

## Study of Human force productivity components in world-class banking

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### ABSTRACT

The present study aims to evaluate components of Human force productivity in world-class banking and has been conducted based on a review study using a descriptive approach. The attempt is to get as closer to world-class components as possible. In this regard, the productivity components of the world-class banking, including banking service flexibility, banking service quality, cost and reduction of waiting time of banking services, innovation in banking services are evaluated as the research variables. The statistical population of this study includes managers of Urmia's Saderat Bank among which 42 are selected as the sample. A researcher-made questionnaire is used to collect data. The questionnaire's validity and reliability obtained by experts and Cronbach's alpha as 87/0. Data is analyzed using Friedman test and SPSS software and ultimately the priority of human force productivity components in the world-class banking is determined.

**KEYWORDS:** Human Force productivity, productivity management, world-class

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### INTRODUCTION

Given the crucial role of productivity in economic development of a country, providing productivity indicators is considered. Simply put, a productivity scale is the ratio of Value index of a certain output to a Value index of a certain input or a combination of several inputs. There are various methods in measuring productivity, including methods based on econometric and estimation of production function, growth accounting and numerical index approach. Each of mentioned methods has advantages and disadvantages of its own and selection is obtained in terms of constraints and objectives. Most international organizations and statistical centers of different countries benefit from numerical index approach. Considering the advantage of numerical index approach in productivity calculations such as possibility of comparability with other countries, and the ease of update, by using this method and data collection and the current statistics, time series of labor productivity index, the capital and the productivity of the whole economy, they begin dissociating of economic activities. Technological changes are one of the determining factors of long term economic growth and improvement of living standards [1].

Productivity index is a tool which can measure technological changes in economy and economic sections. However in theoretical terms and experimental studies, multi-factorial productivity growth is not limited to technological changes. Multi-factorial productivity is affected by other non-technological factors such as scale effect, periodic effect, and changes in efficiency and measurement errors which is also considered as residual. On the other hand, not every change in technology is necessarily considered as a change in multi-factorial productivity. This means that a part of technological change which is directly related to production factors within a production process, are reflected as a change in production inputs such as job input or capital improvement. However, another part of technology advancement related to scientific developments, organizational changes, management style improvements and such, are reflected in multi-factorial productivity growth.

The term "world-class" was first introduced by Schonberger in 1986. World-class involves the use of techniques designed to activate and improve operations of an organization in order to match with its best competitors. Today's world filled with competition, leads organizations more than ever into achieving world-class. To achieve world-class, there exists specific requirements, the most important of which is paying special attention to human force in organizations. Manpower is the most important and the most sensitive organization source which could both result in success and failure of an organization. With the emergence of human resource management in 1980s, a new chapter evolved in viewing human resource. Human resource management is a comprehensive approach to organization's key resource management, that is, human resource[2].

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In this study, with a brief explanation of the concept productivity it has been tried to note the indicators of this variable in banking, and to examine these indicators. This is done with a perspective that highlights the most effective index in world-class banking which has the greatest impact on productivity of banks.

Hence the main question researcher has in mind is as follows:

What are Human resource productivity components in world-class banking? What is their condition in relation to each other? And how is prioritization applied on them?

### 1. productivity history

Productivity was first introduced by Cotiriti in 1766, and in 1883, Litter defined productivity as the ability to produce. In 1900, Erli expressed productivity as the relevance between output and tools used to produce this output.

### 2. The importance of productivity

Nowadays productivity is considered a method, a concept and an attitude of work and life. In fact it is regarded as a culture and a worldview. Productivity can be involved in all affairs, personal and social work and life and it is a determining indicator in per capita income of a country. To increase the national productivity of a country, the per capita income must increase [3].

### 3. Foundations of productivity

Today, productivity as an intellectual viewpoint means smart working and an ideology for progression and improvement of everything. Unlike many people's view, productivity is not merely an economic and financial standard. In its deep sense, it's an approach to rationalize actions. With this attitude, productivity means; people can perform better and better each day. In the traditional view, productivity means cheaper and faster work. However in its recent view, it means that job must be done at its best in the first stage, the result of which is lower cost, higher production, increased employee pride and loyal customers. The concept of productivity in recent view can be summarized as follows:

**Table 1.**productivity concepts

What is	What is not
Prevention of futile work	necessary more work
Appropriate consumption	Low consumption
Proper use of lifetime for a better living	Using lifetime to work
Proper utilization of natural resources	Preventing doing favorites
Creating a pleasant and fresh atmosphere as much as possible	luxury
Harmonization of quality, quantity and cost in competition	Merely More production
Having the right place in society	Seeking personal benefit and ignoring work results
Cooperation for common interests	Exploitation of subordinates

The reality in our economic world is that market activities, constant change in consumer tastes, new structure of work and production, and such, lead to a revision in the concept of productivity. The notion of productivity of mind means processing concepts and producing thoughts by human capitals of an organization. [4].

Based on the two main viewpoints, productivity on one hand is considered a technical concept to evaluate efficiency and on the other, as an intellectual insight. In the first, determining the role of production factors and resources, evaluation, etc., is performed in an expert manner, while in the second viewpoint, productivity is considered as a value in productive thinking, improvement systems and productivity management. Thus, to obtain a logical connection on productivity management topics, we will next discuss the concept of productivity in expert 'point of view and new concepts of it in terms of content. Also, what productivity is and what is not and what are the wrong interpretations will be discussed over two schemes [5].

#### 3.1. Definitions of productivity

Productivity is a multidimensional word and its meaning depending on the context it is used, can be different. In any case, this term encompasses shared general characteristics too.

##### **European productivity agency (EPA):**

Productivity is a continuous effort in using new techniques and methods. Skill productivity is development and improvement of human resources. Optimum use of organizational resources to achieve effective and efficient objectives is accepted within the framework of a value system.

### **International labor organization (ILO):**

Productivity is a relationship between the output resulting from a production system (goods or services) with the data used (required resources) for that output (input/output = productivity).

### **National Iranian Productivity Organization (NIPO):**

Productivity is a culture, a rational attitude towards work and life. And it aims for smarter activities in order to achieve a better and transcendental life.

### **Dr. Gholamreza khaki:**

It is a criterion for judgment on the amount of index change (input/output) caused by human performance within the context of human-machine interactive structure. This means increase or decrease of the index is affected by internal productivity of people who has taken-over the mission of fulfillment of an objective in the form of a social or organizational structure [6].

### **Japan Productivity Center (JPC):**

Productivity means to maximize the use of recourses, human force, facilities, etc., with scientific methods, reducing production costs, expanding markets, increasing employment and attempting to increase real wages and improving living standards in a way that benefits worker, management and mass consumer.

According to the given definition, the following is concluded:

- A) One of the most valuable and vital resources which has a major role in promoting productivity of organizations, is human resources.
- B) Productivity is a result of a positive, creative and satisfactory attitude towards current situation and a criticism to change previous situation.
- C) Productivity is an attitude to systematize and rationalize activities.
- D) Productivity is avoiding futile work and eliminating unnecessary activities so that the job could be done more quickly and with less cost and energy.
- E) Productivity is right and proper use of resources to achieve the right objectives with the right methods [4].

### **3.2. Human force productivity**

Labor productivity is the ratio of the output of a given product or service or their monetary value to the input work or the amount of work used to produce those products. Since the survival sine qua non of any organization in these chaotic environment, is to improve productivity, what probably has a significant role in increasing productivity, is organizational structure. Clearly the structure, considering its environmental, dimensional and content properties, has a considerable impact on organizational development. And in fact, what distinguishes innovative and productive organizations from others is this structural characteristic which is appropriate for its status. In any case, attempts to improve organizational productivity, according to organization's structure provides the possibility to detect underlying structural shortcomings and prepares staff for effective performance of tasks and better management of affairs. Thus, creating a structure suitable for current situation in which environment is constantly changing can have a significant impact on improving productivity. So there exists a direct relation between productivity, coordination, accurate labor division, proper task grouping and organizational structure appropriate for present circumstances which ultimately leads to use of potential and practical abilities of personnel. The more these capabilities are employed by correct selection, the more improvement is expected[7].

### **3.3.The role of efficient human force in banks' productivity**

Experiences have shown that, if all policies and objectives are correct, but the human force who wants to achieve these objectives is not in a desirable condition, naturally organization is not expected to achieve its predetermined goals. If the staff in branches do not have high spirit and do not have a proper attitude towards clients, they will only visit if they have too. Therefore, as financial and non-governmental institutions are shaping with a rising trend, more attention should be paid to human force. This is because currently, banking system customers have limited choices in working with branches for several reasons such as closeness to home or workplace, familiarity with a working staff, etc. But in near future with current situation, it is not clear whether they would be willing to work with present banking system. Therefore we should be considering customer needs as well as paying attention to human force. Clearly, efficient human force is the most important asset of an organization. In explaining the importance of human force in comparison with capital and technology, all the three being major factors in increasing productivity, almost all experts consider human resources as the basic factor and believe that if necessary, we could take loan from other countries or buy technology from them. However unlike technology and fund, human force should be trained as the main capital of the society and should be motivated with the use of proper policies [8].

The factors which managers can make use of so that the staff would do their best and bring satisfaction are as follows:

1. Involving employees in decisions concerning them
2. Giving responsibilities in defined areas
3. Giving feedbacks and encouraging efforts
4. Making job interesting and creating variety and self control
5. Giving financial rewards for accomplishments [4]

### **3.4. Effective factors on human force productivity**

There are different views in determining effective factors on productivity, to mention In brief:

1. Continuous professional training for managers and employees
2. Motivating employees with the purpose of more and better work
3. Providing appropriate backgrounds for innovation and creativity of staff and managers
4. Maintaining a system of performance-based payment
5. Establishing a system of reward and punishment
6. Conscience and social discipline
7. Changing key methods and systems
8. Governance reinforcement
9. Dominance of organizational policies on the affairs
10. Economy is effective on productivity [8]

### **4. World-class foundations and its components**

Competition in world-class means that organizations are successful in every competition in global market; this means, the organization should be equal to or better than other rivals in quality, waiting time, flexibility, cost, innovation and customer service. The key components of the word-class provider, consider broad concepts in world-class service for the specific operations in an organization. Each of key components is represented with a brief description about its competitiveness and the state of its impact on the service organization. Each of these objectives is important in itself. However, together with an emphasis on activities and trends that defines world- class in top-world organizations, they are described as “services in world-class”. Basic components of management overall structure includes: reducing waiting times, reducing operation costs, clarifying business performance, reducing reach to market time, meeting customer expectations, effectiveness of financing process, operation management and multiple and global locations[9].

#### **4.1. World-class organizations**

The emergence of information and communication era which began in late twentieth century has turned old the basic assumptions of competition in industrial age. Therefore organization could not retain the competitive ability merely by replacing new technology. Rapid success in information age requires new capacity in organizations. An organization achieves world-class

Production when it is able to successfully create production capabilities to support company in reaching continuous competitive advantage in areas such as cost, quality, delivery, flexibility and innovation. Such organizations tend to optimize their labor force, equipment and systems. Thus, they constantly analyze different organizations around the world in order to benchmark them as models in various aspects[10]. One of the key features of world-class manufacturers is their ability in adapting themselves with change of customer and market needs. Therefore the main functions they focus on, is design, production and delivery to customers, better and faster than their competitors. A company which includes this quality, grows faster and more profitable than the competitors. By definition, world-class production as an ideology or philosophy in production is used to achieve a position in world-class production [11].

##### **4.1.1. Quality of banking services**

Tendency towards service quality has a major role in service industries such as insurance services, banks, etc, because quality of services is vital for the survival and profitability of an organization. In the field of banking services, quality of service is defined as the belief or attitude of customer towards the superiority of services provided in banks [12].

#### **4.1.2. Flexibility of banking services**

In general, flexibility is the ability of an organization in understanding the environmental changes and efficient and quick response to those changes. This environmental change could be of technology or work or a change in customer needs. The term “flexibility” describes the velocity and responsiveness when facing internal and external issues in organization. Flexible organizations not only should be responsible for current changes, but also capable in gaining competitive advantages with a suitable arrangement [13].

#### **4.1.3. Reducing waiting time in banking services**

Any factor that creates added value for a product is waste. Customer is not willing to pay for the wastes; therefore they should be identified and eliminated[14]. In other words, the period of time from which a client enters a bank until his or her requested service is done, is called waiting time, and in order to achieve world-class standards, this time must be shortened.

#### **4.1.4. Innovation in banking services**

Innovation refers to activities which include a new service or product, new process or organizational method that leads to the creation of added value. Creating a service means organizing a solution for an issue that includes certain behaviors and activities. If we accept this definition, it requires collecting and organizing series of structural, technological and human capabilities. According to this definition, innovation in services can take place in any area of technical, structural, processing and human capability. To better understand the concept of service innovation, the model presented by Builderbik can be helpful. Innovation in services can occur in four dimensions; new service, interaction with customer, delivery and technology [15].

#### **4.1.5. Cost in banking services**

Cost is the expense an institution incurs in order to provide service for customers and for revenue. Cost causes reduction in the capital [10] which must be minimized in world-class.

### **5. Experimental background of the research**

Farsijani and Teimurian[9] in a research entitled “study of success factors in technology transfer for achieving world-class (case study: Hepco Co.) states that, In this study we are investigating success factors in technology transfer with the purpose of achieving world-class. The method of this research is practical in purpose and causal in nature, since it investigates the impact of each of contributing factors in technology transfer. In this research After preparing the questionnaire and distributing it in the statistical population, analyzing data is conducted with the methods of statistical analysis, Exploratory factor analysis, Conformity Factor Analysis and in particular, path analysis. And for hypothesis testing related to conceptual models, structural equation method is used. Therefore the 14 factors resulted from factor analysis is prioritized with Friedman test. Next, with Chi Square statistic, the equality of 14 factors is evaluated but eventually this claim is rejected. Finally the researcher attempts to prove the existence of a positive relationship between successful technology transfer and world-class which the path analysis is used for. Data is analyzed using Lisrel software and in the end the researcher examines his hypothesis.

Farsijani and Arefnejad [10] in an article entitled “ranking effective factors on implementation of electronic human resource management (E-HRM) to achieve world-class level” explains that, today many factors play a role in achieving world-class, however in today’s competitive business world, it is the human force that distinguishes an organizations superiority. Hence, human resource management has a significant role in moving towards world-class in organizations. Rapid spread of the internet during last decade has enhanced the implementation and enforcement of electronic human resource management (E-HRM). In this study, a number of factors influencing on the implementation of E-HRM is examined. These factors include work, individual, environmental, organizational and E-HRM innovative factors. In order to identify and rank effective factors in E-HRM implementation using AHP approach, 25 top managers’ perspective in water and power utility organizations of Khoramabad has been used. According to the obtained data form Expert Choice software, work, organizational, environmental, individual and E-HRM innovative factors, respectively has the most impact on E-HRM.

Fatehi [16] in an article entitled “Economic Jihad and increasing productivity in banks” states that in this article, primarily concepts of efficiency, effectiveness, productivity and some incorrect terms used in productivity are given. By referring to benefits, meanwhile barriers and productivity levels, influencing factors in organizations, particularly service organizations are examined and a proposed model for measuring productivity in service organizations is introduced. The status and importance of bank in economy, realization of fundamental

principles of economic Jihad and the flourishing of economic Jihad in banking system, are the material that will be discussed with regard to the purpose of this article. In the end after concluding proposed discussions, recommendations and strategies are presented for the improvement and increase in productivity of organizations and banking system. Results indicate that productivity improvement is gradual and continuous and the success in this era requires systematic planning, correct implementation, and monitoring and continuous refinements. Using methods and plans depends on the issues and problems of the organization. It must not be forgotten that there should be a systematic attitude towards issues. And productivity improvement in the context of strategic management should be considered. Managers by using plans, policies and systematic monitoring and employees by accurate, effective and compassionate working will help in productivity improvement of their organization. Ashurzade[17] in a study entitled “Examining the effects of capital stock and labour productivity on economic growth” explains that, based on previous studies, it is clear that capital stock and labour productivity are among factors affecting economic growth. In this article we are looking for the answer of these questions; in which way these variables influence economic growth, and in what period of time their effect on a country’s economic growth is observable. To investigate the long-term relationship between capital stock, labour productivity and Gross Domestic Product (GDP) variables during 1975-2011, their short-term dynamics, Johansen test and Vector Auto Regressive model (VAR) is used. The results suggest a balanced long-term relationship between Gross Domestic Product and capital stock. However, in short-term, the relation between labour productivity index variable with Gross Domestic Product is greater.

## 6. MATERIAL AND METHODS

This research is a review-descriptive study. In this study, data is collected by examining internal and external recourses, in a library method. By collecting field data, the researcher developed a questionnaire for a survey to be conducted in a community. The internal validity of the questionnaire was confirmed by experts and technology professors and by Cronbach's alpha test its reliability was obtained as 0.87. The sample population includes managers of Urmia’s Saderat Bank. Convenience Sampling was conducted and in the end 42 correct questionnaires were collected. Friedman test and SPSS software was used for analysis.

## 7. RESULTS

Data was analyzed using Friedman test, to prioritize human force productivity components in world-class banking. Results are shown in table 2.

The assumption of human force productivity components rating, at 5% in world-class banking, based on Friedman test was rejected. As a result, these components have different priorities. Based on average rating of table 2, banking service quality as the first priority, reducing waiting times as the second, cost as the third, innovation as the forth, and flexibility in banking services as the last priority were determined.

**Table 2:**average rating of human force productivity components in world-class banking based on Friedman test

Components	Average rating	Priority
Banking service quality	12/4	1
Banking service flexibility	32/2	5
Reducing waiting time	56/3	2
Innovation	48/2	4
costs	52/2	3

## 8. CONCLUSION

According to previous researches, the concept of world-class was mostly common in field of production. In this study, by examining world-class organizations and their integration with service organizations, banks in particular, we tried to identify shared components in human force productivity under world-class banking. Finally after studying internal and external resources, world-class organizations’ components in the field of services were identified and prioritized in line with labour productivity in banks as follows:

1. The quality of banking services
2. Reduction of waiting times in banking services
3. Cost in banking services
4. Innovation in banking services
5. Flexibility in banking services

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