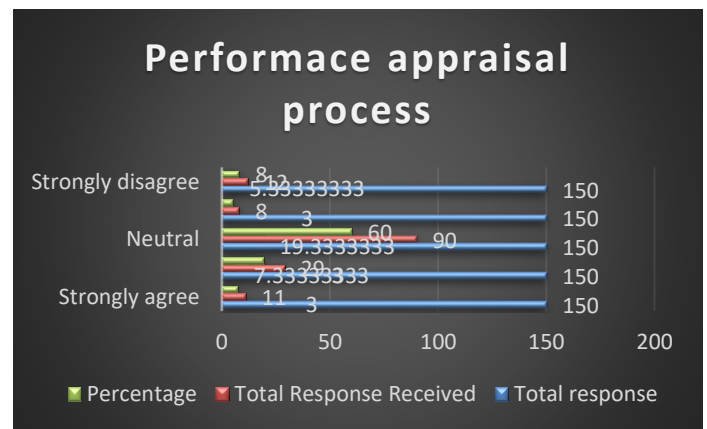
**Analysis of Q6:**



**Figure 5:** Survey response of Q6

In the survey of 150 participants, 10% strongly agreed, 6% agreed, 46.67% were neutral, 10.67 disagreed, and 26.67 strongly disagreed regarding the alignment of training initiatives with the specific needs of their roles within the organization. There are differing opinions on the correlation between training and job requirements.

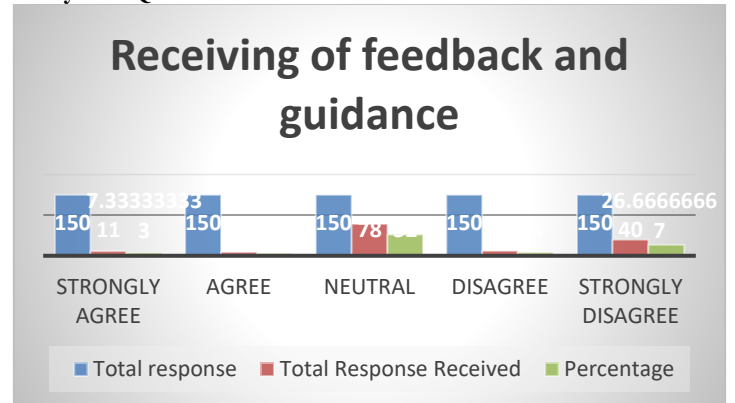
**Analysis of Q7:**



**Figure 6:** Survey response of Q7

In the survey involving 150 participants, 7.33% strongly agreed, 19.33 agreed, 60% were neutral, 5.33% disagreed and 8% strongly disagreed regarding the perceived fairness of the performance appraisal process in assessing individual contributions. The majority of people think the assessment fairness is ambiguous. To foster a more engaged and motivated workforce in Libyan commercial banks, it's important to explore specific aspects of unhappiness and identify potential areas for improvement in the compensation structure.

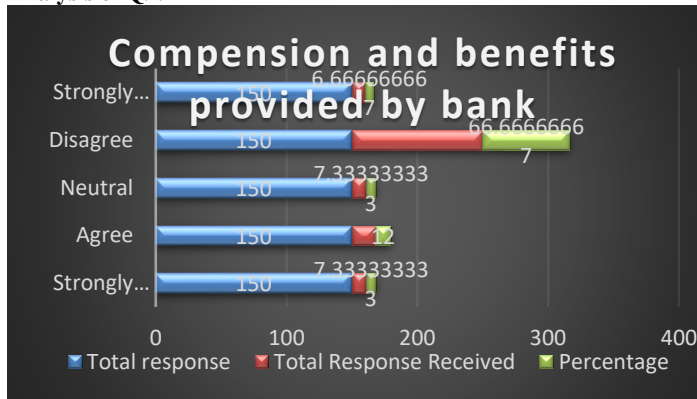
**Analysis of Q8:**



**Figure 7:** Survey response of Q8

In the survey with 150 respondents, 7.33% strongly agreed, 6% agreed, 52% were neutral, 8% disagreed, and 26.67 strongly disagreed about satisfaction with feedback and guidance received during the performance appraisal process. The appraisal feedback process within the Libyan commercial banks needs to be improved.

**Analysis of Q9:**

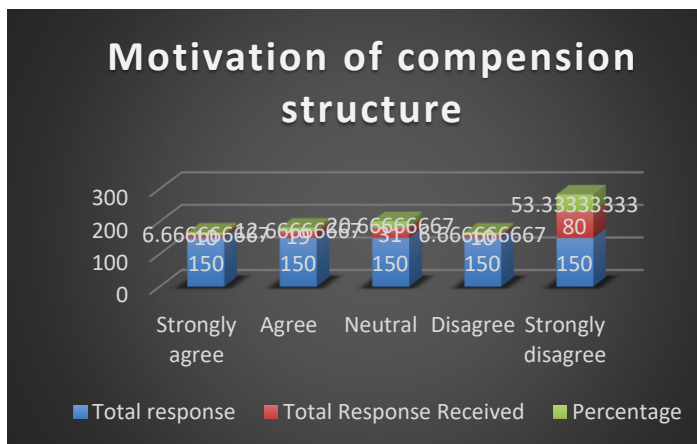


**Figure 8:** Survey response of Q9

In the survey involving 150 participants, 7.33% agreed, 12% agreed, 7.33% were neutral, 66.67% disagreed and 6.67% disagreed about the perceived competitiveness of compensation and benefits in the industry. A majority of people dislike the compensation structures in Libyan commercial banks.

**Analysis of Q10:**

In the survey with 150 respondents, 6.67% strongly agreed, 12.67 agreed, 20.67 were neutral, 6.67% disagreed, and 53.33% disagreed with the motivation derived from the compensation structure to perform at their best level of capability. The compensation structure in Libyan commercial banks is not motivating. The overwhelming response of 53.33 disagrees with the statement on the motivation derived from the compensation structure, which signals a critical area of concern for the 150 individuals surveyed. The current compensation structure does not fit with the ability to inspire optimal performance. The large percentage of respondents who are neutral show a lack of consensus about the impact of the compensation structure. The model of compensation could be the reason for the ambiguity.



**Figure 9:** Survey response of Q10

The 6.67% who strongly agreed and the additional 12.67 who agreed indicated a minority of respondents who do not feel motivated by the existing compensation structure. Valuable insights into the components of the compensation package that are perceived as motivating could be offered. There is an examination of the compensation policies and practices within Libyan banks. Enhancing employee motivation and performance depends on addressing the concerns of the majority. The need for a more nuanced understanding of the diverse perspectives and expectations was emphasized by the findings.

**5. Conclusion**

The survey of 150 participants in Libyan commercial banks revealed differing opinions about HRM practices. There is a lot of unhappiness with the fairness of performance appraisals. The importance of addressing these concerns to enhance employee satisfaction is a practical implication. Innovative HRM strategies tailored to the unique context of Libyan commercial banks could be explored in future research.

**6. Limitations**

It isn't without its limitations, but the study provides valuable insights into the impact of HRM practices on employee performance. The reliance on a survey method may limit the understanding. The self-report nature of survey responses raises the possibility of bias as participants might provide socially desirable answers rather than candid reflections.

The sample size may affect the generalizability of findings. The results should be applied to everyone. The study focuses on employees' perception of their work environment, but lacks insight from any of the professionals in the study. The lack of data may limit the exploration of nuances.

Future research endeavors could use mixed-method approaches, Expand the sample size, and offer a more nuanced exploration of the research topic.

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**Appendices**

**Appendix 1**

**1. Position in the Organization:**

- Executive/Managerial
- Middle Management
- Frontline Staff

**2. Years of Experience in the Banking Sector:**

- Less than 2 years
- 2-5 years
- 6-10 years
- 11-15 years
- More than 15 years

**3. The recruitment processes in our bank effectively identify and attract qualified candidates.**

- Strongly Agree
- Agree
- Neutral
- Disagree
- Strongly Disagree

**4. I believe that the skills and competencies required for my role were adequately assessed during the recruitment process.**

- Strongly Agree
- Agree
- Neutral
- Disagree
- Strongly Disagree

**5. The training programs offered by the bank enhance my professional skills and contribute to my overall**

**Appendix 2**

*Analysis of Q3:*

9. Activity	10. Total response	11. Total Response Received	12. Percentage
13. Strongly agree	14. 150	15. 31	16. 20.66666667
17. Agree	18. 150	19. 19	20. 12.66666667
21. Neutral	22. 150	23. 11	24. 7.333333333
25. Disagree	26. 150	27. 70	28. 46.66666667
29. Strongly disagree	30. 150	31. 19	32. 12.66666667

*Analysis of Q4:*

33. Activity	34. Total response	35. Total Response Received	36. Percentage
37. Strongly agree	38. 150	39. 30	40. 20
41. Agree	42. 150	43. 80	44. 53.33333333
45. Neutral	46. 150	47. 10	48. 6.666666667
49. Disagree	50. 150	51. 10	52. 6.666666667
53. Strongly disagree	54. 150	55. 20	56. 13.33333333

**performance.**

- Strongly Agree
- Agree
- Neutral
- Disagree
- Strongly Disagree

**6. I feel that the training initiatives align with the specific needs of my role within the organization.**

- Strongly Agree
- Agree
- Neutral
- Disagree
- Strongly Disagree

**7. The performance appraisal process in our bank provides a fair assessment of individual contributions.**

- Strongly Agree
- Agree
- Neutral
- Disagree
- Strongly Disagree

**8. I am satisfied with the feedback and guidance received during the performance appraisal process.**

- Strongly Agree
- Agree
- Neutral
- Disagree
- Strongly Disagree

**9. I believe that the compensation and benefits provided by the bank are competitive in the industry.**

- Strongly Agree
- Agree
- Neutral
- Disagree
- Strongly Disagree

**10. The compensation structure motivates me to perform at my best level of capability.**

- Strongly Agree
- Agree
- Neutral
- Disagree
- Strongly Disagree

*Analysis of Q5:*

57. Activity	58. Total response	59. Total Response Received	60. Percentage
61. Strongly agree	62. 150	63. 11	64. 7.33333333
65. Agree	66. 150	67. 9	68. 6
69. Neutral	70. 150	71. 33	72. 22
73. Disagree	74. 150	75. 7	76. 4.66666667
77. Strongly disagree	78. 150	79. 90	80. 60

*Analysis of Q6:*

81. Activity	82. Total response	83. Total Response Received	84. Percentage
85. Strongly agree	86. 150	87. 15	88. 10
89. Agree	90. 150	91. 9	92. 6
93. Neutral	94. 150	95. 70	96. 46.6666667
97. Disagree	98. 150	99. 16	100. 10.6666667
101. Strongly disagree	102. 150	103. 40	104. 26.6666667

*Analysis of Q7:*

105. Activity	106. Total response	107. Total Response Received	108. Percentage
109. Strongly agree	110. 150	111. 11	112. 7.33333333
113. Agree	114. 150	115. 29	116. 19.33333333
117. Neutral	118. 150	119. 90	120. 60
121. Disagree	122. 150	123. 8	124. 5.33333333
125. Strongly disagree	126. 150	127. 12	128. 8

*Analysis of Q8:*

129. Activity	130. Total response	131. Total Response Received	132. Percentage
133. Strongly agree	134. 150	135. 11	136. 7.33333333
137. Agree	138. 150	139. 9	140. 6
141. Neutral	142. 150	143. 78	144. 52
145. Disagree	146. 150	147. 12	148. 8
149. Strongly disagree	150. 150	151. 40	152. 26.6666667

*Analysis of Q9:*

153. Activity	154. Total response	155. Total Response Received	156. Percentage
157. Strongly agree	158. 150	159. 11	160. 7.33333333
161. Agree	162. 150	163. 18	164. 12
165. Neutral	166. 150	167. 11	168. 7.33333333
169. Disagree	170. 150	171. 100	172. 66.6666667
173. Strongly disagree	174. 150	175. 10	176. 6.66666667

*Analysis of Q10:*

177. Activity	178. Total response	179. Total Response Received	180. Percentage
181. Strongly agree	182. 150	183. 10	184. 6.6666667
185. Agree	186. 150	187. 19	188. 12.6666667
189. Neutral	190. 150	191. 31	192. 20.6666667
193. Disagree	194. 150	195. 10	196. 6.6666667
197. Strongly disagree	198. 150	199. 80	200. 53.3333333