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***IMPACT OF HUMAN CAPITAL MANAGEMENT ON EMPLOYEE JOB  
PERFORMANCE: (THE CASE OF WEGAGEN BANK S.C. ADDIS ABABA, ETHIOPIA.)***

A Thesis Submitted to the School of Graduate Studies of Addis Ababa University in Partial  
Fulfillment of the Requirements for the Master of Art in Business Administration (MBA)

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**Addis Ababa, Ethiopia**

## **Declaration**

I, the undersigned, declare that this thesis entitled ***“IMPACT OF HUMAN CAPITAL MANAGEMENT ON EMPLOYEE JOB PERFORMANCE: (THE CASE OF WEGAGEN BANK S.C. ADDIS ABABA, ETHIOPIA.)*** Is my own original work and that all sources have been accurately reported and acknowledged, and that this document has not been submitted for a degree in any other universities.

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### Statement of Certificate

This is to certify that **Tizazu Mekuriaw** has completed his thesis entitled ***“IMPACT OF HUMAN CAPITAL MANAGEMENT ON EMPLOYEE JOB PERFORMANCE: (THE CASE OF WEGAGEN BANK S.C. ADDIS ABABA, ETHIOPIA.)*** Is his original work and is submitted for examination with my approval as a thesis.

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This is to certify that the thesis entitled, ***“IMPACT OF HUMAN CAPITAL MANAGEMENT ON EMPLOYEE JOB PERFORMANCE: (THE CASE OF WEGAGEN BANK S.C. ADDIS ABABA, ETHIOPIA.)*** was carried out by Tizazu Mekuriaw under the supervision of Lakew Alemu (Ph.D) submitted in partial fulfillment of the requirements for the degree of Master of Business Administration complies with the regulations of the University.

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## **List of Abbreviations**

CIPD	Chartered Institute of Personnel and Development
EE	Employee Engagement
EJP	Employee Job Performance
HC	Human Capital
HCM	Human Capital Management
KAC	Knowledge Accessibility
KM	knowledge Management
LC	Learning Capacity
LP	Leadership Practice
WFO	Work Force Optimizations

## **Abstract**

*The study attempts to explain impact of human capital management on employee job performance. Hypotheses were developed to test the impact of HCM on employee job performance. Data was collected from Wegagen Bank S.C. by Employing sample size of 368 employees on HCM and employee job performance constructs located in Addis Ababa Ethiopia. From those 353 successful data were recollected. The reliability of the constructs was validated by Cronbach's Alpha value. Pearson correlation and linear regression were used to test hypotheses. Results of the study show that organization's HCM has a significant impact on employee job performance. Study results provide support to strategy of investment in human capital and its management for competitive advantage at organizational level. The main result of the regression analysis validated that HCM components, such as employee engagement, learning capacity and knowledge accessibility, have a significant and positive effect on employee job performance while leadership practice, have significant weak negative effect on employee job performance. The findings of this studies suggests that Wegagen bank can enhance their employee job performance by implementing sustainable human capital management practice. Therefore, in order to improve employee job performance Wegagen bank should implement sustainable HCM practice to strengthen and boost their future performance and leverage the competitive advantage of human capital.*

**Key Words:** *Human capital management, Human capital, employee job performance, employee engagement, leadership practice, knowledge accessibility, learning capacity and workforce optimization.*

# CHAPTER ONE

## 1.1 Background of the study

Nothing happens unless human being makes a concise decision to act. Johnson, (2002) expressing the importance of human capital said that all innovations are human innovations. In the end, the economy and business are people's systems. Therefore there is no structural capital without intellectual capital and no intellectual capital without humans. This study explained the impact of Human Capital Management (HCM) on employee job performance. Whether it is positively or negatively correlated including their magnitudes through regression analysis. According to this findings human capital management driver's employee engagement, knowledge accessibility, and learning capacity has significantly and positively correlated with the dependent variables employee job performance.

Strategic HCM is the conversion of how we employ, organize, expand and evaluate employees. It focuses on results, not processes. The term Human Capital (HC) was first used by Nobel Laureate, Theodore W. Schultz, in the 1961 American Economic Review Article, 'Investment in HC.' The term is now most frequently used to refer to a combination of skills, experience and acquaintance. HC is an all-encompassing term for "the knowledge, skills, competencies and other attributes embodied in individuals or groups of individuals acquired during their life and used to produce goods, services or ideas in market circumstances." HC makes an individual potentially productive and thus equips him or her to earn income in exchange for labor.

Nowadays, organizations are validating the significance of investing in human capital development. A study conducted by Majid (2017). With officers found that there is a significant and positive relationship between human capital, and the organizational performance of the organization.

The origin of human capital goes back to emergence of classical and thereafter developed a scientific theory. After the manifestation of that concept as a theory, Schultz (1961) recognized

the human capital as one of the important factors of national economic growth in the modern economy. The theory is rooted from the field of macroeconomic development theory, According to Schultz, the term “human capital” has been defined as a key element in improving a firm assets and employees in order to increase productivity as well as sustain competitive advantage (Schultz, 1961).

Human Capital Management (HCM) is the act of managerial activities and responsibilities concerned with developing and maintaining a competent employee. HCM is concerned with the personnel in an organization and how they contribute to organizational efficiency and effectiveness.

It consists of practices that help the organization to effectively manage employees during the deferent phases of the employment, including pre-hire, staffing, and post-hire. HCM practices directly affect employee motivation, their behavior, and skill improvement to boost organizational performance.

The organizations use different HCM practices to achieve their appropriate goals. Accurate human capital management in an organization, such as a friendly environment, pay appreciation for performance, providing feedback to employees, a fair evaluation system for employees, an award ceremony, employee empowerment, extrinsic and intrinsic motivational rewards, recruitment and selection, training and involvement of employees, and performance evaluation, guarantee overall organizational performance.

HCM practices involve all management decision and actions. The role of practices starts with the hiring of people by an organization. Thus, appointing new personnel requires the achievement of HCM practices. While employed, employees must be included in the organization’s structure through training and socialization. After this process, an element of HCM is evaluated in the development of staff members and encourages them through compensation and reward systems. Employee selection, training, assessment, communication, and compensating one’s domestic workers could pose many difficulties and challenges for organizations .It is not easy to manage personnel in an efficient way. The personnel issue needs to be precisely confronted; otherwise it will harm the benefits of the organization. In an era of heightened corporate transparency, greater

workforce mobility, and severe skills shortages, culture, engagement, and retention have emerged as top issues for business leaders.

The sources of superiority depend on the quality of interest alignment and employee development in firm compared with the industry rivals. “People are our greatest assets. Yet few practice what they preach, let alone truly believe it”. Human capital need to be treated as permanent rather than contingent resources. The organization must capture the benefits of any firm- specific competencies and capabilities that they develop (Drucker, 1995).

## **1.2 Background of the organization**

Wegagen Bank S.C. was established on the 11<sup>th</sup> of June 1997. It became to live as a result of the entrepreneurial wit of sixteen (16) founding members who recognized the critical role that financial institutions would play towards creating a sustainable economic development and were able to put in an initial paid-up capital of Birr thirty million (Birr 30 Million). Established under the banking proclamation of Licensing and Supervision, Proclamation No. 84/1994, the Bank was registered with the National Bank of Ethiopia on April 30, 1997. The Memorandum and Articles of Association of the Bank were signed on April 15<sup>th</sup>, 1997 and registered with the Addis Ababa Bureau of Trade, Industry and Tourism on April 15<sup>th</sup>, 1997, Registration Number 1/34/4/89. The Bank, as it started back then, operated through its Head Office located in Gofa Sefer, and Dembel city center Africa avenue street Addis Ababa Ethiopia before it moved to its current Headquarters on Ras Mekonnen street Wegagen tower.

Wegagen Bank has a networked of 320 branches of which 125 are in Addis Ababa and the remaining 195 are located in other cities and towns of the country. To expand its service coverage, the Bank keeps on opening additional branches both in Addis Ababa and regional towns.

Wegagen Bank is a pioneer to introduce a Core Banking System as of July 2000, thereby managing to network the Head Office & all branches. Through its versatile ISO Standard Core Banking System, the Bank is now delivering more efficient services to its customers. The system

has also enabled the Bank to provide technology-based banking services such as Card payment services (through ATM & POS), internet banking as well as mobile banking services.

Wegagen Bank is governed by the Board of Directors consisting of a Chairperson, a Vice Chairperson and seven directors'. The overall management is entrusted to the management team which comprises the President/Chief Executive Officer, who is appointed by the Board of Directors, four Vice-Presidents and sixteen Directors as well as Manager of Engineering Service. As at October 31, 2019, the number of employees of the Bank stood at 4610.

### **1.3 Statement of the problem**

Employee job performance includes executing defined duties, meeting deadlines, employee competency, effectiveness and efficiency in doing work. Various organizations need strong HCM practice that stimulates the employee job performance. Some organizations such as banking industries face the problems: poor innovation, low productivity, inability to meet performance targets. This problem happen due to lack of strategic interventions of specific HCM to the particular situations was predicted as the problem at hand. This problem was continuously affecting employee job performance. That's why study investigates the best HCM practice that stimulates performance of employees.

There is a large and growing body of evidence that demonstrates a positive linkage between the development of human capital and employee job performance. The emphasis on human capital in organizations reflects the view that market value depends less on tangible resources, but rather on intangible ones, particularly human capital.

Other scholars contend that difficulties in specifying the constituents of a best-practices set, and the sheer number of contingencies that organizations experience, make the best practice approach problematic.

To the knowledge of the student researcher there is no well organized scientific study done in HCM in Ethiopia generally and Wegagen bank particularly. The relationship between Human Capital Management and employee job performance in the Banking Sector has also under studied in Ethiopia; in addition empirical evidence for this link is inadequate as far as Wegagen

Bank S.C is concerned. For this study leadership practice, employee engagement, knowledge accessibility, learning capacity and workforce optimization was the main components that were strengthen the reliability and contribution of this study.

Therefore, this study was explained the impact of Human Capital Management (HCM) on employee job performance. Further evaluate the association between HCM practices and employee's job performance through each component of HCM such as employee engagement, leadership practice ,knowledge accessibility, learning capacity and workforce optimization in order to understand the relationships between HCM and employee job performance whether it is positively or negatively correlated including their magnitudes through regression analysis.

## **1.4 Research questions**

This study was tried to answer the following research questions:

### **1.4.1 General research question**

What is the impact of Human Capital Management on employee job performance of Wegagen Bank S.C.?

### **1.4.2 Specific research question**

- To what extent learning capacity affect employee job performance in Wegagen Bank S.C?
- To what extent leadership practice affect employee job performance in Wegagen Bank S.C?
- To what extent employees' engagements affect employee performance in Wegagen Bank S.C?
- To what extent can knowledge accessibility affect employee performance in Wegagen Bank S.C?
- To what extent can workforce optimization affect employee performance in Wegagen Bank S.C?

## **1.5 Objectives of the study**

The objectives of the study are grouped into two. These are general objective and specific objectives.

### **1.5.1 General objective**

The general objective was to explain the impact of Human Capital Management on the employee job performance of Wegagen Bank S.C.

### **1.5.2 Specific objectives**

- To explain the impact of employee learning capacity on employee job performance of Wegagen Bank S.C
- To explain the impact of leadership practice in Wegagen Bank S.C employee job performance
- To explain the impact of employee engagement in Wegagen Bank S.C employee job performance
- To explain the impact of knowledge accessibility in Wegagen Bank S.C employee job performance
- To explain the impact workforce optimization affect employee performance in Wegagen Bank S.C?

## **1.6 Statement of the Hypothesis**

For this specific study the following hypothesis were investigated for their relationships between the dependent and independent variable.

- ❖ Hypothesis 1 (H1): Leadership practice is positively related to employee Job performance.
- ❖ Hypothesis 2 (H2): Employee engagement is positively related to employee Job performance.
- ❖ Hypothesis 3 (H3): Learning capacity is positively related to employee Job performance.
- ❖ Hypothesis 4 (H4): Knowledge accessibility is positively related to employee Job performance.
- ❖ Hypothesis 5 (H5): Workforce optimization is positively related to employee Job performance.

## **1.7 Significance of the study**

A very little research works are available in human capital management practices of banks in Ethiopia generally and Wegagen bank specifically to the knowledge of the student researcher. Therefore, this study was thus provided insight in to the human capital management practices in private commercial banks hence; it may contribute to the frontier of knowledge. Researchers could also use the study for reference and further empirical research on human capital management practices in the banking industry overall or other sectors. To conclude, Wegagen bank should improve the banks internal process to get its competitive advantage of human capital through well coordinated HCM practice by taking appropriate action in each components of HCM according to the study.

## **1.8 Scope of the Study**

This research aimed to assess the impact of human capital management practices on employee job performance in private commercial banks in Ethiopia. The research were forced to focus only on to what extent human capital management practices components impacted on employee job performance in private commercial banks in Ethiopia specifically Wegagen Bank S.C. The research also covered the view of management and non-management employees of the banks

head office departments, branches and district offices after reviewing previous researches and develop the best practice of human capital management practice so that it was inferred the relationships between the dependent and independent variables.

## **1.9 Organization of the Research Report**

This paper was organized in to five chapters. The first chapter deals with the introduction of the study. Chapter two presents theoretical background on human capital management literature and its components followed by a review of previous studies. Chapter three presented research method and methodology. In chapter four, the findings discussion and analysis was presented in detail. Lastly, in chapter five, the findings of the study were summarized, conclusion is made and some recommendations are discussed.

# CHAPTER TWO

## Literature Review

### ***2.0 Introduction***

This chapter includes the theoretical and empirical literature review, development of human capital management practice, human capital management practice and employee job performance, effectiveness of human capital management as well as the conceptual frame work of the study.

### **2.1 Theoretical literature review**

In Human Capital Management literature, the term Human Capital Management (HCM) is rarely explicitly defined. The denotation of human capital is alluded to as "the information, aptitudes, capabilities, and traits exemplified in people that encourage making of individual, social and monetary prosperity" (Organization for Economic Co-Operation and Development, 2001). Researchers have taken different focuses when they refer to Human Capital Management. Most researches have focused on the role of HCM in enhancing performance. Stiles, P. & Kulvisaechana, S. (2011) posited that there is a large and increasing body of support that demonstrates a positive linkage between the development of human capital and organizational performance. This stress on human capital in organizations reflects recent views that market value depends less on touchable resources, but rather on intangible ones, mainly human capital. Recruiting and retaining the best employees, however, is only part of the equation Stiles, P. & Kulvisaechana, S. (2011).

The organization also has to influence the skills and capabilities of its employees by encouraging individual and executive learning and creating a helpful environment where knowledge can be formed, shared and functional. Human Capital Management (HCM) is significant in order to create a high-performing work situation. HCM involves getting the right people, with the right skills, in the right point, at the right time, pleasing them with the right incentives to perform the right function in the right environment, to most effectively perform the work of the business. It also involves mounting the Human Capital and improving productivity.

Strategic HCM is the conversion of how we employ, organize, expand and evaluate the employees. It focuses on results, not processes. The term Human Capital (HC) was first used by Nobel Laureate, Theodore W. Schultz, in the 1961 American Economic Review Article, 'Investment in HC.' The term is now most frequently used to refer to a combination of skills, experience and acquaintance. HC is an all-encompassing term for "the knowledge, skills, competencies and other attributes embodied in individuals or groups of individuals acquired during their life and used to produce goods, services or ideas in market circumstances."

## **2.2 The Development of Human Capital Management**

In 1979, Flamholtz researched how Certified Accountants react with given human capital value number and establish that they decide differently if they have these numbers or not. During that period many different models for human resource accounting were published. In the early 1970's a different group of managers appeared and their concerns in employees and their feelings affected all aspects of business life (Losey, 1998). This group of managers underlined the significance of the relationship between employers and employees. They came up with latest reports associated with greater efficiency to management philosophies that supported employee thoughts and initiatives.

Around 1980 there was a declining interest in Human Capital Management. The main reason was that basic research about HCM and other related models has been completed. Needed examinations were complex and could be done by a few scholars only and needed involvement of organizations to make an applied research study. Costs for that were high; benefits were uncertain and not necessarily profitable for the sponsoring company. Only a few reports were in print. 'It was at this point that Human Resource Accounting seemed to have been an idea that was promising but that would not be developed much further' (Flamholtz, Bullen, & Hua, 2002).

The shift from an industrial based economy to a knowledge based economy leads to an increasing stress on human capital. As a result of this, international interest in Human Capital management came up again, when communications between theory and application were made.

The purpose of managing a firm's human capital is to increase and improve the profits for the corporation (Bose, 2004). This indicates that the organization is capable to measure the principal investment in human capital. Measuring the company's benefits of Human Capital Accounting is at this time rather difficult. Human Capital Management systems must disclose their value. Without this assessable success, interest and cooperation for Human Capital Management is not likely to be sustainable.

The value of employees grew and the importance to know about that value got more important for the firms. In the early 1990s employees were regarded as 'cogs in the industrial machine', but 'many of the highly skilled knowledge workers of today actually control the machines, carrying the power and ability to make decisions to satisfy customer needs' (Losey M. , 1998). Shyness about treating employees as assets has been reduced in this century, in particular in the past 25 years (Odiorne, 1984). (Odiorne,G.1984) gave two reasons for that; first is that highly paid people such as engineers, accountants, scientists and lawyers seldom feel they are oppressed and are not usually insulted if they are regarded as assets. Secondly, when such people are treated as assets, they are to discuss the relationship of their value to the return they gain from their skills.

Nowadays, organizations have several strategies when it comes to use and benefit from human capital. New methods are recurrently developing, but also been queried critically. Current surveys have showed that many Human Resource Managers have not attempted to understand the usefulness or how Human Capital Management can be used in their firms successfully (Huselid, Becker and Beatty, 2005).

### **2.3 Human Capital Management**

For the use of this study, Human Capital Management is occasionally interchanged for high Performance HC practices. Bassi, (2012) an expert on the Decision Sciences, defined Human Capital Management as 'the processes and practices within an organization that support the management and development of employees with its business results'. Crook et al, (2011) also defined Human Capital Management as 'the accumulation of competencies, knowledge and personality attributes embodied in the ability to carry out labor so as to create economic value' Coughlan, (2001) defined Human Capital Management as 'the sum of knowledge, skills,

experience and other relevant workforce attributes that exist in an organization's workforce and drive productivity, performance and the achievement of strategic goals' (Bassi & McMurrer, 2012).

Armstrong and Baron, (2007) defined Human capital management as 'a strategic approach to people management that focuses on the knowledge, skills, abilities and capacity to develop and innovate, possessed by people in an organization'. In an attempt to explain the meaning of Human Capital Management, Avninder, (2009) states that 'HCM today is sufficiently managing every facet of talent and labor which requires a comprehensive examination of all segments of the labor force against every area of operational detail'.

Other researchers such as Stiles et al, (2011) on another level of definition presents Human Capital Management (HCM), as concerned with obtaining, analyzing and reporting on data that inform the direction of value adding strategic investment and operational people management decisions at corporate level and at the level of frontline management.

Human Capital Management is sometimes defined more broadly without the emphasis on measurement. Spellman (1992) states that 'Human Capital Management is an incorporated effort to manage and develop human capabilities to achieve significantly higher levels of performance.'

## **2.4 HCM practices and Employee Job Pperformance**

A number of the scholars have considered the depth and breadth of the HCM practices, mainly in association with performance. The high performance management, or high performance work practices, has become an important field in management of people. High commitment management aims to go beyond high performance management to include an ideological component - the identification of the employee with the goals and values of the firm, so inducing commitment (Walton, 1985).

Patterson et al. (1997) cited in Stiles (2011) identify a positive relationship between employee attitudes, organizational culture, HCM and company performance, and conclude that employee commitment and a satisfied workforce are essential to improving performance (Marchington & Wilkinson, 2005).The study of Guest et al (2004), cited by Marchington and Wilkinson

(2005) for the Institute of Personnel and Development (CIPD), surveying 835 organizations in the UK, endorses that there is a strong link between HCM and performance, but that this link is indirect, through the apparent impact on employee commitment, quality and flexibility.

## **2.5 Human Capital and Employee Job Performance**

A study conducted by Majid (2017) with 432 Malaysian ministerial officers found that there is a significant and positive relationship between human capital, and the organizational performance. In this day and age, organizations are validating the importance of investing in human capital development. Researchers further posit that human capital, recognized as a vital contributor to organizational performance and paired up with service delivery are important elements of organizational performance improvements Agus et al., (2007)

Embracing human capital involves the process of nurturing environments where employees are freely acquiring fresh and new ideas. In a study of 100 officers working in private banks by Aqeela, Batticaloa, & Victor (2016) found that the level of human capital management (HCM) practices and human capital development had a significant relationship between them. The researchers claimed that human capital is one of the most vital elements towards achieving a competitive advantage.

Delery and Gupta's (2016) conceptualizations highlighted the relationship between human capital management (HCM) and organizational performance and effectiveness. In their study, the findings revealed that HCM practices are important in enhancing the organizational effectiveness. Furthermore, the authors revealed that the HCM system, comprising of leadership practice, employee engagement, training, knowledge accessibility and work optimizations are increasing organizational effectiveness.

Based on critical literature analysis, this study suggests five dimensions of human capital impacting employee job performance: leadership practices, knowledge accessibility, employee engagement, workforce optimization and learning capacity.

## **2.6 Empirical literature review**

For this specific study human capital management is taken as independent variable and The following are key components of Human Capital Management which comprises of the five dimensions (Leadership practices, Knowledge accessibility, Employee engagement, Learning capacity and Workforce optimization,) define by (Bassi & McMurrer, 2007). Therefore, for this specific study the student researcher focus on the impact of each component of human capital management on employee job performance.

### **2.6.1 Leadership practices and employee job performance**

Studies have found that leadership practices in an organization contribute towards the improvement of overall organizational outcomes (Ozcelik, Langton, & Aldrich, 2008). This notion is supported by previous studies conducted on company performance from the perspective of strategic HCM. Considerable support was found in that leadership practices, aimed at improving individual-level outcomes, such as motivation, engagement and commitment, subsequently lead to better organizational performance (Becker & Gerhart, 1996; Becker & Huselid, 1998; and Combs, Liu, & Ketchen, 2006).

The discussion above follows that employees, while being engaged by leaders and their leadership practices, demonstrate increased support towards the institution in terms of thoughts and ideas contribution. (Burg-Brown, 2016) conducted a study to discover the ability of Full Range Leadership Theory in order to find the relationship between leadership styles, in particular (transformational and transactional, organizational performance, and employee job satisfaction as a moderating variable. The study was conducted among full-time staffs of U.S. government agencies. The researcher discovered that leadership styles, both transformational and transactional, were positively linked to a number of organizational outcomes. Overall, the results supported existing theories that leadership styles and employee job performance play a major role in influencing organizational performance. In addition, the study showed public organizations embracing the transformational leadership style to enhance the performance level of U.S. government employees (Burg-Brown, 2016).

Fundamentally, researches on leadership practices in most emergent countries are still in the early stages (Hallinger 2011; Harris & Jones, 2015; Harris et al., 2017). From the Asian perspective, the indications on leadership practices remain irregular and still relatively under-developed (Hallinger, 2011; Hallinger & Chen, 2015; Harris and Jones, 2015). Leadership behaviors' and styles of top-level superiors or managers contribute significant results on organizational outcomes (Waldman, Ramirez, House & Puranam 2001). Leadership practices which intended to mobilize employees' resources can be an important factor in determining the level of organizational performance. Leadership practices, for instance, include those related to managerial communication, supervisory skills, inclusiveness, executive skills, leadership development, and succession planning systems (Bassi & McMurrer, 2007).

Observing the significant consensus of international empirical evidence (Day et al., 2008), it is generally understood that leadership contributes to better performance. A study conducted on public universities in Ethiopia showed that transformational leadership style better explained the variance on organizational commitment compared to transactional and laissez faire leadership behaviors' demonstrated by heads.

### **2.6.2 Knowledge Accessibility and employee job performance**

To be precise, an organization's foundation is formed, described and defined as an entity capable of solving problems while persistently growing, developing, and applying existing and new stocks of knowledge. Knowledge is one of the main factors that is crucial to maintain a competitive advantage for all organizations predominantly business organizations (Kassim et al., 2016). In the current era of rapid alteration and uncertainty, it is appealed that successful organizations are those that continuously grip new knowledge, circulate them throughout the organization, and embody them in services and technologies.

Internationally, much interest in organizational learning has grown in the wake of a number of weakening well-established organizations. Against an increasingly globalized market, their diminishing competitive power has been observed, and the need for organizational renewal and transformation is vital. The top management in organizations is persuaded on the importance of refining learning in their firms (López et al., 2005). In the public sector, government agencies are executing knowledge management (KM) practices to improve operations and public service

deliverables to the people. In establishing refining performance approaches, organizations including government agencies, need look at being innovative and at the same time enhancing accountability as a service provider. Undoubtedly, government agencies are determined to improve and harness existing internal knowledge within their environment to nurture problem solving skills of employees of all levels. Therefore, KM is one of the key components in the way these agencies function (Moon, 2002).

It will lead to the process of decision making and service delivery for improved organizational performance (Drucker, 1995). KM and knowledge are observed as progressively significant structures for organizational survivability (Martensson, 2000). It has been observed that KM practices impact performance. Organizations that encourage knowledge sharing have scored better performance in areas such as customer satisfaction, product innovation, and the most important, profitability. In order to survive, organizations have to compete with one and another, and due to globalization, most organizations are required to respond more strategically to challenges. While also being influence by these external conditions, organization's management respond to internal conditions is by launching their own KM systems. This achievement requires organizations to be managed properly. To make KM work, the skills of knowledge professionals are undoubtedly an absolute necessity. KM has absorbed elements of content management, project management, competitive intelligence, environmental scanning, and knowledge audit. Marques and Simon (2006) conducted a research and discovered that organizations that adopted the KM practices produced better results compared to others that did not. Understanding KM within the Malaysian context is challenging as there is lack of research done related to the subject matter (Kassim et al., 2016).

The researchers revealed that employees believed organizations should have an effective KM strategy so as to obtain potential benefits. In a concluding note, KM is a practice that could influence KM processes in these agencies. The government of Malaysia has demonstrated its commitment in transforming Malaysia into a knowledge-based economy (K-economy) through the implementation of the Knowledge-based Economy Master Plan (KEMP) initiative, introduced in 2002. Previous studies that had associated knowledge accessibility with information sharing, which included factors such as employee skills and organizational structure, discovered a significant positive correlation with organizational performance (Delaney &

Huselid, 1996; Huselid, 1995; Jantunen, 2005). These researchers have confirmed that the organizational capabilities of processing knowledge have a significant impact on the organization's innovation process. Another research, conducted by Lin and Zhao (2007), proved the correlation between the organization's capabilities and innovation. The capability of innovation was described at individual level based on behavioral, personality, and output perceptions. The results of the study demonstrated that social capital significantly influences capacity. In addition, high level of knowledge donating and collecting can lead to high levels of innovation capacity.

Jamal (2008) posited that knowledge accessibility is associated to organizational performance whereby the result indicated a significant correlation between knowledge accessibility and organizational performance. The researcher also stressed that "No previous research has taken knowledge accessibility as a separate dimension". The researcher further defined knowledge accessibility as the extent of the organization's "collaborativeness" and it is capacity for making knowledge and ideas widely available to employees in the following ways: a) ensure adequate manuals, clear procedures, and all relevant job information are available and in place to allow access to training; b) provide adequate space for formal and informal meetings to foster collaboration and teamwork; c) promote an information-sharing culture for continuous improvements across units and departments; and d) establish effective information management systems and ensure availability to all employees.

### **2.6.3 Employee engagement and employee job performance**

So far, there is no single and generally accepted definition for the term employee engagement. This is evident if one looks at the definitions forwarded for the term by three well-known research organizations in human resource area, let single-handedly individual researchers. Below are the definitions:

Perrin's Global Workforce Study (2003) uses the definition "employees' preparedness and ability to help their company prosper, largely by providing unrestricted effort on a maintainable basis." According to the study, engagement is affected by many factors which involve both emotional and rational factors relating to work and the overall work experience.

Gallup organization describes employee engagement as the participation with and passion for work. Gallup as cited by Dernovsek (2008) likens employee engagement to a positive employees' emotional attachment and employees' commitment.

Robinson et al. (2004) outline employee engagement as “a positive attitude held by the employee towards the organization and its value. An engaged employee is aware of business context, and works with colleagues to improve performance within the job for the benefit of the organization. The organization must work to develop and nurture engagement, which requires a two-way relationship between employer and employee.”

This verdict and definition forwarded by Institute of Employment Studies gives a clear insight that employee engagement is the result of two-way relationship between employer and employee pointing out that there are things to be done by both sides. Furthermore, Fernandez (2007) shows the distinction between job satisfaction, the well-known construct in management, and engagement contending that employee satisfaction is not the same as employee engagement and since managers cannot rely on employee satisfaction to help retain the best and the brightest, employee engagement becomes a critical concept. Other researchers take job satisfaction as a part of engagement, but it can merely reflect a superficial, transactional relationship that is only as good as the organization's last round of perks and bonuses; Engagement is about passion and commitment-the willingness to invest oneself and expand one's discretionary effort to help the employer succeed, which is beyond simple satisfaction with the employment arrangement or basic loyalty to the employer (BlessingWhite, 2008; Erickson, 2005; Macey and Schnieder ,2008). Therefore, the full engagement equation is obtained by aligning maximum job satisfaction and maximum job contribution. Stephen Young, the executive director of Towers Perrin, also distinguishes between job satisfaction and engagement contending that only engagement (not satisfaction) is the strongest predictor of organizational performance (Human Resources, 2007).

Recent researches also indicate that Employee commitment and OCB are important parts and predictors of employee engagement in that commitment is conceptualized as positive attachment and willingness to exert energy for success of the organization, feeling proud of being a member of that organization and identifying oneself with it and OCB is a behavior

observed within the work context that demonstrates itself through taking innovative initiatives proactively seeking opportunities to contribute one's best and going extra mile beyond employment contract. However, these constructs constitute the bigger construct employee engagement and they cannot independently act as a replacement for engagement (Macey and Schneider, 2008; Robinson et al, 2004).

The bad news for management is that worldwide surveys conducted by survey houses and research organizations indicate that significant size of employees are disengaged being skeptical of any organizational initiative or communication and rather more likely indulging in contagious negativity (Dernovsek, 2008; Perrin, 2003; Ellis and Sorensen, 2007; Blessing White, 2008). The problem with these surveys is that they use their own items to measure employee engagement. If looked at the available literatures on measuring employee engagement, one would get surprisingly several measurement items to the extent that it seems different constructs are being measured (Robinson et al, 2004; Cohen and Higgins, 2007; Perrin, 2003; Ellis and Sorenson, 2007; Dernovsek, 2008). Future researches are expected to come up with clear definition and dimensions of employee engagement on basis of which the level of engagement can be measured thereby pointing out to managers the roadmap for fully engaging employees in their job. As the old saying goes "what you can't measure, you can't manage". Thus, there is a call for future researches, as suggested by Endres and Mancheno-Smoak (2008), to define engagement in clear terms to avoid interpretation by subsequent users giving to the construct different meanings.

#### **2.6.4 Learning capacity and employee job performance**

Learning capacity is a platform to gain a competitive advantage and also considered one of the key variables that enhance performance (Brockmand & Morgan, 2003).

This study supported a previous one by Lane, Salk, and Lyles (2001) which found that the knowledge acquired from organizational absorptive capacity increased performance. The results are also in line with Jamal's (2008) study which discovered that organizational learning capacity is related to the performance of employees, reporting a positive correlation between the two. Not surprisingly, management studies have stressed on the importance of organizational learning in enhancing a firm's performance thus creating a competitive advantage (Brockmand & Morgan, 2003; Jiménez-Jiménez, 2011).

Most researchers of organizational learning capacity embrace the concept of cultural perspective in measuring the concept, yet the lack of research conducted in this area provides opportunities to analyse organizational learning processes (Darroch & McNaughton, 2003; Tippins & Sohi, 2003).

Researches on organizational learning capacity have increased in recent years (Bontis et al., 2002). As culture values are more difficult to change as compared to actions, thus focusing more on the process may be helpful for practitioners, in general.

Extending further, some researchers presented evidence of a relationship between organizational learning and performance. For example, Baker and Sinkula (1999) found that learning orientation has an effect on organizational performance. Other studies, which employed the culture measurement of learning, have found similar results (Ussahawanitchakit, 2008). Based on a research conducted by Bontis et al. (2002), evidence shows a positive relationship between learning and performance at three levels: individual, group, and organization. Darroch and McNaughton (2003) found that the process of organizational learning produced better performance. Based on the results, empirical findings are consistent and provide evidence that supports the positive relationship between organizational learning and performance (Jiménez-Jiménez, 2011).

Moreover, literature that presented research on learning capacity outcomes, resultant from workplace-learning, articulated various outcomes such as abilities and skills, employee performance, learning motivation, knowledge, performance of organization, and commitment (Dysvik & Kuvaas, 2008; Lankau & Scandura, 2002; Velada et al., 2007). Human resource development, with reference to elements of employee performance, ranges from human behavior's, effective results, to efficiency are acquired through studies and experience gained within a particular field or domain.

Essentially, learning capacity can be defined as the organization's overall ability to learn, change, innovate, and continually improve through training and development, as well as value and support (Jamal, 2008). On the other hand, innovation is defined as the process where employees' input is sought, not only for the solutions of problems but also to find better ways of getting a job done. This is referred to as a process where new ways of working is encouraged. To

further embrace the learning capacity, practical training is provided for new jobs with technology-related scopes, herein extending support in the accomplishment of organizational goals. Therefore, putting in place formal development plans is significant towards the achievement of employee career goals. Furthermore to nurture value and support, learning is a priority as demonstrated by the behavior of leaders.

### **2.6.5 Workforce optimization and employee job performance**

This paper was explaining Work force optimization which is one of the main components of human capital management on employee job performance in any organizations Processes and system for getting work done. Guthrie (2001) surveyed in New Zealand corporations found that HCM practices are related to turnover and profitability of the corporations. More recent empirical study on HCM practices (Lee and Lee, 2007) uncovered six underlying HCM practices on business performance, namely training and development, teamwork, compensation/incentives, HC planning, performance appraisal, and employee security help improve firms' business performance including employee's productivity, product quality and firm's flexibility. Are well defined and continually improved systems exist, employees are well trained in how to use them. Conditions whether Employees have access to the materials and technologies they need, as well as working conditions to contribute to good employee performance. Accountability that Employees are held for producing high-quality work out put. Promotion is based on competence; poor performers are terminated and employees enhance to trust their coworkers to get the job done. Hiring decisions of the organization and Selection is based on skill requirements for the specific job. New hires receive adequate orientation, induction, and description of required skills. And employees provide input into hiring decisions. Highly effective systems and processes are used to manage employees' performance and talents, view the overall proficiency of the workforce, help employees realize their full performance potential in their current jobs, identify development opportunities for those experiencing performance difficulties, and prepare motivated Systems. Highly effective systems and processes are used to manage employees' performance and talents, view the overall proficiency of the workforce, help employees realize their full performance potential in their current jobs, identify development opportunities for those experiencing performance difficulties, and prepare motivated employees to progress in their careers.

## **2.7 Effectiveness of Human Capital Management**

MacDuffie (1995) studies worldwide auto assembly plants found that some HRM practices are related to productivity and quality of the firm. Delery and Doty (1996) found significant relationships between HCM practices and accounting profits among banks. Youndt et al (1996) found that certain combinations of HCM practices are related to operational performance of manufacturing firms.

A number of researchers have found a positive impact of HCM on organizational performance. For instance, Becker and Gerhart (1996) and Becker and Huselid (1998), empirical studies found that firms which align their HCM practices with their business strategy will achieve superior outcomes. Using data from 197 Taiwanese high-tech firms Chang and Chen (2002) conducted a comprehensive study to evaluate the links between HCM practices and firm performance. This study reveals that HCM practices including training and development, teamwork, benefits, human resource planning, and performance appraisal have significant effect on employee productivity.

Analyzing the link between HCM and performance is now a major area of interest for research and policy. The results from the survey by Patterson et al (1997) published by the Chartered Institute of Personnel and Development (now CIPD) were quoted widely by the media and put forward as evidence for the importance of HCM as a driver of and contributor to, improved performance.

Even if organizations employ a wide range of HC practices, this does not mean that they are applied effectively or that they have any impact on workers or managers. For example, while it is important to know whether or not an employer makes use of regular appraisal or provides information about performance targets, this gives us no clues as to whether the appraisals make any difference or the information is supplied in meaningful and timely fashion. This is why measures of effectiveness are so useful. In CIBD survey (Guest et al 2000b), managing directors and HR professionals were asked to assess the effectiveness of each practice area, and in most cases they were judged to be either slightly or highly effective. It was seen that there were relatively small differences between the respondents, with the HR professionals being slightly more circumspect about the effectiveness of the practices. The most positive response were in

relation to employment security, which is strange bearing in mind the fact that over half of the sample have made compulsory redundancies during the last three years.

The HC effectiveness – both of the practices themselves and the personnel department, increases the strength of the relationship between HC and performance, again because of its impact on employee commitment, contribution and flexibility (Guest et al 2000b). The HC practices deemed to be least effective were those related to financial flexibility, job design and appraisal, and it is notable that the HR professionals felt they were less effective (Guest et al 2000b). In short, the HC practices that are used, and the more effectively they appear to be used, enhances organizational performance.

## **2.8 Conceptual Frame Work**

For this specific study the dependent variable employee job performance and the independent variable human capital management drivers which has five components according to Bassi & McMurrer (2007). Those are leadership practice, learning capacity, knowledge accessibility, employee engagement and workforce optimization. Therefore, its equation was derived as follow:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon$$

Where  $X_1$ =Leadership practice

$X_2$ =Learning capacity

$X_3$ =knowledge accessibility

$X_4$ =Employee engagement

$X_5$ =Workforce optimization

$\varepsilon$  = error term

$\beta_0$ = constants

Where,  $\beta_0$ ,  $\beta_1$ ,  $\beta_2$ ,  $\beta_3$ ,  $\beta_4$ ,  $\beta_5$  and  $\varepsilon$  are any real numbers which was coefficient of each independent variable.

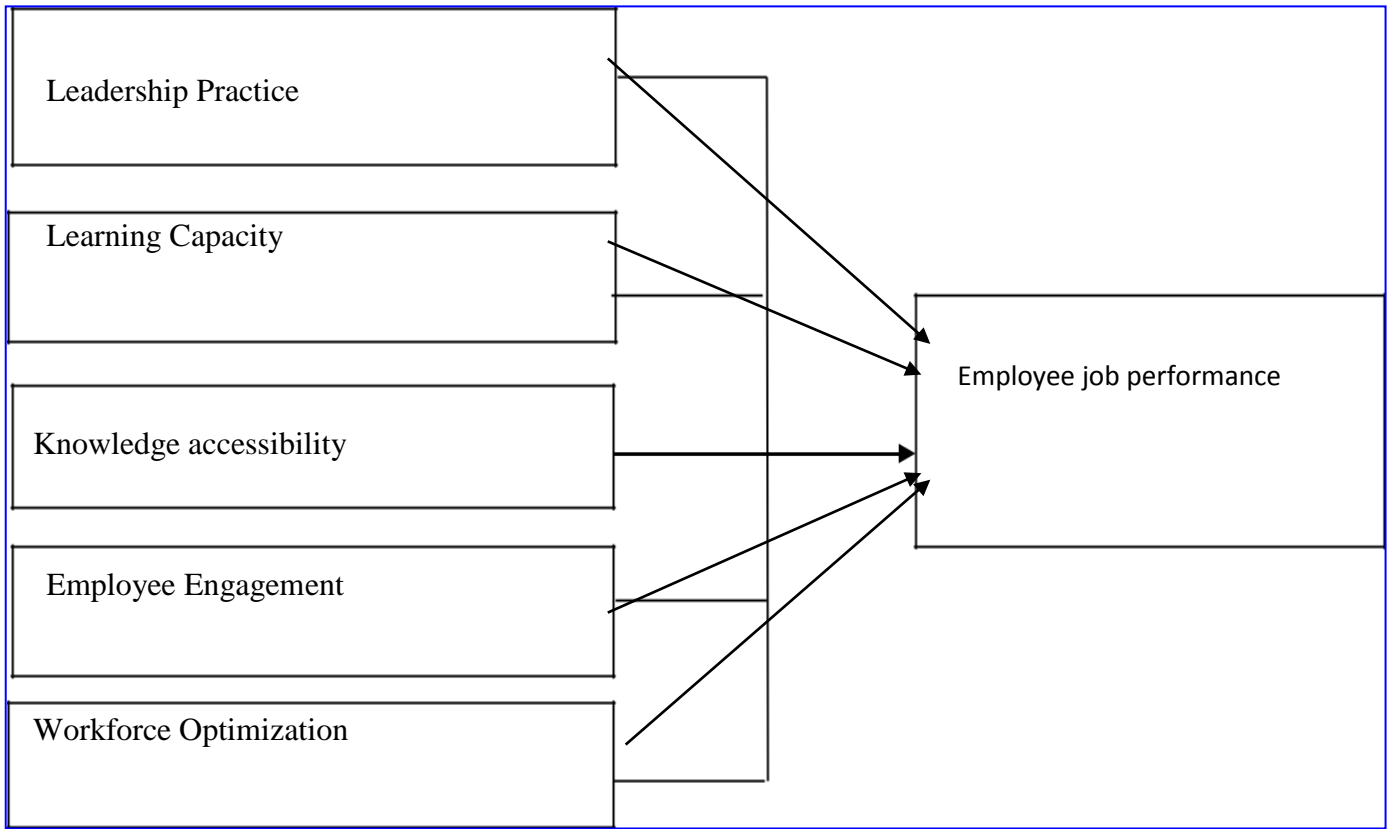


Figure 2.1 conceptual frame work

# **CHAPTER THREE**

## **Methods And Methodology**

### **3 Introduction**

This chapter is a description of the research method and methodology that was used in this specific study. It outlines the research approach, research design, population and sampling procedure for data collection, research instrument, data analysis of the study, validity and reliability as well as ethical consideration .

#### **3.1 Research Design**

This study utilized explanatory research design method and quantitative approach for this specific purpose structured questionnaires were used. The quantitative research is that which tries to find answer to a question through analysis's of quantitative data. Quantitative data by its nature are economical and easy to collect and analyze.

#### **3.2 Sources of data**

The main sources of data were primary data. The primary data constitute results from the questionnaires .

##### **3.2.1 Primary data**

Primary data was collected by using systematic random sample of all professional categories of Wegagen bank S.C permanent staff. Questionnaires were distributed to all categories of staff who are supervisors, officers and clerks of the organization across the company to get a holistic view and understanding of the staff on the selected bundle of HCM practices expected to impact their behaviors' and in turn, on employee job performance.

#### **3.3 Population**

The study population was the entire permanent staff of Wegagen bank S.C from which 368 sample were selected. The total number of staff was 4610. This figure comprises the following four categories of staff as indicated below;

**Table 3.1. Staffing situation**

<b>Based on their permanency</b>	
Permanent Staff	4584
Probation period staff	26
Total Staff	<b>4610</b>
<b>Based on location</b>	
Addis Ababa Staff	2238
Outside Addis Ababa staff	2372
Total Staff	<b>4610</b>

*Source: Wegagen bank S.C payroll data, October. 2019*

### **3.4 Sampling Techniques**

This study is an embedded single case, so the researcher were used from the entire Company under study (Wegagen bank S.C) whose staff was 4610 sample size of 368 participants was taken from the total population that fairly represent the population.

Besides the purpose of the study and population size, the three criteria need to be specified to determine sample size: the level of precision (sampling error), the level of confidence or risk and the degree of variability (the nature of the population: homogenous or heterogenous) in the attributes being measured (Israel, 2012). In this study, the population is homogeneous: banking staff working in nearly similar working environments all under same organization and competition. Hence, the sample of 368 respondents reasonably represented the target population of the study. Therefore the sample size determination is based on the following formula where n is the sample size, N is the total population size, e is the desired level of precision with level of confidence is 95% confidence interval and  $\pm 5\%$  precision.

$$n = \frac{N}{1 + N * (e)^2}$$

$$n = \frac{4610}{1 + 4610 * (.05)^2}$$

$$n = 36$$

Due to the above mentioned reason the sample size of 368 was representative considering the extent of variability in the population through systematic random sampling.

### **3.5      *Data Collection instruments***

As stated earlier, a sample of 368 respondents were used and data was collected by the means of questionnaires. The questionnaires was used to reduce the cost, save time and avoid prejudice. The first 5 questions were on employee job performance in Wegagen Bank S.C. The rest 25 were centered on issues related to HCM components leadership practice ,employee engagement ,knowledge accessibility, learning capacity ,workforce optimization five questionnaire for each components and finally on basic demographic data that was not too personal.

The data collection instrument for the present study was comprised of two parts: the first part served as introduction for study and instruction for the completion of the questionnaire.

The second part assessed the main variables for the study including the demographic information. The second part of the instrument measure organizational position on human capital management (leadership practices, employee engagement workforce optimization, learning capacity, knowledge accessibility and employee job performance. The respondents of the study were knowledge worker, helping in comprehension and understanding of the questionnaire. The items were asked in continuity without any distraction, because all items were asked on same 5 point rating scale (likert scale) to measure variables of interest.

Based on the purposive nature of the study and the sample size determined was 368 questionnaires which were distributed to all the four categories of staff company-wide. From those 353 successful and valid questionnaires' was recollected, summarized and analyzed to reach this finding.

### **3.6 *Data analysis techniques***

This sub topic discusses how the results under this specific study were analyzed. It used both results of descriptive and inferential analysis. Under descriptive analysis, frequency, percentages, mean and standard deviation were used. Additionally, regression and correlation analysis were also used.

### **3.7 Regression assumption test**

Meeting the assumptions of regression analysis was the necessary step to confirm that the obtained data truly represented the sample and that researcher has obtained the best results (Hair et al., 1998). Therefore it was done three assumptions test for regression analysis used in this study which was discussed for each individual variable are Multi-co linearity, linearity and Normality test.

### **3.8 *Ethical Considerations***

An ethical consideration of confidentiality and privacy was addressed. A concerted and conscious effort was made at all times to uphold the promise. A guarantee was given to Wegagen Bnak S.C. respondents that their names were not exposed in the research report.

The student researcher tried to clearly inform to the respondents the purpose of the study is for academic purpose. In addition to this, they informed that their participation in the study was based on their consents. The researcher also not personalizes any of the response of the respondents during data presentations, analysis, and interpretation. Finally, all the materials that were used for this research are duly acknowledge.

## CHAPTER FOUR

### **4.0 Results And Discussions**

This chapter discusses both results of descriptive and inferential analysis. Under descriptive analysis, frequency, percentages, mean and standard deviation were used. Additionally, regression and correlation analysis were also used to analyze and interpret the result of the study.

From the total sample size needed to conduct this study, the student researcher has disseminated 368 questionnaires, from which 353 (95.9%) valid questionnaires was recollected. Which implies a higher response rate (>95%).

Table 4.1 Reliability of the Questionnaire

<b>Scales</b>	<b>Number of items</b>	<b>Cronbach's Alpha</b>
Employee Performance	5	.826
Leadership practice	5	.899
Employees engagement	5	.799
Learning capacity	5	.881
Knowledge accessibility	5	.773
Workforce optimization	5	.859
Entire scale	30	.933

As it is indicated on the above table Cronbach's alpha coefficient was calculated for each field of the questionnaire and the entire questionnaire. The values of Cronbach's Alpha shows that all of the results are acceptable according to (Cortina, 1993) who stated Chronbach's alpha results as 0.80 or greater is excellent consistency. This research variables items were also found to be acceptable since they are above 0.70 is acceptable, which fall in the range between 0.7 and 0.95. The resulting range is considered as high as the result ensures the reliability of each field of the questionnaire. More over Cronbach's Alpha for the entire questionnaire shows the value

of .933 which falls in an excellent range and it indicates the reliability of the entire questionnaire. Therefore, according to this test, the results for the items are reliable and acceptable.

Table 4.2 Demographic characteristics of respondents

<b>Characteristic</b>		<b>Frequency</b>	<b>Percentage</b>
Gender	Female	161	45.6%
	Male	192	54.4%
Educational background	secondary school	3	0.8%
	College diploma	32	9.1%
	university degree	253	71.7%
	master's degree	65	18.4%
	PhD and above	-	-
Experience	less than 2 years	32	9.1%
	2 - 5 years	128	36.3%
	5 - 10 years	97	27.5%
	10 - 15 years	64	18.1%
	greater than 15 years	32	9.1%
Age	20 - 30 years	64	18.1%
	31 - 40 years	128	36.3%
	41 - 50 years	129	36.5%
	greater than 50 years	32	9.1%
Total		353	100%

Source: own survey, 2019

As presented on the above table 4.1, the majority of respondents 192(54.4%) were male while 161(45.6%) of them were female respondents. This implies that the study was slightly dominated by male respondents.

Regarding the educational status of respondents, university degree holders have been found to be 253(71.7%) of the total respondents. The remaining 65(18.4%), and 32(9.1%) were masters' degree holders and college diploma holders respectively.

Concerning the experience of respondents, 128(36.3%) and 97(27.5%) of the total respondent had 2 - 5 years and 5 - 10 years of experience. Therefore, it is fair to say that the respondents of this study have sufficient experience in order to understand and forward their attitudes and perceptions towards HCM practices in Wegagen Bank S.C.

Regarding the age of respondents, 31 - 40 years and 41 - 50 years age groups made up of 128(36.3%) and 129(36.5%) of the total respondents respectively.

#### ***4.1 Dependent and Independent Variables***

In this part descriptive statistics in the form of mean and standard deviation were presented to illustrate the level of agreement of the respondents with their implications of the company. The responses of the respondents for the variables indicated below were measured on five point Likert scale with: 1= strongly disagree, 2= disagree, 3 = neutral, 4= agree and 5= strongly agree. However, while making interpretation of the results of mean the scales were reassigned as follows to make the interpretation easy and clear.

This formula is adapted from (Vichea, 2005), with 5 point scales, the interval for breaking the range in measuring each variable is calculated by  $(5-1)/5 = 0.8$ . It means items with scores fall between the ranges of: 4.20 – 5.00 are considered as strongly agreed; 3.40 – 4.09 as agreed; 2.60 – 3.39 as Neutral; 1.08 – 2.59 as disagree and 1.00 – 1.79 strongly disagree.

## 4.2 Employee Job Performance

Regarding employee job performance, the following descriptive result has been found which was most of the response lies on agree range.

Table 4.3. Employee Job Performance

Items	Mean		Std. Deviation
	Statistic	Std. Error	Statistic
I always complete the duties specified in my job description.	3.5467	.04463	.83849
I fulfill all responsibilities required by my job.	3.5014	.05013	.94184
I meet all the formal performance requirements of the job.	3.0482	.09696	1.82173
I never neglect aspects of the job that I am obligated to perform.	3.6374	.03780	.71029
I always perform important duties.	3.5467	.04463	.83849

*Source: own survey, 2019*

Based on the above table, the responses fall in the agreed range for all items except for items which asks whether employees met all the formal performance requirements of the job (mean = 3.0482 and SD = 1.82173).

The above result implies that employees of Wegagen bank S.C complete their work duties specified in my job description, fulfill all responsibilities required by their job, do not neglect aspects of the job that they are obligated to perform as well as they perform important duties.

### 4.3 Leadership practice

Regarding leadership practice, the following descriptive result has been found.

Table 4.4. Leadership practice

Items	Mean		Std. Deviation
	Statistic	Std. Error	Statistic
Communication. Senior executives and managers are open and honest in their communications; have an effective process in place for communicating news, strategies, and goals to employees; and ensure that employees know what is expected of them.	3.0028	.06814	1.28031
Inclusiveness. Senior executives and managers seek and use employee input, work in partnership with employees, and treat them with respect.	3.4561	.06160	1.15745
Supervisory skills. Managers demonstrate organizational values, eliminate unnecessary barriers to getting work done, offer constructive feedback, provide employees with performance appraisals, and inspire confidence.	3.9093	.04790	.89997
Executive skills. Senior executives demonstrate organizational values, eliminate unnecessary barriers to getting work done, offer constructive feedback, and inspire confidence	3.2295	.05062	.95110
Systems. Highly effective systems and processes are in place to identify and develop the next generation of leaders and ensure smooth leadership transitions.	3.7280	.04301	.80815

Source: own survey, 2019

Leadership practice has been studied using the table above questions and the result showed that the responses fall in the neutral range for items which measures whether senior executives and managers are open and honest in their communications; have an effective process in place for communicating news, strategies, and goals to employees; and ensure that employees know what is expected of them, and whether Senior executives demonstrate organizational values, eliminate unnecessary barriers to getting work done, offer constructive feedback, and inspire confidence.

The other items fall in the agreement range which assess whether senior executives and managers seek and use employee input, work in partnership with employees, and treat them with respect and managers demonstrate organizational values, eliminate unnecessary barriers to getting work done, offer constructive feedback, provide employees with performance appraisals, and inspire confidence and highly effective systems and processes are in place to identify and develop the next generation of leaders and ensure smooth leadership transitions.

#### ***4.4 Employee Engagement***

Employee engagement is the extent to which employees feel passionate about their jobs, are committed to the organization, and put discretionary effort into their work. Based on the table below the result of the respondents, fall in the agreement range for items which ask whether their work is effectively organized, makes good use of employees' talents and skills, and is interesting and meaningful.

Employees have appropriate responsibility to determine how best to do their work and creative job designs help make jobs fit employees, whether Employees are secure in their jobs, recognized for their accomplishments, and provided with opportunities for advancement, the workload allows employees to do their jobs well, make thoughtful decisions, and achieve an appropriate balance between work life balance.

However, the results fall in the neutral range for superiors are receptive and listen to employees' ideas and suggestions.

Table 4.5. Employee engagement

Items	N	Mean	Std. Deviation
Job design. Work is effectively organized, makes good use of employees' talents and skills, and is interesting and meaningful. Employees have appropriate responsibility to determine how best to do their work and creative job designs help make jobs fit employees	353	3.68	.69997
Commitment to employees. Employees are secure in their jobs, recognized for their accomplishments, and provided with opportunities for advancement.	353	3.50	.94184
Time. The workload allows employees to do their jobs well, make thoughtful decisions, and achieve an appropriate balance between work and home.	353	3.41	1.11478
Systems. Systems help retain good performers by continually evaluating trends in employee engagement and providing information that can be used to determine the key drivers of productivity and customer satisfaction.	353	3.63	.71029
My superiors are receptive and listen to my ideas and suggestions.	353	3.31	1.15025

*Source: own survey, 2019*

#### **4.5 Learning Capacity**

Learning capacity is the extent to which employees feel passionate about their carrier goal , and are committed to the organization long term goal and prepare to meet those standard by upgrading so that to meet the market demand, and put discretionary effort into their work. The following result has been gained.

Table 4.6. Learning Capacity

<b>Items</b>	<b>Mean</b>	<b>Std. Deviation</b>
New ideas are welcomed; employees are encouraged to find new and better ways to do work; and employees' input is sought in solving problems.	3.0935	1.34620
Training is practical, supports organizational goals, and is provided for employees on work-related technologies.	3.2748	1.09537
Development. Employees have formal development plans in place, and they use those plans to achieve their career goals.	3.0028	1.20722
Leadership behavior consistently demonstrates that learning is valued, and managers consistently make learning a priority.	3.5467	.83849
A learning management system automates the administration of all aspects of training and learning events, provides reports to management, and includes features such as content management and skill or competency management.	3.2295	1.27744

*Source: own survey, 2019*

Regarding the learning capacity, the result fall in the neutral range for whether employees are encouraged to find new and better ways to do work; and employees' input is sought in solving problems, whether training is practical, supports organizational goals, and is provided for employees on work-related technologies, whether employees have formal development plans in place, and they use those plans to achieve their career goals and whether there is a learning management system automates the administration of all aspects of training and learning events, provides reports to management, and includes features such as content management and skill or competency management.

#### 4.6 Knowledge accessibility

Concerning the accessibility of knowledge, the following results are found.

Table 4.7. Knowledge accessibility

<b>Items</b>	<b>Mean</b>	<b>Std. Deviation</b>
People have the necessary manuals, tools, and information they need to do their jobs, and there are procedures in place that enable employees to access training when they need it.	3.0028	1.28031
Teamwork is encouraged and facilitated; there are places for people to meet informally.	2.6856	1.14576
Best practices and tips are shared, improved, and circulated across departments.	2.5042	1.23657
Effective systems are in place to collect and store information and make it available to all employees.	2.7762	1.27845
There is time set aside for people to share with and learn from one another.	2.1870	1.37310

*Source: own survey, 2019*

Based on the above descriptive statistics results, which measures availability, collaboration and teamwork, information sharing, systems and time, all the items fall in the neutral range which asks whether people have the necessary manuals, tools, and information they need to do their jobs, and there are procedures in place that enable employees to access training when they need it, whether teamwork is encouraged and facilitated; there are places for people to meet informally, best practices and tips are shared, improved, and circulated across departments, whether effective systems are in place to collect and store information and make it available to all employees and there is time set aside for people to share with and learn from one another.

#### 4.7 Work force optimization

Regarding workforce optimization the result found lies on disagree range.

Table 4.8 work force optimization

Items	Mean	Std. Deviation
Processes for getting work done are well defined and continually improved, and employees are well trained in how to use them.	2.0510	1.30022
Employees have access to the materials and technologies they need, and working conditions contribute to good performance.	2.0057	1.24771
Employees are held accountable for producing high-quality work; promotion is based on competence; poor performers are terminated; and employees trust their coworkers to get the job done.	2.3229	1.36430
Selection is based on skill requirements; new hires receive adequate orientation, induction, and description of required skills; and employees provide input into hiring decisions.	2.4589	1.30738
Highly effective systems and processes are used to manage employees' performance and talents, view the overall proficiency of the workforce, help employees realize their full performance potential in their current jobs, identify development opportunity	2.5496	1.58955

Source: own survey, 2019

In order to assess the processes, conditions, accountability, hiring decisions and systems, the above 5 items were presented for respondents and found disagreed response. Which implies that the organization is weak in terms of creating processes for getting work done are well defined and continually improved, and employees are well trained in how to use them, employees have access to the materials and technologies they need, and working conditions contribute to good performance, employees are held accountable for producing high-quality work; promotion is based on competence; poor performers are terminated; and employees trust their coworkers to

get the job done, fail to select employees based on skill requirements; new hires receive inadequate orientation, induction, and description of required skills.

#### **4.8 *Inferential statistics results***

In this part of the paper, inferential statistics results such as correlation and regression results are presented.

##### **4.8.1 Co relational Matrix**

The following points are the accepted guidelines for interpreting the correlation coefficient: based on (Ratner, 2009).

- 0 indicates no linear relationship.
- +1 indicates a perfect positive linear relationship – as one variable increases in its values, the other variable also increases in its values through an exact linear rule.
- -1 indicates a perfect negative linear relationship – as one variable increases in its values, the other variable decreases in its values through an exact linear rule.
- Values between 0 and 0.3 (0 and -0.3) indicate a weak positive (negative) linear relationship through a shaky linear rule.
- Values between 0.3 and 0.7 (0.3 and -0.7) indicate a moderate positive (negative) linear relationship through a fuzzy-firm linear rule.
- Values between 0.7 and 1.0 (-0.7 and -1.0) indicate a strong positive (negative) linear relationship through a firm linear rule.

Based on the result, workforce optimization with a coefficient 0.208 fall in a weak positive relationship with employee job performance while knowledge accessibility with coefficient of 0.553 fall in a moderate positive relationship with employee job performance. The other three variables; leadership practice, employees engagement and learning capacity with a coefficient of 0.720, 0.876 and 0.793 respectively show strong positive linear relationship with employee job performance.

Additionally, since the p-values of the above correlation matrix were found significant ( $p < 0.001$ ), therefore, employees' job performance (dependent variable) is positively and significantly related with all independent variables (leadership practice, employees engagement, learning capacity, knowledge accessibility, and workforce optimization) of Wegagen Bank.

Table 4.9. Pearson Correlation matrix of variables

	<b>Employees Job Performance</b>	<b>Leadership practice</b>	<b>Employees engagement</b>	<b>Learning capacity</b>	<b>Knowledge accessibility</b>	<b>Workforce optimization</b>
<b>Employees Job Performance</b>	1					
<b>Leadership practice</b>	.720**	1				
<b>Employees engagement</b>	.876**	.836**	1			
<b>Learning capacity</b>	.793**	.734**	.728**	1		
<b>Knowledge accessibility</b>	.553**	.503**	.479**	.516**	1	
<b>Workforce optimization</b>	.208**	.051	.150**	.247**	.436**	1

\*\* . Correlation is significant at the 0.01 level (2-tailed).

#### 4.8.2 Multiple regression assumptions

Meeting the assumptions of regression analysis is necessary to confirm that the obtained data truly represented the sample and that researcher has obtained the best results (Hair et al., 1998). Three assumptions for regression analysis were tested in this study and were discussed for the individual variables as follows: Multi-co linearity, linearity and Normality.

##### A. Multi-co linearity Test

Table 4.11 Multi-co linearity Test

<b>Model</b>		<b>Co linearity Statistics</b>	
		<b>Tolerance</b>	<b>VIF</b>
1	Leadership practice	.239	4.182
	Employees engagement	.269	3.715

Learning capacity	.382	2.616
Knowledge accessibility	.569	1.757
Workforce optimization	.726	1.378

a. Dependent Variable: Employees Job Performance

According to the coefficients outputs of co linearity statistics, obtained Tolerance and Variance Inflation Factors (VIF) values showed that the obtained values are 1 to 10, it can be concluded that there is no Multi-co linearity symptoms.

#### B. Linearity Test

The linearity of the relationship between the dependent and independent variable represented the degree to which the change in the dependent variable is associated with the independent variable. In a simple sense, linear models predict values falling in a straight line by having a constant unit change of the dependent variable for a constant unit change of the independent variable (Hair et al., 1998).

Therefore, the scatter plots of standardized residuals versus the fitted values for the regression models were visually inspected. So that the dots at the P-P Plot are closer to the diagonal line, indicating that assumption of normality is met (the plots are shown in the appendix).

#### C. The Assumption of Normality

A check for normality of the error term is conducted by a visual examination of the normal probability plots of the residuals. The normality probability plots were plotted to assess normality. The P-P plots were approximately a straight line instead of a curve. Accordingly, the residuals were deemed to have a reasonably normal distribution, as suggested by Hair et al. (1996). The result showed that the assumption of normality has been met.



FIGURE 4.1 Normal P-P plot

### Multiple Regression Model

Table 4.12 Model summary of regression result

Model Summary <sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.918 <sup>a</sup>	.844	.841	.33841

a. Predictors: (Constant), Workforce optimization, Leadership practice, Knowledge accessibility, Learning capacity, Employees engagement

b. Dependent Variable: Employees Job Performance

Table 4.13 Model summary of ANOVA

		ANOVA <sup>a</sup>				
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	214.230	5	42.846	374.125	.000 <sup>b</sup>
	Residual	39.740	347	.115		
	Total	253.969	352			

a. Dependent Variable: Employees Job Performance

b. Predictors: (Constant), Workforce optimization, Leadership practice, Knowledge accessibility, Learning capacity, Employees engagement

According to the result of the above multiple regression result, correlation between employees' job performance and the other independent variables is .918. Additionally, R square and adjusted R square value of the multiple regression is given by .844 and .841, respectively. This is interpreted as 84.4% of variance in employees' job performance is due to work optimization, Leadership practice, Knowledge accessibility, Learning capacity, Employees engagement of Wegagen Bank, while the remaining variation in employees' job performance can be attributed to other variables which are not considered in this study.

With F-statistic of 374.125 at 5 and 347 degrees of freedom is statistically significant at 99% confidence. Thus, the model has been found to significantly predict employees' job performance of Wegagen Bank S.C.

Table 4.14 Multiple Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.268	.096		-2.782	.006
	Leadership practice	-.250	.042	-.257	-5.920	.000
	Employees engagement	.925	.049	.765	18.685	.000

Learning capacity	.317	.030	.358	10.424	.000
Knowledge accessibility	.156	.029	.153	5.432	.000
Workforce optimization	-.038	.019	-.049	-1.956	.051

a. Dependent Variable: Employees Job Performance

Based on the above coefficient table, the relationship between independent variables which is composed of leadership practice, employees' engagement, learning capacity, knowledge accessibility, workforce optimization and dependent variable employees' job performance are presented. Some variables have positive values in the b values (employees' engagement, learning capacity, knowledge accessibility) which indicate that these variables have positive relationship with job performance of employees while the negative values in b for leadership practice and workforce optimization which indicate these variables have negative relationship with job performance.

Employees' engagement has the highest standardized coefficient followed by learning capacity. The coefficients of leadership practice, employees' engagement, learning capacity and knowledge accessibility is significant at 5% level of significance. But Workforce optimization has slightly insignificant contribution for the model since  $0.051 > 0.05$ .

The above result implies that leadership practice, employees' engagement, learning capacity, knowledge accessibility; significantly predict employees' job performance. The following multiple regression equation is also constructed which founds to be significantly predicting employees' job performance of Wegagen Bank S.C.

$$\begin{aligned}
 \text{Employees Job Performance} &= -.268 - .250 \text{ Leadership practice} + .925 \text{ Employees engagement} \\
 &+ .317 \text{ Learning capacity} + .156 \text{ Knowledge accessibility} \\
 \text{EJP} &= -0.268 - 0.250LP + 0.925EE + 0.317LC + 0.156KAC
 \end{aligned}$$

# CHAPTER FIVE

## Conclusions and recommendation

### 5.1 Conclusions

The most prominent factors in employee job performance are human capital management practice or human capital. Recently, human capital management has become most important asset that can't be denied in the banking sector. However, few banks are capable of being completely bound to its possible potential. The purpose of this study was to recognize the correlation between human capital management and employee job performance. Such as, leadership practices, learning capacity, knowledge accessibility, employee engagement and workforce optimization. This study was carried out in Wegagen Bank S.C. Addis Ababa, Ethiopia.

Findings and other relevant study results of the study confirmed that employee engagement, learning capacity, knowledge accessibility, have significant and positive effect on employee job performance. While leadership practices, have weak significant negative effect on employee job performance. Human capital management plays a significant and necessary role in employee job performance of any organization or banks. The findings of this studies suggests that Wegagen bank can enhance their employee job performance by implementing sustainable human capital management practice .Therefore, in order to improve employee job performance Wegagen bank should implement sustainable HCM practice to strengthen and boost their future performance .

The study sought to establish the effect of human capital management on employee job performance in Wegagen Bank S.C. The study draws findings on human capital management that included leadership practices, employee engagement, knowledge accessibility, workforce optimization and learning capacity. The study found that there is significant relationship between HCM and employee job performance. A total of 353 successful and valid questionnaires were analyzed for the purpose of answering the research questions. The study utilized (Bassi and Mc Murrer 's 2007) frame work of HCM measurement system by using scores, correlation and regression analysis done to come out with the research findings.

The study concludes that leadership practices, employee engagement, knowledge accessibility,

and learning capacity significantly affect employee job performance. The study also concludes that it is possible to use HCM drivers to benchmark organizational HCM capabilities, identify HCM strengths and weakness, and link improvements or backsliding in specific HCM practices with improvements or shortcomings in employee job performance. The last component which is workforce optimization has slightly insignificant effect according to this finding.

The co relational result showed that employees' job performance (dependent variable) is positively and significantly ( $p < 0.001$ ) related with all independent variables such as leadership practice ( $r=.720^{**}$ ), employees engagement( $r =.876^{**}$ ), learning capacity( $r =.793^{**}$ ), knowledge accessibility ( $r =.553^{**}$ ), and workforce optimization( $r =.208^{**}$ ). Based on the result of multiple regressions, with 5% level of significance, leadership practice, employees' engagement, learning capacity, knowledge accessibility, significantly predict employees' job performance.

## **5.2 Recommendations**

It is recommended that the management of the bank revise its HCM practice by considering each HCM components through identifying them and confronting each components through clearly stated short term and long term objectives that will support to improve or sustain each components impact on employee job performance.

The student researcher would like to suggest the following recommendations based on the result of the study; first off all Wegagen Bank S.C. should continue improving leadership practice and its successor planning because its effect on employee job performance was negative .that may enhance if it is managed properly and formally. It is also better to provide trainings to the leaders in order to utilize their skill for encouraging and accepting employees' contribution towards the goal so that employee job performance will enhance. and the practice may also increase their job productivity if it is managed properly and scientifically.

The bank should set short term plan to maintain those employees who are benefited from its knowledge accessibility by availing necessary resources and information as an opportunities to them so that employees may stay long and give their contributions to the bank.

In relation to employee engagement, the result shows that it is extremely predict employee job performance. Therefore the bank should notice and put in place a compatible pay and reward system for the sustainability of skilled human resource in the long run. This could happen perhaps

by changes in the existing pay systems of the bank. This action may help to retain skilled human resources in the bank.

The bank also should consider Knowledge accessibility and learning capacity as the primary means to transfer programmed organizational knowledge and know how employees that can easily share and use. by linking the learning capacity of the employee in a very systematic and continuous way in order to leverage the employee job performance as a main competitive advantage to achieve the bank short term as well as long term goal.

### **5.3 Recommendation for future study**

This study though makes important and valid contributions to the theory and literature but has left some of areas unexplored. The study only relates and predicts employee job performance on the basis of HCM. Future researchers may investigate as to which indicator leads to higher performance and why? It only measures the association and prediction relation for HCM-employee job performance relation in knowledge intensive industry setting, whereas the future studies may validate the relations for other industries both in public and social sectors.

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## Appendix 1.

### Research Survey questionnaire

**Dear respondent!** This survey questionnaire is designed with the objective of collecting information on the impact of Human Capital Management on employee job performance. This questionnaire is therefore meant only for research purposes. It is to be filled by managers, supervisors, and employees of the bank. For this purpose your genuine responses to each of the survey questions are highly useful. There is no “right” or “wrong” answer. While responding you are anonymous and hence your responses will be confidentially used for this research purpose only.

I highly appreciate your willingness to participate as a respondent in this survey.

Tizazu Mekuriaw

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Addis Ababa University

#### **Please fill in the blank spaces**

1. Gender of the respondent: Female \_\_\_\_ Male \_\_\_\_
2. Respondent's education level: \_\_\_\_\_
  - a) Secondary school \_\_\_\_ b) College diploma \_\_\_\_ c) University degree \_\_\_\_
  - d) Master's degree \_\_\_\_ e) PHD and above \_\_\_\_
3. Respondent's work experience in the bank.
  - a) Less than 2 years \_\_\_\_ b)  $2 < X < 5$  \_\_\_\_ c)  $5 < X < 10$  \_\_\_\_
  - d)  $10 < X < 15$  \_\_\_\_ e) Greater than 15 \_\_\_\_
4. Respondent's age
  - a) 20 -30 \_\_\_\_ b) 31 – 40 \_\_\_\_ c) 41- 50 \_\_\_\_ d) greater than 50 \_\_\_\_

Please read the following items and respond by indicating your degree of agreement on each statement on the five point Likert scale; where 1= strongly disagree 2= Disagree 3= Neutral 4= Agree 5= strongly agree.

**Please indicate your choice by marking bold on your choice or circle.**

<i>No</i>	<i>Items</i>	<i>Strongly disagree (1)</i>	<i>Disagree (2)</i>	<i>Neutral (3)</i>	<i>Agree (4)</i>	<i>Strongly agree (5)</i>
1	<i>I always complete the duties specified in my job description.</i>	1	2	3	4	5
2	<i>I fulfill all responsibilities required by my job.</i>	1	2	3	4	5
3	<i>I meet all the formal performance requirements of the job.</i>	1	2	3	4	5
4	<i>I never neglect aspects of the job that I am obligated to perform.</i>	1	2	3	4	5
5	<i>I often do perform important duties.</i>	1	2	3	4	5
6	<i>Communication. Senior executives and managers are open and honest in their communications; have an effective process in place for communicating news, strategies, and goals to employees; and ensure that employees know what is expected of them.</i>	1	2	3	4	5
7	<i>Inclusiveness. Senior executives and managers seek and use employee input, work in partnership with employees, and treat them with respect.</i>	1	2	3	4	5

8	<i>Supervisory skills. Managers demonstrate organizational values, eliminate unnecessary barriers to getting work done, offer constructive feedback, provide employees with performance appraisals, and inspire confidence.</i>	1	2	3	4	5
9	<i>Executive skills. Senior executives demonstrate organizational values, eliminate unnecessary barriers to getting work done, offer constructive feedback, and inspire confidence</i>	1	2	3	4	5
10	<i>Systems. Highly effective systems and processes are in place to identify and develop the next generation of leaders and ensure smooth leadership transitions.</i>	1	2	3	4	5
11	<i>Job design. Work is effectively organized, makes good use of employees' talents and skills, and is interesting and meaningful. Employees have appropriate responsibility to determine how best to do their work and creative job designs help make jobs fit employees' needs.</i>	1	2	3	4	5
12	<i>Commitment to employees. Employees are secure in their jobs, recognized for their accomplishments, and provided with opportunities for advancement.</i>	1	2	3	4	5
13	<i>Time. The workload allows employees to do their jobs well, make thoughtful decisions, and achieve an appropriate balance</i>	1	2	3	4	5

	<i>between work and home.</i>					
14	<i>Systems. Systems help retain good performers by continually evaluating trends in employee engagement and providing information that can be used to determine the key drivers of productivity and customer satisfaction.</i>	1	2	3	4	5
15	<i>My superiors are receptive and listen to my ideas and suggestions.</i>	1	2	3	4	5
16	<i>Innovation. New ideas are welcomed; employees are encouraged to find new and better ways to do work; and employees' input is sought in solving problems.</i>	1	2	3	4	5
17	<i>Training. Training is practical, supports organizational goals, and is provided for employees on work-related technologies.</i>	1	2	3	4	5
18	<i>Development. Employees have formal development plans in place, and they use those plans to achieve their career goals.</i>	1	2	3	4	5
19	<i>Value and support. Leadership behavior consistently demonstrates that learning is valued, and managers consistently make learning a priority.</i>	1	2	3	4	5
20	<i>Systems. A learning management system automates the administration of all aspects of training and learning events, provides reports to management, and includes features such as content management and</i>	1	2	3	4	5

	<i>skill or competency management.</i>					
21	<i>Availability. People have the necessary manuals, tools, and information they need to do their jobs, and there are procedures in place that enable employees to access training when they need it.</i>	1	2	3	4	5
22	<i>Collaboration and teamwork. Teamwork is encouraged and facilitated; there are places for people to meet informally.</i>	1	2	3	4	5
23	<i>Information sharing. Best practices and tips are shared, improved, and circulated across departments.</i>	1	2	3	4	5
24	<i>Systems. Effective systems are in place to collect and store information and make it available to all employees.</i>	1	2	3	4	5
25	<i>Time: there is time set aside for people to share with and learn from one another.</i>	1	2	3	4	5
26	<i>Processes. Processes for getting work done are well defined and continually improved, and employees are well trained in how to use them.</i>	1	2	3	4	5
27	<i>Conditions. Employees have access to the materials and technologies they need, and working conditions contribute to good performance.</i>	1	2	3	4	5
28	<i>Accountability. Employees are held accountable for producing high-quality work; promotion is based on competence;</i>	1	2	3	4	5

	<i>poor performers are terminated; and employees trust their coworkers to get the job done.</i>					
29	<i>Hiring decisions. Selection is based on skill requirements; new hires receive adequate orientation, induction, and description of required skills; and employees provide input into hiring decisions.</i>	1	2	3	4	5
30	<i>Systems. Highly effective systems and processes are used to manage employees' performance and talents, view the overall proficiency of the workforce, help employees realize their full performance potential in their current jobs, identify development opportunities for those experiencing performance difficulties, and prepare motivated employees to progress in their careers.</i>	1	2	3	4	5

I thank you in advance for all your cooperation.

# Appendix 2

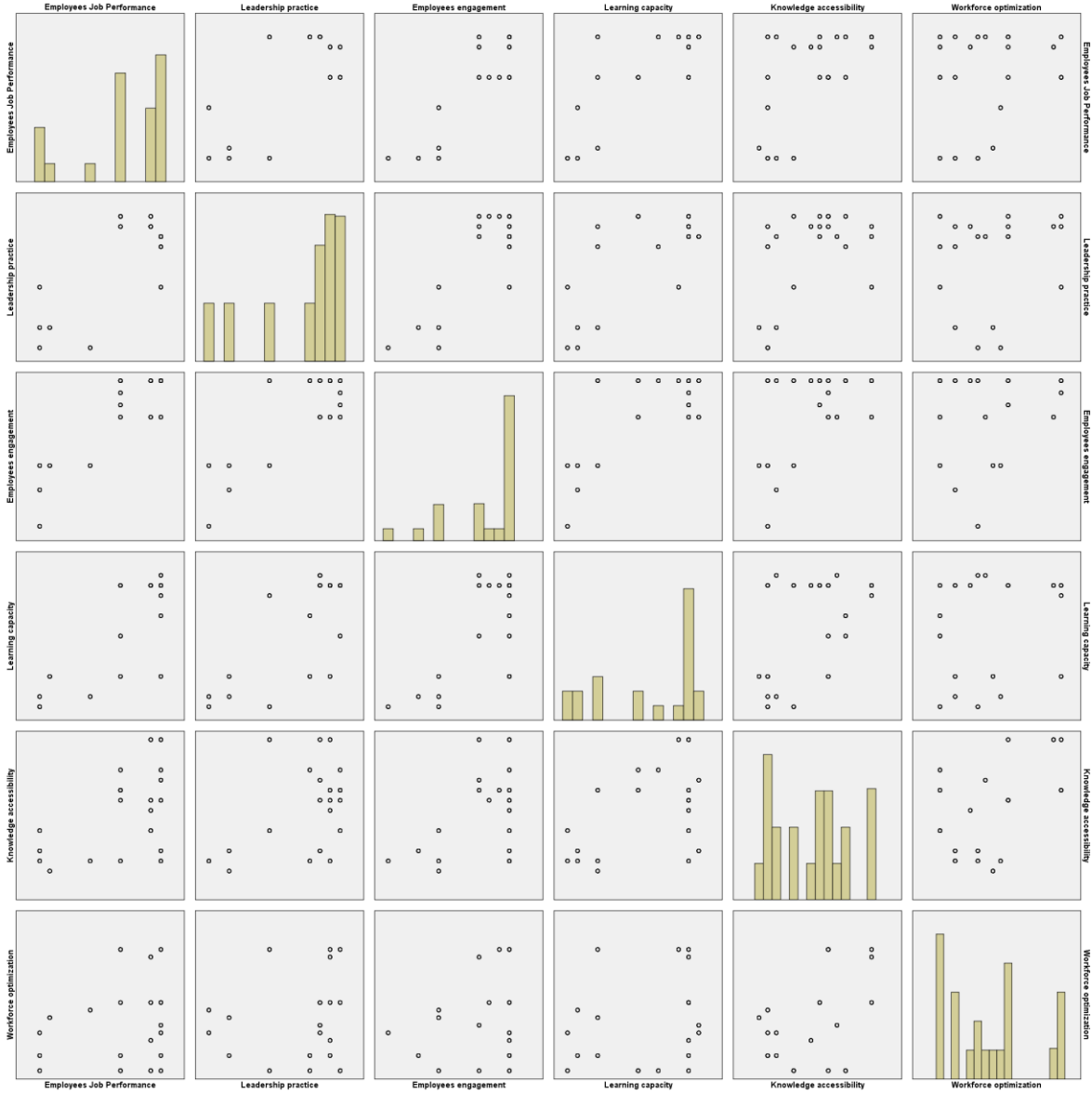


Figure 5.1 Regression Residual