

A Qualitative Research On Human Resource Practices At Turkish Banking Sector

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Extensive Summary

Introduction

Being one of the most important sectors in Turkish economy, examining the human resource practices in banking industry seems to be worthwhile. The aim of this study is to uncover the major human resource practices in areas like staffing, training, performance appraisal and rewarding through qualitative analysis of annual reports and web sites of the banks.

Method

Participants & Procedure

According to the reports of Banks Association of Turkey, there are 33 deposit banks (composing of 3 state-owned, 9 private, 20 foreign, 1 Security Deposit Insurance Fund Banks), 13 investment and 5 participation banks. Out of 51 banks operating in Turkey, data were collected from 25 deposit banks (3 state-owned, 7 private and 15 foreign deposit banks), which employs approximately 87% of the workforce in banking industry.

In order to ensure validity and reliability of the results, data were obtained from the annual reports and official web sites of the banks, rather than news reflecting the personal opinions of the employees or managers. Apart from the aforementioned data sources, annual or quarter reports prepared by Banks Association of Turkey were examined to verify or supplement the data. As Creswell and Miller (2000) suggested, data obtained from different documents and reports were compared to enhance the validity of the findings. The validity issue was tried to be ensured through triangulation of data sources and detailed information about the banks and industry.

Measures

The content analysis of documents and reports was made using MAXQDA qualitative data analysis program. Content analysis aims to obtain valid and reliable (i.e., repeatable) results from the data (Krippendorff, 1980, s.25). Within the framework of content analysis, arguments, noteworthy phrases, and words repeated or stressed out in the phrases were determined (Yıldırım ve Şimşek, 2016). Then, a coding scheme was prepared considering the terms and concepts mentioned in human resource management books. This coding scheme was prepared to determine the frequencies of human resource practices and terms cited in the documents. However, because of the contextual nature of qualitative data, new codes were added to existing ones or some codes were combined and renamed during the analysis. It is noteworthy to mention that codes were not intended to cover all the subjects related to staffing, training, performance appraisal and compensation because data about some issues were not gathered from the examined documents and reports.

Findings & Discussion

In general, findings suggested that banks have similar human resource practices regarding staffing, training, performance appraisal and compensation. Only minor differences were observed with respect to staffing and compensation practices between state and non-state banks (i.e., private and foreign banks) due to laws and regulations binding for the state-owned banks. In most banks, human resource managers seem to be part of board of directors, which is regarded as an indication of their critical role in strategic planning, hence the existence of strategic human resource management. The decisions about wage increases and benefits are made by the “Compensation Committee”, which regularly meets once or twice a year to present their suggestions to top management.

According to the findings, most banks prefer existing employees for vacant positions, then take external applications into account. Internal recruitment is mostly used for managerial positions, yet both internal and external recruitment are utilized for positions not requiring any experience. As part of external recruitment, most banks collect job applications through their web site, while some of them use HR portals to form a candidate pool. The selection techniques seem to be similar in private and foreign banks, while they tend to be quite different in state banks. Job achievement tests are mostly used for screening out some of the candidates in state banks, whereas they are only used by private and foreign banks for positions requiring technical knowledge. Findings suggest that banks generally use interview technique when making selection among experienced candidates, whereas they use ability and achievements tests for preliminary selection and then based on the scores, they conduct interviews and make final selection among unexperienced candidates. Banks seem to prefer job knowledge and general mental ability tests over personality and interest tests, and remarkably they test the candidate’s language proficiency (typically English proficiency) or request candidates to prove their proficiency level through tests conducted by other organizations.

According to the findings, banks give special importance to orientation programs to introduce the rules and regulations and to socialize newcomers. Apart from the orientation programs, most banks offer job-related trainings as well as trainings based

on self-development. Those trainings are conducted mostly through the web site and training centers, so called banking academy and schools. On-the-job trainings are applied mostly through orientation programs, internships and coaching / mentoring and rarely through job rotation arrangements. Off-the-job trainings, on the other hand, are conducted primarily through lecturing, less frequently through outdoor training and simulations. Remarkably, contemporary training techniques like role playing, case studies, sensitivity and in-basket trainings do not seem to be preferred.

Although modern human resource practices are implemented in the banking industry, the frequency of performance appraisals reflects the outdated view about performance management. Although it is not compatible with ideal performance management, appraisals are mostly conducted once or twice a year in many banks. Only small percentage of the banks indicate that they evaluate the performance of employees every month and every day. Annual reviews seem to be inconsistent with performance oriented nature of the banking industry and could reduce the chances to take corrective actions in response to performance deficiencies. When data were examined to determine performance criteria used by Turkish banks, it was realized that most banks use goal achievement and competencies together to evaluate the employee performance. While none of the banks used competency as sole criterion, some banks indicated that they relied purely on goal achievement. Remarkably, state banks indicated that they used the combination of goal achievement and competencies just like many private and foreign banks, although it is difficult for many state institutions to measure employee performance.

The compensation seems to be regarded as a strategic issue in banking industry given the fact that almost all banks have compensation committees, which meet once a year or twice a year to determine wage levels, increases and benefits that will be provided. Reflecting the competitive nature of the industry, most banks determine wage increases based on performance level of the employee and on-going market rates. Position, living expenses and budget are listed as other factors that are considered when making compensation decisions. Except for the Bank of Tokyo, established with Japanese capital, none of the banks indicated that they gave importance to tenure. Also it is noteworthy to mention that unlike many foreign and private banks, state-owned banks did not list budget or within organization factors as criteria for wage increases. In addition to base salary, most banks seem to give bonuses and commissions to their employees based on performance. Although bonuses and commissions are widely used as part of variable pay plans, other options such as employee ownership plans and profit sharing seem to be rarely used. Unlike variable pay-plans, various benefit options such as cafeteria benefits, health / life insurances, corporate cars are offered to employees, reflecting desire to retain employees.

Overall, banks operating in Turkey seem to apply HR practices that are regarded as part of “High Performance Work Systems” (HPWS) by Posthuma et al (2003). Existence of detailed job analysis, use of different selection methods for different positions, significant amount of investment at training and performance-based compensation packages are compatible with HPWS and “best HR practices” cited in the literature. There seem to be convergence in terms of many HR practices.