

**ADDIS ABABA UNIVERSITY COLLEGE OF BUSINESS AND
ECONOMICS
SCHOOL OF COMMERCE**



**The Effect of Strategic Human Resource Management Practices on
Organizational Performance: a case study of Commercial Bank of Ethiopia
Bole District**

**A Thesis Submitted to
Graduate Studies Program in Partial Fulfillment of the Requirements for the Award of
Master of Arts in Human Resource Management**

**By
Yared Solomon**

Advisor: Abdurezak Mohammed (PhD)

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**ADDIS ABABA UNIVERSITY
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OF COMMERCIAL BANK OF ETHIOPIA BOLE DISTRICT**

BY

YARED SOLOMON

Approved by Board of Examiners

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ADVISOR	SIGNATURE	DATE

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INTERNAL EXAMINER	SIGNATURE	DATE

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Declaration

I, Yared Solomon, declare that "The Effect of Strategic Human Resource Management Practice on Organizational Performance: A Case Study of the Commercial Bank of Ethiopia Bole District" is my own work, that it has not been submitted for any degree or other examination at any other university, and that all sources I have used or quoted have been indicated and acknowledged as complete references. It has been submitted to Addis Ababa University School of Commerce Graduate Program for the degree of Masters of Art in Human Resource Management.

Declared by:

Yared Solomon

Student

Signature

June, 2022

Date

Confirmed by:

Abdurezak Mohammed (PhD)

Advisor

Signature

June, 2022

Date

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ACRONYMS

ANOVA: Analysis of Variance

BSC: Balanced Score Card

CBE: Commercial Bank of Ethiopia

HR: Human Resource

HRM: Human Resource Management

SHRM: Strategic Human Resource Management

SD: Standard Deviation

SPSS: Statistical Package for Social Science

ABSTRACT

The goal of this research was to investigate the impact of strategic human resource strategies on organizational performance at the Commercial Bank of Ethiopia. Vertical integration of HR and the bank's business strategy, consistency and congruence of HRM processes, high quality of employees and internal practices, and overall performance of Commercial Bank of Ethiopia are all evaluated in this regard. Integration of HR with the organization's business plan should be studied in order to maximize service quality and productivity. According to studies, integrating HR with the organizational business plan has a positive impact on organizational performance. This investigation's exploration structure is straightforward and illustrative. A questionnaire was distributed to 222 respondents from the Bole District and CBE branches. The survey used a five-point Likert scale. To investigate the acquired data, illuminating insights such as standard deviation, mean, recurrence, and rate were used. The data was analyzed using correlation analysis (Karl Pearson). The major findings of this study suggested that strategic human resource strategies had a moderate impact on the overall organizational performance of the Commercial Bank of Ethiopia. As a result, in order to enhance the bank's total performance, the Commercial Bank of Ethiopia must improve its strategic human resource practices based on strategic human resource management principles.

Key words:

Strategic human resource management, Commercial bank of Ethiopia, Organizational performance

CHAPTER ONE

1 INTRODUCTION

1.1 Background of the Study

When compared to science and other business literatures, the modern approach to HR Management, known as Strategic Human Resource Management, is a newborn field. In the last 25 years, the majority of the academic literature on SHRM has been written by researchers in the United States. Most were attempting to describe and support U.S. companies' experiments with new manufacturing technology and employment systems in order to remain globally competitive in the face of enormous technological change, rising labor-force educational levels, increased economic volatility, industry deregulation, and increased global competition in the manufacturing sector, particularly from Japan and Germany (Marier, 2012).

As the field of strategic human resource management continues to grow, international scholars and researchers have been drawn to it. Strategic human resource management, as a macro domain of the human resource management field, focuses primarily on firm-level human resource phenomena and the relationship between human resource practices and company performance (Lepak& Shaw, 2008).

In recent years, it has been common knowledge that an organization's Human Resource (HR) is the source of long-term competitive advantage and success. Another business can clone or copy physical assets such as premises, products and services, or technologies. Human assets cannot be reproduced and hence become an organization's competitive advantage (Marier, 2012).

Key human resources management executives underline the need of aligning (HRM) policies and processes with the overall association approach (SHRM). However, (HRM) has been challenged to justify the value of its functions by demonstrating its impact on an organization's profit, saving costs and maximizing added value in components of an organization's strategy, and customer satisfaction. (Ulrich, 1997)

Many studies have been undertaken to investigate the relationship between (HRM) practices and organizational performance, such as training (Russel et al., 1985), selection (Terpasticea and

Rozell, 1993), appraisals (Borman, 1991), and compensation (Milkovich, 1992). Huselid's (1995) research establishes a link between an index of (HR) functions and both financial and market results. MacDuffie's (1995) study relating bundles of HR practices to productivity and quality demonstrated a progression toward investigating the relationship between HR practice systems and performance. The most contentious management literature investigates the effects of (SHRM) practices on organizational effectiveness and performance (Worsfold, 1999). Some say that there is a beneficial association between (HRM) interventions and organizational performance, while others argue that there is a dearth of data linking HR practices to organizational success. For example, Guest and Hoque's (1994) study looked at the impact of HRM practices and the presence of an HRM strategy on the outcomes of manufacturing companies; they discovered higher levels of positive (HRM) and employee relations outcomes, but no correlation with performance in terms of productivity or quality. On the other side, a growing body of studies has shown a link between specific HRM practices and greater financial success (Russell et al., 1985)

Several scholars have stated that (SHRM) is directly related to organizational performance, but others argue that high-performing work organizations implement specific (HRM) policies and link them to their organizations' strategy. Despite its growing popularity, few detailed analyses of the allegations that it is linked to performance have been conducted, and uncertainties regarding its theoretical underpinnings persist. Furthermore, no research or reporting has been conducted or published in emerging areas to provide a clear picture of (SHRM) adoption (Altarawneh, 2010).

As a result, the goal of this study is to investigate the impact of SHRM on organizational performance at the Commercial Bank of Ethiopia. Its specific purpose is to build on earlier study by investigating the relationship between SHRM and company performance at Ethiopia's Commercial Bank of Ethiopia (CBE). Furthermore, to determine the extent to which the Commercial Bank of Ethiopia (CBE) use a (SHRM) technique to manage its staff (HR). It also intends to investigate the most extensively employed HR practices at the Commercial Bank of Ethiopia (CBE) as well as identify the most significant barriers to the bank's SHRM implementation.

1.2 Statement of the Problem

Organizational performance has recently been the target of intense study initiatives. The effectiveness with which an organization implements its policies and programs and achieves its strategic goal in terms of its mission and vision is critical. Managers in both private and public organizations are becoming increasingly aware that a critical source of competitive advantage is often not indigenous products and services, best public relations strategy, or cutting-edge technology, but rather having an appropriate system for attracting and managing the organization's human resources (Ayanda and Sani, 2010)

The CBE is no difference than what we have seen globally in HRM, where transactional and administrative activities were predominant and strategic alignment lacking. Realizing the role technology can play and the strategic contribution HRM should play, the CBE has begun to shift from the outdated HRM role predominates in the 1980s.

Based on the banks Corporate Strategy document (2018) In order to realize the bank's vision, human resource both at leadership and professional levels must uphold critical competencies that match the world class standards. In this regard, a comprehensive HR strategy is designed and significant progress has been made to institute the HR programs. Continuous work has been made to improve the knowledge, skill and attitude gap of the staff as per the desired state of competency requirement. Critical jobs are identified and urgent training needs have been determined to prepare future leaders. But, there are still capability gaps in branch operations, leadership, branch sales and marketing, customer relationship management, product and service knowledge areas to mention a few.

However, according to the result which obtained from my observation from the bank and bank's annual report 2020, the degree of bank HR strategies integration with the bank corporate strategy planning process is not visible, there is medium level of employee commitment, high level quality of employees and internal practices are not on sufficient level, management and employee relationship needs to be improving and high level of integration of HR policies with one another and with other business strategies. In addition Line managers are poorly integrated with HR policy of the bank and considering peoples in the organization as a strategic resource is not as expected level. Thus the study attempted to address the problem in detail by examining the

role of strategic HRM practices on the performance of Commercial Bank of Ethiopia Bole District by providing the answers to the research questions.

Despite the large body of literature on strategic HRM that has been produced since the late 1990s, there is very little solid evidence on how various types of human resource management strategies and practices are shaped in practice in organizations and how their synergistic effect can impact organizational effectiveness. The majority of strategic HRM research (mainly from the United States) concentrated on the influence of strategic HRM practices on the organizational performance of large corporate enterprises (Ayanda and Sani, 2010)

Only a few studies have been undertaken on the relationship between strategic HRM practices and organizational performance, with the majority of them focusing on the assessment of SHRM activities. As a result, this is an area ripe for research, and addressing this gap is the primary issue that this research work is intended to address.

1.3 Research Questions

The following are the key research questions posed by the understudy researcher:

- To what extent is the bank's HRM practices aligned with the CBE business strategy?
- To what level are the CBE HR policies, procedure and practices integrated with one another and with the organization's other work unit?
- How much CBE equipped with capable, competent, and skilled personnel to produce high-quality services and products?
- How the implementations of SHRM contribute to the improvement of organization's overall performance?

1.4 Objectives of the Study

1.4.1 General Objective

The study's general objective is to evaluate the impact of SHRM practices on the organizational performance of Ethiopia's Commercial Bank, Bole district and to give recommendations for more effective and efficient organizational performance.

1.4.2 Specific objective

The specific objectives are:

- To see the vertical integration of HR with the business strategy of the Commercial Bank of Ethiopia.
- To assess the consistency and congruence of HRM practices.
- To determine the impact of high-quality employees and internal practices.
- To see the contribution of implementation of SHRM on organizational performance

1.5 Significance of the Study

SHRM methods are acknowledged to play a critical role in increasing human asset commitment and, as a result, improving hierarchical execution. As written, there is a favorable relationship between increased adoption of SHRM practices and organizational success (Caliskan, 2010; Singh, 2004). This investigation seeks to determine the impact of SHRM on Commercial Bank of Ethiopia's authoritative execution. The investigation's findings will thus provide information on the extent to which SHRM is polished at Commercial Bank of Ethiopia. In addition, a link between SHRM and hierarchical execution will be established. Following that, Commercial Bank of Ethiopia will have the option of utilizing data from this inquiry to analyze the necessity to build or enhance SHRM procedures and execute them with the end goal of increasing hierarchical execution. This study will most likely entice other scholars to conduct additional research in the area, as well as serve as a foundation for improving policies from an organizational standpoint and provide insight for future research.

1.6 Scope of the Study

This study included employees from the Bole District staffs of the Commercial Bank of Ethiopia in Addis Ababa Ethiopia, as well as a target group of employees working at the senior officers, supervisory, and middle and top management levels. To obtain the necessary data for analysis, questionnaires and interview methods were used, and the data was analyzed using descriptive and explanatory statistics by using SPSS.

1.7 Operational Definition of Terms

Strategic Human Resource Management is a procedure that includes the utilization of general ways to deal with the improvement of HR techniques, which are incorporated vertically with the business methodology and on a level plane with one another. (Armstrong 2006).

Commercial Bank of Ethiopia Unlike other banks, the Commercial Bank of Ethiopia (CBE) is the oldest and largest public-owned commercial bank in Ethiopia. It was established in 1942 with the objective of facilitating economic activities and expanding use of modern financial services.

Organizational performance is mission fulfillment, accuracy, timeliness and value of service and program delivery, the extent to which an organization adapts to changing conditions and its environment and financial viability. (David Muraga, 2015).

Dependent and Independent variable: - Dependent and Independent variables are variables in mathematical modeling, statistical modeling and experimental sciences. Dependent variables receive this name because, in an experiment, their values are studied under the supposition or demand that they depend, by some law or rule, on the values of other variables (Wikipedia). The cause variable or the one that distinguishes powers or conditions that follow up on something different is the free factor. The variable that is the effect or is the result or outcome of another variable is the dependent variable. (Dr. Abdurezak Mohamed and et al 2014)

1.8 Organization of the Study

The thesis will be divided into five chapters. The first chapter introduces and contextualizes the study variables, which are SHRM practices and organizational performance, as well as the problem definition, research objectives, significance of the inquiry, and examination barrier. The second chapter includes a thorough review of the literature on the key study variables, which include SHRM practices, banking sector culture, HR competencies, and organizational performance. As a result, a logical structure was created that highlighted the links between the variables under consideration. The third chapter delves into research methodology, design, research protocols, variable operation, and ethical issues. Part four examines the consequences of information collecting and discussions. Part five presents the investigation's outline, conclusions, and strategic proposals.

CHAPTER TWO

2 Literature Review

2.1 INTRODUCTION

This chapter will present theoretical literature, empirical literature, research gaps, and the study's conceptual framework. The theoretical literature segment will cover the resource-based view, universalistic theory, contingency theory, and configuration theory, while the empirical literature section will address SHRM practices and organizational performance, human resource capabilities, and organizational culture. The conceptual framework for the study will be described in the concluding.

2.2 Theoretical Literature Review

2.2.1 The Concept of Strategic Human Resource Management

Strategic human resource management (HRM) is a method that describes how the organization's goals will be realized through people through HR strategies and integrated HR policies and practices. (Armstrong 2014)

In essence, strategic HRM is a conceptual concept; it is a broad idea of how to achieve integration or 'fit' between HR and business strategies, the advantages of taking a longer-term view of where HR should be going and how to get there, and how coherent and mutually supporting HR strategies should be developed and implemented.2014 (Armstrong)

The ultimate goal of strategic human resource management is to build organizational capacity by ensuring that the business has the skilled, engaged, dedicated, and well-motivated employees it requires to maintain a competitive advantage (Armstrong 2014).

SHRM has three basic goals: first, to achieve vertical alignment of HR practices with business systems; second, to achieve level alignment of HR strategy. The following goal is to teach employees how to read a compass in a consistently hostile environment so that the organization's business needs, as well as the individual and aggregate needs of its employees, can be met through the course of events and the application of intelligent and functional HR approaches and

projects. The third goal is to add to the business strategy plan by getting individuals to think about how the organization can take use of the benefits supplied by its human resources.

Human asset initiatives with long-term goals are fundamental to strategic human resource management. Rather than focusing on internal human resource issues, the emphasis is on caring to and addressing long-term challenges affecting individuals and executive programs.

There are five approaches to strategic human resource management. A resource-based approach, establishing strategic fit, superior administration, strong executive responsibility, and high management participation are examples of these.

The resource-based strategy: - According to Barney (1991), a major aspect of a resource-based approach HR strategy is to build vital ability by achieving vital fit between assets and openings and gaining added value from the appropriate deployment of resources.

Strategic fit: -- The HR strategy should be aligned with the business strategy. Even better, HR strategy should be integrated into business strategy, contributing to the business planning process as it takes place.

Superior Administration: Horizontal integration with other parts of HR strategy is critical to ensuring that the plan's diverse pieces fit together. The goal is to provide a fair method for dealing with supervising people in which all procedures are consistent.

High performance management: - Its purpose is to influence the firm's performance through its employees in areas like as productivity, quality, and customer service, as well as growth, profitability, and, finally, the transmission of greater investor esteem.

High-responsibility the executives:- heavy duty Wood (1996) described the board as a sort of executive intended to inspire dedication so that behavior is largely self-directed rather than bound by authorizations and weights external to the individual, and relations within the organization rely on a high level of trust.

High- involvement of the management: - According to this model, employees are treated as partners in the project, with their interests considered and a voice on issues that concern them. It is focused with communication and group dynamics. The idea is to establish an atmosphere in

which heads and members of their groups can engage in discourse in order to characterize desires and supply information on the organization's major challenges and goals.

2.2.2 Resource-based theory

The resource-based view underpins the SHRM concept to a considerable extent. This asserts that the variety of resources in a company, especially human resources, gives its distinct character and competitive edge (Armstrong 2014_13th edition Page 20). Edith Penrose's (1959) research established resource-based theory by investigating the relationship between firm resources and business growth. According to this theory, different firms have different bundles of resources and capabilities that allow them to outperform the competition in certain activities, and resource differences between firms can be less mobile due to the rarity and difficulty in acquiring or imitating those resources and capabilities. This underlying articulation of the hypothesis filled in as the establishment that was extended out by others filled in. However, Barney's (1991) articulation of the characteristics required for long-term competitive advantage appears to be a critical piece in popularizing the concept in strategy and other literatures. In this article, he said that resources that are rare, valuable, unique, and non-substitutable can give sources of long-term competitive advantage.

2.2.3 Universalistic Theory

According to SHRM's universalistic viewpoint, some human resource practices are superior to others and should be adopted by all enterprises. According to this viewpoint, there is a universal relationship between individual "best" human resource practices and organizational performance, which is also known as the "best practice approach." Human resource techniques are universal in the sense that they work well in all circumstances.

Best practice advocates contended that a single high-performance human resource approach improves effectiveness regardless of corporate goals, work systems, or context. Significant research in the field of SHRM supports the assumption that specific human resource practices are linked to organizational performance. According to Pfeiffer (1994), the ideal human resource methods are employment security, selective recruiting, self-managed teams, and high compensation contingent on performance, training to provide a skilled and motivated workforce, reducing status differentials, and sharing information. Best HR strategies, according to Guest

(1999), include cautious selection, training, job design that ensures flexibility, commitment and motivation, communication, and employee share ownership programs. Furthermore, Delery and Doty (1996) listed seven strategic HR practices: internal career ladders, formal training systems, results-oriented appraisal, performance-based compensation, employment security, employee voice, and broadly defined occupations.

2.2.4 Contingency Theory

According to the contingency hypothesis, for an organization's HR policies to be effective, they must be compatible with other components of the organization. The relationship between HR policies and practices and organizational performance is affected by a third component known as contingency factors. These variables moderate the relationship between human resource management and organizational performance. The organization's strategy is the major contingency factor. Contingency theory is linked to the concept of fit, which refers to the need to establish congruence between an organization's HR strategies, policies, and practices and its business strategies in the context of its external and internal environment (Armstrong, 2014).

The best fit model is consistent with the possibility hypothesis. It emphasizes the importance of HR strategy being aligned with the organization's setting and circumstances. Life cycle model, competitive strategy, and strategic configuration are the best match models.

2.2.4.1 Life Cycle Model

According to this model, HR strategy should be aligned with the stages of product development life cycle such as start-up, growth, maturity, and decline.

2.2.4.2 Competitive Strategy

According to this approach, HR strategy should be aligned with Porter's (1985) three competitive strategies of innovation, quality, and cost leadership.

2.2.4.3 Strategic Configuration

According to the model, HR strategy should be aligned with the four types of organizations outlined by Mills and Snow (1978), which are prospectors, defenders, analyzers, and reactors.

2.2.5 Configurationally Theory

The configurationally point of view establishes a synchronous inner and outer fit between an organization's outside condition, business system, and HR strategy, implying that business methodologies and HRM approaches collaborate in determining business performance, as indicated by organizational context. The contextual perspective contends that it is necessary to broaden the concept of SHRM in order to provide a more complex explanation, not only of its internal workings and how it can reinforce the achievement of business goals, but also of its impact on the external and organizational context in which managerial decisions are made. Many prominent firms have acknowledged the strategic value of human resources and have developed an investment mindset toward these resources, according to current management practices. The configuration approach is used in the study to demonstrate why it is critical for firms to achieve both vertical and horizontal fit through their HR practices in order to boost an organization's competitive advantage and, as a result, be judged strategic.

2.2.6 Principles of Strategic HRM

SHRM's primary concepts are HR strategy integration, consistency of HRM practices, and development of HRM to line management, strong employee commitment, high quality staff, and internal practices.

2.2.6.1 Integration to Strategy

The degree to which HRM concerns are considered as part of the design of corporate strategies is defined as integration. It is connected with the concept of fit, which refers to the necessity for an organization's HR strategies, policies, and practices to be congruent with its business strategies in the context of its external and internal environments (Armstrong, 2014). The SHRM consistency principle entails developing and implementing a set of internally consistent policies and practices to guarantee that firm HR contributes to the achievement of business objectives. The degree to which all HR practices in a SHRM system are consistent and complementary is referred to as internal consistency of HR practices.

2.2.6.2 Devolvement of HRM to line management

The locus of responsibility for HRM has shifted from specialist managers to senior line management. Devolvement refers to the extent to which HRM methods include and delegate

authority to line managers rather than HR specialists. It is about how much involvement and major responsibility line managers have for particular HR activities.

2.2.6.3 High Employee-Commitment

SHRM is concerned with high employee commitment to the goals and practices of the organization. It is about gaining the ‘hearts and minds’ of employees through involvement, communications and other methods of developing a high commitment, high-trust organization.

2.2.6.4 High Quality Staff and Internal Practices

SHRM is concerned with hiring, developing, and retaining high-quality employees and internal practices in order to produce high-quality goods. It encompasses all managerial operations and procedures associated with creating and retaining a qualified workforce.

2.2.7 Organizational Performance and Balanced Score Card

A balanced scorecard is a management tool that provides partners with a comprehensive picture of how the organization is progressing toward the achievement of its primary objectives.

2.2.7.1 Perspectives in Balanced Scorecard

2.2.7.1.1 Financial Perspective

In private enterprises, the primary goal is to maximize profits without jeopardizing the interests of other stakeholders (community, environment, government, etc.)

The long-term shareholder value is the strategic goal from a financial standpoint. This goal is motivated by two factors: income development and cost effectiveness.

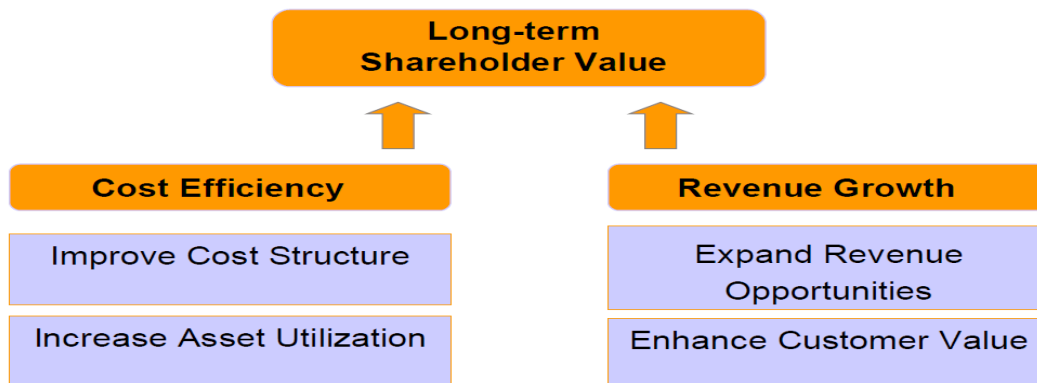


Figure 1: Strategic objective in financial perspective

Source :(www.ExploreHR.org) 2020

2.2.7.1.2 Customer Perspective

This point of view is incredibly important, because a business cannot exist without clients.

Customer perspective covers the following elements

- Customer acquisition
- Customer retention
- Customer profitability
- Market share
- Customer satisfaction

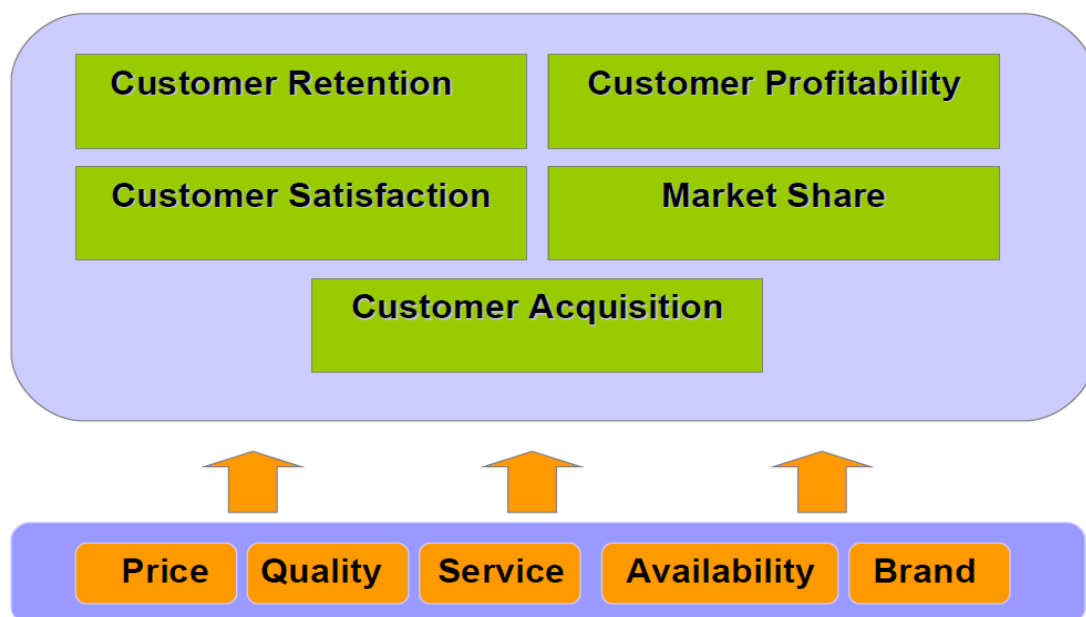


Figure 2: Strategic objective in customer perspective

Source :(www.ExploreHR.org) 2020

2.2.7.2 Internal Process Perspective

This viewpoint shows the procedure in significant businesses that must be followed in order to meet the expectations of customers.

This viewpoint focuses on four main aspects in particular

- Operations management process
- Customer management process
- Innovation process
- Regulatory and social process

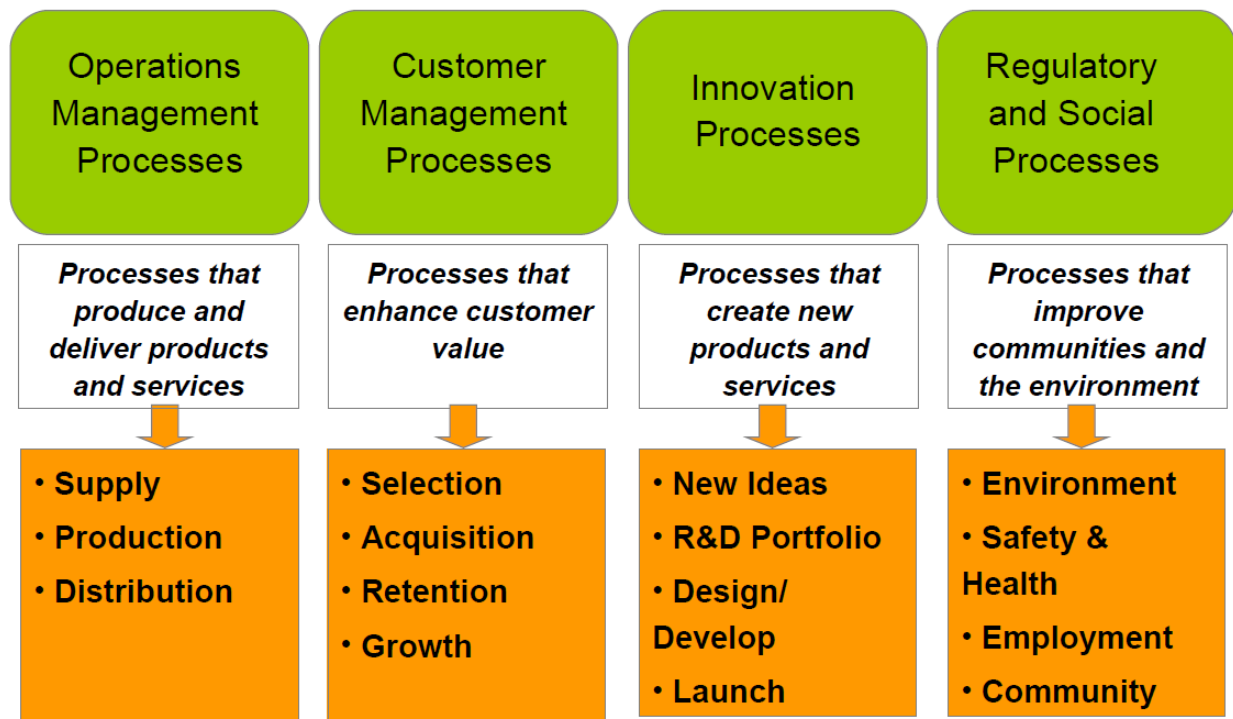


Figure 3: Strategic objectives in internal process perspective

Source: (www.ExploreHR.org) 2020

2.2.7.3 Learning and Growth Perspective

This viewpoint represents the capabilities of a good human resource development system, organizational system, and information system to provide a solid basis for enhancing firm performance.



Figure 4: Strategic objectives in learning and growth perspective

Source: (www.ExploreHR.org) 2020

2.2.7.4 Strategy map framework

The strategy map framework is presented in Figure 2.5

This structure displays the kind of major objectives that should be introduced in each point of view, specifically the budgetary point of view, clients, internal business procedure, and learning and development point of view.

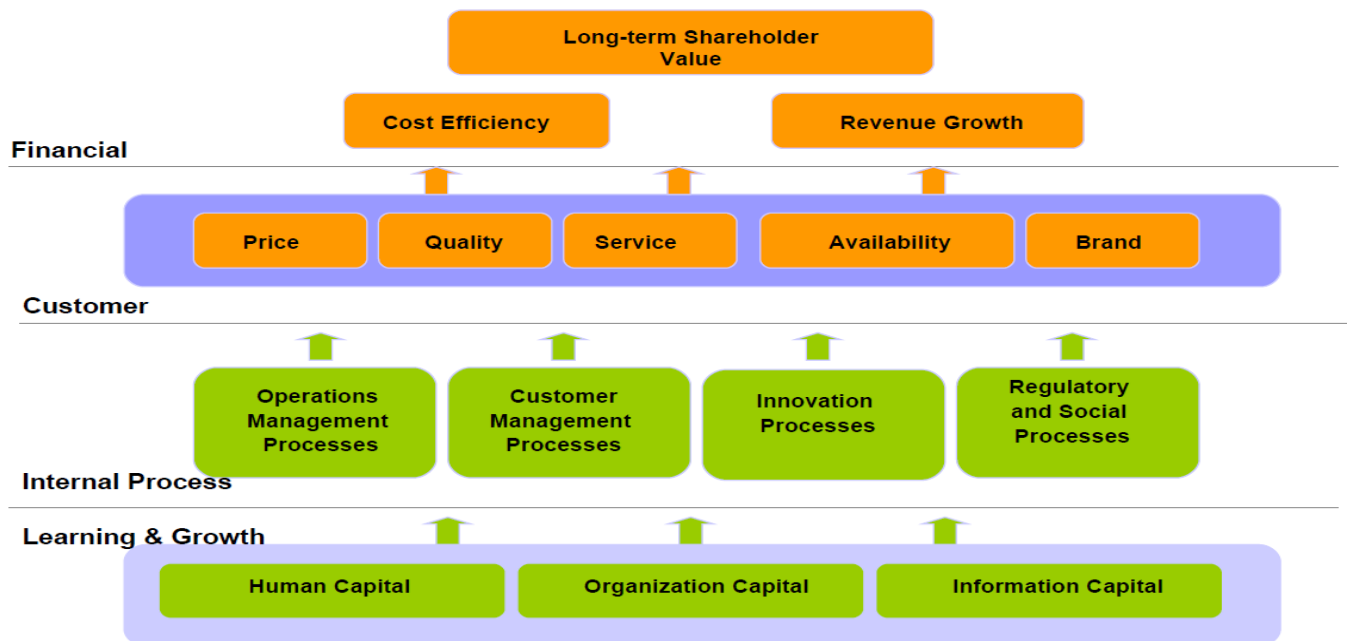


Figure 5: Strategy map framework

Source: (www.ExploreHR.org) 2020

2.3 Empirical Study

2.3.1 SHRM Practices and Organizational Performance

To satisfy their stakeholders and remain competitive in the business environment, all firms must perform successfully. To do so, they rely on the quality, passion, enthusiasm, experience, and talents of the individuals who work in them at all levels. According to Gust (1997: 269), "the specific component of HRM is the notion that improved performance is attained through the humans in the business." If appropriate HR ideas and practices are presented in this manner, it may also be expected that HRM will have an impact on firm execution. West et al. (2002) conducted a study in 61 UK medical clinics, gathering information on HR technique, arrangement, and tactics from CEOs and HR Directors, as well as ethical quality rates.

This study found a link between some HR procedures and decreased morale. According to West, "if you have HR practices that focus on exertion and aptitude; build up relationship building skills"; enable participation, cooperation, advancement, and collaboration in groups for most, if not all workers, the entire framework functions and performs better. An investigation of the effect of superior work practices, for example, teamwork, evaluation, work pivot, broad banded level structures, and sharing of business data in UK aviation foundations directed by Thompson (2002) revealed that the quantity of HR training and the size of the workforce secured demonstrated to be the key separating factor between more and less effective firms. Many studies examiners are directed to decide links between HRM capacities and hierarchical execution, such as preparation (Russel et al., 1985), selection (Terpasticea and Rozell, 1993), examinations (Borman, 1991), and compensation (Milkovich, 1992) in relation to the organization performance.

2.3.2 Human Resource Capabilities

HR capabilities are usually defined as the schedules installed inside the unspoken and verified data about individuals from a partnership working to aggregate build, sustain, transmit, and redeploy HR amid a dynamic, critical condition (Boxall, 1998). HR capacity may be a source of competitive advantage since it is embedded in incomparable aggregate data on business individuals that is developed over time, is unusual, and significant (Wright, 2004). The firm's RBV suggests that if a partnership uses crucial and unusual assets, it gains an advantage, which gradually leads to greater execution.

2.3.2.1 Value

According to Barney (2002), a capability or asset is feasible if it has the potential to inspire a corporation to reduce costs while also responding to natural opportunities and risks. If a company can send such an asset or capacity profitably, it will gain an advantage. As a result, the importance of an organization's assets and capacities determines its advantage. This implies that organizations with insignificantly valued talents and assets will achieve at best a modest advantage. In any case, as Wright (2004) contends, organizations endowed with exceptional abilities and resources are likely to gain a general advantage. This could signal that the organization is intent on misusing its skills and assets; in light of the fact that only important capacity and assets with potential can a corporation get an advantage.

According to Penrose (1959), the administrations that result from resources are a part of the process through which they are utilised. To be able to successfully convey or invest in an asset, a company must have the necessary skills, which implies that the company must be able to send assets. Henceforth, even if a specific resource may be idle to provide ascension to a crucial aid, that administration will remain capable of being utilised in an appropriate manner (Amit and Schoemaker 2003).

Assets and abilities are usually combined at the same time to get an advantage. Penrose (1959) goes on to argue that assets or talents cannot be employed in isolation; in order to be effective; they must be used in potential combinations with other resources or capacities. According to Makadok (2001), corporations can gain a significant competitive advantage by selecting preferable assets over rival firms and utilizing them more effectively with the appropriate capacities. Makadok goes on to argue that while the firm's capabilities are exceptional, they cannot generate money until the firm acquires assets whose efficiency would be improved by its capabilities. Thus, despite the fact that an asset or ability may require significant latent worth, that worth can simply be recognized when it's pooled with a comparable capacity or asset. For whatever length of time that assets and abilities aren't advantageous in disconnection, the key to gaining an advantage isn't only the use of a substantial asset or an important capacity, but rather the use of a significant asset capability mix. Furthermore, the greater the importance of the company's asset capability mixes, the greater the amount of leeway it will infer as a result of their utilization (Makadok, 2001).

2.3.2.2 **Rarity**

According to Barney (2002), for enterprises to get an advantage, they should leverage advertising opportunity, achieve a value level, or maybe check a risk that their competitors cannot. In any case, associations are unlikely to achieve these results if the assets and capacities they use are widely held. Another advantage must be obtained by utilizing skills and assets that are rare or held by a substantially small number of organizations in an industry.

According to Barney (2002), for rareness to add to an advantage, there must be a degree of asset ability blending, suggesting that assets and abilities must be exploited together; when abused exclusively, they will not yield rareness. This supports the notion that selectiveness applies to asset packs, meaning that if a chosen heap of assets and capacities is broad, then a large number of associations will be fit for actualizing the subsequent system, reducing the preferred place to be earned by each firm.

However, Beardwell and Claydon (2007) argue that organizations do not need to have unique assets and capabilities in order to gain an advantage. For example, if a company has the force that no other company loves a protected compound modification, it's a little much for it to have similarly rare assets in order to convert that capability's idle an incentive into an advantage. Because this protected technique is designed to effect generally realistic crude materials such as obviously occurring synthetic intensifies, the firm should have an advantage over its competitors as long as its unique ability allows it to use natural assets differently than other firms.

2.3.2.3 **Inimitability**

According to Beardwell and Claydon (2007), if an organization's HR include value and are unique, they will give an advantage in the short term; but, if other enterprises can imitate similar characteristics, the advantage will be gone and replaced with substantial equality after some time. HR should establish and sustain attributes that cannot be effectively duplicated by the organization's competitors.

According to Barney and Wright (2008), if an asset or its benefit is commonly duplicated across enterprises, it must be a source of substantial equality rather than an advantage. They also notice the relevance of socially complex wonders, for example, an organization's fascinating history and culture, which may be inclined to recognize one-of-a-kind procedures and practices that enable associations to outperform their rivals. Continue to work with Cardeal and Antonio (2012) In

general, resources will be more difficult to imitate if they are: very dependant; have an ambiguous relationship between the assets that gives them an advantage; or are socially unpredictable. For example, if they are beyond the ability of firms to oversee and control them in a planned path; there are legitimate property rights, as in the case of licenses; and the strategy for their impersonation by other organizations is lengthy, for example, because of the time required to mentor representatives or absorb the information required to master the asset.

2.3.2.4 Organization

Organizations have discovered a workable speed that they will boost, including worth, irregularity, and dominance. This suggests focusing on a balanced mix, or coordinated, effective frameworks of HR practice, rather than singular techniques, that enable representatives to excel in their latent capacity (Gratton, 1999). This necessitates associations ensuring that their HR utilitarian strategies and practices are composed, logical, and not conflicting.

According to Cardeal and Antonio (2012), the advantage stems from the way organizations work and interrelate their key and non-vital assets, utilizing hierarchical procedures to provide what are frequently regarded as halfway items between critical assets and consequently the company's final.

2.4 Research Gap

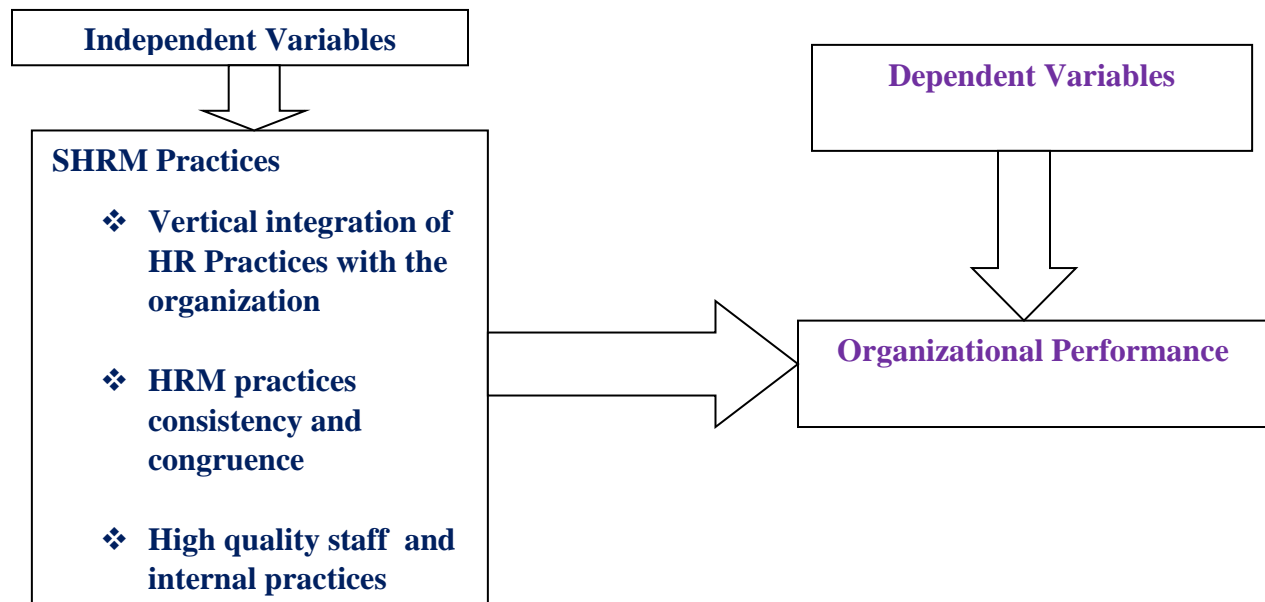
Several studies have concluded that the application of SHRM practices and their influence on both operational and financial execution are undeniable (Delanay and Huselid, 1996; Singh, 2004 and Okara and Pamela, 2008). Studies on the relationship between firm performance and SHRM practices have primarily been conducted in Europe.

In any event, the majority of the research done in Africa focused on manufacturing firms (Dimba, 2009, Oladipo and Abdulkadir, 2011), public (Tessema and Soeters, 2006), and corporate firms in general (Waiganjo et al., 2012). Furthermore, the majority of the studies used monetary constructs to assess performance. As a result, this has revealed limited insight into SHRM practices on: vertical integration of HR and business strategy, consistency and congruence of HR practices, high quality of staff and internal practices has on firm performance in the service sector while incorporating non-financial measures, and in this case, the bank industry.

2.5 Conceptual Framework

According to Njenga (2018) and Mugenda and Mugenda (2010), a conceptual framework is a study element in which a specific idea is described as a quantitative incident that gives a cohesive interpretation of the thought. The goal of this research is to look at the connection between SHRM practice and organizational performance.

Unlike traditional HRM, the new approach to HRM known as strategic HRM has a vertical connectivity with corporate and company strategy as well as a horizontal fit with all HR functions of an organization. This strategic relationship has a significant impact on employee behavior, performance, and productivity. As a result, an organization's performance will be determined by SHRM practices, as seen in the diagram below.



Source: Researcher 2022

Figure 6: Conceptual Framework

CHAPTER THREE

3 RESEARCH METHODOLOGY

3.1 Introduction

Unlike traditional HRM, the new approach to HRM known as strategic HRM has a vertical connectivity with corporate and company strategy as well as a horizontal fit with all HR functions of an organization. This strategic relationship has a significant impact on employee behavior, performance, and productivity. As a result, an organization's performance will be determined by SHRM practices, as seen in the diagram below.

3.2 Research Design

A research design is defined as, "arrangement for directing an examination with most notable control over circumstances that may interfere with the veracity of the disclosures" (Burns and Grove, 2003).

Polit et al. (2001) define it as "the analyst's general strategy for addressing the study question or testing the exploration hypothesis," while Collis and Hussey (2003) define it as "a science or specialty of arranging techniques for leading investigations in order to obtain the most legitimate discoveries."

This study used a qualitative and quantitative research method with descriptive and explanatory in nature because the researcher describes how employees and managers of the bank perceive the practice of SHRM to improve organizational performance after analysing the results of questionnaires to be collected from research participants and involving precise procedure & data source specification, to discover the degree of association between variables and answers. Data was gathered through a questionnaire, interviews, internal papers, and articles. To gather information, open-ended surveys and targeted questions were used. The information was analysed using a guided approach to content inspection.

3.3 Population, Sample Size and Sampling Technique

In this study the researcher used multi-stage sampling techniques. In the first stage certain group of population has been selected purposefully and at the second stage simple random sampling technique was applied from the probability sampling techniques.

Consequently this study purposefully focuses on the strategic contributor of the organization which has knowledge and understanding on their organizational strategies. Accordingly the study's population consists of 500 Bole District staff members of the Commercial Bank of Ethiopia, including directors, managers, and senior officers, and 222 questionnaires were sent to 222 staff members. The simple random sampling technique was chosen from among the probability sampling techniques.

Guilford and Flruchter's (1973) formula for calculating sample size is used to determine sample size:

$$Z = \frac{N}{1 + (\mu^2)N}$$

$$Z = 500/1 + (0.05)^2 \times 500$$

$$Z = 500/1 + 0.0025$$

$$Z = 500/1 + 0.0025 \times 500 \quad Z = 500/2.25 \quad Z = \underline{\underline{222}}$$

Where: Z is sample size, N is the size of the population, μ is alpha = +0.05

3.4 Types of Data Collection

The study drew on both primary and secondary data sources. The main data refers to information received from respondents via interview and questionnaire, whereas the secondary data was information gathered from prior records such as internal documents and journals dealing with strategy HRM and the performance of Commercial Bank of Ethiopia.

3.5 Methods of Data Collection

The basic data was acquired via mailing questionnaires to Commercial Bank of Ethiopia workers at the Head Office and Bole District, as well as organizing focus group discussions and interviews with managers or team leaders. Secondary data will be gathered from related articles,

credible websites, and the records of stakeholders such as the National Bank of Ethiopia and the Commercial Bank of Ethiopia.

3.6 Data Validity and Reliability

Reliability is a tool for measuring the reliability of a questionnaire, which is an indicator of the variables or constructs. The reliability of a questioner is assumed to be high if respondents' responses to questions are constant or stable over time, and the reliability test is carried out using SPSS version 24 for Windows. Cronbach's alpha values were calculated for each construct's components by the researcher. George and Mallery's recommendations were used to evaluate the coefficients (2010), where values of 0.5 or higher indicate excellent reliability, values ranging from 0.8 to.89 indicate good reliability, values ranging from 0.7 to.79 indicate acceptable reliability, values ranging from 0.6 to.69 indicate questionable reliability, values ranging from 0.50 to.59 indicate poor reliability, and values less than 0.5 indicate unacceptable reliability Cronbach's alpha was used to do a reliability analysis on the four variables, and according to Table 1, all values were acceptable according to George and Mallery's criterion (2010).

Table 3-1 Reliability test of Measurement Variable

	Number of Items	Cronbach's Alpha
Vertical integration of HR Practices	9	0.674
HRM practices consistency and congruence	8	0.676
High quality staff and internal practices	2	0.670
Organizational Performance	20	0.668

3.7 Methods of Data Analysis

Using both qualitative and quantitative data analysis methodologies, the acquired data was analysed and interpreted. The information gathered through focus group discussions and interview replies was analysed qualitatively. As a result, closed-ended questions were quantitatively analysed using tables and percentages. Microsoft Excel was used to investigate the quantitative data.

As a result, the data collected using the Likert scale was coded; encoded, and analysed using descriptive statistics to describe the characteristics of the variables in the study, and Pearson correlation was used to establish the nature and magnitude of the relationships between the

independent and dependent variables. Narrations, tables, and other statistical approaches were used to interpret both qualitative and quantitative data. Finally, recommendations were made based on the findings, which could add to understanding in the field as well as provide insight for future academics to do additional research.

3.8 Ethical considerations

According to Kumar (2005), the most important moral difficulties concerning study subjects are security, obscurity, purposeful and educated assent.

The following ethical issues were addressed in the study: informed consent (by informing respondents about the background of the study, including the importance of the data to be collected from them) and confidentiality (by assuring respondents that all information in this study was used solely for academic purposes).

Furthermore, the student researcher ensures that all of the responses from the sample are given weight, regardless of whether the student researcher agrees or disagrees with their particular comments. The student researcher was given any personal information about the respondents that had been explained in the questionnaire and interview. The student researcher additionally pledges to all selected offices for this investigation regarding these ethical norms.

CHAPTER FOUR

4 DATA ANALYSIS, PRESENTATION AND INTERPRETATION

INTRODUCTION

This chapter presents data analysis and discussions. The purpose of this study was to determine the impact of strategic human resource management practices on organizational performance in the Commercial Bank of Ethiopia Bole district. Questionnaires were issued to 222 managers, officials, and experts in the Commercial Bank of Ethiopia Bole district; 216 completed and useable questionnaires reflecting a response rate of 100% are used for analysis. MS Excel and the Statistical Package for Social Science software were used to analyze the data (SPSS).

4.1 Demographic Characteristics of the Respondents

This section examines the characteristics of the 216 respondents who completed valid questionnaires for the study. The study aimed to determine the gender, age ranges, degree of education, year of service at the bank, and department involved in the bank.

The table below Table 4.1 provides the demographic features of the respondents, which demonstrate that 69 percent are male and the remaining 31 percent are female. This means that the gender composition of the employees and management group is balanced in comparison to the company's overall female population. Furthermore, the report paints a favorable picture of the respondents' educational level. A considerable number of responders, 95.4 percent, hold a first degree or higher. This indicates that the respondents are well-educated individuals. The bulk of respondents (67.2 percent) are under the age of 40. This means that respondents are, on average, youthful, enthusiastic, and expected to be productive.

Furthermore, 55.6 percent of respondents have served in CBE for more than 5 years, while 44.4 percent have served for less than 5 years. And around 50.5 percent work in top and middle management positions, while 49.5 percent work at the expert/officer level, which includes Branch, District HR, Internal Audit, Procurement, Legal, and Quality & Process. The bulk of respondents have served for at least five years. This also indicates that the respondents have spent enough time in the organization to understand how strategic the company's management is.

Table 4-1 Demographic Characteristics of the Respondents (N=216)

Demographic Variable		Frequency	Percent
Sex	Male	149	69.0
	Female	67	31.0
	Total	216	100.0
Educational Qualification	Diploma & Below	5	2.3
	B.A	117	54.2
	M.A /M.S.C	89	41.2
	Other	5	2.3
	Total	216	100.0
Year of service at CBE	1- 3 years	27	12.5
	4- 5 years	69	31.9
	5 and Above years	120	55.6
	Total	216	100.0
Age	Less than 35 years	85	39.4
	35-40 years	60	27.8
	41-45 years	50	23.1
	More than 46	21	9.7
	Total	216	100.0
Management Level (Position)	Top Level Manager	21	9.7
	Middle Level Manager	88	40.7
	Expert/ Officer	107	49.5
	Total	216	100.0

Source: Questionnaires and SPSS output (2022)

4.2 Descriptive Statistics of Variables

The descriptive statistics of the dependent and independent variables utilized in this investigation are presented in this section. Vertical integration of HR practices with the CBE business strategy, Consistency and Congruence (Horizontal Fit), and High Quality Staff and Internal Practices were employed as dependent variables in this study. The tables present summary descriptive results for all variables utilized in the study, including mean, maximum, minimum, and standard deviation of observation.

4.2.1 Vertical Integration of HR practices with the Commercial bank of Ethiopia Business Strategy

The study was evaluated in this section to determine the vertical integration of HR with the CBE business plan. Respondents were asked to mark how much they agreed or disagreed with statements on vertical integration of HR with the bank's business strategy. Table 4.2 shows the results of an analysis using descriptive statistics.

Table 4-2 Descriptive statistics on Vertical Integration of HR practices (N=216)

Variables	N	Mean	SD
Commercial Bank Of Ethiopia's HRM strategy is aligned with the vision, mission and objective of the organization	216	3.01	1.427
Commercial Bank Of Ethiopia's recruitment and selection policy is aligned with the vision, mission and objective of the organization.	216	2.92	1.351
Commercial Bank Of Ethiopia's human resource development policy is aligned with the vision, mission and objective of the organization.	216	2.97	1.406
Commercial Bank Of Ethiopia's performance management system policy is aligned with the vision, mission and objective of the organization	216	3.11	1.383
Commercial Bank Of Ethiopia's compensation management policy is aligned with the vision, mission and objective of the organization.	216	3.23	1.402
Commercial Bank Of Ethiopia's recruitment and selection practices are aligned with the vision, mission and objective of the organization	216	3.19	1.374
Commercial Bank Of Ethiopia's human resource development investments are made in line with (compatibly) the company vision, mission and objective	216	3.01	1.379
Commercial Bank Of Ethiopia's performance management practices are aligned with the vision, mission and objective of the organization	216	3.00	1.345
Commercial Bank Of Ethiopia's compensation management practices are aligned with the vision, mission and objective of the organization	216	2.92	1.459
Vertical integration of HR Practices	216	3.03	0.505

Source: Questionnaires and SPSS output (2022)

According to table 4.6 data, the aggregated mean and standard deviation were 3.03 and 0.505, respectively. The mean number indicates that respondents are neutral/moderately/agreed on the vertical integrity of HR processes applied by Commercial Bank of Ethiopia, and the lower standard deviation value indicates that data variability is minimal. The highest result (M3.23 with SD 1.402) is related to the Commercial Bank of Ethiopia's pay management policy, which is in line with the organization's vision, mission, and objectives. The lowest result (M=2.92 with SD 1.351) is related to the connection of CBE's recruiting and selection Policy with the organization's vision, mission, and objectives.

4.2.2 Human Resource Management (HRM) practices Consistency and Congruence (Horizontal Fit)

The study analyzed the consistency and congruence of HRM practices in this sector. Respondents were asked to mark how much they agreed or disagreed with statements about HRM practices consistency and congruence. Table 4.3 shows the results of an analysis using descriptive statistics

Key: 1-Strongly disagree, 2- Disagree, 3-Neutral, 4-Agree, 5-Strongly agree

Table 4-3 Descriptive statistics on HRM practices consistency and Congruence (Horizontal fit)

Variables	N	Mean	SD
HRM policies are interconnected with a company values	216	3.06	1.466
HR practices are interdependent and integrated with each other	216	3.05	1.384
HR practices focuses on the entire human resource management system	216	2.90	1.432
HRM practices are compatible (are aligned) with operational goals of the organization	216	3.00	1.393
HRM practices are compatible (are aligned) with the organization structure	216	3.14	1.385
HRM practices work together to achieve organizational objectives	216	3.09	1.346
HRM practices are business driven	216	2.76	1.439
HRM practices are coherent with other departments.	216	2.92	1.428
HRM practices consistency and congruence	216	3.08	0.593

Source: Questionnaires and SPSS output (2022)

The aggregated mean and standard deviation were 3.08 and 0.593, respectively, according to the data in table 4.3. The mean value indicates a neutral/moderate level of agreement on HRM practices consistency and congruence, while the lower standard deviation number indicates that the data is variable. As a result, respondents agreed that HRM practices were consistent and congruent. The best result (M3.14 with SD1.385) indicates that HRM practices are compatible (aligned) with the organizational structure. The minimum result (M2.76 with SD1.439) for HRM practices is driven by business.

4.2.3 High Quality Staff and Internal Practices

The study evaluated the impact of high-quality staff and internal practices in this segment. Respondents were asked to mark how much they agreed or disagreed with statements about the

influence of high-quality employees and internal practices. Table 4.4 shows the results of an analysis using descriptive statistics

Key: 1-Strongly disagree, 2- Disagree, 3-Neutral, 4-Agree, 5-Strongly agree

Table 4-4 Descriptive statistics on High Quality Staff and Internal Practices

Variables	N	Mean	SD
Commercial Bank Of Ethiopia has the capacity to have an able, qualified and skilful workforce to produce high-quality service and products.	216	3.00	1.435
Commercial Bank Of Ethiopia has internal practices related to developing and maintaining a qualified workforce	216	2.89	1.449
High quality staff and internal practices	216	3.19	1.037

Source: Questionnaires and SPSS output (2022)

The aggregated mean and standard deviation were 3.19 and 1.037, respectively, according to the data in table 4.5. The mean value indicates neutrality or modest agreement on the influence of high quality staff and internal practices, and the standard deviation number indicates that there is relatively higher variability of data. The maximum result (M3.00 with SD1.435) demonstrates that the Commercial Bank of Ethiopia has the capacity to have able, qualified, and skilled personnel to deliver high-quality service and goods. The minimum result, (M2.89 with SD1.449), is tied to CBE's internal processes for developing and keeping a qualified workforce.

4.2.4 The Effect of Strategic Human Resource Management Practice on Organizational Performance

The study examined the influence of strategic human resource practices on CBE's overall performance in this segment. Respondents were asked to mark how much they agreed or disagreed with statements on the impact of SHRM practices on CBE's overall performance. Table 4.5 shows the results of the analysis using descriptive statistics

Key: 1-Strongly disagree, 2- Disagree, 3-Neutral, 4-Agree, 5-Strongly agree

Table 4-5 the Effect of Strategic Human Resource Management Practice on Organizational Performance

Variables	N	Mean	SD
I have observed that Commercial Bank Of Ethiopia customers is satisfied with Commercial Bank Of Ethiopia services delivery in the past 3 and half years.	216	2.91	1.398
I have observed that the Commercial Bank Of Ethiopia customers increased in the past 3 and half years.	216	2.94	1.418
The bank's HR result in an increase in revenues	216	2.92	1.451
The bank's HR result in a decrease in costs	216	2.81	1.466
Customer Perspective	216	3.03	0.724
I have observed that the Commercial Bank Of Ethiopia's revenue increased in the past 3 and half years.	216	3.07	1.384
I have observed that the Commercial Bank Of Ethiopia's revenue leakage decreased in the past 3 and half years.	216	3.14	1.394
I have observed that the Commercial Bank Of Ethiopia's resource utilization improved in the past 3 and half years.	216	2.72	1.360
Financial Perspective	216	2.98	0.824
I have observed that the Commercial Bank Of Ethiopia's service accessibility improved in the past 3 and half years.	216	2.96	1.453
I have observed that the Commercial Bank Of Ethiopia's communication and branding activities are improved in the past 3 and half years.	216	3.02	1.421
I have observed that the Commercial Bank Of Ethiopia's product and services portfolio increased in the past 3 and half years	216	2.96	1.425
I have observed that the Commercial Bank Of Ethiopia's service quality increased in the past 3 and half years	216	3.10	1.346
I have observed that the Commercial Bank Of Ethiopia's fraud prevention performance has been enhanced in the past 3 and half years	216	2.97	1.326
I have observed that the Commercial Bank Of Ethiopia's infrastructure and information systems security has been enhanced in the past 3 and half years	216	3.15	1.427
Internal Process Perspective	216	3.09	0.739
I have observed that the Commercial Bank Of Ethiopia's corporate culture has been improved in the past 3 and half years	216	2.88	1.388
I have observed that the Commercial Bank Of Ethiopia's employee satisfaction has been improved in the past 3 and half years	216	2.82	1.416
I have observed that the Commercial Bank Of Ethiopia's performance in deployment and utilization latest technologies has been improved in the past 3 and half years	216	3.10	1.404
I have observed that the Commercial Bank Of Ethiopia's organizational process and structures has been improved in the past 3 and half years	216	2.92	1.460
I have observed that the Commercial Bank Of Ethiopia's performance in building the staffs capacity has been improved in the past 3 and half years	216	2.91	1.439
I have observed that the Commercial Bank Of Ethiopia's performance in building the management capacity has been improved in the past 3 and half years	216	3.01	1.453
Learning & Development	216	2.99	0.854
Organizational Performance	216	3.13	0.499

Source: Survey data from questionnaire, 2022

The aggregated mean and standard deviation from table 4.5 data were 3.13 and 0.499, respectively. The mean value of organizational performance indicates that the majority of respondents are moderately agree on the impact of SHM procedures on the overall organizational performance of CBE, and the standard deviation values indicate that there is little variability of data. The largest mean result (M3.15 with SD1.427) is associated to the respondent response that they had witnessed a moderate increase in CBE clients during the last three years. The lowest result (M2.72 with SD01.360) is related to the respondent response that they disagree with the Commercial Bank of Ethiopia's resource utilization improvement during the last three and a half years.

4.3 The Relationship between Strategic HRM Practices and overall Performance of CBE

4.3.1 Correlations analysis

Pearson Correlation Coefficient (PCC) is a statistical metric that calculates the linear relationship between two variables in a model and is used to estimate the overall population correlation, with values ranging from -1 to 1. The correlation coefficient is a statistical measure of the degree to which changes in one variable predict changes in another. A higher correlation value suggests a greater connection between the two sets of data (Coetzee, 2003). The value of a positively linked variable rises or falls in lockstep.

The knowledge of connections is based on following five old style criteria proposed by Franzblau (1985) to discern connection coefficient among diverse components.

($r = 0$ to $.20$) demonstrates insignificant or no relationship

($r = .20$ to $.40$) demonstrates a positive but low level of connection

($r = .40$ to $.60$) shows positive moderate level of connection

($r = .60$ to $.80$) demonstrates positive and stamped level of relationship

($r = .80$ to $.1.00$) shows positive and high level of connection

Correlations

		Organizational Performance	Vertical integration of HR Practices	HRM practices consistency and congruence	High quality staff and internal practices
Pearson Correlation	Organizational Performance	1.000	0.464	0.296	0.628
	Vertical integration of HR Practices	0.464	1.000	0.116	0.042
	HRM practices consistency and congruence	0.296	0.116	1.000	-0.191
	High quality staff and internal practices	0.628	0.042	-0.191	1.000
Sig. (1-tailed)	Organizational Performance		0.000	0.000	0.000
	Vertical integration of HR Practices	0.000		0.045	0.272
	HRM practices consistency and congruence	0.000	0.045		0.002
	High quality staff and internal practices	0.000	0.272	0.002	
N	Organizational Performance	216	216	216	216
	Vertical integration of HR Practices	216	216	216	216
	HRM practices consistency and congruence	216	216	216	216
	High quality staff and internal practices	216	216	216	216

Table 4-6 Correlation analysis

Source: Survey data from questionnaire, 2022

According to table 4.6 the relationships are shown as follows:

- The association between vertical integration of HR processes and overall CBE performance is moderately positive, with a r value of 0.464 and a p value greater than 0.01.
- The association between HRM practices consistency and congruence is favorable, although it has a modest level of connection to overall CBE performance, with a r value of 0.296 and a p value greater than 0.05.

- Because the r value is 0.628 (r=1, p 0.000), the link between high quality staff and internal practices and overall CBE performance is positive and significant.

4.4 Regression Analysis

4.4.1 Diagnosis Test

Before applying regression analysis some tests were conducted in order to ensure the appropriateness of data to assumptions regression analysis for the model as follows:

4.4.1.1 Multicollinearity Test

		Coefficients									
		Unstandardized Coefficients		Standardized Coefficients			Correlations			Collinearity Statistics	
Model		B	Std. Error	Beta	T	Sig.	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	-0.088	0.153		-0.576	0.565					
	Vertical integration of HR Practices	0.387	0.036	0.391	10.735	0.000	0.464	0.593	0.388	0.982	1.018
	HRM practices consistency and congruence	0.321	0.031	0.382	10.290	0.000	0.296	0.577	0.372	0.948	1.055
	High quality staff and internal practices	0.329	0.018	0.684	18.558	0.000	0.628	0.787	0.670	0.960	1.042

a. Dependent Variable: Organizational Performance

Source: Survey data from questionnaire, 2022

Table 4-7 Results of Multicollinearity Test

According to Table 4.7, the VIF for vertical integration of HR practices with the organization strategy is 1.018, HRM practices consistency and congruence is 1.055, and high-quality staff and internal processes are 1.042. It demonstrates that the variables have a VIF less than 10 and a tolerance value greater than 0.1, excluding the possibility of multicollinearity.

4.4.1.2 Normality Test

Figure 7 shows the frequency distribution of the standardized residuals compared to a normal distribution. As you can see, although there are some residuals (e.g., those occurring around 0) that are relatively far away from the curve, most of the residuals are fairly close. Moreover, the

histograms are bell shaped which lead to infer that the residual (disturbance or errors) are normally distributed for all models. Thus, no violations of the assumption normally distributed error term.

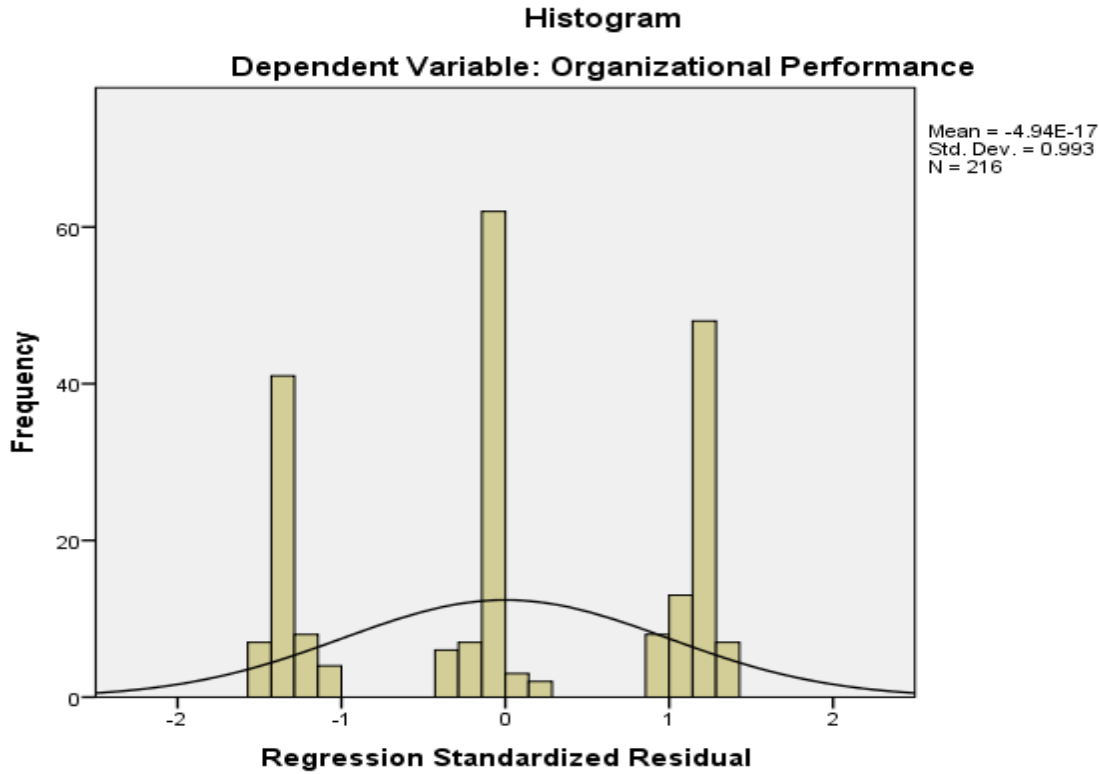


Figure 7: Normality Test (Histogram)

Source: Survey data from questionnaire, 2022

4.4.2 Overall regression model and its ANOVA

4.4.2.1 Regression Model Summary

The regression summary are summarized as follows:

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.851 ^a	0.724	0.720	0.264	2.050

a. Predictors: (Constant), High quality staff and internal practices, Vertical integration of HR Practices , HRM practices consistency and congruence

b. Dependent Variable: Organizational Performance

Table 4-8 Regression Model Summary

Source: Survey data from questionnaire, 2022

R-squared is a measure of the goodness of fit of explanatory variables in explaining differences in organizational performance in Commercial Bank of Ethiopia. As shown in Table 4.8, the R-square value for the regression model was 0.724, indicating that the explanatory factors in this study explain approximately 72.4 percent of the variation in the degree of organizational performance at Commercial Bank of Ethiopia. Other variables not included in the model explain the remaining 27.6 percent of the variation in the degree of organizational performance at Commercial Bank of Ethiopia. As a result, vertical integration of HR practices, consistency and congruence of HRM practices, and high quality staff and internal procedures are good explanatory variables of organizational performance in Commercial Bank of Ethiopia.

4.4.2.2 Regression ANOVA

The regression ANOVA table are summarized as follows:

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	38.804	3	12.935	185.010	.000 ^b
	Residual	14.821	212	0.070		
	Total	53.625	215			

a. Dependent Variable: Organizational Performance

b. Predictors: (Constant), High quality staff and internal practices, Vertical integration of HR Practices , HRM practices consistency and congruence

Table 4-9 Regression ANOVA

Source: Survey data from questionnaire, 2022

From the ANOVA test in table 4.9 it shows the Sig. value 0.01 is greater than the calculated Sig. value 0.000. It reflects there was a statistically significant correlation between dependent variable and independent variables at 1% significant level. But it does not mean that all these factors have equally significant correlation with organizational performance. Beside the F statistics (185.010) which is used to measure the overall test of significance of the model was presented, and null hypothesis can be clearly rejected since the p-value is 0.000 which is sufficiently low the model is well fitted at 1 percent level of significance

CHAPTER FIVE

5 CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter included a discussion of major data results, a discussion of the findings, a conclusion taken from the highlighted findings, and recommendations. The conclusions and recommendations focused on the study's aim, which was to determine the effect of strategic human resource management on organizational performance in the Commercial Bank of Ethiopia Bole District Case.

5.2 Conclusions

The study evaluates the relationship or function of the modern HR approach Strategic HRM on the organizational performance of the Commercial Bank of Ethiopia Bole District. In other research, the word organizational effectiveness is employed to assess performance. Organizational effectiveness has no commonly accepted definition or description. The term effectiveness as a performance measure was employed in a variety of contexts, including productivity, efficiency, profit, quality, growth, conflict/cohesion, information management and communication, the value of human resources, and so on (Hal , 2009).

Organizational performance is defined for the purposes of this study by developing a new model: the Balanced Score Card model of organizational performance. This is further stated as an organization's performance is determined by how well the four BSC dimensions (customer satisfaction, financial growth, learning and development, and internal process) are met.

According to the findings of this study, the organization practices strategic HRM moderately. And that organizational performance is represented by the four Balanced Score Card dimensions: Customer satisfaction (the level and attempt to satisfy customers), Financial growth (sales & profitability), Learning and development (intellectual capital, equipment's, technologies), Internal process (organizational structure, scope, definition, and integration internal work process, the attempt to support and automate those business processes through organization Resource Planning) is reasonably enhanced by tested strategic HRM practices.

Furthermore, an effective HR strategy is distinguished by external fit (the alignment of HR strategy with organizational strategy), internal fit (the integration of various HR programs in

other functional areas such as marketing, as well as a fit among all HR programs or functions), and a focus on results (Belcourt & McBey, 2009). According to the findings, the distinct Strategic HRM practices are also highly connected with one another. Indicating that there is some attempt/promising commencement to combine those practices with one another and with other business strategies.

To this end, the study has produced evidence for the value added by strategic HRM by integrating HR functions into the organization's main strategy and activities. Simultaneously, questions must be raised concerning the outcomes of moderate degrees of involvement in Strategic HRM practices vs. high levels described elsewhere. Is it possible to dismiss this as an issue with a different notion, data specification, methods, or even interpretation? Is it possible to ascribe this result to reasons other than strategic HRM practices? These are issues that can be addressed in many contexts.

5.3 Recommendations

After presenting the data, analyzing it, and answering the research questions, the researcher makes the following recommendations:

- 1.** Despite efforts to integrate HR practices with business strategies, an effort must be made to potentially exploit the maximum advantage out of the modern HR concept (i.e. Strategic HRM) through strategic alignment/ integration, because it enables the company to achieve its strategic goals through the strategically available resources.
- 2.** The following actions must be taken in the process of strategic HR integration with business and corporate strategies: linking HR to strategy, participating in the strategic planning process and applying the Strategic HR planning model.
- 3.** The strategic linkage process must use one of the following approaches: start with business/organizational strategy and then create HR strategy, start with HR Competencies and then craft corporate strategies based on these competencies, or do a combination of both in the form of a shared relationship.

4. HR shall play the following roles in the company's strategic planning process:

- Assess/React linkage: to guarantee that HR managers have the opportunity to review strategic plans before they are implemented. They can then accept or reject them.
- Integrative linkage: to ensure that interaction between department employees and the HR director is regular, and that the HR director is involved in strategic decisions even when the HR consequences are not immediately apparent.

5. Connections must be established at an early stage. HR directors, officers, and managers should be provided with information on employee skills, be included on the strategic planning committee, and the implications of strategic drives should be documented.

6. In order for the organization to potentially introduce the concept of Strategic approach to HRM; one the Strategic HR Planning Model has to be applied, and two at least the former name for the following sections must be modified to;

- I.** Strategic HR Development: Trainings and development must be analyzed and prioritized based on business requirements, created as a program, delivered, and evaluated in order to support current competency requirements and accumulate future intellectual capital.
- II.** Strategic Performance Management: performance management systems must be designed to make sure:
 - Those business's (division, department and section) goals and strategies are consistent with those at corporate level.
 - Performance Management System includes results, behaviors and developmental plans consistent with the unit and organizational level priorities.
 - To make sure that there is a continuous performance review feedback and follow up.
- III.** Strategic Reward & Compensation- to ensure that compensation packages are transparent and consistent; to offer a clear link between pay and performance; to encourage and recognize excellent performance; and to be clearly connected with Commercial Bank of Ethiopia's values and business strategy.

7. Line managers' engagement in the implementation of HR procedures should be increased. As a result, line managers must be trained in HR techniques in order to regularly manage the performance of their subordinates, mentor, coach, counsel, and motivate their successors.

It will assist managers in involving their employees in the process of planning, implementation, assessment, and decision making.

5.4 Limitations and Future Study

To make the paper fruit full and valuable, every effort has been done. However, it has not been without its difficulties. Because the discipline is still in its infancy, there is little research and literature that explores in depth the link between the independent and dependent variables (i.e. Strategic HRM and organizational performance respectively). Furthermore, contextualizing it was difficult due to the lack of similar research with the same title in the country.

5.5 Suggestion for Future Research

However, as a constraint of this study, organizational effectiveness as a measure of organizational performance uses the Balanced Scorecard dimensions as a summed indicator, which causes the estimation result to be less than optimal. Thus, additional research is suggested to involve the effect of Strategic HRM contribution for the separate organizational performance indicators used for this study (i.e. SHRM with/for financial growth, customer satisfaction, learning & development, and internal processes) in order to maximize the estimation result in consisting of additional SHRM practices.

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Appendix I: Questionnaire

Addis Ababa University School of Commerce Graduate Studies Program Masters in Human Resource Management Questionnaire for Employees of Commercial Bank of Ethiopia, Bole District

This questionnaire is designed to obtain information for purely academic research purposes (The Effect of Strategic Human Resource Management Practices on Organizational Performance) from directors, managers, officers in charge of human resources and other department's staff members of Commercial Bank of Ethiopia, Bole District. The accuracy of the responses you provide will be crucial to the success of the research project. Kindly respond to all the questions. Thank you for your genuine response & cooperation.

Note: For any clarification or question: Yared Solomon

Mob. Tele No. 0913-900188 Email Address: yaredinasol@gmail.com

PART A: DEMOGRAPHIC CHARACTERISTICS OF THE RESPONDENTS

Tick (√) where appropriate

1. Gender

Male [] Female []

2. What is your highest level of education

High school certificate [] Diploma [] Bachelor's degree []

Master's degree [] Doctorate []

Others specify _____

3. Year of service in your current organization.

1-3 years [] 4-5 years [] More than 5 years [] small class size

4. Age of respondents

Less than 35 years [] 35- 40 years [] 41- 45 years []

More than 45 years []

5. Indicate your management level.

[] Top level Manager [] Middle level Manager [] Expert/Officer

PART B: VERTICAL INTEGRATION OF HR PRACTICES WITH THE COMMERCIAL BANK OF ETHIOPIA BUSINESS STRATEGY

Please indicate to what extent the following statements are true as relates to integration of HR practices with business strategy of Commercial Bank of Ethiopia in Ethiopia. Please tick (√) the box with a number from the scale below that best describes your response.

Where 5 = to a very great extent 4 = to a great extent 3 = Not sure 2 = to a little extent 1 = Not at all

To what extent are the following statements accurate or inaccurate on vertical integration HR with the bank business strategy? Please tick (√) the box with a number from the scale below that best describes your response. Where 5 = very accurate 4 = accurate 3 = somewhat accurate 2 = inaccurate 1 = very inaccurate

#	Statement	1	2	3	4	5
6.	Commercial Bank Of Ethiopia's HRM strategy is aligned with the vision, mission and objective of the organization					
7.	Commercial Bank Of Ethiopia's recruitment and selection policy is aligned with the vision, mission and objective of the organization.					
8.	Commercial Bank Of Ethiopia's human resource development policy is aligned with the vision, mission and objective of the organization.					
9.	Commercial Bank Of Ethiopia's performance management system policy is aligned with the vision, mission and objective of the organization					
10.	Commercial Bank Of Ethiopia's compensation management policy is aligned with the vision, mission and objective of the organization.					
11.	Commercial Bank Of Ethiopia's recruitment and selection practices are aligned with the vision, mission and objective of the organization					
12.	Commercial Bank Of Ethiopia's human resource development investments are made in line with (compatibly) the company vision, mission and objective					
13.	Commercial Bank Of Ethiopia's performance management practices are aligned with the vision, mission and objective of the organization					
14.	Commercial Bank Of Ethiopia's compensation management practices are aligned with the vision, mission and objective of the organization					

**PART C: HUMAN RESOURCE MANAGEMENT (HRM) PRACTICES
CONSISTENCY AND CONGRUENCE (HORIZONTAL FIT)**

To what extent do you agree with the following statements pertaining internal consistency of

HRM practices in your organization. Please tick (√) the box with a number from the scale below that best describes your response. Where 5 = strongly agree 4 = agree 3 = somewhat agree 2 = disagree 1 = strongly disagree

#	Statement	1	2	3	4	5
15.	HRM policies are interconnected with a company values					
16.	HR practices are interdependent and integrated with each other					
17.	HR practices focuses on the entire human resource management system					
18.	HRM practices are compatible (are aligned) with operational goals of the organization					
19.	HRM practices are compatible (are aligned) with the organization structure					
20.	HRM practices work together to achieve organizational objectives					
21.	HRM practices are business driven					
22.	HRM practices are coherent with other departments.					

PART D: HIGH QUALITY STAFF AND INTERNAL PRACTICES

To what extent do you agree with the organization capability in acquiring and securing high?

Quality staff and internal practices in your organization: Please tick (√) the box with a number from the scale below that best describes your response. Where 5 = strongly agree 4 = agree 3 = somewhat agree 2 = disagree 1 = strongly disagree

#	Statement	1	2	3	4	5
23.	Commercial Bank Of Ethiopia has the capacity to have an able, qualified and skillful workforce to produce high-quality service and products.					
24.	Commercial Bank Of Ethiopia has internal practices related to developing and maintaining a qualified					

workforce					
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PART E: QUESTIONS RELATING TO THE ASSESSMENT OF THE COMMERCIAL BANK OF ETHIOPIAS’S IN ETHIOPIA OVERALL PERFORMANCE.

Please tick (√) the box with a number from the scale below that best describes your response. Where 5 = strongly agree 4 = agree 3 = somewhat agree 2 = disagree 1 = strongly disagree.

#	Dimensions	1	2	3	4	5
	<i>Customer perspective</i>					
25.	I have observed that Commercial Bank Of Ethiopia customers are satisfied with Commercial Bank Of Ethiopia services delivery in the past 3 and half years.					
26.	I have observed that the Commercial Bank Of Ethiopia customers increased in the past 3 and half years.					
27.	The bank’s HR result in an increase in revenues					
28.	The bank’s HR result in a decrease in costs					
	<i>Finance Perspective</i>	1	2	3	4	5
29.	I have observed that the Commercial Bank Of Ethiopia’s revenue increased in the past 3 and half years.					
30.	I have observed that the Commercial Bank Of Ethiopia’s revenue leakage decreased in the past 3 and half years.					
31.	I have observed that the Commercial Bank Of Ethiopia’s resource utilization improved in the past 3 and half years.					
	<i>Internal process perspective</i>	1	2	3	4	5
32.	I have observed that the Commercial Bank Of Ethiopia’s service accessibility improved in the past 3 and half years.					

33.	I have observed that the Commercial Bank Of Ethiopia's communication and branding activities are improved in the past 3 and half years.					
34.	I have observed that the Commercial Bank Of Ethiopia's product and services portfolio increased in the past 3 and half years					
35.	I have observed that the Commercial Bank Of Ethiopia's service quality increased in the past 3 and half years					
36.	I have observed that the Commercial Bank Of Ethiopia's fraud prevention performance has been enhanced in the past 3 and half years					
37.	I have observed that the Commercial Bank Of Ethiopia's infrastructure and information systems security has been enhanced in the past 3 and half years					
	<i>Learning and Development</i>					
38.	I have observed that the Commercial Bank Of Ethiopia's corporate culture has been improved in the past 3 and half years					
39.	I have observed that the Commercial Bank Of Ethiopia's employee satisfaction has been improved in the past 3 and half years					
40.	I have observed that the Commercial Bank Of Ethiopia's performance in deployment and utilization latest technologies has been improved in the past 3 and half years					
41.	I have observed that the Commercial Bank Of Ethiopia's organizational process and structures has been improved in the past 3 and half years					
42.	I have observed that the Commercial Bank Of Ethiopia's performance in building the staffs capacity has been improved in the past 3 and half years					
43.	I have observed that the Commercial Bank Of Ethiopia's performance in building the management capacity has been improved in the past 3 and half years					

Thank You for your cooperation!