CONTENTS

LIST OF TABLES

LIST OF FIGURES

DECLERATION

I, Yoseph Lemma, hereby declare that the thesis entitled "The Effect of Selected Human Resource Management Practice on Perceived Organizational Performance at Berhan Bank S.Co" is submitted as a partial fulfillment of the requirements for Master of Arts (MA) in Human Resources Management to Addis Ababa University School of Commerce. This study has been done with my own effort and all sources of materials used for the study have been dully acknowledged.

Name: Yoseph Lemma Alemu

Signature: ______________________

Date: ______________________

CERTIFICATE

This is to certify that Yoseph Lemma Alemu; a student of MA in Human Resource Management, in Addis Ababa University School of Commerce, has been working under my supervision and guidance for this thesis work. His thesis entitled " The Effect of Selected Human Resource Management Practices on Perceived Organizational Performance at Berhan Bank S.Co. " which he has now submitted is his genuine and original work.

Bantie Workie	_________________	______________
Name of the Advisor	Signature:	Date:

Addis Ababa University

School of Commerce

Department of Human Resource Management

This is to certify that the thesis prepared by Yoseph Lemma, entitled: The Effect of Selected Human Resources Management Practice On Organizational Performance at Berhan Bank S.Co is submitted in Partial fulfillment for the Degree of Masters of Arts (Human Resource Management) complies with the regulations of the University and meets the expected standard with respect to originality and quality.

Approval by the Examining Committee:

Internal Examiner ______________________ Signature _____ Date _____________

External Examiner ______________________ Signature _____ Date _____________

Bantie Workie (Mr) ______________ ____________________
Advisor Signature Date

ABSTRACT

The purpose of this study was to examine the effects of selected human resource management practices on organizational performance at Berhan Bank S.C. Explicitly, the study attempts to discover the effect of selective hiring, training and development, compensation, performance appraisal and management, self-managed teams and employee involvement. It was carried out in Berhan Bank S.Co. head office and branches in Addis Ababa. Employees from all ranges of positions are included in the sample. Sampling was decided using a formula developed by Kerjice and Morgan to select a sample size of 346 employees from the head office and branches in Addis Ababa. Both descriptive and inferential statistical techniques were used to analyze the data. A step wise multiple regression analysis was conducted to test how well the selected human resource management practices could explain organizational performance. The research finding shows that selected human resource management practices affect organizational performance positively. Compensation, performance appraisal and management and employee involvement variables are identified by a regression analysis as independent variables that have greater power to explain the relationship and influence on organizational performance of the Bank. Finally, the study recommended that, the Bank should adopt a performance appraisal and management system that encourages regular feedback giving, constructive and growth. The Bank should encourage decentralized decisions making and service quality improvements. The Bank should incorporate more reliable decisions on the planning process in HRM matters and implementation of associating program to increase management awareness and employee's involvement. On the top of that, the Bank should focus on the proper implementation of HRM practices level in all its branches and organs towards the appropriate HRM practices.

Key words: *Human resource management practices, selective hiring, training and development, compensation, performance appraisal and management, self-managed team's employee involvement, Organizational performance.*

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

A growing body of researches, including both industry-specific studies and cross-industrial studies, investigates the impact of human resource management (HRM) on firm performance (Kocha, Ichniowski, Lecine & Olson, 1999). The HRM environment can be an even more important determinant of productivity in the service sector than in other sectors such as manufacturing, and government owned public sectors, given the much larger share of the total production costs accounted for by employment and the much more extensive direct contact between employees and customers, in services.

According to Delery & Doty (1996), The effect of best human resource management practices on organizational performance has the subject of much attention over the years. However, empirical validation of the findings in operations across countries or industries is nearly non-existent and very limited of best recent trends in the business world. Literatures emphasized the need for generalizing of the relationship between human resource management practices and organizational performance. The authors raise concern that the results of their study of human resource management practices on organizational performance in banking industry may not be valid on other industries.

The impact of best human resource management practices on organizational performance as proposed by (Pfeffer, 1994) and others can be generalized across manufacturing plants and services industries. However, a growing number of researchers have argued for instituting complementary bundles of human resource management practices to enhance organizational performance.

Performance of any organization highly depends on the performance of its human resources. Productive organizations are increasingly realizing that there are various reasons which contribute to the organizational performance yet human resources are clearly the most critical (Mello J.A, 2005) . Similarity, Delery & Doty (1996) agree that HRM practice have significant association with accounting profits of organizations.

Organizational performance comprises the actual result of an organization as measured against its planned outputs. According to Richard, (2009), it includes three specific areas of outcomes:

Financial performance such as profit, return on investment, return on assets etc. it also includes product market performance and optimized shareholders return (economic value added, total shareholders return, etc.

This research investigates the effect of selected human resource management practices on perceived organizational performance in the case of Berhan Bank S.C.

1.2 Background of the Organization

Ethiopia has continued to become one of the fast-growing economies in Africa. The country highly emphasized on the foreign direct investment (FDI), export-oriented industrialization and private sector development. It has recorded an economic growth of 10.8 percent in the fiscal year 2016/17. (World-Factbook, 2017)

In this rapidly growing economy, the banking sector dominates the financial sector of Ethiopia in terms of value, market share and services offered to the public. Berhan Bank S.C, one of the private commercial bank in the sector, has been actively moving to boost its market share and contribute to the economic development of the country at large. Following the Monetary and Banking Proclamation of 1994, several private banks have been opened in Ethiopia (Alemayehu, 2001). Berhan Bank as one of the emergent bank was established in 2009 with a registered capital of 95 million and more than 6700 number of shareholders. In June 30th, 2017, it is operating in more than 40 cities, with a branch network of 175 branches and sub- branches.

Currently, it serves more than 466,483 customers across the nation with some team of 2865 staff members. According to the annual report of the Bank for FY/2016/17, the Bank's overall performance during the fiscal year under consideration was considerable achievements in key performance areas and registered a remarkable growth from the previous year. (Berhan Bank, 2017)

It was further stated in the same report, that such performance of the Bank was the result of effective implementation of the Bank's Strategic Plan, in which the Bank's organizational structure was revised and proper manning was put in place. During the current fiscal year 2016/17, the Management also implemented the revision of several policies and procedure manuals with a view of helping the Bank to promptly respond to the changing business environment. (Berhan Bank, 2017). The Bank has plans to exert relentless effort to sustain the growth momentum and to make Berhan Bank S.C. more competitive in the industry.

In the 2016/17 fiscal year the Bank is working towards giving prior attention to raise its paid-up capital, enhance human resource development and install state of the art Information Technology infrastructure, among others.

1.3 Statement of the problem

Ethiopia is gradually shifting from agricultural led to industry led economy (National Bank of Ethiopia (NBE), 2016/17). It is expected huge number of employment in the future with the expansions of manufacturing and service industry. Therefore, it is important to determine empirically, the contribution of different factors like, HRM practices towards organizational performance.

Studies show that HR practices have significant impact on organizational performance. Though the effect of selected human resource management practices on organizational performance has been a widely researched area, insufficient numbers of studies have been conducted in the context of Ethiopian service industries and in the banking sector as well. (Mulu, 2011)

It is accepted that HRM is positively related to organizational performance (Dessler, 2013); yet there is a great need for additional evidence to support the HRM –performance relationship from different contexts. For this reason, to develop better understanding and looking for a finned contemporary knowledge, the research will be directed on studying the effect of selected Human Resource Management (HRM) Practices on perceived organizational performances and evaluating the loses if don’t.

It is upon this contextual that this study will pursues to find out the weight of selected HRM practice influence up on perceived organizational performance.

1.4 Research question

The research will try to answer the following research questions: -

1. Does selected Human Resource Management (HRM) practice have effects on organizational performance?

2. In what ways does Human Resource Management (HRM) practice affect organizational performance?

1.5 Research Hypothesis

The following hypotheses are developed to break down the above research questions. They are: -

H1: Hiring is positively related to banks performance

H2: The extent of training and development will positively affect the Banks performance

H3: Compensation practices are positively related with Banks performance.

H4: Performance appraisal practices are positively related to the Banks performance.

H5: Self-Managed teams have significant effect on Banks performance

H6: Employee involvement putatively affect the Banks performance.

1.6 Research objectives

The main purpose of the study was to identify the effect of selected HRM practices on perceived organizational performance and to assess the assertion of one with the other. In order to materialize this objective, the following specific objective will be considered: -

- To ascertain how Human Resource Management (HRM) practice at Berhan Bank affects organizational performance;
- To determine empirically the relationship between Human Resource Management (HRM) practice and organizational performance;

1.7 Significance of the study

The aim of this study was to examine the effect of human resource management practices on perceived organizational performance in general. Hence this paper will help bridging the gap and to contribute to the body of knowledge that relates to human resource management practice and organizational performance.

The study will benefit the bank by showing the association of the HRM practice to the organizational performance and recommending the bank management on the proper enhancement of the practices for the improved performance.

1.8 Scope of the Study

In general, this research aims in finding out the effect of selected Human Resource Management (HRM) practice on organizational performance and investigates the effect of Berhan Bank S.Co. It takes into account the concept of HR practices and organizational performance that are broad and it is impossible to address all of its elements in this research. For the purpose of this research; selected six Human Resource Practices (HRM) will be the focuses; these practices are: - Selective hiring, Training and development, Compensation, Performance Appraisal and Management, Self-Managed teams, and Employee involvement. The study is also limited geographically and only to Berhan Bank city branches.

1.9 Limitation of the study

The research will be strictly limited to the effect of selected Human Resources Management (HRM) practices on perceived organizational performances, at Berhan Bank S.C. It further will be limited to six practices (variables) though there are numerous HRM practices that may affect the organizational performance.

1.10 Operational Definition of terms

BANK: bank is a financial institution licensed to receive deposits and make loans. Banks may also provide financial services, such as wealth management, currency exchange and safe deposit boxes. There are two types of banks: commercial/retail banks and investment banks. In most countries, banks are regulated by the national government or central bank. (https://www.investopedia.com/terms/b/bank.asp)

1.11 Organization of the Study

This research paper consists of five chapters. **Chapter one** provides an overview about the background of the study and the case organization, statement of the problem, the research questions and objectives, significance and scope, and definition of terms. **Chapter two** deals literature related to HRM practices, organizational performance and conceptual frame works are discussed. **Chapter three** focuses on the research methodology and **chapter four** provides findings, discussion and analysis of the study. **Chapter five** presents the conclusion, recommendation, and summary of the study.

CHAPTER TWO

RIVIEW OF LITRATURES

Authors such as Bryman & Bell, (2011) assert that the purpose of a literature review is to provide justification for a research question and to help the researcher's choice of subsequent research design. Thus, this chapter will seek to present a review of the literature pertaining to the research questions introduced in Chapter one.

Recently, the dominant focus on Human Resource Management literature has been to demonstrate the importance of effectively managing human resources of organizations. In this regard, this chapter reviews the literature related to human resource management practices, both theoretical and empirical by describing the relationship between HRM practices and organizational performance.

Over the past decade, the way in which people are managed and developed at work has come to be recognized as one of the primary factors in achieving improvement in organizational performance (Marchington & Wilkinson, 1997).

2.1 Theoretical Review

The well-known author such as Michael Armstrong, define human resource management as "a strategic and coherent approach to the management of an organization's most valued assets – the people working there who individually and collectively contribute to the achievement of its objectives" (Armstrong, 2006). From the definitions is apparent, that HRM provides a support to organizational strategy and it addresses issues such as responsiveness and quality of product or customer service.

2.1.1 Models of Human Resource Management

Hard and Soft Version of HRM

John Storey in his published research argues the distinction that both hard and soft versions of HRM depend on different set of believes, **goals** and **practices**. In *hard version* of HRM, worker is regarded as commodity. People are resources that must be acquired, developed and manage

in "rational" way as any other economic resource that will benefit the organization. (Guest, 1999). Hard HRM is quantitative and the focus is placed on performance goals.
The concept of hard HRM goes back to the birth of *scientific management* at the beginning of the twentieth century. This method, developed by Frederic Winslow Taylor (1856-1915), is based on task fragmentation. It defined one best way on how to perform the work, using scientific selection of workers, and in-depth training on how to perform the work. It involves close supervision (Huczynski & Buchanan, 2007).

Soft version of HRM on the other hand is people-oriented and treats employees as valued assets. This approach is based on human-relationship school, which was developed during 1920s and 1930s in United States. Competitive advantage is gained through commitment, advanced organizational culture, adaptability and high-trust organization. In this approach, it emphasized the need to develop the potential of employees (ibid).

Different models of HRM have been proposed to explain the relationship between two variables – HRM practices and organizational performance – in different ways and argue that if some company design HR practices in a way, then performance will improve.

The five models are summarized in the diagram below (ibid).

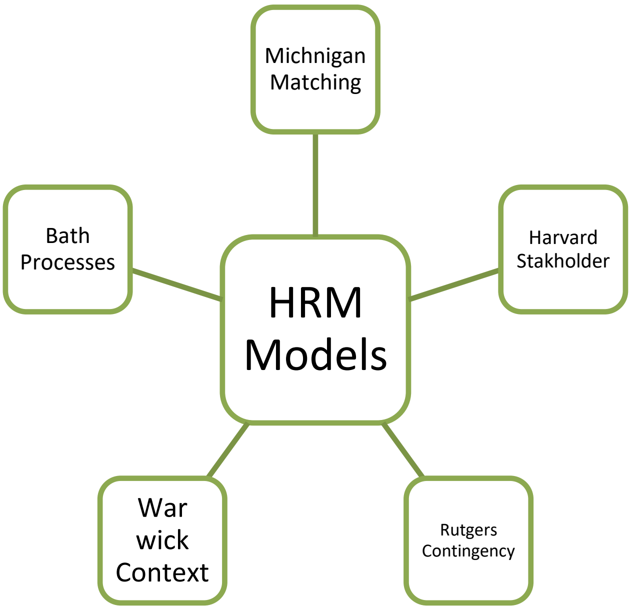

Figure 1Summarized models of Human Resource Management

Source: http://wps.pearsoned.co.uk/ema_uk_he_huczynski_orgbehav_6/55/14301/366 1081.cw/index.html

The Michigan Model

According to Armstrong, the HRM concept was primarily defined by the Michigan School in 1984. Their "matching principle" means that HR system should be managed in the way that it is consistent with organizational strategy. Particularly, it includes (ibid):

- *Selection* – matching available human resources to jobs.
- *Appraisal* – performance management.
- *Rewards* – the reward system must reward short as well as long-term achievements.
- *Development* – developing high quality employees.

The model has a narrow perspective, as it only focuses on specific aspects of HRM. It has been variously modified and developed over time. Nevertheless, these four generic processes or functions are performed in all organizations.

The Harvard Model

This model, developed at Harvard University during 1980s, is probably the best known and widely cited approach. It considers a greater range of factors than the Michigan Model and argues that HR policy is shaped by the perspective of stakeholders and context factors (ibid). The Harvard Model is formed by four areas, which help to achieve high performance and high quality of working life:

HRM areas High-commitment, high-performance practices

- ***Employee influence*** Wide involvement in change and decision-making, extensive two-way communication, problem-solving groups.
- ***Human resource flow*** Selection based on values in addition to skills, stable core employees complemented by flexible "peripheral" workforce with a range of part-time, flexible hours' practices.
- ***Reward systems*** Appraisal based on two-way feedback, individual and team based reward, skill-based pay, promotion, equal opportunities.
- ***Work systems*** Continuous improvement, inspirational leadership, flat structures, cross-functional project teams, task flexibility.

The Harvard Model has exerted considerable influence over the theory and practice of HRM. It points out that HRM must be regarded as the concern of management in general, and not only as a secondary function (ibid).

The Rutgers Model

It emphasizes the need to establish desirable employee behavior. It is comparable with McGregor's motivational Theory X (close supervision) and Theory Y (self-motivation, self-control). *The Warwick Model* from the United Kingdom extends the Harvard framework about the analysis of wider organizational context (socioeconomic, technical, political-legal and competitive forces). (ibid)

The Bath Model

It emphasizes that to get more from the people, it is necessary to ensure that "AMO" factors – ability, motivation and opportunity – are set up on the high level (Hendry & Pettigrew , 1990). Apparently, management thinking has shifted from the traditional concept of hierarchy, bureaucracy, task fragmentation and deskilling to people-oriented approach, more suitable for today's rapidly changing business environment. To some extent, all models of HRM are controversial. Nevertheless, HR managers are free to choose and to change the policies that their organization will adopt (ibid).

2.1.2 Theories and Perspectives on the HRM Practices vs Organizational Performance

The possible link between HRM and Performance has been interpreted and explained through numerous perspectives and theories. In theoretical work review, it is outlined some of the predominant perspectives as follows, although this is not an exhaustive review concerning the theories.

2.1.2.1 Universalistic perspective

Some claim that there is a universalistic link between HRM and performance, where some HR practices or systems of HR practices give way for increased organizational performance across the population of organizations and under all circumstances. (Peffer, 1998) **seven practices** are an example of this view, where he holds that employment security, selective hiring, self-managed teams and decentralization of decision-making, high contingency pay, extensive training, reducing status distinctions and barriers, and extensive sharing of information all will have a positive influence on organizational performance independent of organization and other conditions. Essentially, scientists holding this view believe that it is not necessary to adapt the HR practices in accordance with any strategy or to any specific organizational context (Lengnick-Hall, et al., 2009).

2.1.2.2 Contingency perspective

In contrast to the universalistic perspective, scientists holding a contingency perspective argue that the relationship between the relevant independent variables and the dependent variables will vary across different levels of contingency variables. The organization's business strategy is considered perhaps the most important contingent factor within the HRM-performance literature. The various HR activities that the organization carries out must be aligned with the organization's business strategy, or other contingencies, to have an effective impact on performance according to this vie (Delery and Doty, 1996).

2.1.2.3 Configuration perspective

In the configuration perspective, the focus lies on the synergistic effects that the HR practices can create when they are grouped together and exercised in a coherent manner. It is argued that the total effect that can be achieved is far greater than the sum of the effects for every single practice. In accordance with this view, (Ichniowski, et al., 1997) found that systems of innovative HR practices had a significant impact on production workers' performance, whilst changes in individual practices showed small to non-existing effects.

The above-mentioned perspectives dominated the early days of the HRM-performance field. Delery & Doty (1996) investigated the three, and found evidence supporting both the universalistic perspective and the contingency perspective. However, even though evidence supporting the configuration perspective was present, it was notably smaller compared to the other two perspectives.

2.1.2.4 Resource Based View of the firm

The Resource Based View of the firm (RBV) has also been applied to the HRM-performance link. RBV is a general way of theorizing about how competitive advantage can be achieved through the possession of valuable and rare resources that are hard to imitate by other competitors (Takeuchi, et al., 2007). When applied to the HRM-performance link, one is to consider the employees as a resource like other organizational resources, where the main goal for the HR practices is to build up the human capital and stimulate the kind of behavior that creates advantages for the organization (Boxal & Steeneveld, 1999).

2.1.2.5 AMO theory and KSA theory

Another theory that has gained much support lately is AMO theory. The idea is that HR practices influencing the employees Abilities, Motivation and Opportunity to participate are the practices that will have an impact on organizational performance. This is very similar to what some researchers call KSA theory (Huselid, 1995). It is advocated that the use of HR practices that:

- increase the employees' knowledge, skills, and abilities (KSAs),
- motivate employees to leverage their KSAs, and,
- empowering the employees to do so, will consistently create growth and prosper for its organizations.

2.1.2.6 Other theories on an individual level

In addition to perspectives and theories concerning the HR practices and how to view the HRM potential, there also exist theories that are more specific. These are located at an individual level and have been applied to the HRM-performance link often related to attempts at explaining the potential link. Examples of such theories are *social exchange theory* (Takeuchi, et al., 2007), *psychological contracts* (Guest, 1999) and *job characteristics theory* (Snape & Redman, 2010).

When applying social exchange theory to the link between HRM and performance, the proposed idea is that organizations that invest in their employees, will experience employees reciprocating these investments with efforts directed towards the organizations' benefit and interest. This is somewhat like the way of theorizing about psychological contracts and HRM-performance. Here, HRM is believed to contribute to a strong psychological contract between the employer and the employee, with reciprocating characteristics and expectations.

According to job characteristics theory the core characteristic of autonomy/discretion produces a "critical psychological state" of experienced responsibility for the work, which in turn leads to improved work effectiveness (Snape and Redman, 2010 p. 1221). For example, many HR practices, such as those focused on building employee skills and abilities, empowering the employees, and involving the employees, may contribute to increase the level of discretion employees have in their role.

2.1.3 Theoretical Framework

Organizations must align with various Human Resource Management practices to achieve their strategic goal. The practices apply must also balance one another to accomplish the firm's business strategy. A firm's Human Resource Management practices must develop employee's knowledge, skills, and motivation to behave in ways that should be implemented (Dessler, 2013)

Various models of Human Resources Management have been developed from time to time by different teams of the researchers. All these models have helped the Human Resources practitioner to effectively manage the human resources.

The Harvard model (ibid) works as a strategic map to guide all managers in their relations with employees and concentrates on the human or soft aspect of HRM. It strives at employee commitment not control. It also works on the premise that employees needed to be congruent, competent and cost effective.

The Michigan model (ibid) focuses on hard HRM. It holds that people should be managed like any other resources and so obtained cheaply, used sparingly, developed and exploited fully. It also emphasized the interrelatedness of HRM activities. According to this model, selection, appraisal, development and rewards were geared towards organizational performance.

Guest comparative model (Guest, 1999) works on the premise that a set of integrated HRM practices will result to superior individual and organizational performance. It holds that HRM strategies like differentiation, innovation, the focus on Quality and cost reduction will lead to practices like better training, appraisal, selection, rewards, job designs, involvement, and security leading to more quality outcomes; commitment and flexibility. It will then affect performance in that productivity will increase; innovation will be achieved as well as limited absences, labor turnover, and conflict or customer complaints.

Warwick model was developed by Hendry and Pettigrew at center for strategy and change, Warwick University in early 1990s. It emphasizes on analytical approach to HRM. It also recognizes the impact of the role of the personnel functions on the human resource strategy content. The researcher focused their research on mapping the context, identifying the inner (organizational) and external (environmental) context (ibid).

2.2 Empirical Review

Researchers have conducted more researches on the topic of “the effect of HRM practices on organizational performance” and developed new models based on the existing framework model of Human Resource Management. Among the latest models developed by the current and previous researchers are:

Sudin, (2004) in his studies of Investigating Strategic Human Resource Management of organizational performance and relationship between HRM practices and organizational performance. He proposed a model of the relationship between Human Resource practices, Human Resource characteristics and organizational performance. It highlights critical HRM practices and it relates HRM practices to critical HR characteristics.

Mansour, (2010) Examining the relationship between human resource practices and firm performance. Using companies in Saudi Arabia, this study tests the proposition of HR practices. The research revealed a positive relationship between the overall HR practices (by using recruitment, training, participation, performance appraisal, and compensation and benefits as the variables) and the performance of the firm.

Tanver et. al. (2011) on the article journal, “The impact of Human Resource Management practices on the performance of the employees” argue that all variables (recruitment and selection, training, performance appraisal) are found to be significantly related with performance of employees. He found that recruitment and selection and performance appraisal play a vital role for the performance of the employees as training of the employees is also important.

2.3 Relationship Between HRM Practices and Firm Performance

2.3.1 Selection and Firm Performance

Lynch & Smith (2010) , in their work state that recruitment and selection is the initial process to evaluate staff. This is concerned with identification, attraction and selection of the suitable person meeting the job requirements of the organization. It is an important process to carry out otherwise the outcomes inappropriate recruitment and selection is extensive. HR practices are positively correlated with employee’s performance whereas selection and training is more affecting the performance rather than other practices.

Chand & Katou (2007) demonstrated that recruitment and selection, part of HRM system is strongly correlated with the profitability and suggests that management of the organization must focus on these HRM practices (recruitment and selection) resulting in an improved organizational profit. (Marques, 2007) involvement of HR department in hiring process helps to enhance knowledge of the workforce and required skills. It is also helpful for the identification of upgrading skill requirement of the employees. By such involvement, good communication seems to have synergy effect and helps to unify the workforce. Because of this communication, negotiations happen in more positive atmosphere which has an ultimate effect on the quality within the workforce.

2.3.2 Employee Training and Development Vs Firm Performance

According to Tzafrir (2005), training is an important element in producing the human capital. Investing in training programs can make employees feel indebted to the company. Training is necessary for the employees to perform jobs because job requires skills and knowledge by which the job is much easier to perform as it is in the benefit of the employee. Qureshi et al (2007) concluded that training as an HR practice has a very positive impact on the performance of the employees as there is highly positive correlation is found in the study. (Castillo, et al., 2009) stated that, training provides employees with the skills, abilities and knowledge required by the post. This effect can be explained in a way that the organization is interested in investing in training for the employees and giving them confidence and intends to count on them in future, they will make more effort and give their best at their work in an effective way.

Formal training in comparison with informal training is more effective and significantly associated with performance. Training is a continuous process, one that is constantly Recruitment & Selection, Training, Performance Appraisal, Employee, Performance refreshed and renewed according to the needs and requirements of the individuals along with encouragement to revisit the contents after the training. Training needs varies from industry to industry so one cannot be sure that the industry or the organization should conduct training every year, semiannually or quarterly. Ibid

2.3.3 Compensation and firm performance

Compensation is one of the dominant HR practice that firms use to evaluate and reward employee's effort (Collins & Clark, 2003). Evidently, compensation has a positive effect up on employee and organizational performance. Delery & Doty (1996) identified compensation as the single strongest predictor of firm performance. Both performance-based compensation and merit-based promotion can be views as ingredients in the organizational incentive systems that encourage individual and corporate performance.

2.3.4 Performance appraisal and firm performance

Organizations can benefit from maximizing the performance of their employees and observe the development of the desired employees attitude and behavior through the use of appraisal mechanism, it is a systematic and periodic process that asses an individual employees job performance and productivity in relation to certain pre-established and organizational objectives (Chand & Katou, 2007).

Therefore, improving performance appraisal for everyone will directly affect the overall organizational performance.

2.3.5 Self-Managed Teams and firm performance

More and more employees are required to work in teams, make joint decisions and undertake initiatives to meet the objective their team and organizations. Self-managed teams can affect firm growth in two ways. First, surplus of junior managers in a firm may create and support dynamics of firm growth. The growth stage is perhaps the most dynamic stage of the firm's life cycle. As the business expands, new level of management is added, decision making becomes more team based and middle manager gain authority and self-managed teams proliferate as the firm adds more and kore projects and customers (Flamhltz & Randle, 2000) . Secondly, in team work decision making promotes employee commitment participation and create a sense of attachment, thus indirectly affecting firm performance, (ibid)

Studies indicate that self-managed teams are important high performance HRM practices (Peffer, 1998). Self-managed teams have a positive effect on two dimensions of performance: time and flexibility (ibid).

2.3.6 Employee Involvement and firm performance

Employee involvement in its a clear aspect of information sharing have a dual effect: primarily it conveys employees the right meaning that the firm trusts them; and second, to make informed decisions, employee should have access to critical information. Communication of performance data on a fortune basis throughout the year help employees to improve and develop. Employees presumably want to be good at their jobs but if they never receive any performance feedback, they may perceive to have a satisfactory performance when in fact they do now (Chow, et al., 1999).

Employee involvement / information sharing/ is not a widespread HR practice as someone might have expected it be. Many companies are vulnerable to share critical information with their employees because in this way employees become more powerful and companies may lose control of them (Peffer, 1998).

2.4 Conceptual Framework

Referring to multiple sources, theories, models and previous studies, the student research would like to formulate a contextual framework accordingly: plotting that the research will array a total of seven variables and of which six are independent such as **Selective hiring**, **Training and development**, **Compensation**, **performance appraisal**, Self-**Managed teams**, and **Employee involvement**, which have influence or effect on dependent variable **organizational performance**.

To study the effect of HRM practices in association with equivalent organizational performance outcomes like organizational outcomes, financial outcomes, market value of future investments ; management constructs of e human resource management represents the inputs that is directed to the organization with view for an expected results and the construct of organizational performance represents the outputs of the construct, expected by the first construct human resource management practices (Sudin, 2004)**.**

The above mentioned human resource management practices and outcomes will produce organizational performance through the following; Profit, value of share (Market value), Market share, Productivity, Customer Satisfaction, Development of, products/services and Future investments.

Similarly, (Guest, 1999) research indicates that HRM, influences organizational performance directly. An organization whose HRM practice is propagated extensively and profoundly, and practiced in management decision, enjoys much better repayments in terms of investment and sale than organizations that do not popularize. Therefore, studies prove that exercising such HR practices can lead to the realization of a lot of the organization's value achievements, and it may be the extreme crucial factor for the success of organizations (ibid).

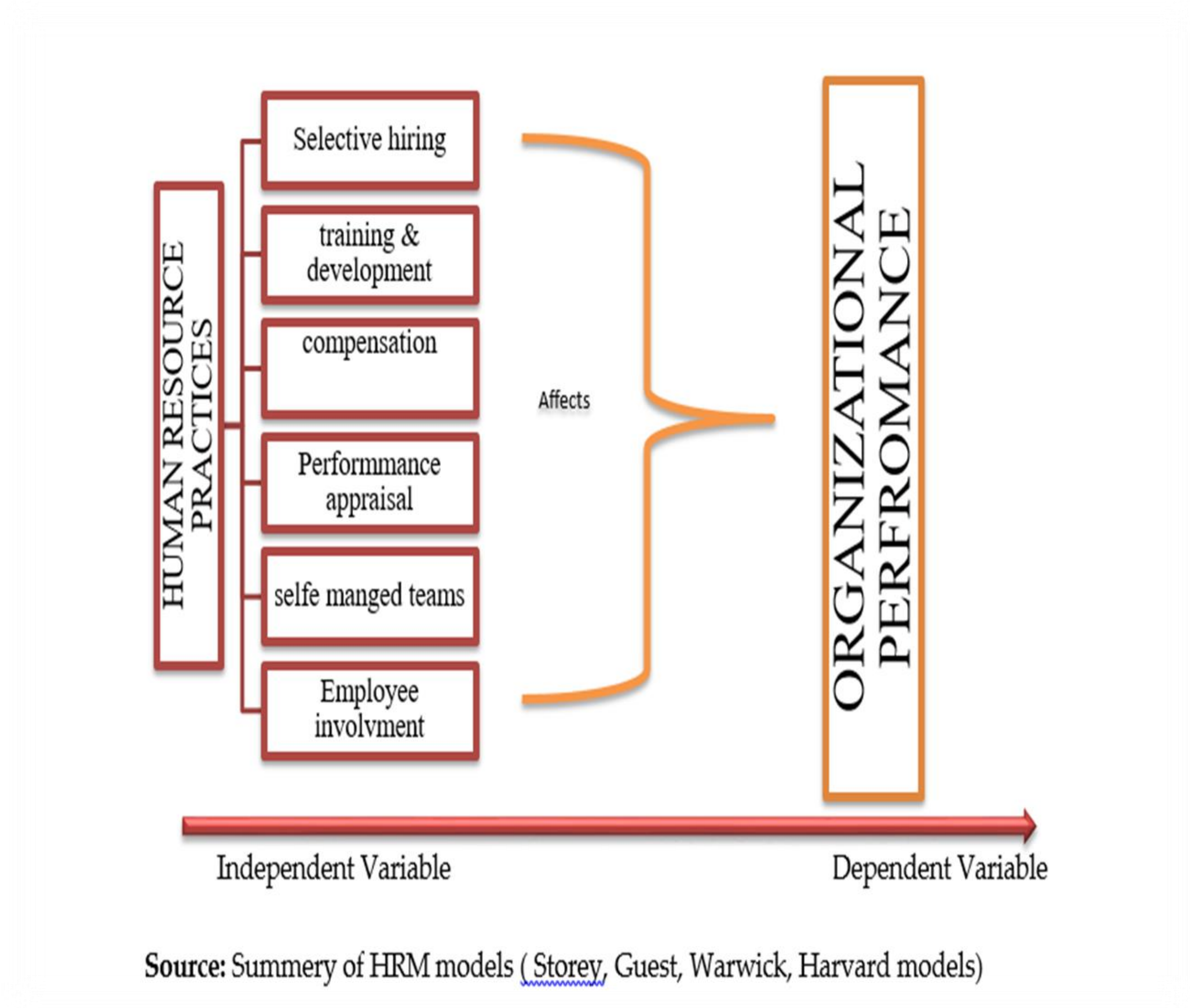

Figure 2 Summery of HRM models (Storey, Guest, Warwick, Harvard models)

CHAPTER THREE

RESEARCH METHODOLOGY

A research method is simply a procedure for collecting data. The choice of research method reflects decisions about the type of instruments or techniques to be used (Richardson, et al., 2005) . Research methodology includes sampling design, data collection, data analysis, and limitations or constraints that the research faced (Schindler, 1998). Choosing the right research methodology depends on several criteria, such as the aim of the study, the type of information needed, the character of respondents, manipulation of independent variables, the degree of control that the researcher has over the case under study, and constraints of time and money (Sekaran, 2003).

3.1 Description of the study area

The research was conducted taking the case Berhan Bank S. Co as athematic areas of study. The sample was drawn from the population i.e. from head office and randomly identified branches of the bank which are in Addis Ababa.

The rationale for excluding the outlying branches mainly follow the constraints of budget, logistics and time in reaching many location of the banks operational areas and geographical distribution. Second, the HRM practices of the bank are assumed to be implemented across the Bank.

In addition, employees who are above probation period and non-key management members of the bank was part of this study, the reason behind such exclusion is that management of the Bank is the one who can influence policies that is decided by board of directors.

3.1.1 Research Approach

The approach to this research incorporate both quantitative and qualitative methods. A combination of qualitative-quantitative approach to the research adopted based on the nature of the information that needed to be explored and the expectations about the most effective methods to have such information from respondents.

It is obvious that using the combination of two methods is an acceptable methodology in the social sciences research (Saunders, 2009). In the same vein, (Margolis, 1987) argues that the criterion for accepting knowledge claims is not adherence to a method, but evidence in the knowledge generating process.

3.1.2 Research Design

According to (Sekaran, 2003) research design is defined as the plan and structure of the investigation and the way in which studies are put together.

This research essentially took on an explanatory design, pursuing to demonstrate the causes effect relationship between selected HRM practice and organizational performance and finally respond concerns through qualitative component of this study.

3.1.3 Population and Samples

Sampling is the process or technique of selecting a suitable sample for determining parameters or characteristics of the whole population (ibid). Taking into consideration of geographical scattered-ness, budget and logistic constraints; the study was confined in Addis Ababa and to employees of the Bank.

The population of the study is the employees of Berhan Bank S.C. from the total of 2865 the sample 346 was determined by using formula developed by (Kerjcie & Morgan, 1970). The primary data of the study was collected by using convenience sampling technique. Research site was in Addis Ababa. Accordingly, the sample size determined is as follows:

Figure 3 Sample Size Determination

$$n = \frac{X^2 * N * P * (1-P)}{(ME^2 * (N-1)) + (X^2 * P * (1-P))}$$

Where:

n = sample size

X^2 = Chi – square for the specified confidence level at 1 degree of freedom

N = Population Size

P = population proportion (.50 in this table)

ME = desired Margin of Error (expressed as a proportion)

Source: (Kerjcie & Morgan, 1970)

Where: n= required sample size 346, X^2 = the table value of chi-square for 1 degree of freedom at the desired confidence level (3.841). *N* = the population size 2865, P = the population proportion (assumed to be .50 since this would provide the maximum sample size). *ME*= the degree of accuracy expressed as a proportion (.05).

3.2 Data Sources and Types

The methods for data collection are dependents on the required data for each specific research question. The study deployed questioner method to collect primary data. The questionnaire will also enable the researcher to keep permanent records in the responds' own handwriting for future references (Ojo, 2009). Second, secondary resource were collected from the banks internal documents.

3.3 Data Collection Procedures

The methods for data collection are dependent on the required data for specific research question (ibid). Therefore, the data of the study was collected by using standard questionnaires developed by other researchers (Nancy, 2013) with the help of existing literature.

The questionnaires for the collection of the data were developed using 5-point Likert scale from "strongly agree" to "strongly disagree" on all the variables of the study with the help of existing literature on these variables.

3.4 Ethical Considerations

The purpose of the research will be explained adequately to case organization, the respondents and assured them of utmost confidentiality. Moreover, the entire research will remain the owner of the research.

3.5 Data Analysis

The data collected using questionnaire was analyzed using the statistical package for social science (SPSS). The reliability test was conducted using Cronbach's alpha, finally the regression analysis applying descriptive statistics to find the frequency of the data was deployed. Descriptive statistics was also used to find the minimum and maximum range of the data.

Regression and correlation analysis was used to investigate the relationships between a dependent variable and one or more independent variables. It is used to check the strength of relationship among variables. In regression analysis t-test is used to find the level of significance and r-square test is used to test that how much dependent variable are affected by the independent variable.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS, AND INTERPRETATION

4.1 Introduction

The first part of this chapter presents the results of the survey. To do so, statistical procedures were employed using the SPSS 20.0. To begin with, the basic descriptive statistics are presented followed by the statistical analysis for the hypotheses testing and reliability analysis.

The descriptive statistics encompass frequency distributions, pie charts and bar charts for graphical descriptions of the data. A total of 360 questionnaires were distributed for the purpose of curiosity and to arrive on the sample. Out of the total questionnaires distributed 346 were filled out by the respondents and a response rate of 96.1% was achieved. With the help of SPSS 20.0 analysis tool, descriptive and inferential statistics were used to analyze the data.

The second part of this chapter discusses the statistical analysis. The hypotheses of the study's theoretical and conceptual frameworks formulated in Chapter 2 and subsequently are tested.

4.2 Reliability and Validity of Test

In this case, there are 346 feedbacks. There is no missing data in the questionnaires. Assessment on the internal consistency or homogeneity among the items show strong internal consistency and it is indicated by values of Cronbach's alpha higher than 0.70 (Hair , p. 157) and less than (α=.6) are considered poor. Therefore, in the study case the Cronbach alpha for hiring is greater than (α=.6; α=.614), the study included questioners.

This suggests that the items concerned adequately measure a single construct for each tested variable (Selective Hiring, Training and Development, Compensation, Performance Appraisal and Management, Self-Managed teams, Employee Involvement and Organizational Performance).

Reliability measurements for each construct are shown in Table 1.

Table 1 Reliability Statistics

Reliability Statistics			
	HRM Practice and Organizational Performance	Cronbach alpha	# of Items
HRM Practice	Selective Hiring	0.614	6
	Training & Development	0.751	6
	Compensation	0.739	6
	Performance Appraisal and Management	0.792	7
	Self-Managed teams	0.759	4
	Employee Involvement	0.827	4
Organizational Performance		0.928	12

Source: Researchers Survey (2018)

4.3 Research Results

4.3.1 Descriptive Results

4.3.1.1 Information of Respondents

There were 225 males (65%) and 121 females (35%) employees' participating in this study. The tabulation of respondents is illustrated in Table 2 as follows.

Table 2 Gender and Age Distribution Items Frequency Percent

Items		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	225	65	65	65
	Female	121	35	35	100
		346	100	100	

Item		Frequency	Percent
Valid	20-30	131	38
	31-40	104	30
	41-50	69	20
	51-60	42	12
	>61	0	0
		346	100

Source: Researchers Survey (2018)

Most of the respondents were of age group 20-30 (38%), 31- 40 (30%), 20 % between age group 41-50, the other 12 % were between age group 51-60. Most of the working force of the bank are below the age of 40 and above 20, this could also mean that the Bank is energetic and full of fresh blood. Respondents Age Distribution is tabulated and presented.

4.3.1.2 Marital Status of Respondents

196 respondents were married, giving a 56% representation, 149 (43%) respondents were single while 3 (1%) were divorced.

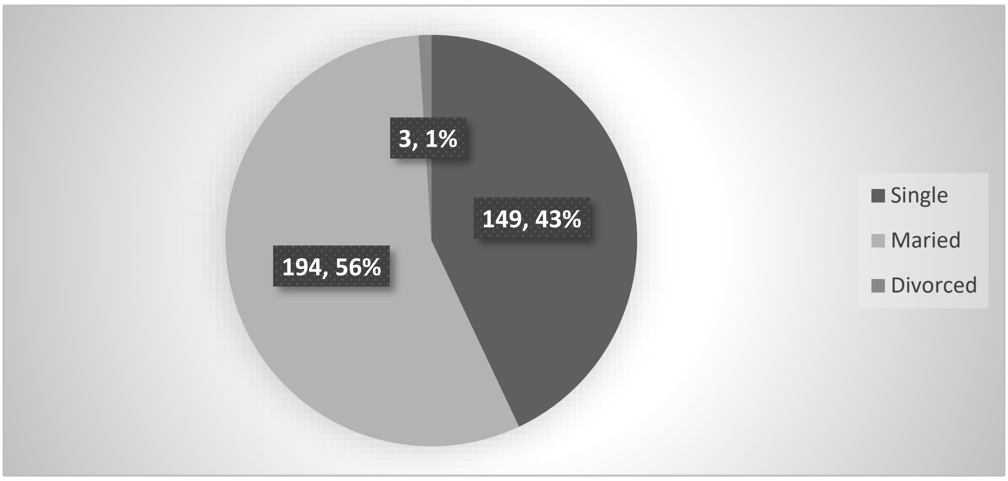

Figure 4 Marital Status of Respondents

Source: Researchers Survey (2018)

4.3.1.3 Educational Background of Respondents

The level of education for large majority of the respondents (97%) was first degree, while the education level of 3% respondents was a master's degree, the education level of respondents is presented in Figure as follows.

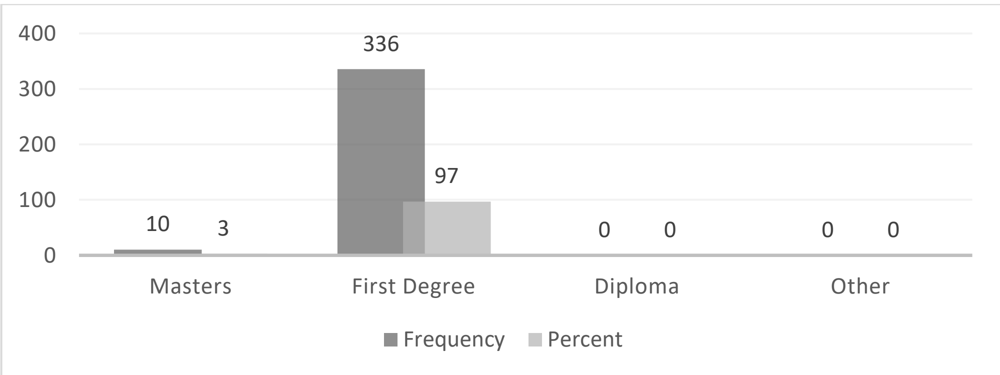

Figure 5 Highest Level of Education of the Respondents

Source: Researchers Survey (2018)

4.3.1.4 Place of work

More than 63% of the respondents are working in the branches while 37% of the respondents are working at the Head office.

Table 3 Place of work

Items		Frequency	Percentage
Valid	Head Office	128	37
	Branch	218	63
		346	100

Source: Researchers Survey (2018)

4.3.1.5 Position of Respondents

The position of large majority of the respondents (27.7%) are Customer Service Officers, while 23.4 % are Senior Customer Service Officers, 20.8% accountants, 15.3% are Branch Managers, 6.1% were Branch Controllers, and 3.2% of the respondents goes to credit analyst. The remaining percentage of response was collected from research officers (.3%), loan officers (1.2%) and assistant branch managers (1.4%). The occupation of respondents is tabulated and presented in Table 4 as follows:

Table 4 Respondents Position

Items		Frequency	Percent
Valid	Loan Officer	4	1.2
	Assistant Branch Manger	5	1.4
	Customer Service Officers	96	27.7
	Senior Customer Service Officers	81	23.4
	Accountant	72	20.8
	Branch Controller	21	6.1
	Branch Manager	53	15.3
	Marketing Officer	2	0.6
	Researcher	1	0.3
	Credit Analyst	11	3.2
		346	100

Source: Researchers Survey (2018)

4.3.2 Descriptive Statistics of Human Resource Practices

4.3.2.1 Human Resource Practices

Based on perceived values of respondent's response to questionnaire that were modified to represent selected HRM practices and organizational performance, the breakdown of selected HRM practices and organizational performance is entertained here in below:

4.3.2.1.1 Execution of the HRM Practices

All respondents indicated that recruitment and selection is a centralized activity and it is carried out by a dedicated HR department and a representative of top management at the head office. The recruitment and selections are done on behalf of branch leaders. The study indicated that training and development is carried out at the head office while some recognize trainings are conducted at the branches.

Compensation as an HRM activity carried out, executed and managed at the head office by top management made up of the board, presidents and their vices. Over half of the participants agree that performance appraisal activities are decentralized and carried out by line managers who play supervisory role to the appraised. Whereas nearly a quarter of respondents think it is a centralized activity.

On self-managed teams, it is indicated that there are self-managed teams across branches and HO organs in every activity. However, the teams are controlled centrally. The study also indicated that employee involvement is a practice encouraged by line managers at the various branches and head office level. This practice is centralized in that employees only involve in work related decision making and take initiatives only at the request of top management.

According to secondary documents of the banks HRM policy and procedures some of the practices are implemented down in the branches and some are remaining the HO organs. Responses in the practices varied because of the perception of employees that are both from HO and branches, in addition practices such as performance appraisal and management, self-managed teams and employee involvement were disbursed across branches and are managed at the branch level.

Table 5 Execution and Management of HR practices

		Frequency	Percent
Selective Hiring	Centralized	346	100.0
	Decentralized	0	0.0
Training and Development	Centralized	278	80.3
	Decentralized	68	19.7
Compensation	Centralized	346	100.0
	Decentralized	0	0.0
Performance Appraisal / Management	Centralized	112	32.4
	Decentralized	234	67.6
Self-Managed Teams	Centralized	62	17.9
	Decentralized	284	82.1
Employee Involvement	Centralized	51	14.7
	Decentralized	295	85.3
	N	346	100

Source: Researchers Survey (2018)

4.3.2.1.2 Descriptive Statistics of Study Variables

This section represents the respondent's perception on the independent and dependent variables. Research participants were asked to indicate the extent to which they agreed and disagree to statements relating to the variables under the study of five-point Likert scale (5= strongly agree to 1= strongly disagree).

A mean of 3.0 is considered to measure neutrality on the test of variables. Standard deviation was used to indicate variation from the mean. A low standard deviation indicate that points tend to be very close to the mean, whereas high standard deviation indicates that the data is spread over a large range of values. This is described in the tables and explanation below:

Table 6 below clearly indicated that the lowest mean of perception is 4.214 on self-managed teams and the highest mean of perception is 4.514 on organizational performance. Collectively, the average respondents' perception of HRM practices and organizational performance is above 4.214. This is also supported by a higher value of standard deviation which was reflected by a spread out of the rating over large range of values.

Table 6 Descriptive Measures of Respondents Perceptions of HRM Practices

Descriptive Statistics					
Details	N	Min	Max	Mean	Std. Deviation
Selective Hiring	346	4.39	4.445	4.41	0.51
Training & Development	346	4.39	4.436	4.41	0.51
Compensation	346	4.02	4.217	4.17	0.79
Performance Appraisal and Management	346	3.00	4.229	3.56	1.00
Self-Managed teams	346	3.25	4.214	3.72	0.84
Employee Involvement	346	4.05	4.350	4.20	0.50
Organizational Performance	346	4.19	4.514	4.39	0.54
Valid (list wise)	346				

Source: Researchers Survey (2018)

4.3.2.1.3 Selective Hiring

Table 7 represents statistics of perspective of respondents towards selective hiring practices. Appointment in the bank is based on merit. Employees agree that applicants are fully informed about the qualifications requirement to perform the job before being hired; this is represented by a mean of 4.39. Advertisements are used by the banks to recruit and a formal induction, orientation and familiarization process designed to help new recruits understand the Bank (mean=4.3 respectively). Department directors and HR managers participate in the recruitment and selection processes and this is represented by a mean of 4.39. The Bank selection system selects those having the desired knowledge, skills and attitudes (mean=4.4). This is also supported by a higher standard deviation value which was reflected by a spread out of the rating over a large range of values.

Table 7 Selective Hiring Practice

Descriptive Statistics on Selective Hiring					
Items	N	Min	Max	Mean	Std. Devi
Appointment in this organization is based on merit	346	1	5.00	4.3931	.49503
Applicants are fully informed about the qualification required to perform the job before being hired	346	1	5.00	4.3902	.50022
Advertisements are used by the bank to recruit	346	1	5.00	4.4422	.53118
There is formal induction, orientation and familiarization processes designed to help new recruits understand the organization	346	1	5.00	4.3873	.51105
In this organization line managers and HR Managers participate in the selection processes	346	1	5.00	4.3960	.49565
Selection System selects those having the desired knowledge, skills and attitude	346	1	5.00	4.4451	.53692
Valid N (list wise)	346				

Source: Researchers Survey (2018)

4.3.2.1.4 Training and Development

Table 8 Training and development HRM Practices

Descriptive Statistics on T &D					
	N	Min	Max	Mean	Std. Dev
Training needs are discussed with employees	346	1	5.00	4.404	.50891
There is a training strategy and coherent training program	346	1	5.00	4.390	.50022
Training incorporates the interest of the bank as well as the individual	346	1	5.00	4.430	.54596
Training needs identified are realistic, useful and based on the business strategy of the organization	346	1	5.00	4.396	.48976
Every employee goes through various training programs every year	346	1	5.00	4.393	.50085
There is a budget dedicated to training and development every year	346	1	5.00	4.436	.54134
Valid N (list wise)	346				

Source: Researchers Survey (2018)

The above table covers data of training and development practices carried out by the bank. From the above table, the respondents have strongly agreed that training needs are discussed with employees (mean= 4.40). Again, respondents take agreeable stand as to whether there is a training strategy and a coherent training program. Evidently, the respondents have an agreement that the interests of employees and the bank are incorporated into training programs.

Respondents do show agreement to the point in confirming that training needs identified are realistic, useful and based on the business strategy of the Bank. This shows in the mean of 4.396 and they are partially agreeing that a budget is dedicated to training and development every year.

4.3.2.1.5 Compensation

The table below depicted statistics of compensation practices carried out by the bank and the perceived outcome of these practices from the viewpoint of employees. A mean of 4.21 indicates respondent’s agreement to the assertion that pay for performance improves performance. Again, all respondent agrees on the fact whether employees are rewarded based on performance and compensation packages offered by the bank encourage employees to achieve the bank’s objectives.

Employees are recognized and rewarded appropriately (mean=4.02). Table 10 also shows a mean of 4.19 indicating that respondents agree profit sharing or bonuses are used as a mechanism to reward higher performance. Job performance is an important factor in determining the incentive compensation of employees and the respondents strongly agree that it does (mean=4.16). This is represented by a mean of 4.16.

Table 9 Compensation Human Resource Practice

Descriptive Statistics on Compensation					
	N	Min	Max	Mean	Std. Deviation
Pay for performance improves performance	346	1.00	5.00	4.2138	.74137
Employees are rewarded based on performance	346	1.00	5.00	4.2052	.93006
Compensation packages encourages employees to achieve organizations' objectives	346	1.00	5.00	4.2168	.79990
Employees are recognized and rewarded appropriately in this organization	346	1.00	5.00	4.0231	.97478
Profit sharing / Bonus are used as a mechanism to reward higher performances	346	1.00	5.00	4.1936	.81299
Job Performance is an important factor in determining the incentive compensation of employees	346	3.00	5.00	4.1676	.48238
Valid N (list wise)	346				

Source: Researchers Survey (2018)

4.3.2.1.6 Performance Appraisal/ Management

Table 10 Performance Appraisal and Management Human Resource Practice

Descriptive Statistics on Performance Appraisal and Management

	N	Min	Maxi	Mean	Std. Deviation
In this bank employees are provided performance-based feedback and counseling	346	1.00	5.00	4.0174	.83032
The appraisal data is used for decision making like promotion, job rotation, training, compensation, transfer and discharge	346	1.00	5.00	4.2293	.76945
There are corrective measures for under-performance	346	1.00	5.00	4.2173	.61455
Appraisal system is growth and development oriented	346	1.00	5.00	3.0029	1.21225
There is a well- defined performance management strategy	346	1.00	5.00	3.2522	1.16602
Retraining, redeployment and employability take precedence over downsizing	346	1.00	5.00	3.1392	1.24333
There is regular appraisal for promotion	346	1.00	5.00	3.0761	1.17475
Valid N (list wise)	346				

Source: Researchers Survey (2018)

Table 10 above displays the item statistics of performance appraisal and management practices of Berhan Bank. It indicates employees are provided with performance-based feedback and counselling and the appraisal data is used for decision making like promotion, job rotation, training, compensation, transfers and discharge (mean =4.01 and 4.2 respectively).

Respondents also agree to open statement "there are corrective measures for the underperformance" A mean of 3.0 designate the questions; appraisal system is growth and development oriented. This means that respondents have neither agreement nor disagreement with the statement.

Respondents are also neutral towards that there is a well-defined performance strategy, retraining, redeployment and employability take a precedence over downsizing and there is regular appraisal for promotion. In this scenario, the high standard deviations values tell that there are differences among employee's perception towards the measuring factors.

4.3.2.1.7 Self-Managed Teams

In the data collected and presented in the Table 11 below the statistics of self-managed teams practices of Berhan Bank. In the study it is responded as slight agreement that decentralized decision making is encouraged in the bank and teams decide about service quality problems. Respondents also agree to the statement stated that teams regularly meet to perform various tasks and it is represented by a mean of 4.21. A mean of 4.06 designate the agreement of respondents to; the decision-making processes team members contribute all the time. However, the high standard deviations values for self-managed teams of the Bank shows that there are differences in the employee's perception on these two factors as shown in the table.

Table 11 Self-Managed Teams Human Resource Practice

Descriptive Statistics on Self-Managed Team

	N	Min	Max	Mean	Std. Deviation
Decentralized decision making is encouraged	346	1	5	3.3497	1.22615
Teams decide about service quality problems	346	1	5	3.2457	1.17229
Teams regularly meet to perform various tasks	346	1	5	4.2139	0.51688
In the decision-making processes team members contribute all the time	346	1	5	4.0665	0.43563
Valid N (list wise)	346				

Source: Researchers Survey (2018)

4.3.2.1.8 Employee Involvement

Table 12 Employee Involvement Human Resource Practice

Descriptive Statistics					
	N	Min	Max	Mean	Std. Deviation
Employee participation is encouraged on a wide range of issues	346	1.00	5.00	4.0462	.51432
Employees can exercise independent thought and action in executing their jobs	346	1.00	5.00	4.3497	.56642
Adherence to instructions with little room for empowerment	346	1.00	5.00	4.2283	.42036
You have regular staff meetings to encourage communication with peers and supervisors	346	1.00	5.00	4.1792	.48422
Valid N (list wise)	346				

Source: Researchers Survey (2018)

The above table summarized statements that were intended to find out respondents concerning employee involvement practices within the bank. There is a strong agreement on encouraging employee’s participation on a wide range of issues and this represented by a mean of 4.04.

On the top of that respondents agree to the open statement “employees can exercise independent thought and action in executing their jobs”, the mean that represent this is 4.34.

Respondents agree adherence to instructions with little room for empowerment have mean of 4.22 and employees have regular staff meetings to encourage communication with peers and supervisors 4.17 respectively.

4.3.2.1.9 Organizational Performance

Table 13 is a presentation showing item statistics on the organizational performance of Berhan Bank, items with higher mean figures ranging from 4.19 to 4.51 indicate that respondents give a strong agreement to issues that entertain organizational performances.

In all the cases, respondents perceive strong agreement to the statements that were set to find out their perspective.

Table 13 Organizational Performance HRM practice

Descriptive Statistics on Organizational Performance					
	N	Min	Max	Mean	Std. Deviation
The Bank is not able to meet the goals it sets	346	1.00	5.00	4.2543	.49231
The Bank achieves its stated goals	346	1.00	5.00	4.4538	.57423
Work in Berhan Bank is easier because of laid down procedures	346	1.00	5.00	4.3786	.51472
Each section understands the role it plays in achieving organizational goals	346	1.00	5.00	4.4480	.54257
The organization functions smoothly with a minimum of internal conflict	346	1.00	5.00	4.3671	.61945
Resources needed for proper functioning of the organization are always available	346	1.00	5.00	4.1908	.42872
The bank is normally understaffed	346	1.00	5.00	4.4306	.55124
The Bank can satisfy the owners/ shareholders	346	1.00	5.00	4.4104	.64991
Customers' expectations are met	346	1.00	5.00	4.5145	.53413
We don't have problems in dealing with state and local government	346	1.00	5.00	4.3902	.48850
Most customers are happy to work with my organization	346	1.00	5.00	4.3728	.49609
Employees are motivated to stay with this organization	346	1.00	5.00	4.4249	.52900
Valid N (list wise)	346				

Source: Researchers Survey (2018)

4.3.3 Correlation Analysis

The relationship between organizational performance and selected HRM practices (selective hiring, training and development, compensation, performance appraisal and management, self-managed teams and employee involvement) was investigated using Pearson r correlation coefficient.

The results show that there was a strong, positive correlation among all the corresponding variables. It is find out that between organizational performance and selective hire perceived value ($r = 0.197$, $N = 346$, $p<0.05$), between organizational performance and training and development perceived value ($r = 0.646$, $N = 346$, $p<0.05$) and organizational performance and compensation perceived value ($r = 0.975$, $N = 346$, $p<0.01$).

In addition to that the relationship between organizational performance and performance appraisal and management perceived value ($r = 0.717$, $N = 346$, $p<0.05$); organizational performance and self-managed team perceived value ($r = 0.510$, $N = 346$, $p<0.05$); organizational performance and employee involvement perceived value ($r = 0.667$, $N = 346$, $p<0.05$). Therefore, it can be concluded that organizational performance depends on the trend and selected HRM practices.

Table 14 Correlation Statistics on organizational performance practice & HRM practices

		OrG	SlH	TrD	Comp	PAM	SMT	EI
Organizational Performance (OrG)	Pearson Correlation	1	.197	.646	.975*	.717	.510	.667
	Sig. (1-tailed)		.402	.177	.013	.141	.245	.167
Selective Hiring (SlH)	Pearson Correlation	.197	1	-.134	.269	-.099	-.604	-.137
	Sig. (1-tailed)	.402		.433	.366	.451	.198	.432
Training and Development (TrD)	Pearson Correlation	.646	-.134	1	.459	.995**	.859	.008
	Sig. (1-tailed)	.177	.433		.271	.002	.070	.496
Compensation (Comp)	Pearson Correlation	.975*	.269	.459	1	.542	.341	.774
	Sig. (1-tailed)	.013	.366	.271		.229	.330	.113
Performance Appraisal and Management (PaM)	Pearson Correlation	.717	-.099	.995**	.542	1	.850	.092
	Sig. (1-tailed)	.141	.451	.002	.229		.075	.454
Self-Managed teams (SMT)	Pearson Correlation	.510	-.604	.859	.341	.850	1	.208
	Sig. (1-tailed)	.245	.198	.070	.330	.075		.396
Employee Involvement (EI)	Pearson Correlation	.667	-.137	.008	.774	.092	.208	1
	Sig. (1-tailed)	.167	.432	.496	.113	.454	.396	

*. Correlation is significant at the 0.05 level (1-tailed). **. Correlation is significant at the 0.01 level (1-tailed). c. List wise N=4

Source: Researchers Survey (2018)

4.3.4 Multiple Regression Analysis

In the course of investigating research objectives i.e. "what is the effect of HRM practices at Berhan Bank's organizational performance?" and "To determine empirically the relationship between Human Resource Management (HRM) practice and organizational performance" multiple regression was conducted. According to (Kerlinger & Lee, 2000), it relates one dependent variable to a linear combination of one or more independent variable.

It tells that how much each independent variable has an impact or relationship with the dependent variable. The following common assumptions are taken in to account.

4.3.4.1 Multi-Collinearity Test

The assumption assumes that independent variables are not highly correlated with each other. The assumption is tested by Variance Inflation Factor (VIF) statics as follows:

Table 15 Multi-Collinearity Diagnosis

Model	Collinearity Statistics	
	Tolerance	VIF
Selective Hire	.928	1.078
Training and Development	.789	1.267
Compensation	.776	1.246
Performance Appraisal & Management	.706	1.417
Self-Managed Teams	.884	1.132
Employee Involvement	.401	2.494

The above table shows that all the tolerance level is more than 0.2 (Menard, 1995), and VIF is less than 10 (Myers , 1990) proving that there is no multi collinearity problem.

4.3.4.2 Linearity Test

Linearity refers to the degree to which the change in the dependent variable is related to change in the independent variables. To determine whether the relationship between dependent variable (organizational performance) and the independent variables (selective hire, compensation, training and development, performance appraisal and management, employee involvement and self-managed teams) is linear, plots of regression residuals through SPSS had been used.

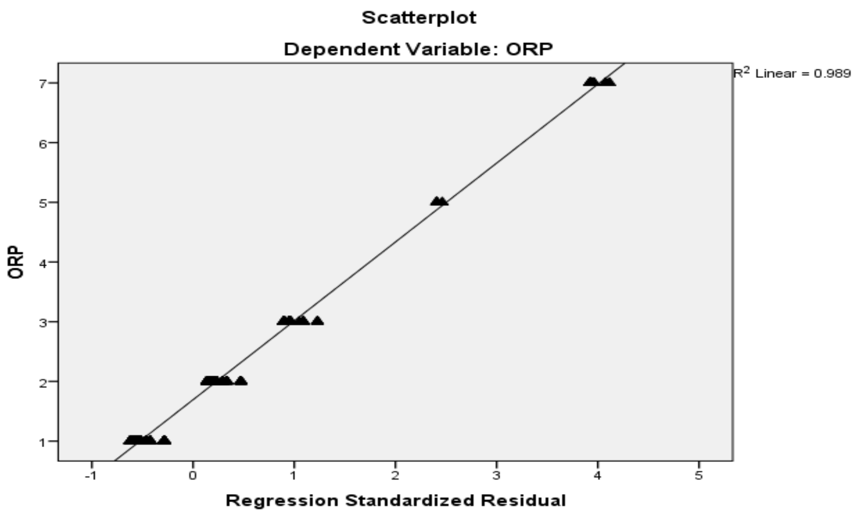

Figure 6 Linearity Test for Organizational Performance (ORP)

Source: Researchers Survey (2018)

The scatterplot of residuals shows no large differences in the spread of the residual as we look from the left to the right in the above figure. This result suggests that the relationship that is being predicted is linear. Hence, the assumption is fulfilled.

4.3.4.3 Normality Test

The following figure shows the frequency distribution of the standardized residual compared to normal distribution. As can be seen from the figure, the data points are close to the diagonal line confirming that there is normality.

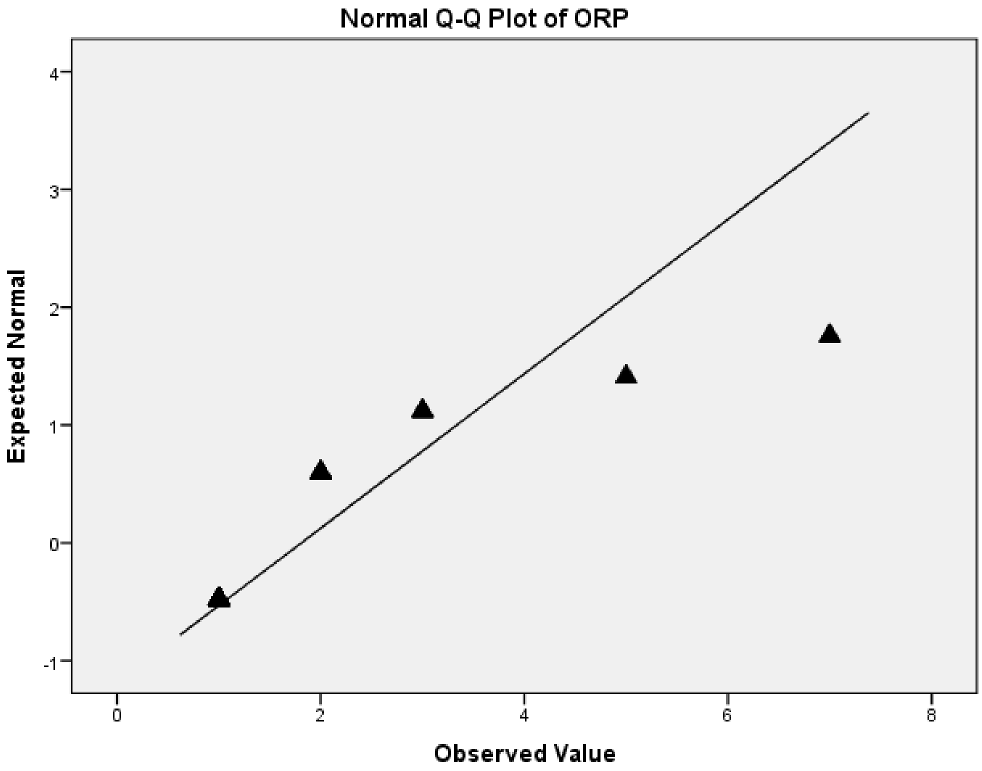

Figure 7 Normal Q-Q Plot of Organizational Performance (ORP)

Source: Researchers Survey (2018)

4.3.4.4 Homoscedasticity

According to authors such as (Tabachnick & Fidell, 2012), this assumption requires that the variance error terms are similar across the independent variables. This assumption can be checked by visual examination of a plot of standardized residual (the errors) by the regression standardized predicted value. The figure below shows that the amount of error or the distance from the line to the dot constantly similar and confirms that we have homoscedasticity.

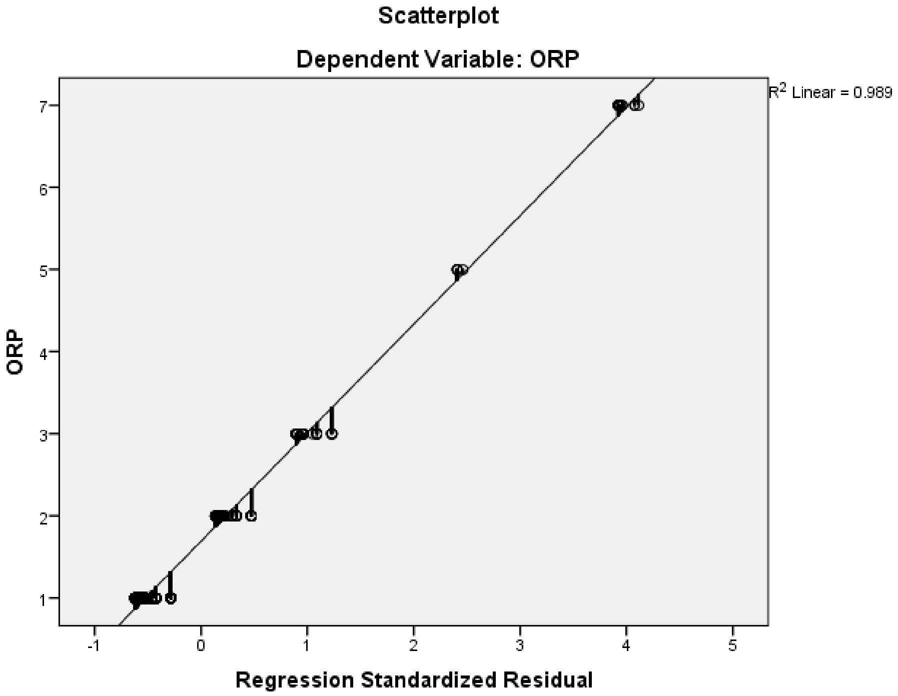

Figure 8 Scatterplot for Testing Homoscedasticity

Source: Researchers Survey (2018)

4.3.4.5 Model Specification

In multiple regression analysis; decision have to be made whether which independent variable should be included in or excluded from the regression equation. The following models are developed to find out the statistical significant factor affecting organizational performance.

$$OP = \beta_o + \beta_1 (SH) + \beta_2(PAM) + \beta_3(TD) + \beta_4(C) + \beta_5(SMT) + c(EMI) + \varepsilon_i$$

Where: - OP represent organizational performance, SH represent Selective Hire, PAM represent performance appraisal/management, C represent Compensation, SMT represent Self-managed teams and EMI represent Employee Involvement. β_o- β_o represent the regression co-efficient and error term is represented by εi.

In this model specification multiple regression calculates multiple correlation coefficient, R^2 (the proportion of variance in dependent variable explained by independent variable), P or t values (the contribution of independent variable towards dependent variable).

Table 16 Model Summary

Model Summary [d]

Model	R	R Square	Adjusted R Square
1	.975[a]	.950	.925
2	1.000[b]	1.000	1.000
3	1.000[c]	1.000	.

a. Predictors: (Constant), C
b. Predictors: (Constant), C, PAM
c. Predictors: (Constant), C, PAM, EI
d. Dependent Variable: OP

Source: Researchers Survey (2018)

The summary of Model 1 regression analysis present 95%, of the change in organizational performance could be attributed to the combined effect of the predictor variable compensation. In the case of Model 2 and 3; it explains that for every 1unit of change in employee involvement and performance appraisal and management which are the predicator variable; there is 1unit change in the organizational performance and consequently hypothesis 2, 3 and 6 are supported.

The HR practices (C, PAM and EI) in the above model explains the ability to predict OP ($R^{2=.}$ .95, 1.0 and 1.0). The model explicitly shows the relationship of C, PAM and EI with OP. The variation 5% of OP is related to other variables that are excluded by the model. This variance is significant as indicated by the F value (F=37.76, 1.9e-6 and P<.025, <.0001 respectively).

Therefore, these predictors have high F values leading to small p values so they are sufficient for predicting the response.

Table 17 Coefficients

Coefficients [a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	-.649	.783		-.829	.494
	Comp	1.157	.188	.975	6.145	.025
2	(Constant)	-.543	.001		-675.460	.001
	Comp	.985	.000	.830	4301.405	.000
	PAM	.194	.000	.267	1383.897	.000
3	(Constant)	-.543	.000		.	.
	Comp	.986	.000	.830	.	.
	PAM	.193	.000	.267	.	.
	EI	.0001	.000	.000	.	.

Source: Researchers Survey (2018)

The coefficients table shows that the model explains the most possible combination of independent variables that could predict the relationship with the dependent variable. The regression equation considering all independent variables in to consideration (SH, C, TD, PAM, SMT and EI) constant at zero organizational performance at Berhan Bank will be -.649.

It also tells that taking all the independent variable zero, a unit increases in compensation practices will lead to 1.157 increase in the organizational performance at Berhan Bank S.C. and a unit increase in performance appraisal and management practice will increase .194 increase in organizational performance of Berhan Bank S.C. In addition to that, a unit increase in employee involvement, it will increase .0001 units in organizational performance of the Bank. In the overall employee involvement have a least relationship with the organizational performance.

The same tables show that C, PAM and EI have a positive relationship with OP. The relationship indicated for compensation t is 6.145 ($P=.025$, $P<.05$); for PAM the value of t is 1384 ($P=.0001$, $P<.05$) and for EI the value of t is 0 ($P=0$, $P>.01$). Therefore, it can be concluded that C and PAM have significant relationship and effect on OP but EI has no significant impact. It is also possible to concluded the hypothesis are met yet in the case of EI t value is zero.

4.3.5 Summary of Hypothesis Testing Results

As table 18 below depicts, the hypotheses are measured through regression and correlation analysis as positive and significant therefore are supported.

Table 18 Summary of Hypothesis Test Result

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	Comp	.	Stepwise (Criteria: Probability-of-F-to-enter <= .050, Probability-of-F-to-remove >= .100).
2	PAM	.	Stepwise (Criteria: Probability-of-F-to-enter <= .050, Probability-of-F-to-remove >= .100).
3	EI	.	Stepwise (Criteria: Probability-of-F-to-enter <= .050, Probability-of-F-to-remove >= .100).

a. Dependent Variable: Organizational Performance

Source: Researchers Survey (2018)

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

The aim of this study was to make an analysis on the effect and relationship between selected Human Resource Management (HRM) practices that have any relationship on the organizational performance of Berhan Bank S.Co. The analysis was made using SPSS and the interpretation was provided in the previous chapter. Based on the analysis and the interpretation, the following major findings, conclusion and recommendations are forwarded.

5.1 Summary of Findings

The study was conducted at head office and branches of the Bank located in Addis Ababa. Primary data was collected using questionnaires distributed to 346 employees of the Bank. The collected questionnaires were valid for the statistical test that was analyzed using frequency tables, means, correlation, and regression, through Statistical Package for Social Science (SPSS). After making analysis of the primary data, the following points are presented as the major findings.

- The majority [38 percent and 30 percent] of the respondents belong to the age group of 20 to 40 [(20 – 30) and (31 – 40) respectively]. This indicates that most of the respondents were experienced men and women. They were aware of the possible consequences that their responses might have on the validity and reliability of the findings of the intended study.
- Out of the total 346 participant staffs of the bank 225 (65%) are males and 121(35%) are females.
- Majority of the respondents (97 percent) are Degree holders. This also indicates that the academic and professional background of the respondents minimize the possibility of higher degree of misunderstanding of the questions asked.
- Of the total sample population, 37 percent of the respondents were working in the head office while 63 percent respondents were working in the respective sample branches. The representations of employees from both head office and branches believed to maximize the degree of inclusion and participation of staff at different positions and capabilities.

- Above half of the majority (56 percent) of the respondents are married and the assumption is they can be considered as a stable workforce.

- The sample population participated in the study comprises of employees from all job types and grades and from all job categories. This shows the representative character of the respondents which is universal in nature.

Selective Hiring practice

The findings of the research indicate that Berhan Bank hires selectively and via advertisement. Yet, the practices are highly centralized at the head office organ of the Bank. This hinders the participation of line mangers at head office to participate in the recruitment and selection processes. The Bank have a formal induction, orientation and familiarization process for all new recruits.

Training and Development Practice

In order to fill the necessary gap with the Bank, training and development practices are important. In this research, training and development practice of the bank have a positive effect on the overall performance of the bank. The findings show needs are discussed, and the bank deploy strategies for the training programs. The training and development programs are realistic and based on the strategy of the bank. It is also managed throughout the year for each employee of the bank.

Compensation Practice

Employees at Berhan Bank strongly consider pay for performance improves performance, similarly they also think bonuses are used as a mechanism to reward higher performance. This is centralized activity carried out by the head office.

Performance Appraisal and Management Practices

The research finding indicate that there is a formal and written performance appraisal system which though appreciated is not growth and development oriented, not well define performance strategy of the bank and do not serve for retraining and redeployment. Though the employees strongly agree performance appraisal/ management strongly affect organizational performance; appraisal is not conducted regularly for a promotion purpose.

Self-Managed Teams Practice

The research finding shows that in the decision-making process team members contribute all the time and they meet regularly to perform various tasks. Though decentralization of decision making is encouraged at the Bank, it is likely to happen and teams are not deciding about service quality problems by themselves.

Employee Involvement

The study shows employee participation is encouraged on the wide range of issues and employees can exercise independently and act in executing their jobs. On the other hand, employees are expected to adhere to instructions with little room for empowerment. Regular staff meeting encourage communication with peers and mangers of the Bank.

5.1.1 Major Findings

- The first objective of the study is about determining the association and the effect of selected Human Resource Management (HRM) practice on the organizational performance of Berhan Bank. In this regard, correlation analysis shows that HRM practice have a positive relation with organizational performance. The maximum correlation (r=.975) is existed between compensation and organizational performance, followed by the association (r=.717) between performance appraisal and management and organizational performance. All correlation between independent and dependent variables was significant at the .01 and .05 level. Therefore, all hypothesis (H1 to H6) are supported.

- The effect of selected HRM practices on organizational performance at Berhan Bank S.Co. explained in the studying by 95% of and 100 % variability of organizational performance can be explained by HRM practices such as compensation, performance appraisal and management and employee involvement respectively. The 5% variance is significant by the F value (F=37.76, 1.6e-6 and P,.025, <.0001). therefore, hypothesis (H2, H3 and H4) are supported.

5.2 Conclusion

The research vividly shows a general indication of human resource practice of Berhan Bank S.Co has a significant association with organizational performance. The Bank performance can be qualified by HRM practices including selective hiring, training and development, compensation, performance appraisal and management, self-managed teams and employee involvement. This study is also consistent with other works (Change & Chen, 2002) and (Khan, 2010).

This research concluded that proper handling and implementation of HR practices has enormous consequence on organizational performance. It is imperative for Berhan Bank S.Co to linger the investment of HRM practices to influence the market through their performance.

The regression analysis revel that the three main HRM practices appears to have greater power to shape the organizational performance at the time of the study period. Compensation, performance appraisal and management and employee involvement have highest relationship comparing to the excluded variables.

5.3 Recommendations

The overall effect of HRM practice at Berhan Bank is positively associated with the bank's performance. Findings show that the Bank should work in the following areas which are drawn to benefit readers primarily the Bank HR practitioners, managers and top management,

- The Bank should involve branch managers to carry out preliminary screening, selection and hiring of employees.
- The Bank should adopt sector specific, employee oriented, constructive and growth centered performance appraisal and management system.
- The Bank should encourage decentralized decisions making and service quality improvements.

- The Bank should incorporate more reliable decisions on the planning process in HRM matters and implementation of associating program to increase management awareness and other employees ‘involvement.
- The Bank should focus on the proper implementation of HRM practices level in all its organs towards the appropriate HRM practices.

5.4 Limitation and Directions for Future Research

As can be said for all research, this study does not proceed without limitations. The major limitation of this study was finding employees who will take time and fill out the questionnaires properly. Furthermore, time was another limitation since questionnaires were not returned in the time that was provided.

The present study is focus on identifying the effect of selected HRM practices and organizational performance. Future studies may include to attempt an association between demographic factors and HRM practices and organizational performance.

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