

ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMIC
SCHOOL OF COMMERCE



THE ROLE OF HUMAN RESOURCE MANAGEMENT PRACTICE ON
ORGANIZATION PERFORMANCE: THE CASE OF ADDIS HIWOT GENERAL
HOSPITAL

By Sebat Ahmed

*A thesis submitted to Addis Ababa University School of commerce graduate studies for
the Partial Fulfillment of the Requirement for the Award of Masters of Arts Degree in
Human Resource Management*

Advisor: Dr. Abdurazak (PhD)

June 2020

Addis Ababa, Ethiopia

Acknowledgements

This Masters Project process has been an incredible experience. This thesis and all of the experiences that went into its creation would not have been possible without the help and support of my Almighty God and so many people.

My supervisors Dr. Abdurazak Mohammed, and everyone who were instrumental in ensuring this project reached its full and proper conclusion. Thank you to all of you for giving me this opportunity, supporting me through the entire process and keeping me on track when my brain has gone off on a tangent. Thank you to Afomiya again for being there to listen to me and keep my feet on the ground.

Thank you to the organizations and employees who agreed to participate in this project and provided all of the wonderful data. Thank you to W/t Danait Tekle from Addis Hiwot Hospital. Without you this project truly would not have been possible.

Thank you to my Mum and Dad, and all of my family who were always supportive, proud and there for me. To Hayat and Menale, thank you for friendly advice, help and friendship during these two years we have known each other.

DECLARATION

I Sebat Ahmed, have carried out independently a research work on “The role of Human Resource Management Practice on Organizational Performance: In the Case of Addis Hiwot General Hospital in Partial Fulfillment of the Requirement for the Award of Masters of Arts Degree in Human Resource Management with the guidance and support of the research advisor, do hereby declare that this thesis is my original work and that it has not been submitted partially; or in full, by any other person for an award of a degree in any other university/institution.

Name of the Researcher: _____

Signature _____

Date _____

This thesis has been submitted for examination with my approval as a University Supervisor.

Name of Advisor: _____

Signature _____

Date _____

Addis Ababa University
School of Commerce Graduates Studies Program
Department of Human Resource Management

**THE ROLE OF HUMAN RESOURCE MANAGEMENT PRACTICE ON
ORGANIZATION PERFORMANCE: THE CASE OF ADDIS HIWOT GENERAL
HOSPITAL**

By: Sebat Ahmed

Approved by Board of Examiners

Advisor

Signature

Internal Examiner

Signature

External Examiner

Signature

Contents

| | |
|---|------|
| Acknowledgements..... | ii |
| DECLARATION | iii |
| Acronyms/Abbreviations | viii |
| List of Table..... | ix |
| List of Figures | x |
| ABSTRACT..... | xi |
| CHAPTER ONE | 1 |
| Introduction..... | 1 |
| 1.1. Background of the study | 1 |
| 1.2 Statement of the problem | 2 |
| 1.3 Objectives of the study..... | 3 |
| 1.3.1 General objectives | 3 |
| 1.3.2 Specific Objectives | 3 |
| 1.4 Research question | 3 |
| 1.5 Scope of the study..... | 4 |
| 1.6 Significance of the study..... | 4 |
| 1.7 Limitation of the Study | 5 |
| 1.8 Organization of the study..... | 5 |
| 1.9 Definition of terms..... | 6 |
| CHAPTER TWO | 7 |
| 2.1 The Concept of Human Resource Management (HRM)..... | 7 |
| 2.2 . Nature of Human Resource Management..... | 8 |
| 2.2.1. Compensation | 9 |
| 2.2.2. Employment (Job) Security | 9 |
| 2.2.3. Training | 10 |
| 2.2.4. Performance Appraisal | 10 |
| 2.2.5. Employee Participation | 11 |
| 2.4. Human Resource Development | 11 |
| 2.5. Organizational performance..... | 12 |
| 2.6. Empirical Literature Review..... | 13 |
| 2.6. Conceptual Frame Work | 15 |

| | |
|--|----|
| CHAPTER THREE | 16 |
| Research Design and Methodology | 16 |
| 3.1 Introduction..... | 16 |
| 3.2 Data Type and Sources | 16 |
| 3.3 Method of Data Collection..... | 17 |
| 3.4 Population and Sample Design | 17 |
| 3.4.1 Target Population | 17 |
| 3.4.2 Sampling Frame | 17 |
| 3.4.4 Sampling Techniques | 18 |
| 3.5 Sample Size Determination..... | 18 |
| 3.6 Data Analysis and Data Presentation | 19 |
| 3.7 Reliability and Validity..... | 20 |
| CHAPTER FOUR..... | 22 |
| Data Presentation and Analysis | 22 |
| 4.1 Demographic characteristics of the sample | 22 |
| 4.1.1 Gender distribution of the Respondents | 22 |
| 4.1.2. Age of Respondent | 23 |
| 4.1.3 Educational Background of the Respondents | 24 |
| 4.2 Survey Results | 25 |
| 4.2.1 The recruitment and selection practices | 25 |
| 4.2.2 The level of performance-based compensation practices | 26 |
| 4.2.3 The Existence of Human Resources Development | 27 |
| 4.3. Inferential Analysis to Examine the Role of HRM Practice in the Organization and its effect on organization Performance | 30 |
| 4.3.1. Normality Test | 30 |
| A. Coefficient of Determination | 35 |
| B. Analysis of Variance /ANOVA/ Test | 36 |
| A. Regression Coefficients or Model..... | 37 |
| CHAPTER FIVE | 39 |
| SUMMARY, CONCLUSION AND RECOMMENDATION | 39 |
| 5.1. Summary of Finding | 39 |
| 5.2. Conclusion | 40 |

| | |
|---------------------------|----|
| 5.3. Recommendations..... | 40 |
| <i>References</i> | 42 |

Acronyms/Abbreviations

KEY WORDS: HRM implementation, HRM effectiveness, Organizational performance, compensation, employment security

HRP- Human Resource Planning

TD- Training and Development

HR-Human Resource

HRMP- Human Resource Management Practice

OP- Organizational Performance

PM- Performance Management

List of Table

| Table Name | Page |
|--|-------------|
| Table 3.1 Cronbach Alpha value..... | 20 |
| Table 4.1: Recruitment and Selection Practices..... | 23 |
| Table 4.2: Performance -based compensation..... | 26 |
| Table 4.3: Human Resource Development..... | 27 |
| Table 4.4: The level of productivity or performance..... | 28 |
| Table 4.5. Collinearity..... | 32 |
| Table 4.6: Collinearity by Correlation..... | 33 |
| Table 4.7: Collinearity by condition index..... | 33 |
| Table4.8 Model Summary..... | 35 |
| Table 4.9: ANOVA..... | 36 |
| Table 4.10: Regression Coefficient..... | 37 |

List of Figures

| Figure Name | Page |
|---|-------------|
| Fig.2.1: Conceptual Frame Work..... | 14 |
| Figure 4.1.1: Gender distribution of the Respondents..... | 26 |
| Figure 4.1.2: Age distribution of the Respondents..... | 27 |
| Figure 4.1.3: Educational Background of Respondents | 28 |
| Figure 4.3. Normal distribution diagram | 30 |
| Figure 4.4. P-P plot | 31 |
| Figure 4.5. Scattered plot | 31 |

ABSTRACT

As all organization works toward their objective, which is productivity, this study analyzes the role of human resource management practice on organizational performance in Addis hiwot hospital. The population in this study is all Addis hiwot hospital employees with different levels. The study used purposive sampling to select 160 officers from 318 staff working at Addis hiwot hospital 9 Specialized Doctors, 121 Degree holder employees and 30 Diploma holder employees at last the rest under are selected purposively as respondent. Primary data collection methods were used from different materials and the questionnaires were closed ended, collected were carefully edited, coded, encoded using spread sheet and analyzed by using SPSS The data analysis is conducted through descriptive and multiple regression analysis, The findings of analysis show that there is positive or significant relationship between dependent variable and independent variable which is a higher level of recruitment and selection process, an attractive performance-based compensation and a better human resource development result in an effective productivity of organization. Based on the finding the researcher recommend that organizations should work on producing competent staff to handle any activities in a proper way aiming towards improved organizational performance by focusing on human resource management.

CHAPTER ONE

Introduction

In this chapter the background of the study, statement of the problem that necessitates this research to be undertaken, general and specific objectives, basic research questions, scope of the study, and definition of terms and finally the significance of the study will be discussed.

1.1. Background of the study

According to (Lado/Wilson 1995) in recent years, scholars have dedicated much attention and energy towards demonstrating a linkage between human resource management and firm performance. Effective HRM can help an organization achieve a competitive advantage and so improve its performance. The effectiveness of HRM depends on the quality of HR practices, as well as the success of HRM implementation as (Huselid/Jackson/Schuler 1997) suggested. However, even if HR practices were believed to be effective, the HRM system might still not be effective because employees do not know how to implement HR practices successfully on the work floor. Therefore, we need to study the challenges that employees face when implementing HRM processes, as these can influence the effectiveness of the whole HRM system.

Every organization is comprised of people acquiring their services, developing their skills, motivating them to high levels of performance, and ensuring that they continue to maintain their commitment to the organization are essential to achieving organization objectives. This is true regardless of the type of organization Government, business, education, health, recreation or social action. Getting and keeping good people is critical to the success of every organization.

Addis Hiwot Hospital is located in Addis Ababa, Bole Sub city. It was established in 2000AD, by three Ethiopians doctors. The shareholders are highly reputed physicians with the experience curve in the field. They have been practicing medicine for over 30 years with different specialty namely; internal medicine, general and pediatrics surgery, Obstetrics and gynecology. The hospital started its service with 10 beds capacity but currently it is expanding its service from time to time. Right now the hospital has 90 inpatient beds. This is the product of successful management of the owners and the management team which has made the hospital reputable and profitable. In addition the

company has assigned best fit and well experienced professionals responsible for finance and administration. This also adds value to the owners' technical competence in the field.

The hospital has well trained and qualified doctors, nurses, Operation theatre staff, laboratory technologists, radiographers, pharmacists, supportive staffs, administrative and finance in general 316 employees who are skillful and dedicated for patient care. These professionals provide 24hours service in three shifts. There are sub-specialists on call who come and provide service when their special skill and knowledge is needed. Today it has become one of the most preferred hospitals by patients and families in Addis Ababa by enlarge in Ethiopia.

1.2 Statement of the problem

HRM has made significant inroads into the corporate world. It is common to see large organizations in the world set up a whole department for the sole purpose of managing human resources and hire experts in the field to be in charge of HRM. The enormous benefits of properly managing human resource cannot be over emphasized.

However, the majority of the companies in Africa specifically hospitals are yet to catch the HRM fear. Inappropriate HRM policies and practices of some of these sectors can be attributed to the Non-existence of HRM specialists or HRM departments. Research has established significantly a positive relationship between an organization's HRM practices and performance. Most of these sectors do not realize the impact of properly managing its human resource and therefore leave policies in the hands of line managers and board of directors who are non-HRM experts to implement or enforce strategies, policies, processes, programs and practices. The value of properly managing human resources is lost to the hospital sectors.

Human Resource Management is extremely important for hospitals especially because health sector is a service industry. Management of people and satisfying employees are two key challenges facing hospitals. How you manage the people and how it satisfy them determines the success in the business.

According to Stefane (2006) Proper management of human resources is critical in providing a high quality of health care. A refocus on human resources management in health care are needed to develop new policies in order to be effective. Effective human resources management strategies are greatly needed to achieve better outcomes from and access to health care around the world.

HRM has main role in determining the role of success in most business and satisfaction of employees and it is about time health sector saw the role and impact of HRM on performance and worked towards properly managing their manpower. Also mainly the health sectors HR has not been an issue since its main focused on the service delivery but the employees specially service deliverance health sector workers must be focused, It is in the face of this existing state that the researcher wishes to establish the effect of HRM on organizational performance and how hospitals can, through appropriate HRM practices improve performance.

1.3 Objectives of the study

1.3.1 General objectives

The general objective of this study is to evaluate the role of HRM practice on organizational performance.

1.3.2 Specific Objectives

1. To examine the role of recruitment and selection practices on organizational performance of Addis Hiwot Hospital.
2. To evaluate the performance-based compensation practices on organizational performance of Addis Hiwot Hospital.
3. To assess the effect of human resources Development on the organizational performance of Addis Hiwot Hospital.

1.4 Research question

Main question

What is the role of human resource management practice on the organizational performance in the case of Addis Hiwot hospital?

Specific questions

1. To what extent do the recruitment and selection practices on organizational performance of Addis Hiwot Hospital influence?

2. What is the level of performance-based compensation practices on organizational performance of Addis Hiwot Hospital?
3. What does the effect of human resources development on the organizational performance of Addis Hiwot Hospital?

1.5 Scope of the study

The scope of this study cover the effect of Human Resource Management Practice on Organization Performance the case of Addis Hiwot Hospital. This research work would be restricted to the HRM practice of addis hiwot hospital. Which would enable the researchers to generalize and affirm how HRM has impact on the organizational performance, also to identify the geographical, theoretical, and methodological scopes,

Geographical

For the purposes of this study, the research take place in Addis Ababa, where Addis hiwot hospital is located

Theoretical

Different theoretical ideas and definitions addressed on the general topic of human resource management also focuses on variables that the hospital mainly focuses on implimenting

Methodological

The study used quantitative research approach and both primary and secondary data. Survey research method is through collecting data by employing structured questionnaire in order to get collect the information.

1.6 Significance of the study

The researcher believes that the outcome of this study will have multi-dimensional significance. The study is helpful to the hospital management in determining the level of recruitment and selection process. As the health industry is becoming one of the highly competitive businesses locally and calls for respective HR department to adopt properly formulated human resource strategies for a better organizational performance.

To health organizations, this study finding is going to be of great importance to take steps to retain their workforce. Through HR expertise the companies will be better positioned to judge their

performance and make improvements where to boost their market performance and overall ranking in the industry, and also it helps them to know how to develop their organizational performance in order to grow compared to others. This could be through an increase emphasis on training and engagement programs investing in areas that will optimize expenditure, such as integrated technology system.

To those who have scholarly interested in the industry and overall sector, this study provide a source of reference, literature review and basis upon which further studies can be developed.

1.7 Limitation of the Study

The study conducted on Addis hiwot hospital at Addis Ababa may or may not yield results representative of all Hospitals around the country. The sample for this study is collected only from Addis hiwot hospital that are found in Addis Ababa and generality of the results may not be reserved.

Samples from the entire company might not truly representative (if the relation with the management is not good). And respondents might not be knowledgeable for some of the questions in the questionnaire and may just give a random response just for the sake of responding.

Moreover, the occurrences pandemic disease covid-19 and its limitation of movement which cause inconveniences to get information.

Thus, any conclusions of the study emanating from the research finding needs to be interpreted with some caveat due to the limitations of the study.

1.8 Organization of the study

The study is organized in to five chapters. The first chapter introduces the background of the study, statement of problem, the research objectives, research questions Besides, it encompass significance and limitation of the study and scope of the study. The second chapter presents both theoretical and empirical review of the related literatures. The third chapter deal with methodology of the study. The fourth chapter mainly concerned with the analysis of data collected. The last chapter present the conclusion and the recommendation drawn from findings of the data in addition with implications and recommendation for further research.

1.9 Definition of terms

Human Resource Management: According to Byars and Rue(2006) Human resource management includes those activities designed to provide for and coordinate the human resources of an organization Human resource functions refer to those tasks and duties performed in organizations to provide manage human resources.

Organizational performance- According to Louise James (2012) organization performance relates to how successfully an organized group of people with a particular purpose perform a function. Essentially, this is what we are speaking about when we refer to organizational performance and achievement of successful outcomes also organizational performance is when all the parts of an organization work together which are Strategic objective, Organizational structure, Business performance measures, Allocation of resources and processes, Values, culture and guiding principles, Reward structures to achieve great results with results being measured in terms of the value we deliver to customers.

Compensation- John Dunlop (1958) has explained the concept of compensation / wages from three standpoints: a. wages determined the standard and volume of services of employees of market. B. Compensation influences distribution of employment of industries, firms and professional organizations by impact on cost and c. Compensation has performed some important activities like supply of active media through which technological facilities have been scattered through the economy.

Employment security- According to Adebayo and Lucky (2012) it is the assurance from the company or organization that their employees will remain with them for a reasonable period of time without being wrongly dismissed

CHAPTER TWO

REVIEW OF THEORETICAL LITIRATURE

The review of related literatures in the area of human resource management practice and organization performance, theoretical review will be presented first after defining human resource management and the variables of the HRM practice compensation and job security and also it discuss organizational performance, empirical review is discussed by elaborating previous researchers findings of related studies, based on the conceptual frame work developed and mentioned.

2.1 The Concept of Human Resource Management (HRM)

Dr.S.Ganesan (2004) described HRM as the process of managing people of an organization with a human approach. Human resources approach to man power enables the manager to view the people as an important resource. Organization can utilize the work force not only for the benefits of the organization but for the growth, development and self-satisfaction of the concerned people through the approach. Thus, HRM is a system that focuses on human resources development on one hand and effective management of people on the other hand so that people will enjoy human dignity in their employment.

Human resource has a paramount importance in the success of any organization because most of the problems in organizational setting are human and social rather than physical, technical or economical failure. In the words, “No industry can be rendered efficient so long as the basic fact remains unrecognized that it is principally human. (Jan. 2009), Human Resources Management is concerned with the “people” dimension in management. Since every organization is made up of people acquiring their services, developing their skills, motivating them to high level of performance and ensuring that they continue to maintain their commitment to the organization are essential to achieve organizational objectives.

This is true regardless of the type of organization, government, business, education, health, recreation or social action. Getting and keeping good people is critical to the success of every organization, whether profit or non-profit, public or private.

2.2 . Nature of Human Resource Management

HRM practices refer to organizational activities directed at managing the pool of human resources and ensuring that the resources employed towards the fulfilment of organizational goals according to (Schuler & Jackson, 1987; Schuler & MacMillan, 1984; Wright & Snell, 1991). It was observed that majority of studies define HRM in terms of human resource practices or systems or bundles of practices. Divergent views exist on the nature of HRM. According to (Batt, 2002) in terms of his studies, he defined HRM nature in terms of individual practices or systems or bundles of practices. In addition, there appears to be no one fixed list of generally applicable HR practices or systems of practices that define human resource management,

According to (Legge, 1995) Human resource management as a concept has frequently been described with two distinct forms; soft and hard. The soft model whilst stressing the importance of integrating HR policies with business objectives; emphasizes on treating employees as valued assets and a source of competitive advantage through their commitment, adaptability and high-quality skill and performance. Employees are proactive than passive inputs into productive processes, capable of development, worthy of trust and collaboration which is achieved through participation.

Moreover, consistent HRM affects the social forces in an organization. If the activities of the organization are consistent, it is easier to mound individual expectations. In turn, employees will adapt their behavior. Furthermore, there is the influence of consistent HRM on recruitment and selection. Consistent hiring policies can better ensure that employees are working at the right place, which is where they will perform best. Furthermore, in order to work cost efficiently, it is important that employees clearly understand the contents of the positions they are being hired for. Moreover, if employees do what matches their skills best, it is likely that they will enjoy their work, which may positively affect turnover (Lambert, Lynne Hogan, & Barton, 2001; Mynatt, Omundson, Schroeder, & Stevens, 1997).

Summarizing: the internal fit ensures homogeneity among HRM practices. If the various HRM practices are aligned, all employees know what is expected of them, and they will have uniform expectations concerning their jobs and behavior. Desired behavior of employees is consistently rewarded and supported by the consistent HRM-practices and undesired behavior is consistently

discouraged. Because employees are treated equally and fairly, they will feel justly treated and this may encourage them to cooperate more with the HRM and performance organization. Employees compare their rewards with the rewards of relevant others (Bloom & Michel, 2002).

2.2.1. Compensation

According to Patnaik (2012) Compensation is a systematic approach to providing monetary value to employees in exchange for work performed. Compensation may achieve several purposes assisting in recruitment, job performance, and job satisfaction. An ideal compensation management system will help employees to significantly boost their performance and create a more engaged workforce that's willing to go to the extra mile for your organization. Such a system should be well – defined and uniform and should apply to all levels of the organization as a general system. Also it is enjoyable to clearer visibility into individual employee performance when it comes time to make critical compensation planning decisions. These performance appraisals assist in determining compensation and benefits, but they are also instrumental in identifying ways to help individuals improve their current positions and prepare for future opportunities. Human resource is the most vital resource for any organization. It is responsible for each and every decision taken, each and every work done and each and every result. Employees should be managed properly and motivated by providing best remuneration and compensation as per the industry standards. The lucrative compensation will also serve the need for attracting and retaining the best employees.

A compensation system based on excellence results in increased employee performance (Delaney & Huselid, 1996) in the same way that a profit sharing system increases productivity and contributes to improved performance by, among other things, decreasing absenteeism (Kaufman,1992).

2.2.2. Employment (Job) Security

According to Geoffrey James, job security has a significant effect on the overall performance of the team as well as on the organization's performance (James 2012) He noted that organizational with workers with low job security led people to lose faith in their future, which consequently affect performance. He confirmed that the more an employee

enjoys a high job security the more he is likely to clearly perform his task, which is reflected in the overall performance of the organization. In the hospital sector the presence of job security will allow the employees be more productive and will allow employee satisfaction Based on this, it can be argued that organizations should find a way of balancing between employee job security and the organizational performance as employee job security is a key determinant of organizational performance especially in the international environment.

2.2.3. Training

Training is an action of teaching a person, a particular skill or type of behavior. Training refers to the methods used to give new or present employees the skills, knowledge, behaviors and other abilities they need to perform their jobs (Amin, Ismail, 2014). Training is improving the one's capability, capacity, productivity, and performance. Training is intended to modify individual's skills or attitudes (Harold, Fedor, 2003). Training is positively associated with the job satisfaction, and job satisfaction is positively associated with the organizational performance (Jones, Jones, Latreille, & Sloane, 2009). Complexities of tasks are increasing so there is the need to learn modern skills (Amin, Ismail, Selemani, 2014). In addition training is a major part of human resource development and it is discussed under HRD section.

2.2.4. Performance Appraisal

Performance appraisal is the process to access the individual performance and productivity. It means how well he or she is performing on the job and establishing the plan for improvement (Amin, Ismail, 2014). Performance appraisals are employed to determine who needs what training, and who will be promoted, demoted, retained, or fired. When people perceive an imbalance in their outcome-input ratios relative to others tension is created (Ramlall, 2004). If it is not present in an organization, it caused many problems like low morale, decreased employee productivity and low enthusiasm to support the organization, and it declines the organizational performance (Amin, Ismail, Selemani, 2014).

2.2.5. Employee Participation

Employee participation is the process in which employees are involved in decision-making processes, rather than simply acting on orders. Employee participation is part of a process of empowerment in the workplace (Wegner, 1994). Employee Participation is defined as a process in which influences are shared among individuals who are otherwise hierarchically unequal (Syed, Yan, 2012). Employees participation known as the employee involvement in decision making, persuade the involvement of stakeholders at all levels of an organization in the examination of problems, development of strategies and implementations of solution (Helum. Armstrong, Graham, 2006). Participation of employee can satisfy the employee's needs and the employee involvement boost the job satisfaction, so it shows the positive association between them (Syed, Yan, 2012).

2.4. Human Resource Development

Term Human resource development is combining to some HRM functions, so it is a relatively modern term as the best means to prepare staff and organization based on activities (organizational development, career development, and training and development. Thus, human recourse development is a part of HRM and it is the important strategies of the company due to playing role in improving employees' behaviors, and general performance to individuals and organization. In fact, Human recourse development activities are interrelated activities significantly (Bratton & Gold, 1999).

Nowadays, many authors used term Human resource development (HRD) to indicate training and development, career development, and organization development as an organization's investment in the learning of its people as part of an HRM approach (Bratton & Gold, 1999; Swanson & Holton, 2001; Vinesh, 2014). HRD is based on the beliefs that organizations are human-made entities that rely on human expertise in order to establish and achieve their goals and that HRD professionals are advocates of individual and group, work processes and organizational integrity (Hassan,2007).

2.5. Organizational performance

According to Richard et al (2009) organizational performance encompasses three specific areas of firm outcomes; financial performance (profits, return on assets, return on investment, etc), product market performance (sales, market share, etc), and shareholder return (total shareholder return, economic value added, etc.).

The concept of performance has gained increasing attention in recent decades, being pervasive in almost all spheres of the human activity. Performance is a subjective perception of reality, which explains the multitude of critical reflections on the concept and its measuring instruments. The multitude of studies at international level in the field of performance is also due to the financial crisis that swept the economy globally, which has led to a continuing need of improvement in the area of performance of entities.

The concept of company performance is often used in the scholarly literature, but it is only rarely defined. Due to the large number of concepts employed in defining performance, it is more and more discussed the existence of a confusion of this concept. Thus, organizational performance is confounded with notions such as: productivity, efficiency, effectiveness, economy, earning capacity, profitability, competitiveness etc. For this reason it is increasingly insisted on a clear and unambiguous definition of the concept of performance. The term performance emerged in the mid-nineteenth century and was first used in defining the results to a sporting contest.

In the twentieth century, the concept has evolved and developed a series of definitions that were meant to encompass the widest sense of what is perceived through performance. Currently, there is no performance independent to targeted objectives. Reaching the objectives translates with achieving the performance. Since the objectives of an organization cannot be defined precisely and are more and more numerous, the performance is more and more difficult to define, as it is a relative measure.

Didier Noyé (2002) believes that the performance consists in "achieving the goals that were given to you in convergence of enterprise orientations". In his opinion, performance is not a mere finding of an outcome, but rather it is the result of a comparison between the outcome and the objective. Unlike other authors, Didier Noyé considers that this concept is actually a comparison of the

outcome and the objective. The author's definition is far from clear, as both outcomes and objectives vary, most often, from one field of activity to another. Author Michel Lebas (1995) characterizes the performance as future-oriented, designed to reflect particularities of each organization / individual and is based on a causal model linking components and products. He defines a "successful" business as one that will achieve the goals set by the management coalition, not necessarily one that achieved them. Thus, performance is dependent as much of capability and future. Unlike other authors, Michel Lebas noted the difference between "a performance", "performance" and "being performant". "A performance" is subject generally to a measured result, higher than that provided for or arising from the previous results. "A performance" thus indicates always a positive connotation. "Performance" can be both positive and negative and relates to past results.

2.6. Empirical Literature Review

A number of literature have been discussed above regarding human resource management and organizational performance in terms of recruitment and selection, performance-based compensation and human resource development. Even though there is a lot of studies are conducted on human resource management, specifically there is limitation of researches related to role of human resource management on organizational performance. Below the researcher tries to see related researches.

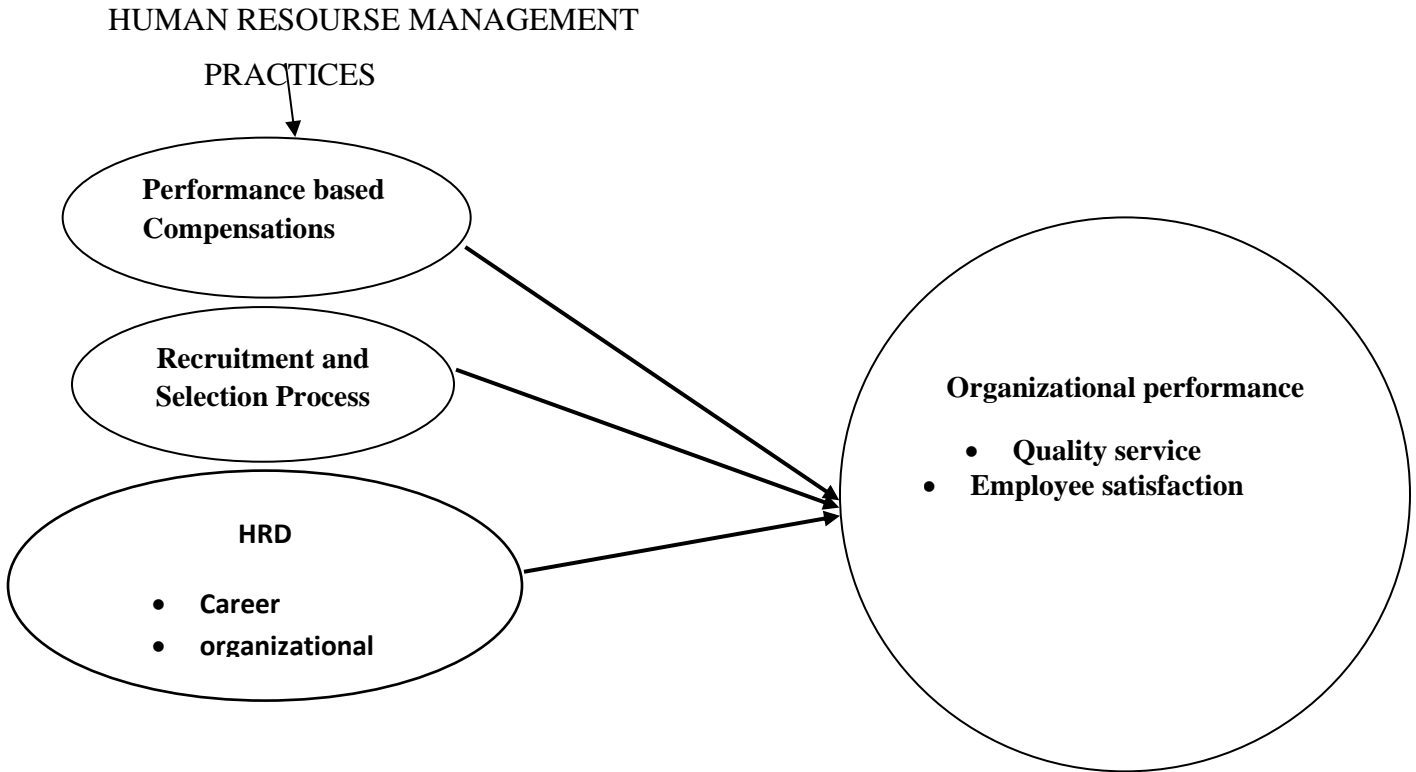
Desalegn (2017), tried to assess the effect, the relationship and the extent between human resource management practice and organizational performance by conducting it using all five dimension of human resource management practices planning, recruitment and selection, training and development, performance appraisal and reward. The Case Study conducted in Ethiopia. The findings of the study were that in Ethiopian Orthodox Tewahdo Church the human resource management practice influence organizational performance moderately.

In addition Mesfin (2019), from Ethiopia studied the effect of human resource practice on organizational performance. With the objective human resource planning, training and development performance management, promotional management and compensation management. the findings shows that there were a positive relationship between human resource

management practice of Commercial Bank of Ethiopia and its organizational performance except promotional practice has no significant effect. The study result shows that the study organization currently has a weak human resource management practice that directly affect organizational performance. The study finally recommended that the bank should revise its human resource management practice for a competitive and advanced service and performance.

2.6. Conceptual Frame Work

Figure 2.1: Conceptual Frame Work



Source: Developed by the researcher, 2020

CHAPTER THREE

Research Design and Methodology

3.1 Introduction

The researcher used both quantitative and qualitative research approaches. The former involves the generation of data in quantitative form which can be subjected to rigorous quantitative analysis in a formal and rigid fashion. Qualitative approach to research is concerned with subjective assessment of attitudes, opinions and behavior. Research in such a situation is a function of researcher's insights and impressions (Kothari, 2007). In order to capture the best of both approaches mixed approach is used by researcher.

In addition, descriptive and explanatory research approach has been used to describe and explain the paper in more accurate and precise way. According to Mugenda, &Mugenda (2003) a descriptive survey is an attempt to collect data from members of a population in order to determine the current status of that population with respect to the stated variables. According to Gay (1990) explanatory research involves collecting data in order to test hypothesis related to the role of human resource management in the organization and its effect in organizational productivity. It is economical and convenient for the study of this nature. Yin (1993) stated that explanatory research explains causal relationship between cause and effect of a phenomenon.

3.2 Data Type and Sources

The researcher used both primary and secondary data sources. Primary source are used for firsthand information to achieve the objectives of the research and they are mainly collected through questionnaires and personal observation. Primary data are originated by a researcher for the specific purpose of addressing the problem at hand (Malhotra and Birks, 2006).

Questioner is distributed to selected employees of Addis hiwot hospital. The secondary data used in this study include key human resource publications, academic articles, website publications, and journals.

3.3 Method of Data Collection

To collect primary data the researcher used questionnaire methods by taking the financial, resources, available time and the desired degree of accuracy in to consideration. In order to collect qualitative data concerning human resource management a structure question is employed to Addis hiwot hospital employees and top managers.

The secondary data were collected from key human resource management publications, academic articles, website publications, annual reports, and different relevant journals.

3.4 Population and Sample Design

3.4.1 Target Population

Target population refers to the larger population to which the researcher ultimately would like to generalize the results of the study (Mugenda and Mugenda, 2003). It is thus the entire group of individuals, events or objects having common observable characteristics.

From Addis hiwot hospital, the entire population means 318 staff the organization has direct connection to human resource management departments. There are 9 specialized medical doctors, 132 degree holders and 177 diploma holder and under which is sum up to 318 employees and it it the total population of this research.

3.4.2 Sampling Frame

In preparing sampling frame, if source list is not available, researcher has to prepare it. Such a list should be comprehensive, correct, reliable and appropriate. It is extremely important for the source list to be as representative of the population as possible (C.R Kothari, 2004).

As mentioned above in the section of target population the sample frame were the list of all employees in Addis hiwot hospital is included in the sampling frame of this study.

3.4.4 Sampling Techniques

According to Saunders (2007) sampling techniques provide a range of methods that enable a researcher to reduce the amount of data you need to collect by considering only data from a subgroup rather than all possible cases or elements. The study will use both probability and non-probability sampling techniques. From non-probability sampling the study will use purposive sampling. From probability sampling the study will use simple random sampling, where subjects are selected in such a way that the existing subgroups in the population are more or less reproduced in the sample (Mugenda and Mugenda, 2003).

For this study, the researcher used simple random sampling method to questionnaires and to obtain a representative sample.

In addition, from the list of 318 employees of Addis hiwot hospital 160 employees 9 Specialized Doctors, 121 Degree holders and 30 diploma and under are selected purposively to complete the questionnaire and get better information.

3.5 Sample Size Determination

Sample size is the framework, or road map, that serves as the basis for the selection of a sample of the given area. Determining sample size varies for various types of research designs and there are several approaches in practice. As general rule, one can say that the sample must be of an optimum size that mean, it should neither excessively large nor too small (Kothari, 2004).

From target population in Addis hiwot hospital 5 human resource and management officers purposively selected. While the remaining target populations of this study were, the staff who are working at Addis hiwot hospital in different positions and are selected by simple random sampling.

According to Patrick, B. (2003) the researcher will take sampling technique by determining the sample proportion success and not success based on the experience from previous survey research response rate. Patrick, B. (2003) referring Babie (1979), the return or success rate 50% is 'adequate'; 60% response rate is 'good' and 70% rate or higher is 'very good'. For this study, the response rate is 70%, the non-response is 30% and while, and sample size was determined at 95% confidence level.

Based on the above condition, to determine the sample size of Addis hiwot Hospital the following formula (Kothari, 2004) was use:

Sample size is calculated based on below formula (Kothari, 2004);

$$n = \frac{z^2 \cdot p \cdot q \cdot N}{e^2 (N - 1) + z^2 \cdot p \cdot q}$$

Where,

p = proportion of success = 70%

q = proportion of fail = 30%

n = sample size,

z = confidence level = 1.96

e = standard error = 5%

N= total population = 318

$$n = \frac{1.96^2(0.70)(0.3) * 318}{0.05^2(318 - 1) + 1.96^2 * (0.70)(0.3)}$$
$$= 160$$

In general, for making sample size accurate and to represent the population only 155 Addis hiwot hospital staffs and purposively 5 selected from human resource and management staff of Addis hiwot hospital, which sum up to 160 Addis hiwot hospital staff, were selected.

3.6 Data Analysis and Data Presentation

According to Kombo and Tromp (2011), the data analysis procedure includes the process of packaging the collected information putting in order and structuring its main components in a way that the findings can be communicated easily and effectively. The research is done using both

qualitative and quantitative research approach. The data collected were checked for reliability and verification, editing, cleaning, coding, recoding and tabulation were carried out. Descriptive and inferential statistics are used to describe the data collected in a research study to characterize accurately the variables and to summarize a study sample. Descriptive data are presented in the form of tables, graphs and percentages with description. Quantitative analyses are done with the use a tool called Statistic Package for Social Sciences (SPSS) version 22 to gate all correct detailed outcomes.

The major part of the analysis was done based on the descriptive statistics, correlation and multiple regression analysis for quantitative data to examine the study to indicate the role of human resource management practice on the organizational performance in the case of Addis hiwot hospital.

Descriptive statistics is used to determine frequencies, means and measure of distributional shape (i.e., skewness). The collected data is analyzed and presented by using data presentation tools: tables, pie chart, and histogram along with sufficient interpretations.

Regression analysis was carried out to further understand the relationship between the variables. In addition variables were regressed using a model and all coefficients interpreted. The model took this formula (Ho, 2006):

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon$$

Where: Y = Dependent Variable (organizational performance)

Independent variables (χ_1 is recruitment and selection practices, χ_2 is compensation practices, χ_3 human resources development)

β_0 = the constant

β_i = the regression coefficient or change included in Y by each χ : $i=1,2,3$

ε = error term

3.7 Reliability and Validity

Reliability and Validity are important concepts in research as they are used for enhancing the accuracy of the assessment and evaluation of a research work (Tavakol and Dennick, 2011). They

have different meanings under the different types of research i.e. quantitative and qualitative research (Creswell, 2014).

Statistical validity also used to measure the validity of the research though use of correct statistical procedure and instruments (Neuman, 2007). To insure the statistical validity of the study, the researcher has collected quantitative data using survey questioner commented by adviser that it is truly measuring the concept that intended to measure and analyze the data using correct statistical instruments like descriptive statistics, inferential statistics, correlation and regression analysis after testing for the fulfilment of needed assumptions.

Oppenheim(1992), argues that for a questionnaire to produce useful results, it must have validity and reliability. If the questionnaire can actually test what it is intended for, it refers to validity, whereas, reliability measures the relevance. To test the reliability of the questionnaire, a pretest should be carried out. Depending on this fact, the researcher has administered the questionnaire to the selected respondent for a pilot survey, then after entering the data on the prepared form on SPSS, reliability was checked and the questionnaire is adjusted.

The value of r (reliability) should be greater than 6 (Nunally,1978). In addition William and Barry (2010) scales exhibiting a coefficient alpha between 0.80 and 0.96 are considered to have very good reliability, between 0.70 and 0.80 are considered to have good reliability, and alpha value between 0.60 and 0.70 indicates fair reliability and when the coefficient alpha is below 0.60, the scale has poor reliability. Accordingly, Alpha values of the survey indicate good reliability since most of the alpha value is more than 7 and the result are presented in Table 3.1.

Table 3.1 Cronbach Alpha value

| S. No | Variables | Cronbach's Alpha Value | Number of Items |
|-------|-------------------------------------|------------------------|-----------------|
| 1. | Organizational Performance | 0.82 | 12 |
| 2. | Recruitment and selection practices | 0.73 | 5 |
| 3. | Compensation Practices | 0.80 | 6 |
| 4. | Human Resources Development | 0.74 | 8 |

Source: Survey Result (2020)

CHAPTER FOUR

Data Presentation and Analysis

This chapter will present the results of the data analysis carried out in the study. The demographic composition of the study samples is discussed along with. Subsequently, the descriptive statistics test results for the study’s measurement is discussed. Finally, the structural model and the hypothesized relationships between the independent and dependent variables are presented and discussed using SPSS 22.0 software.

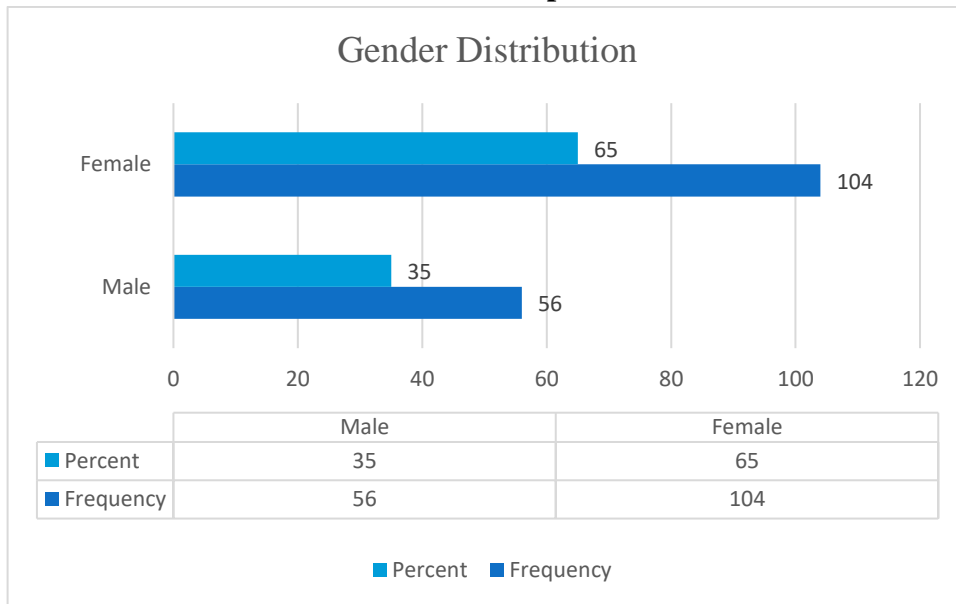
4.1 Demographic characteristics of the sample

This section discusses Gender, Age and the education level of the respondents in Addis hiwot hospital.

4.1.1 Gender distribution of the Respondents

Total of 160 respondents participated in the data collection. Out of the total 160 respondents 56 were found to be Male and the remaining 104 were found to be females. Which accounts to 35% and 65% respectively. This shows majority of Addis hiwot hospital employees are Female.

Figure 4.1.1: Gender distribution of the Respondents

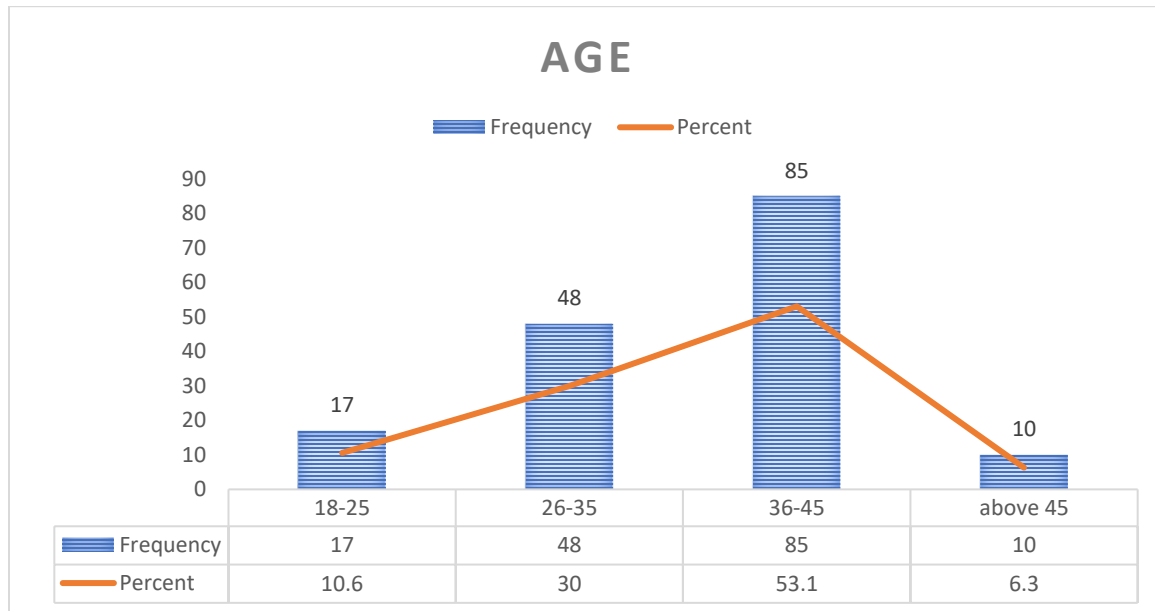


Source: Field Survey, 2020

4.1.2. Age of Respondent

Coming to the age classification the below diagram shows, from the total of 160 respondents 10 (6.3%) respondents are of from 45 - Above, 17 (10.6%) respondents account for 18-24, 48 (30%) accounting for 26 – 35 and finally 85 respondents accounting for 36-45 which comes to 53.1% of the total respondents. To conclude majority of the respondent’s lands from 36-45 age group.

Figure 4.1.2: Age distribution of the Respondents



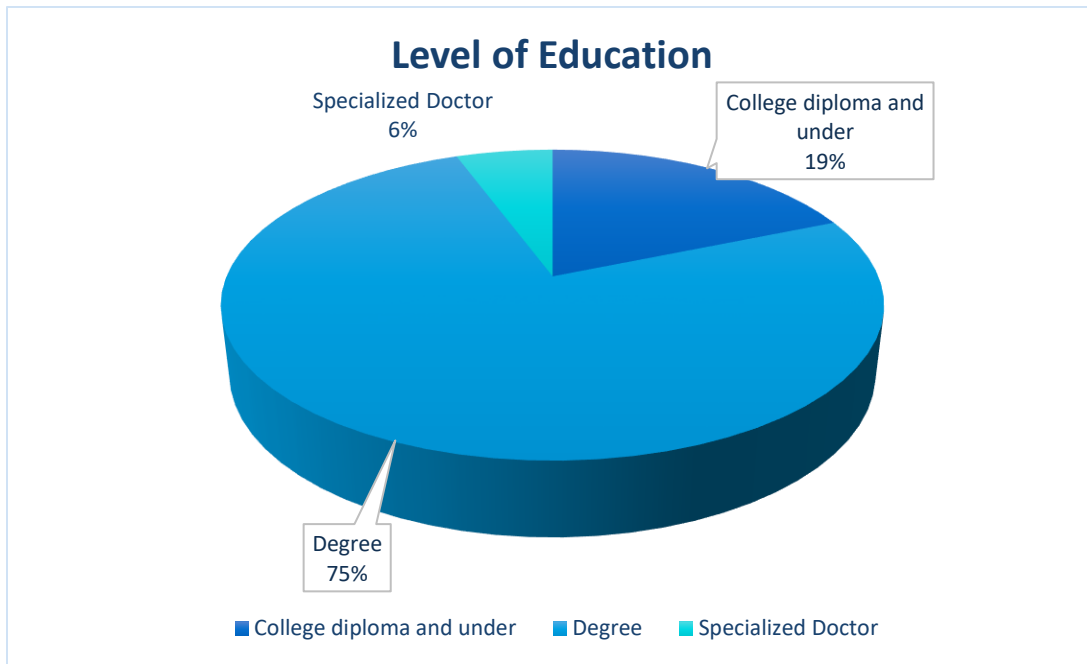
Source: Field Survey, 2020

4.1.3 Educational Background of the Respondents

This section provides educational level of respondents who were involved in the study and data collection on basic characteristics.

Figure 4.1.3 below shows that 6 % of the respondents are specialized Doctor, 75% have a Bachelor's degree, 19% of the respondents are at college diploma level and under. The figure bellow shows that the majority of the Addis hiwot hospital staff has adequate education to carry out the office duties properly.

Figure 4.1.3: Educational Background of Respondents



Source: Field Survey, 2020

4.2 Survey Results

The following descriptive statistical analysis shows the conceptual framework adopted for this study. Particularly, the analysis demonstrates the research questions, related to the recruitment and selection practices, the level of performance-based compensation practices and the effect of human resources development on the organizational performance in the case of Addis hiwot hospital. To make discussions the study used mean, frequency and percentile. The respondents were asked to indicate the extent to analyze the factors influencing asset disposal in five scales (1= Strongly Agree, 2= Agree, 3= Neutral, 4= Disagree and 5=Strongly Disagree).

4.2.1 The recruitment and selection practices

To examine the role of recruitment and selection process of Addis hiwot hospital on its performance the questionnaire administered to the staff and field in to SPSS for analysis and the descriptive result is presented by percentage and frequency shown on Table 4.1 below.

Table 4.1: Recruitment and Selection Practices

| Item | Responses | | | | | | Total |
|--|-----------|-------------------|----------|---------|-------|----------------|-------|
| | | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree | |
| The need for human capital is filled at the right time at Addis Hiwot Hospital. | F | 20.00 | 32.00 | 15.00 | 57.00 | 36.00 | 160 |
| | P | 12.50 | 20.00 | 9.38 | 35.63 | 22.50 | 100 |
| Appointments in Addis Hiwot Hospital is based on merit. | F | 24.00 | 27.00 | 11.00 | 51.00 | 47.00 | 160 |
| | P | 15.00 | 16.88 | 6.88 | 31.88 | 29.38 | 100 |
| Human resource department of Addis hiwot hospital forecasts the right human needs before human shortage becomes concern. | F | 26.00 | 16.00 | 12.00 | 66.00 | 40.00 | 160 |
| | P | 16.25 | 10.00 | 7.50 | 41.25 | 25.00 | 100 |
| Human Resource Department of Addis hiwot hospital fills human need with right skill. | F | 11.00 | 37.00 | 19.00 | 55.00 | 38.00 | 160 |
| | P | 6.88 | 23.13 | 11.88 | 34.38 | 23.75 | 100 |
| The recruitment and selection process is fair and transparent. | F | 16.00 | 30.00 | 8.00 | 59.00 | 47.00 | 160 |
| | P | 10.00 | 18.75 | 5.00 | 36.88 | 29.38 | 100 |
| Average | F | 19 | 28 | 13 | 58 | 42 | 160 |
| | P | 12.13 | 17.75 | 8.13 | 36.00 | 26.00 | 100 |

Source: Field Survey, 2020

The first question filling the human capital needed at Addis hiwot hospital at the right time is supported by 58.1% (sum of 36.6% Agree and 22.5% strongly agree) and denied by 32.5% (sum of 12.5% strongly disagree and 20% disagree) while 9.4% of the respondent stay undecided.

In the case of appointment, the majority of the staff 61% (sum of 32% Agree and 29% strongly agree) and 32% (sum of 15% strongly disagree and 17% disagree) disagree on that the appointment of new employees in Addis hiwot hospital is done based on merit during recruitment.

The trend of forecasting the right human need before shortage become concern in the case of Addis hiwot hospital is confirmed by the majority of the staff 66% (sum of 17% Agree and 25% strongly agree) and 26% (sum of 16.25% strongly disagree and 10% disagree) disagree the rest 7.5% stay undecided.

58% (sum of 34.4% Agree and 23.8% strongly agree) of the staff believe that the human resource need of the hospital fill with a right skill and 29% (sum of 6.8% strongly disagree and 23% disagree) disagree about hiring a skilled person for the position in the hospital.

The majority of the staff 66% (sum of 36.4% Agree and 29% strongly agree) agreed that recruitment process in the hospital is fair and transparent and 29% (sum of 10% strongly disagree and 19% disagree) disagree or recruitment process is not fair and transparent while 5% of the respondent stay undecided.

4.2.2 The level of performance-based compensation practices

All of the tools developed under performance-based compensation on Table 4.2.: Profit sharing/bonuses are used as a mechanism to reward higher performance, Compensation packages encourage employees to achieve organizations objectives, the compensation system currently implemented to initiate employees to strive for the success of organization, from I am satisfied with the current benefit package, Employees are recognized and rewarded appropriately in this organization and Job performance is an important factor in determining the incentive compensation of employees are supported according to the Addis hiwot hospital by more than 50% of the respondent.

Table 4.2: Performance -based compensation

| Item | Responses | | | | | | |
|---|-----------|-------|-------|-------|-------|-------|-------|
| | | SD | D | N | A | SA | Total |
| Profit sharing/bonuses are used as a mechanism to reward higher performance. | F | 29.00 | 32.00 | 9.00 | 64.00 | 26.00 | 160 |
| | P | 18.13 | 20.00 | 5.63 | 40.00 | 16.25 | 100 |
| Compensation packages encourage employees to achieve organizations objectives. | F | 10.00 | 25.00 | 17.00 | 34.00 | 74.00 | 160 |
| | P | 6.25 | 15.63 | 10.63 | 21.25 | 46.25 | 100 |
| The compensation system currently implemented initiate employees to strive for the success of organization. | F | 16.00 | 37.00 | 17.00 | 39.00 | 51.00 | 160 |
| | P | 10.00 | 23.13 | 10.63 | 24.38 | 31.88 | 100 |
| I am satisfied with the current benefit package. | F | 20.00 | 27.00 | 10.00 | 56.00 | 47.00 | 160 |
| | P | 12.50 | 16.88 | 6.25 | 35.00 | 29.38 | 100 |
| Employees are recognized and rewarded appropriately in this organization. | F | 9.00 | 43.00 | 9.00 | 49.00 | 50.00 | 160 |
| | P | 5.63 | 26.88 | 5.63 | 30.63 | 31.25 | 100 |
| Job performance is an important factor in determining the incentive compensation of employees. | F | 44.00 | 30.00 | 9.00 | 46.00 | 31.00 | 160 |
| | P | 27.50 | 18.75 | 5.63 | 28.75 | 19.38 | 100 |
| Average | F | 21 | 32 | 12 | 48 | 47 | 160 |
| | P | 13.33 | 20.21 | 7.40 | 30.00 | 29.06 | 100 |

Source: Field Survey, 2020

4.2.3 The Existence of Human Resources Development

As it is show on the table below the average of respondent confirmed that effect of human resource development by setting a systematic task in enriching employees by skills, knowledge, and experiences to meet needs of a current and the future to achieve a goals set is in Addis hiwot hospital is more or less a culture. In contrast if we consider those respondents who strongly disagree, disagree and neutral on those indicators there is a lot task expected by the hospital in the future since human resource development is important strategies in playing role in improving employees' behavior, and general performance of individuals and organization.

Table 4.3: Human Resource Development

| Item | Responses | | | | | | |
|--|-----------|-------|-------|-------|-------|-------|-------|
| | | SD | D | N | A | SA | Total |
| We participate in choices on how new implementation should proceed | F | 16.00 | 52.00 | 15.00 | 41.00 | 36.00 | 160 |
| | P | 10.00 | 32.50 | 9.38 | 25.63 | 22.50 | 100 |
| We participate problem solving activities for the effectiveness of the Organization | F | 12.00 | 27.00 | 6.00 | 68.00 | 47.00 | 160 |
| | P | 7.50 | 16.88 | 3.75 | 42.50 | 29.38 | 100 |
| The effectiveness of our organization is due to good team work and better communication. | F | 20.00 | 20.00 | 5.00 | 49.00 | 66.00 | 160 |
| | P | 12.50 | 12.50 | 3.13 | 30.63 | 41.25 | 100 |
| An environment of trust and respect is created with the help of training | F | 21.00 | 40.00 | 2.00 | 61.00 | 36.00 | 160 |
| | P | 13.13 | 25.00 | 1.25 | 38.13 | 22.50 | 100 |
| Due to the training we found ourselves better equipped with problem-solving capabilities | F | 44.00 | 39.00 | 5.00 | 37.00 | 35.00 | 160 |
| | P | 27.50 | 24.38 | 3.13 | 23.13 | 21.88 | 100 |
| We got opportunity to develop new skill, knowledge and attitude in Addis Hiwot Hospital | F | 29.00 | 33.00 | 8.00 | 39.00 | 51.00 | 160 |
| | P | 18.13 | 20.63 | 5.00 | 24.38 | 31.88 | 100 |
| Addis Hiwot hospital helps us to develop our skills and abilities to fill the gap between our abilities and job requirements | F | 57.00 | 20.00 | 4.00 | 67.00 | 12.00 | 160 |
| | P | 35.63 | 12.50 | 2.50 | 41.88 | 7.50 | 100 |
| There is a continues assessment on our skills and abilities in order to establish a realistic career | F | 28.00 | 38.00 | 5.00 | 51.00 | 38.00 | 160 |
| | P | 17.50 | 23.75 | 3.13 | 31.88 | 23.75 | 100 |
| Average | F | 28.4 | 34 | 7.6 | 53.2 | 36.8 | 160 |
| | P | 17.75 | 21.25 | 4.75 | 33.3 | 23 | 100 |

Source: Field Survey, 2020

4.2.4. Level of Productivity or Performance

The productivity or performance of Addis hiwot hospital is determined depending on a questionnaire administered to the staff by considering important tools developed from basic indicators of organizational performance, like quality of service, employee’s satisfaction and customer satisfaction.

Table 4.4: The level of productivity or performance

| Item | Responses | | | | | | Total |
|--|-----------|-------|-------|-------|-------|-------|-------|
| | | SD | D | N | A | SA | |
| The work target of Addis hiwot hospital is met on time. | P | 18.75 | 14.38 | 11.88 | 19.38 | 35.63 | 100 |
| The job done by employees maintain work accuracy. | P | 17.50 | 20.00 | 6.25 | 36.88 | 19.38 | 100 |
| The organization has right no. of employees at the right time with the right skill to deliver quality service. | P | 6.25 | 23.75 | 2.50 | 47.50 | 20.00 | 100 |
| All materials are available which helps to provide quality service. | P | 13.13 | 23.13 | 3.13 | 33.13 | 27.50 | 100 |
| I am motivated to stay with this organization. | P | 23.75 | 25.00 | 5.63 | 31.25 | 14.38 | 100 |
| Addis Hiwot Hospital does not ignore complaints from employees. | P | 5.63 | 21.25 | 5.00 | 23.13 | 45.00 | 100 |
| The organization functions smoothly with a minimum of internal conflict. | P | 18.13 | 30.63 | 1.25 | 45.63 | 4.38 | 100 |
| The level of employees engagement is high in Addis Hiwot Hospital. | P | 6.88 | 16.88 | 3.75 | 45.63 | 26.88 | 100 |
| The organization is always giving a quality service. | P | 10.63 | 3.75 | 1.88 | 19.38 | 64.38 | 100 |
| Addis hiwot Hospital has the ability to attract Customer. | P | 15.63 | 26.88 | 8.13 | 14.38 | 35.00 | 100 |
| Addis hiwot Hospital is always focus on customer satisfaction. | p | 12.50 | 30.00 | 3.75 | 25.63 | 28.13 | 100 |
| There is the custom of retaining essential employee in the Hospital. | P | 31.25 | 26.25 | 3.75 | 25.00 | 13.75 | 100 |
| Average | P | 15.00 | 21.82 | 4.74 | 30.57 | 27.86 | 100 |
| | | 36.82 | | 4.74 | 58.44 | | |

Source: Field Survey, 2020

According to the descriptive data result on average about half of the respondent (60%) believe in the productivity of the organization depending on those tools. The need of knowing the organization is productive or not is to identify which tool is more worked on and which is not in order to improve in the future. In addition, and the main reason why we need to know the level productivity of the organization is that as our topic of this study indicate there must be the knowledge of the organization weather it is productive or not in order to analyze “The role of HRM in the organization and its effect on organizational productivity or performance”.

Therefore, as it is seen from the result of descriptive data on all variables the researcher confirmed and show that there exist a good recruitment practice, performance based compensation, better human resource development and organizational performance one by one but this does not show the existence of relationship and the type of influence they have on one another and on group which the researcher is going to identify using inferential statistics on the next discussions below.

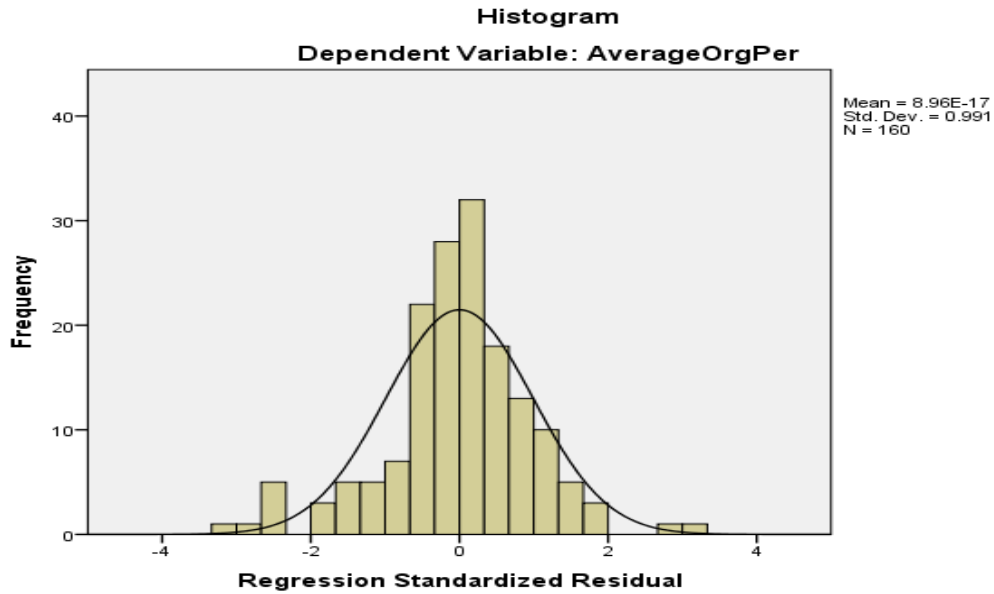
4.3. Inferential Analysis to Examine the Role of HRM Practice in the Organization and its effect on organization Performance

4.3.1. Normality Test

The researcher employed multiple regression model to regress independent variables and dependent variables. The fulfillment of regression model assumption should be checked first. A normality test is used to determine whether sample data has been drawn from a normally distributed population. The dependent and independent variables of this research is normally distributed as shown below on Figure and test of kurtosis.

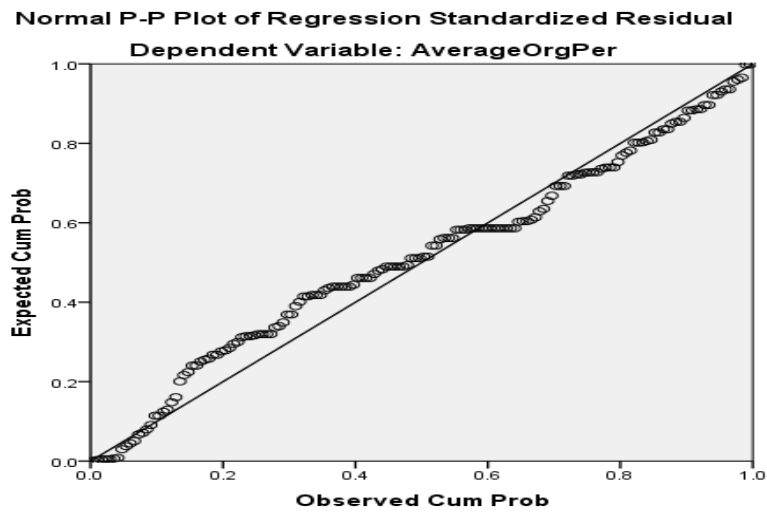
Regression assumes that variables have normal distributions. Non-normally distributed variables (highly skewed or kurtotic variables) and the existence of strong correlation between independent variables can distort relationships and significance tests. There are several pieces of information that are useful to the researcher in testing this assumption: visual inspection of data plots, skew, kurtosis, and P-P plots give researchers information about normality and multi-collinearity test which indicate the level of correlation between independent variables also checked.

Figure 4.3. normal distribution diagram



Source: Field Survey, 2020

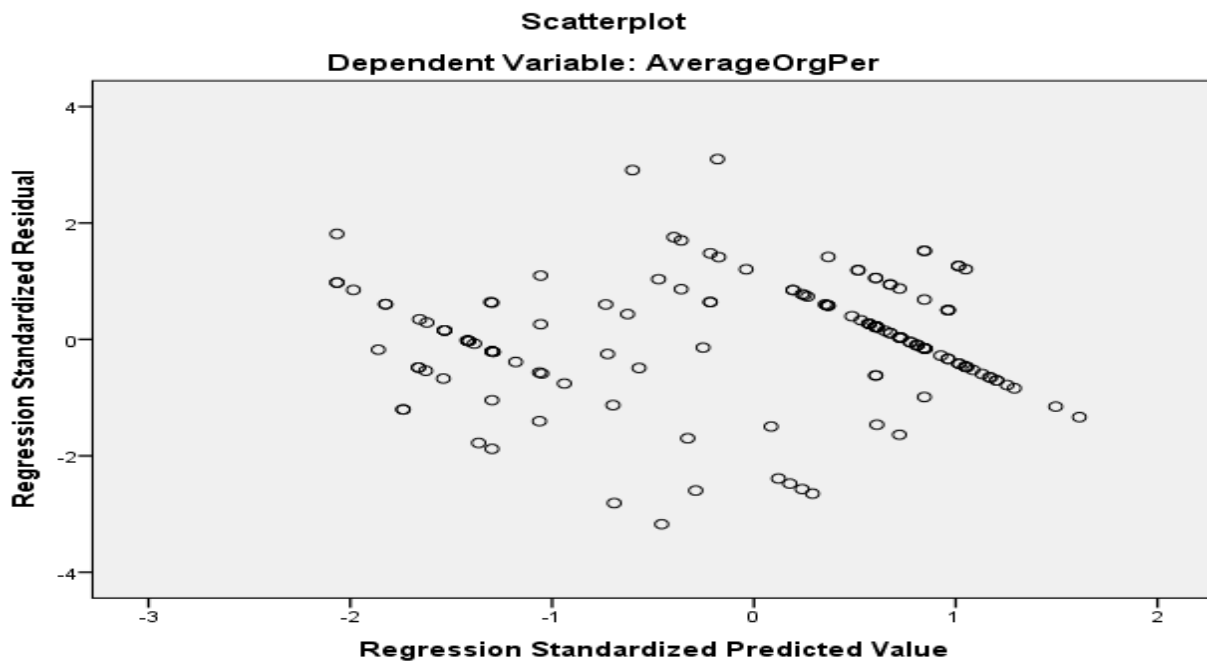
Figure 4.4. P-P plot



A. Heteroscedastic Assumptions

The data does not have an obvious pattern, there are points slightly equally distributed above and below zero on the X axis, and to the left and right of zero on the Y axis. The data is not heteroscedastic.

Figure 4.5. Scattered plot



B. Linearity Assumptions

Linearity means that the predictor variables in the regression have a straight-line relationship with the outcome variable. If the residuals are normally distributed and homoscedastic, we do not have to worry about linearity. In other word linearity assumption is fulfilled.

C. Multicollinearity Assumptions

Multicollinearity exists when there is a strong correlation between two or more predictors in a regression model (Saunders et.al, 2007). There should be no perfect linear relationship between two or more predictors. So the predictor variables should not correlate too highly (Ho, 2006). If there is perfect collinearity between predictors it becomes impossible to obtain unique estimates of the regression coefficients because there are an infinite number of combinations of coefficients that would work equally well. Perfect co linearity is rare in real-life data, but less than perfect co

linearity is virtually unavoidable (Field, 2006). This research data multi-collinearity assumption is checked and all values predictor or **variance proportion** are <0.95 by Collinearity statistics that means there is no linear relationship between Recruitment process, Performance based Compensation and Human Resource Development used to analyze their role on organizational performance.

Table 4.5. Collinearity

| Coefficients ^a | | |
|---------------------------|-------------------------|-------|
| Model | Collinearity Statistics | |
| | Tolerance | VIF |
| (Constant) | | |
| 1 RecSel | .836 | 1.196 |
| Comp | .678 | 1.474 |
| HRD | .619 | 1.615 |

a. Dependent Variable: OrganizationalPer

❖ Since Tolerance >0.1 and VIF is < 10 there is no problem of multicollinearity.

Table 4.6: Collinearity by Correlation

| Correlations | | | | |
|----------------------------|--------|--------|-------|-------|
| Pearson Correlation | OrgPer | RecSel | Comp | HRD |
| Organizational Performance | 1.000 | .417 | .745 | .729 |
| Recruitment | .417 | 1.000 | .281 | .399 |
| Compensation | .745 | .281 | 1.000 | .564 |
| HRD | .729 | .399 | .564 | 1.000 |

If the correlation between each independent variable is less than 0.9 we do not suspect multi-collinearity but to make sure check it using other test method like condition index shown below.

Table 4.7: Collinearity by condition index

| Collinearity Diagnostics ^a | | | | | | | |
|---------------------------------------|-----------|------------|-----------------|----------------------|--------|------|-----|
| Model | Dimension | Eigenvalue | Condition Index | Variance Proportions | | | |
| | | | | (Constant) | RecSel | Comp | HRD |
| 1 | 1 | 3.822 | 1.000 | .00 | .01 | .00 | .00 |
| | 2 | .080 | 6.894 | .03 | .58 | .26 | .12 |
| | 3 | .055 | 8.340 | .55 | .14 | .08 | .51 |
| | 4 | .042 | 9.514 | .41 | .27 | .65 | .37 |

a. Dependent Variable: OrgPer

If condition index is less than 15 or the value of variance proportion less than 0.95 there is no multicollinearity.

Multiple Regression Analysis

Since this study aims to evaluate the role of HRM practice on the organizational performance the following model, the researcher tried to establish a linear regression model using the three major indicators namely recruitment practice, performance based compensation and human resource development is identified. So, based on this, the multiple linear regression model of this study is described as shown below.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Where a_0, a_1, a_2, a_3 and a_4 are constant terms and

Y = Organizational Performance

X_1 = Recruitment practice

X_2 = performance-based compensation

X_3 = Human resource development

e = error

Test of hypothesis:-

H_0 : The model is not useful.

H_1 : The model is useful where

Or $H_0: \beta_1 = \beta_2 = \beta_3 = 0$

H_1 : H_0 not true

Before exceeding to fit the model, the model summary Table should be referred. It describes the overall model whether the model is successful in predicting dependent variables. It gives a value of R square, which measure of how much of the variability in the outcome is accounted for the predictors.

A. Coefficient of Determination

Model summary table describes the overall model whether the model is successful in predicting dependent variables. It gives a value of R square, which measure of how much of the variability in the outcome is accounted for the predictors. In addition, this summary table tells us whether auto-correlation assumption is satisfied or not through Durbin Watson value (Field, 2006).

Table4.8 Model Summary

| Model Summary | | | | | | | | | |
|---------------|-------------------|----------|-------------------|----------------------------|-------------------|----------|-----|-----|---------------|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics | | | | |
| | | | | | R Square Change | F Change | df1 | df2 | Sig. F Change |
| 1 | .841 ^a | .707 | .701 | .59713 | .707 | 125.442 | 3 | 156 | .000 |

a. Predictors: (Constant), AverageHRD, RecSel, Comp

As indicated on the regression model fit table, we reject the null hypothesis that the model is not useful after looking the r square value which is

- **F (3,156)= 125.44, P<0.01, R²=0.707 which indicate the regression model is significant.**

From Table 4.8: model summary, those three independent variables (Recruitment, Compensation and human resource development) is explained 71% of the factors that has impact on organizational performance as represented by R². This showed that considering the three study independent variables, there is a probability of predicting role of HRM on organizational performance using those factors by 71% (R squared =0.71).

Moreover, the regression analysis is done after testing the adequacy of the multiple linear regression model, R^2 measures the proportion of variation in the dependent variable (Y) that is explained by the explanatory variables (or by the multiple linear regression model).

B. Analysis of Variance /ANOVA/ Test

Analysis of variance (ANOVA) is a statistical tool used to detect differences between experimental group means. ANOVA is warranted in experimental designs with one dependent variable that is a continuous parametric numerical outcome measure, and multiple experimental groups within one or more independent (categorical) variables. ANOVA is based mathematically on linear regression and general linear models that quantify the relationship between the dependent variable and the independent variable(s). (Steven F. Sawyer, PT, PhD)

ANOVA model is more likely to be significant, indicating that at least one group mean is different from another group mean. ANOVA is the appropriate statistical technique to examine the effect of a less-than interval independent variable on an at-least interval dependent variable. If the F test result is not significant, the model should be dismissed and there is no need to proceed to further steps (William and Barry, 2010).

Table 4.9: ANOVA

| ANOVA ^a | | | | | |
|--------------------|----------------|-----|-------------|---------|-------------------|
| Model | Sum of Squares | Df | Mean Square | F | Sig. |
| 1 Regression | 134.186 | 3 | 44.729 | 125.442 | .000 ^b |
| Residual | 55.625 | 156 | .357 | | |
| Total | 189.811 | 159 | | | |

a. Dependent Variable: OrgPer

b. Predictors: (Constant), AverageHRD, RecSel, Comp

From the ANOVA test result indicated on above Table 4.9, it is noticed that F value 125.442 is significant at $P < 0.001$ levels. Therefore, from the result, it can be concluded that the combination of the independent variables (Recruitment Process, Performance based Compensation and HRD) significantly predicts the dependent variable (Organizational performance).

Since the adequacy of the model is approved the significance of each of the coefficient should be tested to see the influence of the predictor variables on the dependent variable will be discussed by the regression coefficients.

A. Regression Coefficients or Model

Since the adequacy of the model is approved the significance of each of the coefficient should be tested. As it can be seen from the table below the p-value for all predictor variables is less than 0.05. Thus, we conclude that all variables significantly influence organizational performance at 5% level of significance.

The influence of all predictor variable are positive depending on their sign of regression coefficients.

Table 4.10: Regression Coefficients

| Coefficients ^a | | | | | | | |
|---------------------------|-----------------------------|------------|---------------------------|-------|------|-------------------------|-------|
| Model | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. | Collinearity Statistics | |
| | B | Std. Error | Beta | | | Tolerance | VIF |
| (Constant) | .161 | .182 | | .881 | .380 | | |
| 1 RecSel | .108 | .043 | .118 | 2.486 | .014 | .836 | 1.196 |
| Comp | .443 | .049 | .480 | 9.121 | .000 | .678 | 1.474 |
| AverageHRD | .377 | .050 | .412 | 7.473 | .000 | .619 | 1.615 |

a. Dependent Variable: OrgPer

- **Recruitment and selection practice is** significantly and positively affect organizational performance (Supported: $\beta=0.108$, $t\text{-value}=2.486$, $P<0.05$).

The estimated coefficient of recruitment and selection practice in the organizations is 0.108. Holding the remaining two factors constant, a unite progress on recruitment and selection practice will result in 0.108 improvement on organizational performance.

- **Performance-based compensation is** significantly and positively affect organizational performance (Supported: $\beta=0.443$, $t\text{-value}=9.121$, $P<0.01$).

As indicated on the regression table 4.10, the estimated coefficient of performance-based compensation is 0.443. Holding the remaining two factors constant, a unite increase on performance-based compensation practice will result in 0.443 progress on organizational performance.

- **Human resource development practice is** significantly and positively affect organizational performance (Supported: $\beta=0.377$, $t\text{-value}=7.47$, $P<0.01$).

Considering the third factor on the regression coefficient table, the estimated coefficient of human resource development is 0.377. Holding the remaining two factors constant, a unite increase on human resource development practice will result in 0.377 progress on organizational performance.

In general, the recruitment and selection practice, the performance based compensation and the human resource development practices in the organization affect the performance or productivity of the organization.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

This chapter presents a summary of the findings, conclusions and recommendations which is going to identify measures to be taken in human resource management-based improvement of organizational productivity depending on the objectives of the study. The chapter concludes according to the findings with recommended areas for further research work.

5.1. Summary of Finding

Recruitment and Selection

The finding of descriptive statistics squeezed from questionnaire administered to the employees supports that Addis hiwot hospital recruitment and selection process is transparent in filling the organization with skilled professionals at the right time. The inferential statistics presented by model also shows recruitment and selection process has a positive role on the productivity of organization.

Performance Based Compensation

The research show that there is an overwhelming support to pay for employees depending on their performance. The trend of compensation in Addis hiwot hospital based on performance is supported by the majority and the inferential statistics shows that performance-based compensation is highly important for organizational productivity.

Human Resource Development

The result from descriptive data analysis show that HRD by systematic activities to in enrich employees by skills, knowledge, and experiences to meet the current and the future organizational goal in Addis hiwot hospital is achieved. Moreover, the model developed by regression analysis is also confirmed the importance and positive relationship of HRD in improving organizational performance.

5.2. Conclusion

The research study focusing on the role of human resource management on the organizational performance is determined by identifying three important subjects as an objective of the study. Which is recruitment and selection process, performance-based compensation and human resource development. An environment of trust and respect can be created with the help of transparent recruitment and selection process.

With appropriate performance-based compensation, people become more committed to their jobs when they are assessed on the basis of their performance by having an acceptable performance appraisal system.

The human resource development process in the organization is to make employees better equipped with problem-solving capabilities. In addition to that all leaders must participate in human resource development programs in order to increase efficiency through active workforce.

5.3. Recommendations

Recruitment and Selection

There should be clear and transparent recruitment process, starting from the planning, searching and selection stages. To make the organization attractive and profitable the human capital should reach its maximum. The employees should participate in the planning stage of recruitment process for they can identify the needs in their day to day activities.

Performance Based Compensation

It is recommended that an organization should strive to make a link between performance and compensations. This will make employees to work for better performance and avoid conflict. Rewarding employees based on their performance will encourage for better performance rather rewarding employee's equal compensation discourage employee with well performance.

Human Resource Development

A good recommendation concerning human resource development is on-the-job training which provide employee with task-specific knowledge and skills in work area for better improvement. The knowledge and skills presentation during on-the-job training are directly related to job requirements. Job instruction technique, job rotation, coaching and apprenticeship training are the common forms of on-the job training methods. Job Instruction Training is a structured approach to training, which requires trainees to proceed through a series of steps in sequential pattern. An additional recommendation is job rotation which is the systematic movement of employees from job to job or project to project within an organization, as a way to achieve various different knowledge and skills.

IN addition, human resource development needs assessment very important in identifying the gap between what are the capabilities of the current employee and what required to do. It is to ensure who needs training and development on the essential subject needed for the performance requirements of the organization that can be improved through training and document the expertise required to perform in their workplace.

References

- Adams, J, Khan, Hafiz T.A., Rae (2007). *Research Methods for Graduate Business and Social Science Students*. New Delhi: SAGE. Available from: www.bookzz.org. [Dec 23 2015].
- Adebayo, O.I. and O.I.E. Lucky, 2012. *Entrepreneurship development and national job security. Proceedings of the LASPOTTECH SM National Conference on National Job Security Main Auditorium, June 25-26, 2012, Isolo Campus, Lagos, Nigeria -.*
- Amin, M., Khairuzzaman Wan Ismail, W., Zaleha Abdul Rasid, S., & Daverson Andrew Selemani, R. (2014). *The impact of human resource management practices on performance: Evidence from a Public University. The TQM Journal*, 26(2), 125-142.
- Batt, R. (2002) „*Managing Customer Services: Human Resource Practices, Quit Rates and Sales Growth*” *Academy of Management Journal* 45: 3
- Batt, R. (2002) „*Managing Customer Services: Human Resource Practices, Quit Rates and Sales Growth*” *Academy of Management Journal* 45: 3
- Bloom, M. & J.G. Michel (2002). *The relationships among organizational context, pay dispersion, and managerial turnover. Academy of Management Journal* 45(1), 33-42
- C.R Kothari (2007) - *Research Methodology Methods & Techniques, Second Edition, New age International publishers, New Delhi.*
- Delaney, T.J., & Huselid, A.M. (1996). *The impact of human resource management practices on perceptions of organizational performance. Academy of Management Journal*, 39, 949–969.
- Desalegn, Y. (2017) *The Effect of Human Resource Management on Organizational performance in Ethiopian orthodox thwahido Church.*
- Didier N., *Manager les performances [Managing Performance]*, Insep Consulting Editions, Paris, 2002;
- Dr.S.Ganesan, *International Journal of Business and Administration Research Review*, Vol.1, Issue.6, July - Sep, 2014, ISSN -2348-0653, P. 147
- Gedaliahu h. harel and shay s. tzafir (1999) *the effect of human resource management practices on the perceptions of organizational and market performance 1999*, vol. 38, no. 3, pp. 185–200

- Jones, M. K., Jones, R. J., Latreille, P. L., & Sloane, P. J. (2009). *Training, job satisfaction, and workplace performance in Britain: Evidence from WERS 2004*. *Labour*, 23(s1), 139-175.
- Kaufman, T.R. (1992). *The effects of improshare on productivity*. *Industrial and Labor Relations Review*, 45, 311-322.
- Kothari, C. (2004). *Research Methodology Methods & Techniques*, 2nd edn. New
- Lebas M., *Oui, il faut définir la performance [Yes, One Must Define Performance]*, *French Accounting Review*, no. 269, July-August, 1995;
- Legge, K. (1995) *Human Resource Management: Rhetorics and Realities*. Chippenham: MacMillan Business.
- Malhotra, N. K. and Birks, D.F. (2006). *Marketing Research: An Applied Approach*. (Updated 2nd European ed.). England: Pearson Education Limited.
- Mesfin. (2019) *The Effect of Human Resource Management on Organizational performance in Commercial Bank of Ethiopia*.
- Mugenda O.M. & Mugenda A.G. (2003). *Research Methods Quantitative and qualitative approaches*. Nairobi: Acts Press.
- Mynatt, P. G., Omundson, J. S., Schroeder, R. G., & Stevens, M. B. (1997). *The impact of anglo and hispanic ethnicity, gender, position, personality and job satisfaction on turnover intentions: A path analytic investigation*. *Critical perspectives on accounting*, 8, 657-683.
- Neuman W.L. (2007). *Basics of Social Research: Qualitative and Quantitative Approaches*. (2nd ed.). Bosten: Pearson Education Inc.
- Oppenheim, A. N.: *Questionnaire Design, Interviewing and Attitude Measurement*, Continuum, London, 303 pp., 1992.
- Patrick, B. (2003). *Social Research Theory, Methods and Techniques*. Great Britain: SAGE Publications Ltd.
- Ramlall, S. (2004). *A review of employee motivation theories and their implications for employee retention within organizations*. *Journal of American Academy of Business*, 5(1/2), 52-63

Saunders and Thornhill (2003). Copyright © 2003 MCB University Press Ltd(www.emeraldinsight.com/pr.htm). Reproduced by permission of the publisher.

Saunders, E. (2007). *Research Methods for Business Students 4thEd.* Prentice Hall.

Schuler, R., 2000. *The internationalization of human resource management. Journal of International Management*, 6(3): 239-260.

Schuler, R.S. and Jackson, S.E. (1987) "Linking competitive strategies with human resource management practices", *Academy of Management Executive*, Vol.1, No.3, pp. 207-19.

Stefan M Kabene(2006) *The Importance of human resource Management in health care: global context, human resource for Health Article no 20.*

Syed N. and Yan L. X. (2012) *Impact Of High Performance Human Resource Management Practices on Employee Job Satisfaction: An Empirical Analysis. Interdisciplinary Journal of Contemporary Research in Business*, vol 4, pp 318-342

Syed, N., & Yan, L. X. (2012). *Impact of high-performance human resource management practices on employee job satisfaction: Empirical analysis. Interdisciplinary Journal of Contemporary Research in Business*, 4(2), 318-342.

TAVAKOL, M. & DENNICK, R. (2011). *Making sense of Cronbach's alpha. International journal of Medical Education*, 2, pp.53-55

Wegner, D. M. (1994). *Ironic processes of mental control. Psychological review*, 101(1),

Wright, P. M., & Snell, S. A. (1991) "Toward an integrative view of strategic human resource management", *Human Resource Management Review*, Vol.1, pp. 203-225

Yin, R.K. 1993, *Applications of Case Study Research*, Sage, Newbury Park.

ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE

DEPARTMENT OF HUMAN RESOURCE

Questionnaire to be filled by the Customers

Dear Respondents

The purpose of this questionnaire is to gather data for research of partial fulfillment of MBA degree Entitle “IMPACT OF HUMAN RESOURCE MANAGEMENT PRACTICE ON ORGANIZATION PERFORMANCE IN THE CASE OF ADDIS HIWOT HOSPITAL”. The output of this questionnaire will have greater contribution for the enterprise to improve its performance. Your thoughtful responses to the questions are sought to be of greater help to the success of this study. Therefore, please kindly extend your cooperation by honestly responding to the items contented in this questionnaire.

Instruction for filling the questionnaire

- Please read each statement carefully and put the tick (√) mark under the choice.
- No need of writing your name * Thank you in advance for your indispensable cooperation

SECTION ONE: RESPONDENT’S DEMOGRAPHIC DATA AND USAGE LEVEL

Please indicate your responses by tick (√) in the box

1. Sex: [] Male [] Female

2. Age: [] 18-24 [] 25-35 [] 36-45 [] 46-55 [] 56 and above

3, Education status: [] Basic Education [] Professional Certificate [] College diploma

[] First-degree [] above 1st degree [] Medical doctor [] Specialized Doctors

SECTION TWO

| No. | Items | Strongly Disagree | Disagree | Neither Agree Nor Disagree | Agree | Strongly Agree |
|--|--|-------------------|----------|----------------------------|-------|----------------|
| I. Recruitment and selection practice | | | | | | |
| 1 | The need for human capital fills at the right time at Addis Hiwot Hospital. | | | | | |
| 2 | Appointments in Addis Hiwot Hospital is based on merit. | | | | | |
| 3 | Human resource department of Addis Hiwot Hospital forecasts the right human needs before human shortage becomes concern. | | | | | |
| 4 | Human Resource Department of Addis Hiwot Hospital fills human need with right skill. | | | | | |
| 5 | The recruitment and selection process is fair and transparent. | | | | | |
| II. Compensation (Reward Management) | | | | | | |
| 1 | Profit sharing/bonuses are used as a mechanism to reward higher performance. | | | | | |
| 2 | Compensation packages encourage employees to achieve organizations objectives. | | | | | |

| | | | | | | |
|--|--|--|--|--|--|--|
| 3 | The compensation system currently implemented initiate employees to strive for the success of organization. | | | | | |
| 4 | I am satisfied with the current benefit package. | | | | | |
| 5 | Employees are recognized and rewarded appropriately in this organization. | | | | | |
| 6 | Job performance is an important factor in determining the incentive compensation of employees. | | | | | |
| III. Organizational performance Items | | | | | | |
| 1. Quality Service | | | | | | |
| 1 | The work target of Addis hiwot hospital is met on time. | | | | | |
| 2 | The job done by employees maintain work accuracy. | | | | | |
| 3 | The organization has right no. of employees at the right time with the right skill to deliver quality service. | | | | | |
| 4 | All materials are available which helps to provide quality service. | | | | | |
| Organizational performance Items | | | | | | |
| 1. Employees Satisfaction | | | | | | |
| 1 | I am motivated to stay with this organization. | | | | | |
| 2 | Addis Hiwot Hospital does not ignore complaints from employees. | | | | | |

| | | | | | | |
|---|--|--|--|--|--|--|
| 3 | The organization functions smoothly with a minimum of internal conflict. | | | | | |
| 4 | The level of employees engagement is high in Addis Hiwot Hospital. | | | | | |
| Organizational performance Items | | | | | | |
| 2. Customer Satisfaction | | | | | | |
| 1 | The organization is always giving a quality service. | | | | | |
| 2 | Addis hiwot Hospital has the ability to attract Customer. | | | | | |
| 3 | Addis hiwot Hospital is always focus on customer satisfaction. | | | | | |
| 4 | There is the custom of retaining essential employee in the Hospital. | | | | | |
| Human Resource Development | | | | | | |
| 1. Organizational Development | | | | | | |
| 1 | We participate in choices on how new implementation should proceed | | | | | |
| 2 | We participate problem solving activities for the effectiveness of the Organization | | | | | |
| 3 | The effectiveness of our organization is due to good team work and better communication. | | | | | |
| HRD | | | | | | |
| 2 Career Development and or Training and Development | | | | | | |

| | | | | | | |
|---|--|--|--|--|--|--|
| 1 | An environment of trust and respect is created with the help of training | | | | | |
| 2 | Due to the training we found ourselves better equipped with problem-solving capabilities | | | | | |
| 3 | We got opportunity to develop new skill, knowledge and attitude in Addis Hiwot Hospital | | | | | |
| 4 | Addis Hiwot hospital helps us to develop our skills and abilities to fill the gap between our abilities and job requirements | | | | | |
| 5 | There is an continues assessment on our skills and abilities in order to establish a realistic career | | | | | |