

## HRM Practices and its Impact on Customer satisfaction Pharmaceutical Companies in Nepal

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### Abstract

*This paper aims to investigate the impact of HRM practices on employee satisfaction in the pharmaceutical companies of Nepal. A structured questionnaire was developed and distributed among 386 employees of 37 pharmaceutical companies. Statistical correlation analysis was used to assess the impact of HRM practices on Customer satisfaction. The study reveals that employees in pharmaceutical companies are satisfied with the recruitment and selection, and training and development policy and practices of pharmaceutical companies. On the other hand, employees are dissatisfied with the human resource planning, working environment, compensation policy, performance appraisal, and industrial relations. The study suggests that the pharmaceutical companies should develop proper human resource policy and given emphasis on proper human resource practices to enhance the satisfaction of their customer and build them effective human resources.*

*Keywords: Human resource management practice, , Pharmaceutical company Nepal*

### Introduction

Human resources of any sector determines the success or failure of sector whether it is construction (A. K. Mishra, 2018a), financial institution (A.K. Mishra et al., 2021), or corporate (A. K. Mishra, 2018b). It adds value (A. K. Mishra, 2019) and assures sustainability (A. K. Mishra, 2018b) so HR is essential (A. K. Mishra, 2018a). Pharmaceuticals industry is a rising economic sector in Nepal. It produces and designs pharmaceutical products such as drugs, infusion products, and medical equipments. The product is not confined only to open sale but it also deals with doctors, nurses, hospitals, pharmacists and researchers for further development. Bangladeshi pharmaceutical companies produce products not only for the home country but also they are exporting their medicine to Australia, Brazil, Afghanistan, Cambodia, Guyana, Jordan, Kenya, Malaysia, Myanmar, Nepal, Philippines, Hong Kong, Sri Lanka, Vietnam, United Kingdom, and among others. This trend of exporting volume and profit generation is upward. There are 250 licensed pharmaceutical companies in the economy and they are contributing 1% in gross domestic product (GDP). Top 20 companies earned 80% revenue in 2011. Human resource management (henceforth HRM) is the effective management of people at work. Beardwell, Holden & Claydon (2004) regard HRM as the philosophy, policies, procedures, and practices related to the management of people within the organization. Senyucel (2012) sees HRM as a combination of people centered management practices that recognize employees as assets geared to creating and maintaining skillful and committed workforce for achieving organizational goals. Mondy and Noe (2005) believe that HRM is the utilization of individuals to achieve organizational objectives. Denishi and Griffin (2009) suggest that HRM is the comprehensive set of managerial activities and tasks concerned with developing and maintaining a qualified workforce. Human resource is a way that contributes to organizational effectiveness. In most of today's organizations, the role of HRM has become

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quite important (Blake 1995).

Satisfied and efficient human resources are the key factor for any organization to face the challenges of today's business. Moreover, the growth, development and expansion of the organization are highly dependent on their performance. In addition, employees' performance is related with the satisfaction of employees. To create a satisfied, productive and efficient workforce, for any organization, proper HRM policies and practices are imperative. It is also true for pharmaceuticals companies in Nepal Proper HRM practices can ensure satisfied and efficient workforce to continue the pace of growth of this industry. The study is an attempt to find out the impact HRM practices on the employees' job satisfaction of pharmaceuticals companies in Nepal

### **Literature Review**

HRM is the prominent success factor of an organization. The five functional areas are associated with effective HRM: staffing, human resource development, compensation and benefits, safety and health, and employee and labor relations (Mondy and Noe2005). Edgar and Greare (2005) identified that HRM practices had a significant impact on employee attitudes such as job satisfaction, organizational commitment and organizational fairness. Yu and Egri (2005) found that HR practices had a significant impact on the affective commitment of employees on Chinese firms. Aswathappa (2008) argued that the organization should have better HR plans to motivate its employees. Sophisticated recruitment and selection system can ensure a better fit between the individual's abilities and the organization's requirement (Fernandez 1992). Katou and Budhwar (2007) discussed in a study on Greek manufacturing firms that recruitment and selection was positively related to all organizational performance variables such as effectiveness, efficiency, innovation, and quality. The motivation and opportunity focused bundles of HR practices positively related to affective commitment and negatively related to turnover (Gardner, Moynihanand& Wright 2007). The best human resource practices areas are recruitment and selection, socialization, job design, training, communication/participation, career development, performance management, employee reward and job security (Huselid1995). HRM refers to the policies and practices involved in carrying out the human resource aspects of a management position including human resource planning, job analysis, recruitment, selection, orientation, compensation, performance appraisal, training and development, and labor relations (Dessler 2007). Training and development has a significant positive impact on employees' job satisfaction (Garcia 2005). Thang and Buyens (2008) believed that training and development lead to superior knowledge, skills, abilities, attitudes, and behavior of employees that ultimately enhance excellent financial and nonfinancial performance of the organizations. DeCenzo and Robbins suggested that employee training has become increasingly important as job have become (1996) more sophisticated and influenced by technological changes. Shaw et al. (1998) assert that involuntary turnover is affected by staffing practices (recruitment and selection process) and employee monitoring (performance appraisal). Bernardin and Russel (1993) opined that over the years, training has become increasingly popular as HR tool for improving employee and managerial performance in organization. Buck and Watson (2002) indicated nine important HRM practices such as deCentralization, compensation, participation, training and development, employment security, social interactions, management style, communications, and performance appraisal. Klaus, LeRouge& Blanton (2003) expressed that, through better job assignment or work design; employees may display greater commitment, leading to better job performance. The above literature review shows that there have been several studies on HRM practices and job satisfaction.

In Banladesh, however, there is a research gap in this area especially on pharmaceuticals companies. Hence, the study is undertaken. To find out the impact of HRM practices on employees job satisfaction, the human resource planning, working environment, training and development, compensation policy, recruitment and selection, performance appraisal and industrial relations has considered as HRM aspects.

The sector specific study should be done to promote wellbeing's(Maskey & Mishra, 2018) occupational health (A. K. Mishra et al., 2019) safety (A. K. Mishra & Shrestha, 2017) and effects on sustainability (A. K. Mishra

& Rai, 2017) and costing (A. K. Mishra & Chaudhary, 2018)

### Methodology

In order to achieve the research objectives, a set of research questions are developed for collecting opinions and the research hypotheses are made to explore the opinions of employees of the pharmaceutical companies. The self-administered questionnaires have been distributed to employees working in different pharmaceutical companies. There are five parts of questionnaires. Part one, two, three, and four consist of demographic variables, Human Resource Management (HRM) Practices, Customer satisfaction

English version questionnaires are translated into Nepalese version questionnaire set for greater participation and responses from Nepalese employees. All the items are measured on a five-point Likert-type scale from "Strongly agree (5)" to "Strongly disagree (1)". For the study purpose, descriptive research design is used. Descriptive statistical tools such as frequencies, mean, standard deviation to assess the perception of organizational justice and employee work outcomes. Similarly, correlation coefficient and regression are used as statistical tools. To prove the assumptions of regression model, Kolmogorov Smirnov test is used for normality test and multicollinearity is tested using collinearity statistics (VIF). Factor analysis and some of the inferential statistics such as Analysis of Variance (ANOVA), are used to analyse the data. Purposive sampling techniques are followed to gather the perceptions of the respondents. This study covers 47 pharmaceutical companies. A total of 840 copies of questionnaires are distributed. In total, 765 questionnaires have been returned, comprising a response rate of 91.10 percent. To investigate the research questions, an empirical study is conducted and based on the research model; the research hypotheses of this study are tested.

### Findings

#### Analysis of Study Factors

#### 15 Nature of human resource practices in Nepal

Based on above calculation Table 4.8 shows the general descriptive of human resource practices in Nepalese organizations.

**Table 1 General Descriptive of Human resource practices in Overall Sample (N =576)**

practices Components	Minimum	Maximum	Mean	SD
Human Resource Planning	1	5	3.51312	0.96411
HR selection practices	1	5	3.35373	0.94393
Training	1	5	3.18924	0.92547
Performance appraisal	1	5	3.30556	0.85389
Career Planning	1	5	3.25595	0.8241
Compensation	1	5	3.31285	0.85697
Employee Participation	1	5	3.32755	0.79895

The results show that the mean on Human Resource Planning practices is 3.51312 with S.D. = 0.96411, the mean for HR selection practices is 3.35373 with S.D. = 0.94393, the mean for Training practices is 3.18924 with S.D. = 0.92547, the mean for Performance appraisal practices is 3.30556 with S.D. = 0.85389, the mean for Career Planning practices is 3.25595 with S.D. = 0.8241, the mean for Compensation practices is 3.31285 with S.D. = 0.85697 and the mean for Employee Participation practices is 3.32755 with S.D. = 0.79895 respectively.

Customer Satisfaction

Customer satisfaction was one important variables of the non-financial performance of the company for this study so the study explored its frequency distribution. The data presented in the Table No. ... shows the distribution of mean value, standard deviation, t value and p value. The study had done the analysis of frequency distribution of response on different variables of customer satisfaction which found that 69.4% agreed that their company was very concerned with the satisfaction of customers with 3.88 mean value and 0.818 standard deviation. Similarly, regarding the collection of information from customers to know the needs, 53.3% gave the neutral answer, only 27.1% agreed and 12.3% strongly agreed with 3.44 mean value and 0.813 standard deviation. In the role of company management to provide good services to avoid dissatisfaction of customers, 44.1% gave the neutral answer, 38.2% agreed and 12.2% strongly agreed having with 3.57 mean values and 0.784 standard deviation. The statistical analysis of One sample t-test shows that there was significant difference in individual variables of customer satisfaction because the p value of all variables were less than 0.05 significant levels.

**Table 2: Employees' Perception towards of – customer satisfaction**

SN	Scale	Mean	S.D.	t	Sig. (2-tailed)
1	Satisfaction of customers/clients is preferred concern of our organization	3.88	0.818	113.654	.000
2	This company collects information from customers to know their needs	3.44	0.813	101.552	.000
3	Company management tries to provide good services to avoid dissatisfaction of customers	3.57	0.784	109.152	.000
	Average	3.63	0.81		

Source: Field Survey, 2017

The effort of company to make their customer satisfy was moderately satisfactory because still minimum 26.4% to 53.3% respondents were in neutral position to response in the customer satisfaction. The mean distribution also shows that minimum mean value was 3.44 to maximum 3.88 with average mean was 3.63 and 0.81 standard deviation.

#### **Effect of HRM practice on Customer satisfaction (Non-Financial Performance)**

The study had analyzed the effect of HRM practices on customer satisfaction from the regression analysis. The data presented in the Table 4.32 shows R Square is .305 which indicates that the HRM practices explain only 30.5% of the variation in the customer satisfaction as non-financial performance of companies. The adjusted R Square value is .296 which means that the HRM practices contributed by 29.6% in customer satisfaction of surveyed pharmaceutical companies.

**Table 3: Effect of HRM practice on Customer satisfaction**

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Dur in-Watson
1	.552 <sup>a</sup>	.305	.296	1.75635	1.277

a. Predictors: (Constant), q16_total, q10_total, q15_total, q12_total, q14_total, q11_total, q13_total						
b. Dependent Variable: q17.2cust						
<b>Anova</b>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	766.899	7	109.557	35.516	.000 <sup>b</sup>
	Residual	1749.060	567	3.085		
	Total	2515.958	574			
a. Dependent Variable: q17.2custorSatisfaction_total						
b. Predictors: (Constant), q16_total, q10_total, q15_total, q12_total, q14_total, q11_total, q13_total						
		B	Std.Error	Beta		
	(Constant)	3.522	.519		6.784	.000
	HR Planning	.104	.017	.294	6.018	.000
	HR Selection	.009	.035	.013	.255	.799
	Training	.025	.023	.050	1.057	.291
	Performance appraisal	.060	.027	.130	2.244	.025
	Career Planning	.087	.024	.171	3.577	.000
	Compensation	.009	.029	.013	.300	.765
	Employee Participation	-.002	.023	-.003	-.094	.925
a. Dependent Variable: q17.2custorSatisfaction_total						

Source: Field Survey, 2017

The effect of individual variables of HRM practices found that there was significant effect of HR Planning ( $p = .000$ ), performance appraisal ( $p = .025$ ), Career Planning ( $p = .000$ ) whereas there was no effect of HR selection ( $p = .799$ ), Training ( $p = .291$ ), Compensation ( $p = .765$ ) and Employee Participation ( $p = .925$ ).

### Conclusion

The result shows that based on mean value, high level of Human Resource Planning practices, that is followed by HR selection, employee participation, compensation, performance appraisal and career planning. However, the lowest mean of training shows low level of training practices among the Nepalese employees.

The result indicates that the pharmaceutical companies were doing good work to satisfy their customers. Though, still there was need to care the needs and queries of customers to improve in the organizational performance of companies. Customers satisfaction should be the first priority of companies to increase their profit and organizational performances.

The effect of HRM practices was not very effective because in the current practices, there was only 29.6% contribution of HRM practices on customer satisfaction. Customers are the main source of free advertisement of product and service quality as well as profit of companies. So, HR department should develop the specific plan to increase the number of customers as well as the plan to increase their level of satisfaction.

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