

# **THE EFFECTS OF HRM PRACTICE ON EMPLOYEES’ ENGAGEMENT**

**(The case of Commercial Bank of Ethiopia)**



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**BY:**

**YITAGESU TACHIBELE**

**Advisor:**

**Solomon Markos (PhD)**

Addis Ababa University

College of Business and Economics

School of Commerce

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**APPROVAL**

**ADDIS ABABA UNIVERSITY  
COLLEGE BUSINESS AND ECONOMICS  
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MA PROGRAM**

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ENGAGEMENT  
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**BY:**

**YITAGESU TACHIBELE**

**Approved by Board of Examiners**

**Solomon Markos (PhD)  
Advisor**

.....  
**Signature**

.....  
**Date**

..... (PhD)  
**Internal Examiner**

.....  
**Signature**

.....  
**Date**

.....  
**External Examiner**

.....  
**Signature**

.....  
**Date**

## **Declaration**

I, Yitagesu Tachibele, hereby declare that the thesis entitled “The Effect of HRM Practices on Employee Engagement: The Case of Commercial Bank of Ethiopia” is a presentation of my research work. Whatever contributions of others are involved, every effort is made to indicate this clearly, with due reference of literature. The work was done under the guidance of **Dr. Solomon Markos**, Addis Ababa University, and School of commerce.

**Yitagesu Tachibele**

**Signature** .....

**Date** .....

## **CERTIFICATE**

This is to certify that this study, "THE EFFECTS OF HRM PRACTICE ON EMPLOYEES' ENGAGEMENT IN COMMERCIAL BANK OF ETHIOPIA.", undertaken by YITAGESU TACHIBELE for the partial fulfillment of Masters of human resource management at Addis Ababa University, is an original work at this University.

**Research Advisor: Solomon Markos (PhD)**

**Signature** \_\_\_\_\_

**Date** \_\_\_\_\_

## **ABSTRACT**

*Employee engagement is considered as one of the most powerful drivers of a company's competitive advantage and high performance. Employee engagement involves creating prospects for employees to attach with their managers, colleagues and organizations. This study sought to assess the effects of HRM practices on employee engagement in Commercial Bank of Ethiopia. The HRM practices covered were performance appraisal, training and development, reward and compensation and communication. The study adopted an explanatory research design, covering a sample of 335 respondents drawn from a target population of 2050 employees of CBE. The data collected through a self-administered questionnaire was analyzed using descriptive and inferential statistics. Regarding HR practices or drivers of Employee Engagement, the average level of satisfaction for Communication is  $M=3.86$ , training and development  $M=3.66$ , Reward and compensation  $M=3.83$  and performance appraisal  $M=3.74$ . The mean value for vigor  $M=5.57$ , dedication  $M=5.53$ , absorption  $M=5.5$  and the overall mean of engagement was  $M=5.54$ . Correlation tests revealed a moderate positive correlation between reward and compensation with a coefficient of 0.437. Performance appraisal, communication and training and development were weak positive correlations with coefficients of 0.277, 0.280 and 0.259 respectively at a 0.01 significance level. Regression analysis revealed that an increase in reward and compensation, performance appraisal, communication, and training and development package by one unit would increase employee engagement by 1.321, 0.159, 0.306 and 0.207 units respectively. All the variables covered had positive correlations with employee engagement. However, reward and compensation was the significant contributor to employee engagement. The study recommends CBE should give special attention to reward and compensation that promote employee engagement which has a positive large coefficient and significant impact on engagement.*

**Key words:** engagement and HRM

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## List of Acronyms and Abbreviations

**CBE**= Commercial Bank of Ethiopia

**HRM** = Human resource management

**HR** = Human resource

**CIPD** = Chartered Institute of Personal and Development

**SPSS** = Statistics package for social science

**UWES** = Utrecht work engagement scale

**SD**= Standard deviation

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# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

Organizations around the world faced increased challenges due to globalization, many organizations seeking to gain competitive advantage at all costs, and turning to more innovative way of doing business through human resource management practices (Sparrow, Schuler, & Jackson, 1987). Human resource practices are explained as a set of internally consistent practices designed and implemented to ensure an organization's human capital to contribute towards the achievement of business objectives (Delery & Doty, 1996).

Organizations attempt to increase their performance by increasing their efficiency and productivity (Saks, 2006). Managers would hardly deny that employees make a critical difference in innovation, organization performance and competitiveness and ultimately lead to business success (Bakker & Schaufeli, 2008). Driving employees to work proactively and collaborate smoothly with others, take responsibility by their own career development and also to commit to high quality performance standards becomes one of the priority tasks for organizations (Bakker & Schaufeli, 2008). Heineken, (2012) recognizes that engaged employees understand the ambitions for the company, feel a connection to it, and deliver on the individual and functional contributions they can make.

Managers want to improve employee engagement on grounds that it leads to superior performance, reduces staff turnover and improve the wellbeing of employees (Marcey & Schneider, 2008; Hakanen et al., 2008). Kahn, (1992) suggested that employee engagement leads to quality of work, growth and productivity. The more individual are engaged in their work, the greater will be investment of effort and attention to task activities. Storey (2001) suggested that performance management is not only used as a tool to drive employee performance but also being much more significant in maintaining employee loyalty and commitment. So it is important to find out the

drivers of employee engagement and HRM Practices is one of such drivers which can lead toward employee engagement. Engaged employee's value, enjoy and have pride in their work and are more willing to help each other and the organization succeed; engaged employees take additional responsibility, invest more effort in their job share information with other employee and remain with the organization than employees who are less engaged. Studies by Bloom and Micheal, (2002) indicate that although the primary focus of engagement effort has mostly been on team building programs and nonfinancial rewards, egalitarian pay structure have been found to be related to employee cooperation, involvement, satisfaction and commitment; all of which have been used as proxies for employee engagement. A study by Konard, (2006) established that high involvement work practices; Technique used by the management to efficiently involve their employees in their works and receive high performance among employees can contribute in efficient employee engagement.

Organizational systems and the importance of practices were studied by Huselid (1995). He found considerable support for the hypothesis that investments in high-performance work practices are associated with lower employee turnover and greater productivity and corporate financial performance. His results were based on a US national sample of nearly one thousand firms and indicated that HR practices that foster high performance also have an economically and statistically significant impact on both intermediate employee outcomes (turnover and productivity) and short- and long-term measures of corporate financial performance.

Wright, Gardner and Moynihan (2003) ran a research whose results support the notion that businesses which manage employees by using more progressive HR practices can expect to see higher operational performance as a result.

Herzberg (1959) outlines some theories about work motivation. According to Hertzberg key motivators are achievement, recognition, responsibility, advancement and personal growth. These

are also the elements of employee engagement. It seems that when employees are managed with progressive HR practices they become more committed to their organization. At least in part, this commitment leads them to exhibit proper role behavior (and thus lower workers' compensation costs, higher quality and higher productivity). These operational performance outcomes result in lower overall operating expenses and higher profitability.

Another important dimension of employee engagement power is closely related to business results. When the working environment is positive employees have a drive to do their best and the organization experiences higher level of productivity and profitability. Satisfied employees are positive and behave friendly to customers, which usually brings higher profits. Organizations with engaged employees have more satisfied customers because employees are improving their service, via customer satisfaction, responsiveness, product quality.

Treacy (2004) demonstrate the relation between double-digit growth companies and engagement. Employee Engagement scores were about 20% higher in double-digit versus single-digit growth companies. Numerous studies researching the linkage engagement – overall business performance have been published. To date, a lot of employee engagement research has been conducted by consulting firms and studies that validate engagement models have yet to appear in scientific journals. Based on these studies, there is evidence that aggregated employee opinions relate fairly strongly to important business outcomes. Are business units profitable because their employees are engaged or are employees engaged because they work for profitable units?

HRM Practices takeover the guardianship of employees as important concern of organization domain started from the attracting the employees to the organization, providing the training to keep them abreast with modern business magnitudes, appraise them and most importantly giving away attractive remuneration by recognizing their hard work and empowered them by letting the authority of decision making (Tauseef Chughtai, 2013).

It is vital to remember that the employees and not the organization are the means in shaping how the organization will act to the competitive and dynamic environment (Rundle, 1997). Therefore, the employees are regarded as the heart and soul of an organization. To nurture them, effective utilization and implementation of HR practices is a must.

Wright et al. (1994) viewed HR practices as the means through which employee perceptions, attitudes, and behaviors are shaped. Chen (2007) distinguished that the different HRM practices may have different impact on employee behavior, so it is important to develop effective HRM practices rather a bundle of HRM practices to give a comprehensive knowledge of good practices to HRM practitioners. Engaged employee's value, enjoy and have pride in their work and are more willing to help each other and the organization succeed. LePine, Erez, & Johnson, (2002) argue that engaged employees take additional responsibility, invest more effort in their jobs, share information with other employees and remain with the organization than employees who are less engaged. HRM practices are process of attracting, motivating, and retaining employees to ensure the survival of the organization (Schuler and Jackson, 1987).

HRM practices are designed and implemented in such a way that Human capital plays a significant role in achieving the goals of the organization (Delery and Doty, 1996). The appropriate use of HRM practices positively influence the level of employer and employee commitment (Purcell, 2003). HRM practices such as, training and development, performance appraisal encourage the employees to work better in order to increase the organizational performance (Snell and Dean, 1992; Pfeffer, 1998).

Employees are critical to achievement of their goal and therefor, manager must consider employee engagement as it relate to service quality and work performance. In order to create an environment for employee satisfaction and engagement, it is vital important to know which factor most affect employee engagement (Heartfeild, 2012).

## **1.2. Statement of the Problem**

The resource that lies within employees and how they are organized is increasingly recognized as critical to strategic success and competitive advantage. (DiVanna and Rogers (2005, p. 19)). Ulrich, (2005, p. 207) expresses distinctly how human capital is important. Human capital is intangibles, which represent value derived from choices about what happens inside the firm and from how investors value those decisions, rather than from its physical assets.

Satisfied, highly motivated and trustworthy employee represents the sources of competitive company. In recent years, employees comfort on the job has been recognized as an important factor for measuring their productivity. Employee engagement affects the quality of service in banks with a consequent effect on customer satisfaction and ultimate performance. Therefore, many firms try to create high engagement amongst their employees.

Engaged employees demonstrate attributes such as loyalty, trust and commitment to the organization. When employees are satisfied and engaged with their work, they are more creative and innovative and offer advances that allow companies to evolve positively over time with changes in market conditions (Samuel & Maureen, 2014)

Employee engagement is at a great danger if it is not supportable in an organization and ultimately lead to exhaustion of employees when employees cannot stand with the time and efforts pay for being engaged (Marcey et al, 2009). This is how the importance of engagement come in other than contributes to the wellbeing of employees. Engaged employees also bring substantial benefits to an organization such as lowering employee's turnover, increasing organizational commitment, raising productivity and performance and increase customer satisfaction (Rasheed, Khan, & Ramzan, 2013; Vance, 2006). Therefore, engagement play critical role for the employees as well as for the performance of the organization.

Many researchers conducted their study on employee engagement at different times. Gallup, (2008) measured hundreds of companies. The survey result show that 54% of employees were not

engaged, 17% were disengaged and only 29% were actively engaged in organization. The Frank Fuart school consulting team in 2013 conducted study on head office and district employees of Commercial Bank of Ethiopia on employee engagement and retaining. They found out the level of engagement were low. Derara, (2014) conducted study on Addis Ababa area commercial bank of Ethiopia branches on the on determinant of on employee engagement. The survey result show communication, job role, organizational support, reward and development have effect on engagement of employee. Abeba, (2016) also study the effect of total reward on employee engagement and found that total reward have strong correlation with employee engagement.

The studies conducted previously on the effects of HRM practices on employee engagement on CBE bounded on some HRM practices like job characteristic, human resource training and development, reward, communication and organizational support. But in addition to this there are other HR practices that are not yet studied like effects of performance appraisal on engagement of employee. Even the studied HR practices (training and development, reward and job characteristics, communication) effect on engagement of employee may change across time and condition, due to behavioral change of human being through time. As a result, it needs current investigation on the subject of study.

As a result of the stated above, the researcher initiates to study on the effect of HRM practices on employee engagement in Commercial Bank of Ethiopia North Addis Ababa District City Branches. The study concentrate on four drivers of employee engagement: performance appraisal, communication, reward and training and development. Because the researcher undertakes that they have significant effect on employee engagement. The study was conducted to answer the following basic research question.

### **1.3. Basic Research Questions**

- ❖ What is the practice of HRM in CBE?
- ❖ Is there any relationship between HRM practices and employee engagement IN CBE?

- ❖ What is the level of employee engagement in CBE?

#### **1.4 Objective of the Study**

The general objective of the study is to investigate the effect of HRM practices on employee engagement in Commercial Bank of Ethiopia in North Addis Ababa City branches.

##### **1.4.1 Specific Objectives**

- ❖ To assess the HRM practices in CBE.
- ❖ To examine the relationship between HRM practices and employee engagement in CBE.
- ❖ To determine the level of employee engagement in CBE.

#### **1.5. Significance of the Study**

The study would be highly significant for Commercial Bank of Ethiopia. As to my relate the research which was steered by previous researchers on this topic is not that much enough. The topic remains in need of more empirical research especially in Ethiopia and specifically for CBE.

The findings of the study had real-world significance in getting information on how to best help CBE in developing best engaged human resource. Therefore the study afforded direction to the organization in order to challenge areas that is, the relationship between HRM practices and employee engagement. The organization also be equipped with useful information regarding on the effects of HRM practices and employee engagement, which would help to formulate policies accordingly. Both organizations and employees could use the findings of this study for better outcomes.

The study may be helpful for other interested researchers on similar area of study to use as a reference and to investigate in depth.

### **1.6. Scope of the Study**

Concerning methodological scope, the researcher used quantitative research approach and primary data were collected through questionnaire by using stratified random sampling technique. The rationale behind using quantitative approach is the nature of the research questions and the most appropriate method to address the research questions.

Conceptually, the study covered only those four HR practices or engagement drivers although various conceptual models identify various HR practices or drivers of engagement. Since the study conducted for academic purpose, the studies conceptual scope was limited to these HRM practices specifically performance appraisal, communication, training & development and reward. The researcher assumed these selected HRM practices have significant effect on employee engagement.

Geographically, the study concentrates on North Addis district City Branches of CBE only i.e. 62 city branches. The logic behind this is it's difficult to cover all offices and branches throughout the country and based on proximity to the researcher. The researcher assumes the chosen sample represent all population.

### **1.7. Limitation of the Study**

The drawback of the study was, there were possible other HRM issues that contribute to employee engagement in the organization other than incorporate in the study. The researcher assumes that reward and compensation, performance appraisal, communication and training and development have significant effect on employee engagement. The study also had limitation in studying the factors of engagement of employees beyond HRM practice because informal interview with the Bank employees showed that most of the problem related with HRM practices. As a result, the study not examined the effect of non –HRM determinant of employee engagement. The study also has limitation in studying the engagement of Commercial Nominee's employees currently working in CBE because the role of Commercial Nominees is not a core function for the Bank. The

researcher used closed ended questionnaire (structured questionnaire) so as to minimize the possibility of researcher bias and providing a greater degree of subjectivity because of the direct response and feedback from the respondents that collected in short period of time and in an easier manner.

### **1.8 Definition of key Terms**

**Employee engagement** –is to be psychological present when occupying and performing an organizational role (Khan, 1990).

**HRM-** Stone (2014) defines that Human resource management is the productive use of people in achieving objectives and the satisfaction of individual employee needs.

**HRM practice-** is process of attracting, motivating, and retaining employees to ensure the survival of the organization (Schuler and Jackson, 1987).

### **1.9 Organization of the Paper**

The research report organized in five chapters. In the first chapter, background is presented; following by statement of the problem, research questions, objectives of the study, significance, limitations of the study and scopes of the study and definition of key terms was presented.

In chapter two, the researcher presented reviewed of related literature, empirical review, theoretical review and conceptual review.

In chapter three presented the type and design of the research, participants of the study, source of data, and the data collection tools/instrument used, the procedures of data collection and method of data analysis used in the study.

In chapter four, result of data analyzed would debate extensively and concentrate on interpretation of findings.

Finally, in chapter five, summery conclusion and recommendations, untaken based on result discussed in chapter four.

Therefore, the research analyzed the Effects of HRM Practices on Employee Engagement in Commercial Bank of Ethiopia North Addis district City Branches.

## CHAPTER TWO

### REVIEW OF RELATED LITERATURE

#### 2.1. Definition of Employee Engagement

Employee engagement is a popular term both in industry as well as in academia (Schaufeli & Bakker, 2010). In academia, Kahn (1990) conceptualized engagement as —the harnessing of organization members ‘selves to their work roles: in engagement, people employ and express themselves physically, cognitively, emotionally and mentally during role performancel (p. 694).

However, more recently, employee engagement is defined as —a positive, fulfilling, and work-related state of mind that is characterized by vigor, dedication, and absorptionl (Schaufeli, Salanova, Gonzalez-Roma, & Bakker, 2002, p. 74). These three components are characterized by the following: Vigor is characterized by high levels of energy and mental resilience while working, the willingness to invest effort in one’s work, and persistence even in the face of difficulties. Dedication refers to being strongly involved in one’s work, and experiencing a sense of significance, enthusiasm, inspiration, pride, and challenge. Absorption is characterized by being fully concentrated and happily engrossed in one’s work, whereby time passes quickly and one has difficulties with detaching oneself from work (Schaufeli & Bakker, 2010, p. 13).

In industry, there are a number of definitions of engagement. For example, according to Development Dimensions International, Engagement has three dimensions;

- (1) **Cognitive** – belief in and support for the goals and values of the organization,
- (2) **Affective** – sense of belonging, pride and attachment to the organization,
- (3) **Behavioral** – willingness to go the extra mile, intention to stay with the organizationl.

According to Towers Perrin, (2006) employee engagement is considered an affective state that

reflects employee's —personal satisfaction and a sense of inspiration and affirmation they get from work and being a part of the organization. Although there are numerous definitions of engagement, overall, it is defined in terms of organizational commitment, particularly affective commitment (i.e., the emotional attachment to the organization), continuance commitment (i.e., the desire to stay with the organization), and extra role behavior (i.e., discretionary behavior that promotes the effective functioning of the organization) (Schaufeli & Bakker, 2010).

In the current study, engagement is used to describe the extent to which employees are involved with, committed to, enthusiastic, and passionate about their work (Macey & Schneider, 2008). However, the vigor component of engagement is included in this study because Bakker and Xanthopoulou (2009) argue that vigor is the most influential component of engagement compared to absorption and dedication, and that it is also strongly associated with engagement outcomes.

From the above definitions and understanding in general, it can be concluded that employee engagement is a psychological construct, although, in research literature it is not very precise, rather commonly it is used to refer to both role performance and an effective state.

## **2.2. How to Measure Engagement**

Work engagement can be defined as a unique positive, fulfilling, work related state of mind that is characterized by vigor, dedication, and absorption (Schaufeli & Bakker, 2003). It can be measured using a valid and reliable self-reporting questionnaire - the UWES (Utrecht Work Engagement Scale).

The UWES utilizes three scales to define the level of work engagement: Vigor, dedication, and absorption. It is a test of how to measure work engagement both on an individual and on group level:

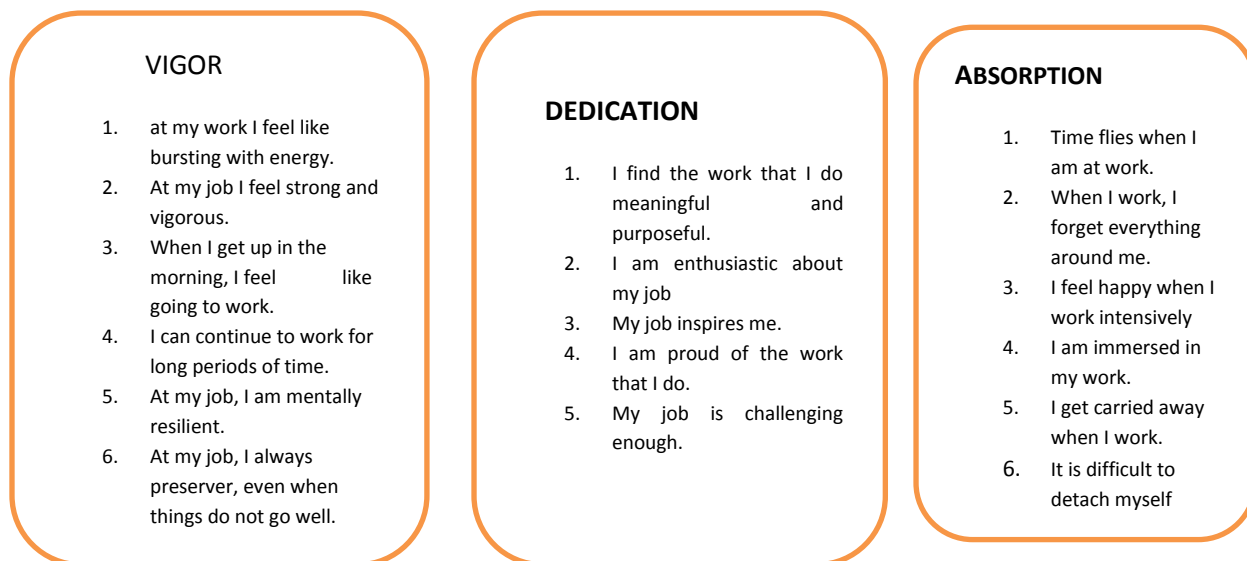
**1. Vigor:** refers to high level of energy and mental resilience while working, the willingness to invest effort in one's work, and persistence in the face of difficulties.

2. **Dedication** refers to being involved in one's work, finding meaning in one's work, being challenged, and experiencing sense of enthusiasm, inspiration and pride.

3. **Absorption** refers to being fully concentrated and engrossed in one's work, whereby time passes quickly and one has difficulties detaching oneself from work.

The UWES Questionnaire It includes 7 response options whereby 0=never to 6=always much deeper than simply an incentive program. If one wants to change people's behavior, then it becomes necessary to understand as how they view their life, to make engagement program effective for the company.

Figure 2.1 measurements of Engagement



Summary of Schaufeli B. W. & Bakker, B. A. (2003): Occupational Health Psychology Unit.

Utrecht University

### 2.3. Characteristics of Engaged Employees

American Psychologist and Professor William Kahn (1990) defines engaged employee as an employee who (during role performances) is concerned with his/her work:

(1) physically conative (he/she devotes all his/her energy to work, he/she remains at work until he completes all his/her tasks; for his/her employer he/she is able to go very far);

(2) Cognitively (focus on heavy performance at work, respectively devotes all his/her attention to his/her work);

(3) Emotionally (emotional interconnection with his/her work, enthusiasm for work). Moreover, he/she works beyond his/her duties, he/she takes new tasks on his/her own initiative, and he/she strongly cares about the success of the company he/she works for.

Richman (2006) characterizes the engaged employee as follows:

- is vital, energized, and work hard to help the company succeed;
- uses his/her skills, experience and abilities to satisfy customers;
- works for the firm because he/she wants to;
- sees his/her role as following through to make sure that problems he/she identifies get solved;
- is action-oriented and knows acceptable level of risk;
- believes he/she has a stake in the company

#### **2.4. Drivers of Employee Engagement**

This study attempts to examine the human resources practices that should be considered by the employer in developing employee engagement in order to create a productive workforce. Guest (2001) mentioned that human resource management is a unitary system of management that attempts to elicit employees' commitment and involvement in line with the purpose and goals of the organization.

Human resource is defined as a strategic and coherent approach to the management of an organization's most valued assets, because it is involved in managing people in the organization to achieve the objectives (Dessler, 2005). HRM is the science and practice that deals with the nature of the employment relationship and all of the decisions, actions and issues that are related to this

relationship. Sharma and Khandekar (2006) have developed the model of human resource practices that is supposed to develop the workers ability and work engagement.

This showed that human resource practices play an important role of employee engagement. In this study, four dimensions of HRM are used: performance appraisal employee communication, training and development, rewards, and recognitions are studied.

Human Resource Management Practices to effectively manage human resources, organizations will have to implement innovative HRM practices. Of course, HRM practices may differ from one organization to another and from one country to another. Researchers have classified HRM practices in broad-ranging categories such as ‘best practice,’ or ‘high-performance’ (Huselid, 1995), ‘formal’ (Aldrich and Langton, 1997; De Kok and Uhlaner, 2001; Heneman and Berkley, 1999), ‘sophisticated’ (Golhar and Deshpande, 1997; Goss et al., 1994; Hornsby and Kuratko, 1990; Wagner, 1998) and ‘professional’ (Gnan and Songini, 2003; Matlay, 1999). But Pfeffer (1994, 1998) argued that the most appropriate term is ‘Best HRM Practices’.

According to Chandler and McEvoy (2000), one question remains in HRM research: is there a single set of policies or practices that represents a ‘universally superior approach’ to managing people? Theories on best practices or high commitment theories suggest that certain HRM practices, either separately or in combination, are associated with improved organizational performance across the world. Pfeffer (1994) identified seven practices as best practices: employment security, selective hiring, self-managed teams/team working, high compensation contingent on organizational performance, extensive training, reduction in status difference and sharing information. Redman and Matthews (1998) identify an ‘HRM bundle’ of key practices, which support service organizations’ quality strategies. Saxena and Tiwari (2009) also identified training and development, employer–employee relations, recognition through rewards, culture building, career development, compensation and benefits as important HRM practices.

### **2.4.1. Relationship between Employee Communication and Engagement**

The company should follow an open door policy. There should be both upward and downward communication with the use of appropriate communication channels in the organization. If the employee is given a say in the decision-making and has the right to be heard by his boss then the engagement levels are likely to be high. Good employee communication will help an employee to understand their role and hence contribute to the organization's success (Clampitt, 2005). It is very clear that engagement begins with employees' clear understanding of what is happening in the organization. Employees should be kept well informed about the changes that affect them.

Gallup's (1999) research has shown that managers play a pivotal role in raising levels of engagement by clearly communicating what is expected of employees, matching talents with roles to capitalize on employee strengths and providing feedback to employees regarding their progress at work. Kahn (1990) also recognizes the impact of management style, suggesting that a supportive management style positively affects level of engagement.

Kahn (1990) describes this as a supportive manager as one who allows trial and error, and creates varying degrees of openness in the environment. However, Kahn (1990) does not go to the extent of identifying the manager's communication style and the potential affects communication has on engagement and organizational performance.

Meyer (2002) said that a genuine leader shares details of company information with employees. Communication and management appear inextricably linked because of the nature of management and managers' responsibilities (Penley, 1991). Therefore, one could argue that management and leadership have the opportunity to directly influence the level of Employee Engagement through their means of influence by communication. Wilier and Henderson (1988) found statistically significant associations between the generalized measure of communication competency and employees' reports of their satisfaction, their sense of role clarity, their perceptions of their supervisor's effectiveness, and their perceptions of their work unit's effectiveness.

Finally, communication behaviors of leaders is about consistency between words and action, visibility among the organization and being role models for good relationships and effective information sharing (Bames, 2002). Improving communication and consultation has been seen as a powerful way of eliciting shifts in employee attitudes and behaviour, which might be expected to feed through in a positive way to corporate outcomes. Kress (2005) states that “strategic, proactive, targeted and continuous communication contributes to an organization’s ability to strengthen Employee Engagement, commitment, trust, and retention”. The difficulty in researching these various communication studies is in clearly being able to differentiate between the multiple variables and their impact

#### **2.4.2. Relationship between Employee Development and Training with Engagement**

Training and development is a part of human resource practices tool to improve or obtaining new skills. Training and development focus on changing or improving the knowledge, skill and attitudes of individuals (Werner and DeSimone, 2009). Training prepares employees for a new job; meanwhile development is essential for future assignment. It is an attempt to improve current or future employee performance by increasing an employee's ability to perform through learning, usually by changing the employee’s attitude or increasing his or her skills and knowledge.

Training and development was defined as the process by which individuals change their skills, knowledge, attitudes and/or behavior (Robbins and DeCenzo, 1998). Development is a process of developing expertise in employees for the purpose of better performance. Development is vital in improving the success and in engaging the key employees. Workforces are dedicated to the employer if the employer is committed and supportive for their long term job development. Workforces come to the organization with certain necessities, desires and skills and expect that they would be given an environment where they can utilize and enhance their abilities and satisfy many of their needs.

Aguinis and Kraeger (2009) stated, 'As organizations strive to compete in the global economy, differentiation on the basis of the skills, knowledge, and motivation of their workforce takes on increasing importance'. Generally, training and development leads to benefits for the individual, team, organization and the society, and it ranges from individual or organisation benefit to economic prosperity of the nation (Aguinis and Krager, 2009).

According to the research, training and development have several benefits for the organisation. The research states "the most effective training programs were those including both cognitive and interpersonal skills, followed by those including psychomotor skills or tasks" (Aguinis and Krager, 2009).

An example of these would be the meta-analysis conducted by Arthur et al (2003). The research collected an initial data set of 1152 data points, from 165 sources. The research indicated that training methods used, the skills which were taught had an impact on outcome of the training on performance.

In contrast to this, Tsaur and Lin (2004) argued that the strengths of 'training and development' and 'compensation benefits' become insignificant when service behaviour dimensions are added to the equation. When the service behavior dimension is included in 'training and development', 'compensation/benefits' and 'performance appraisal' are insignificant variables, and 'recruitment/selection' retain only some significance.

Human Resource Management is meant "to integrate all personal activities with each other and strategically with organizational objectives" (Graf, Karthi and Karthikeyan, 2010). With the increase in competitiveness in the banking sector, all banks try to advance themselves, and for doing so training is an essential requirement.

Also as we live in a rapidly changing society, it becomes a priority of the HRM to curb the damage on the human capital but properly equipping them to cope with the changes (Graf, Karthi and Karthikeyan, 2010).

According to Ferdous and Razzak (2012), most of the prominent banks already had training needs assessment in place, and that companies kept a positive approach towards on the job training, as it was vital to compete and cope with the competition.

### **2.4.3. Relationship between Rewards and Recognitions with Engagement**

Reward and recognition for individual employees remains one of the most controversial areas (London and Higgott, 1997), which is a part of compensation package used to motivate, retain as well as attract employees to stay. Recognition is important because it serves as a form of feedback where it helps to inform employees on how well they are performing. However, Seeger (2005) asserted that in order to create ongoing motivation and commitment through employee recognition, reward must be communicated to all employees. Employee's reward and recognition programs are a method of motivating employees to change work habits and key behavior for the benefit of the organization.

The terms rewards and recognition will be used interchangeably and they refer to the daily, low cost, on-the-spot awards, certificates, gifts of thanks, and other ways one regularly praises and expresses gratitude to employees (Gotstick & Elton, 2007). Not only does recognition reinforce good performance, but it enables employees to feel that their time, efforts, and ingenuity are worthwhile, which leads to employee engagement (Brown, 2011). For example, Koyuncu, Burke, and Fiksenbaum (2006) examined the potential antecedents and on sequences of work engagement with a sample of women managers and professionals who worked at a large Turkish bank. Results showed that autonomy, rewards, and recognition were significant predictors of employee engagement.

### **2.4.3.1 Financial Rewards**

Financial rewards consist of job-based pay, which provides pay related to the value of the job, and person-based pay, which provides rewards that recognize the individual's contribution. They also include employee benefits and pensions and financial, recognition schemes. The management of job and person-based pay involves:

**Pay determination** – making decisions on the value of jobs by means of market pricing and job evaluation. □ **Base pay management** – developing and operating pay structures that group jobs into grades, bands or levels in accordance with internal and external relativities and usually provide for pay progression. □ **Contingent pay** – planning and managing schemes that provide for pay progression related to performance, contribution, competence, skill or length of service.

Non-financial rewards focus on the needs people have to varying degrees for recognition, achievement, personal growth and acceptable working conditions. They include the non-financial recognition of successes, the design of fulfilling jobs, giving people the scope to develop their skills and careers and offering a work environment that provides a high quality of working life and an appropriate relationship between work and private life (work–life balance). Nonfinancial rewards can be extrinsic, such as praise or recognition, or intrinsic, associated with job challenge and interest and feelings that the work is worthwhile.

### **2.4.3.2. Extrinsic and Intrinsic Rewards and Employee Engagement**

While it is recognized that extrinsic and intrinsic rewards are real in producing positive employee outcomes, little studies do exist that directly examines the effects of these forms of rewards on employee engagement. Because of this reason, a expression at some of these studies shows that a study by Maslach et al. (2001) is the most convincing one. They suggested that while lack of rewards and recognition can lead to burnout, appropriate reward

and recognition is important for engagement. May et al. (2004) found that meaningfulness, safety, and availability were significantly related to employee engagement. They also found that meaningfulness had a strongest relation to different employee outcomes in terms of engagement.

Ram and Prabhakar (2011) investigated the antecedents and consequences of employee engagement in Jordanian industry. They found that a combination of extrinsic rewards to prevent dissatisfaction amongst employees with recognition, appreciation, advancement, growth opportunities, and interesting work result in a committed work force. They also found that perceived organizational support had a strong relation to employee engagement. They further found that intrinsic and extrinsic rewards had a positive relationship with employee engagement. Aktar et al. (2012) examined the impact of rewards on employee performance in commercial banks in Bangladesh.

They found that non-monetary rewards represented by recognition, learning opportunities, challenging work and career advancement was highly appreciated due to the opportunity it offers in terms of skill development of the workers which in the long run could be translated into higher monetary rewards. Muchai and Mwanyi (2012) studied the effect of employee rewards and recognition on job performance in Kenya public sector. They found that recognition is one of the leading employee engagement drivers. They also found that engaging employees through total rewards had reduced employee complaints about pay fairness and equity and reduced general employee problems.

Sanhari (2014) examined the relationship of health workers' engagement with their work in Tanzania. Their study found that health workers perceived support from the immediate supervisors and perceived adequacy of competencies to perform influenced their engagement positively. It was also found that perceived adequacy of inputs (resources) was a potential factor but was not found to influence engagement. A study made by Zhijian and Tianshu (2013) showed that challenging work

environment, appreciation and recognition, promotion opportunities have significant positive impact on animation employee engagement.

Harter, Schmidt and Hayes (2002) found that the work units with the most engaged employees were those where the employees were doing what they do best, with people they liked, and with a strong sense of ownership of the job. Slatten and Mechmetoglu (2011) have in their study demonstrated the effect of employee engagement on innovative behavior. The study further revealed that there is an explicate connection between professional visibility, career opportunity, perceived role benefits and employee engagement. Medlin and Green (2009) found significant evidence that suggests employees with high level of optimism tend to perform at a higher level compared to those who are not engaged.

Yahya et al. (2012) study indicated that only fringe benefits and nonfinancial recognition had influenced employee engagement substantially. Previous studies in Uganda had mixed results. Bakibinga et al. (2012) examined factors contributing to job engagement in Uganda nurses and midwives. They found that interpersonal relationship with peers, supervisors and clients as an important factor in nurses and midwives experience of job engagement. They also found that the relationship were either positive, fostering job engagement or negative, serving as barrier to job engagement.

Kwadayi et al. (2013) found that lack of autonomy and variety (intrinsic rewards) and low salary (extrinsic reward) were among the first top five de-motivators of employees in Uganda. But according to Richman (2006), when employees are open and without any organizational pressure render their service voluntarily in terms of extra time and put extra effort and energy into their job is called engagement.

#### **2.4.4 Relationship between Performance Appraisal and Engagement**

Wagner and Harter (2006) found that employees were more likely to remain at their company and recommend the company as a good place to work when their managers regularly checked in with them. Hence, providing supportive feedback allows employees to know that managers care about their performance and success, which increases their levels of engagement (Marciano, 2010). Additionally, Gruman and Saks (2011) suggest that in order to enhance engagement, employees need to perceive that appraisals and feedback are provided in a fair manner. Macey et al. (2009) stated that trust and fairness are the foundation for employees to feel and act engaged. Employee's perception of performance appraisal pertaining to tool; appraiser; growth and development are high, the employee engagement among employee also high (Abdullah, 2015). This study also shows it is important for organization to ensure that performance appraisal conducted efficiently since it is one of the important areas in human resource management; which also may contribute towards high employee engagement among staff in organization.

#### **2.5 Empirical Reviews**

Recently study conducted by Samuel & Maureen, (2014) on Determinant of Employee Engagement in the Banking Industry in Kenya; Case of Cooperative Bank. The study achieved a response rate of 50% Correlation tests revealed a strong positive correlation between organizational performance management, personal development and growth opportunities, workplace recreation, and remuneration package and employee engagement with coefficients of 0.733, 0.596, 0.720 and 0.780 respectively at a 0.01 significance level. Regression analysis revealed that an increase in workplace recreation, personal development and growth, performance management, and remuneration package by one unit would increase employee engagement by 0.090, 219, 0.386 and 0.389 units respectively.

Adel Ali Yassin Alzyoud, (2018) conducted study in Bahrain on the influence of human resource management practices on employee work engagement a printing company. Employee

communication, employee development, rewards, and recognitions were selected as independent variables. Sample for the study consists of 151 staff from manufacturing. Data were collected with the help of a questionnaire and analyzed using the Statistic Package for Social Science (SPSS) version 23. Throughout the statistical analysis, it is found that there is a significant relationship between the two independent variables with the dependent variable. Reward and recognitions and work engagement were found to be positively correlated ( $r = 0.56$ ). , the employee communication ( $M = 3.64$ ;  $SD = 0.49$ ), rewards and recognitions, work engagement ( $M = 3.74$ ;  $SD = 0.48$ ) and employee development ( $M = 3.87$ ;  $SD = 0.61$ ) were found to be relatively high. Moreover, standardized coefficient and T values also depict positive and significant impact of employee communications on work engagement ( $\beta = 0.32$ ;  $t = 4.78$ ); employee development on work engagement ( $\beta = 0.22$ ;  $t = 3.16$ ); rewards and recognitions on work engagement ( $\beta = 0.36$ ;  $t = 4.82$ ).

Nebat (2015, conducted a thesis on employee engagement practices and challenges in Multi Choice Ethiopia Limited. The study showed employees are engaged with a mean value of 3.54. Among the engagement takes listed only management support had found a significant impact on employee engagement and concluded that current level of employee engagement level were slightly lower than that of 2013 and higher than the neutral level.

Another study by Negash (2015), also conducted a thesis on work engagement and its predictors in Paulo's specialized hospital medical college. Utrecht work engagement scale and Gallup Q12 was used to determine the level of employee engagement. The main finding was average employee's work engagement was non-engaged and recommended that top management should address issues related with engagement. From the summary above, we can conclude that the field of employee engagement is being understood better now than ever before. There are also indications that organizations are looking towards research based solutions to improve their employee engagement.

Rosmiza Bt Ahmad, (2015) study the relationship between performance appraisal and employee engagement among administrative staffs of Utara University in Malaysia. A total 400 questionnaires were distributed to the administrative staff in UUM; Three hundred and six (306) usable questionnaires were returned. The data were analyzed using Pearson Correlation analysis. The result indicated that the performance appraisal has significant relationship with employee engagement. On the other hand, the result demonstrates the level of engagement among employees in UMM is high.

This study shows the positive relationship between these two variables; whereas; when employee's perception of performance appraisal (pertaining to tool; appraiser; growth and development) is high, the employee engagement among employee also high. This study also shows it is important for organization to ensure that performance appraisal conducted efficiently since it is one of the important areas in human resource management; which also may contribute towards high employee engagement among staff in organization.

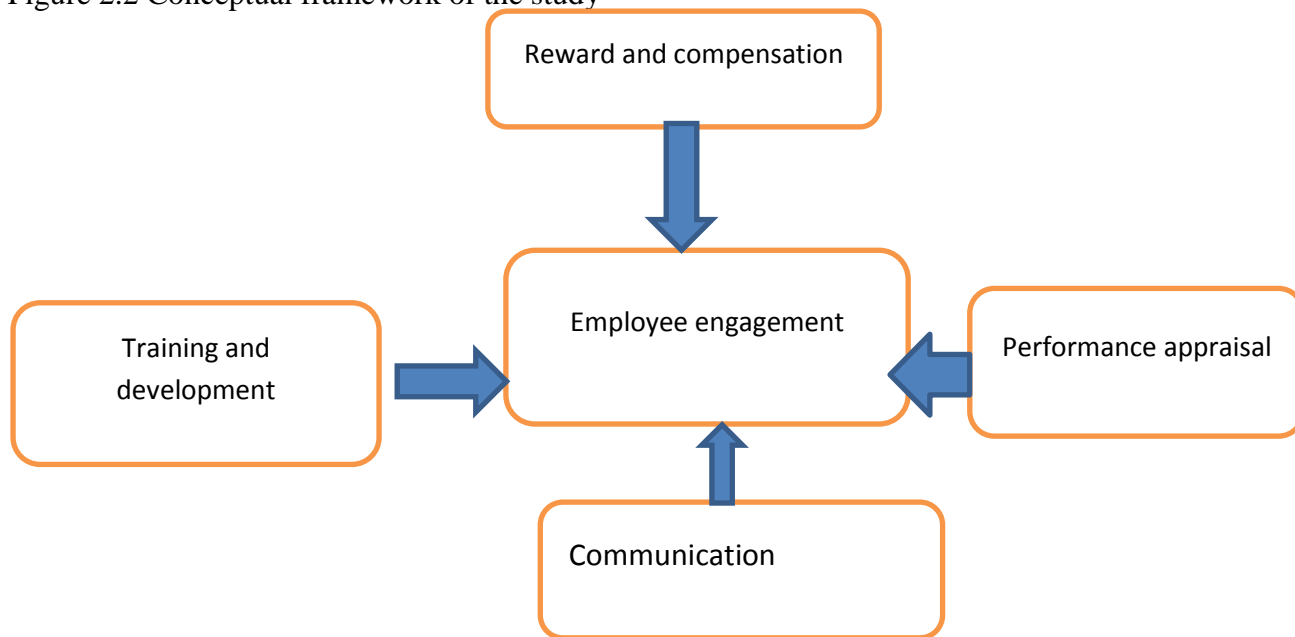
Yohannes, (2016) study on the role of selected human resource practices on employee engagement the case of commercial bank of Ethiopia. The result of the study shows that from the four HR practices or drivers of employee Engagement Communication impacted Employee Engagement 42% and it is the biggest one. Employee Engagement is least impacted by Reward and Recognition 26.4%. The others Development and Extended Employee Care impacted 36.5% and 27.9% respectively. This also implies there is relatively better level of Communication and of Reward and Recognition.

Derara (2014), study the determinants of employee engagement a study on CBE Addis Ababa area branches the result also shows that study supports the inclusion of job characteristics, rewards and recognition, and organization justice in models of employee engagement. The results have

important implications for assisting managers and companies to better understand and control factors that lead to improved levels of employee engagement

## 2.6 Conceptual Frame Work of Employee Engagement

Figure 2.2 Conceptual framework of the study



Adopted from (Source: Robinson et al. 2004 (IES report))

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.1. Research Design and Approach

Creswell, (2009) explains research design as the strategy and procedures for research that value the decisions from comprehensive assumptions to detailed methods of data collection and analysis. A specific type of research design is selected for this study based on world understanding assumptions, the nature of the research problem, personal experience and audience of the study. Based on the beyond considerations, a research would conducted using a quantitative research approach and explanatory design, Because explanatory design clarify the effects of independent variable on dependent variable.

The researcher used quantitative approach only to answer the research questions. This is based on the assumption that quantitative method was enough to address the research problem and would give better analysis. Moreover, quantitative research was beneficial because it enables the researcher to collect objective and mathematical data to apply statistical tools and establishes relationship and connection between variables.

#### 3.2 Population, Sample Size and Sampling Techniques

The study was particularly interesting to identify the Effect of HRM Practice on Employee Engagement in the case of Commercial Bank of Ethiopia. Thus, the population of the research study was employees of CBE who were working at North Addis District City Branches. The sampling technique used in the study was stratified and then the researcher determined samples from each strata or group by using proportionate sampling. The preliminary survey undertaken by the researcher collected from the oracle system of commercial bank of Ethiopia indicates that currently there are 2050 permanent employees working at 62 city branches of north Addis district. Sample was taken based on the following formula. (Yemane, 1967).

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

$$n = \frac{2050}{1 + (2050)(0.05)^2}$$

$$n = \frac{2050}{6.125}$$

$$n = 335$$

Where, n=sample size

e =sample error (equivalent to 0.05)

N= 2050 (total population)

**Table 3.1 proportionate stratified sampling from a given population.**

Grade	No branches	No employees	Sampling fraction	No. samples
Grade 1	5	87	16.3%	14
Grade 2	34	793	16.3%	130
Grade 3	12	465	16.3%	76
Grade 4	7	350	16.3%	57
Special grade 4	4	355	16.3%	58
Total	62	2050	16.3%	335

Source; *CBE oracle system January, 2018*

The researcher selected samples from each proportional stratum's so as to make significant representation of each group in the study.

The grade is stratified based on the amount of deposit, customer base and amount of daily transactions. Then the sample of employee from each stratum selected randomly.

Benefits of stratification derive from the fact that the sample sizes in the strata are controlled by the sampler, rather than being randomly determined by the sampling process. It helps to make representation of each stratum.

### **3.3 Types and Source of Data**

The researcher would study the Effect of HRM Practices on Employee Engagement in Commercial Bank of Ethiopia. The researcher used primary data sources. The primary data collected from the sample respondent by structured questionnaire.

### **3.4 Instruments of Data Collection**

For the perseverance of this study, the primary data collection technique exploited through structured questionnaire which contained three main sections. Part 1 contains information regarding the respondent's demographic features which include gender, age, educational qualification, work experience, position rank and marital status. Part 2 of the questionnaire consists of structured seven point Likert scale questions related to measuring level of engagement of employees.

Part 3 also consists of different statements with five point scale related with the four HR practices or drivers of employee engagement performance appraisal, training and development, reward and recognition and communication. Level of employee engagement and level of satisfaction on each driver of employee engagement will calculate by assigning a score of 1 to 5 to the likert scale of —Strongly disagree to —Strongly agree.

A standard questionnaire from Schaufeli and et al, (2002) called the Utrecht Work Engagement Scale (UWES) used to collect primary data. This questionnaire was selected because it was backed by extensive research conducted over a number of years.

There are three significant elements of employee engagement: vigor, dedication and absorption.

For this study, engagement was measured on the Utrecht Work Engagement Scale (UWES) developed by Schaufeli et al, (2002) and consisting of three subscales: vigor, dedication and

absorption. Previous psychometric studies have verified that the job engagement scale has reasonable construct validity and that the construct is distinct from burnout (Schaufeli et al., 2002).

Other studies have established the (cross-national) validity, reliability and stability of the construct (Schaufeli & Bakker 2004). Vigor was assessed by six items (e.g., 'At my work, I feel as if I am bursting with energy'). Dedication will measure by five items (e.g., 'I find the work that I do to be full of meaning and purpose'). The assessment of absorption included six items (e.g., 'when I am working, I forget everything else that is around me'). These items were rated on a 7-point Likert scale, ranging from (0) 'Never' to (7) 'Always'

### **3.5 Procedure of Data Collection**

In the data collection procedure, first, documents and literature review made and questionnaire developed. Then, corrections and revisions made and questionnaires distributed, covered and analyzed. Finally research result was enriched and developed.

Before collection of data, reviewing related literature regarding employee engagement and the recent attention towards the subject is the first task of the researcher. A standard questionnaire from Schaufeli, Salanova, Gonzalez-Roma and Bakker (2002) called the Utrecht Work Engagement Scale (UWES) was used to collect primary data. After questionnaires were distributed and filled by respondents should collected within two weeks' time.

Then the questionnaires code and enter in SPSS analyze software version 20. The analyzed data was begins by reporting information about the samples that returned and did not returned the questionnaire.

The obtained data summarized organized, tabulated, coded, and analyzed using SPSS software. Comparison of the result will made to ascertain the difference in perception in age group, gender, work experience, and job category and the type of compensation that is most and least favored.

### 3.6 Validity and Reliability

One method to try to ensure that measurement error is kept to a minimum is to determine Properties of the measure that give us assurance that it is doing its job properly. The first property is validity, which is whether an instrument really measures what it sets out to measure. Validity refers to whether an instrument measures what it was intended to measure.

In this study, the researcher tried to address the construct validity through defining clearly the construct of interest and develop valid measures that operationalize defined constructs. Moreover, addresses through the review of literature and adapting instruments used in previous research.

A Cranach's alpha reliability test is made on the data. The alpha coefficient of the items have relatively high internal consistency.

**Table 3.2. Reliability score**

<b>Alpha Coefficients for each Regressed Variables in the Questionnaire</b>			
<b>S.NO.</b>	<b>Variables of the study</b>	<b>No. item</b>	<b>Cronbach's alpha</b>
<b>1</b>	<b>Reward and compensation</b>	<b>6</b>	<b>0.75</b>
<b>2</b>	<b>Performance appraisal</b>	<b>7</b>	<b>0.77</b>
<b>3</b>	<b>Communication</b>	<b>7</b>	<b>0.85</b>
<b>4</b>	<b>Training and development</b>	<b>5</b>	<b>0.74</b>
<b>5</b>	<b>Engagement</b>	<b>17</b>	<b>0.87</b>

Source: own survey, (2019)

### 3.7 Ethical Considerations

The researchers has used proper citation, follow systematic collection and analysis of data techniques, maintain data confidentiality, obtained the consent of the case organization and staffs and based on their consent to meet the ethical obligation of research.

### 3.8 Methods of Data Analysis

Data analyzed based on statistical tools i.e. descriptive and inferential statistics.

Descriptive analysis; mean, frequencies and standard deviation were used to describe the profile of respondents, employee engagement levels and drivers of employee engagement.

Pearson correlation test used to determine the nature, direction and significance of the relationship between HR practices or drivers of employee engagement and employee engagement.

Multiple regression analysis also conducted to determine the Effect of the four selected HR practices or drivers of employee engagement. Regression made based on the following model:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + E$$

Where

Y= Employee Engagement

X1=Reward and Compensation

X2=Performance Appraisal

X3=Communication

X4=Training and Development

E=Standard error

a=intercept of the equation

b1=Coefficient of Reward and Compensation

b2= Coefficient of Performance Appraisal

b3= Coefficient of Communication b4= Coefficient of Training and Development

## Chapter Four

### Data Analysis and Presentation

#### 4.1 Introduction

This study was conducted at commercial bank of Ethiopia in north Addis district to assess the effect of HRM practices on employee engagement. This analysis was conducted by using the data collected from primary data sources. The researcher distributed 335 questionnaires to employees of the commercial bank of Ethiopia. Out of which there was no any questionnaire are returned so the response rate is 100%. The data collected through questionnaires are presented below with the help of tables.

#### 4.2. Demographic Characteristics of the Respondent

**Table 4.1.The respondents of gender in the study**  
**Gender of Respondent**

Gender	Frequenc y	Percent	Valid Percent	Cumulative Percent
Male	196	58.5	58.5	58.5
Female	139	41.5	41.5	100.0
Total	335	100.0	100.0	

Source; own survey (2019)

As it shows in the above table 4.1 more than half of the respondents were male which is 196(58.5%) and 139(41.5%) were female from out of 335 respondents. Therefore, the majority respondents are male.

**Table 4.2.Age of respondent**

Age Category	Frequency	Percent	Valid Percent	Cumulative Percent
20-29	216	64.5	64.5	64.5
30-39	108	32.2	32.2	96.7
40-49	10	3.0	3.0	99.7
above 50	1	.3	.3	100.0
Total	335	100.0	100.0	

Source: own survey (2019)

The above table 4.2 also illustrates respondent's age category. From the valid number of Participants, the number of respondent in the age 20 -29 years range is equal to 216 (64.5%) and 108(32.2%) respondents are between 30-39 years age range. Further, 10 ((3.0%) respondents are fall in the range of 40-49 while 1(0.3%) is above 50 year.

**Table 4.3. Educational Qualification of Respondents**

Educational qualification	Frequency	Percent	Valid Percent	Cumulative Percent
Diploma	6	1.8	1.8	1.8
1st degree	271	80.9	80.9	82.7
master degree	58	17.3	17.3	100.0
Total	335	100.0	100.0	

Source: own survey (2019)

Result from the above table4.3 shows about educational background of the respondents' revealed that the majority 271 (80.9%) of the respond had first degree level.

The rests 58(17.3%) and 6(1.8%) had MA degree and diploma holders respectively. This implies that the majority of employees under this study area are first degree graduates.

**Table 4.4. Work Experience of Respondents**

Work Experience	Frequency	Percent	Valid Percent	Cumulative Percent
0-1	4	1.2	1.2	1.2
2-5	213	63.6	63.6	64.8
6-10	98	29.3	29.3	94
11-20	15	4.5	4.5	98.5
above 21	5	1.5	1.5	100.0
Total	335	100.0	100.0	

Source: own survey (2019)

The majority of the respondents 213 (63.6%) had between from 2-5 years and 6-10 years which is 98(29.3%) in number. 15(4.5%) are serving the bank for 11-20 years while 4(1.2%) and 5(1.5%) respondents fall in the service year of 0-1 and above20 years respectively. The description shows that majority of the respondents serving the bank for 2 up to 5 years.

**Table 4.5. Job Grade of Respondents**

Job Grade	Frequency	Percent	Valid Percent	Cumulative Percent
GRADE 7	6	1.8	1.8	1.8
GRADE 9	211	63	63	64.8
GRADE 10	36	10.7	10.7	75.5
GRADE 11	17	5.1	5.1	80.6
GRADE 12	38	11.3	11.3	91.9
GRADE 13	23	6.9	6.9	98.8
GRADE 14	4	1.2	1.2	100.0
Total	335	100.0	100.0	

Source: own survey (2019)

Result from the above table4.5 shows about job grade background of the respondents' revealed that the majority 211 (63%) of the respond had first degree level. The rests 36(10.7%) were grade10. 38(11.3%) were grade 12 and 23(6.9%) were grade 13. 6(1.8%), 17(5.1%), 4(1.2%) were grade 7,

11 and 14 respectively. This implies that the majority of employees under this study area are job grade 9.

**Table 4.6. Position of Respondents**

Position	Frequency	Percent	Valid Percent	Cumulative Percent
MANAGEMENT	67	20	20	20
PROFESSIONAL	268	80	80	100.0
Total	335	100.0	100.0	

Source: own survey (2019)

As table 4.6 shows that the number of management 67(20%) and the major share of the respondents are fall professional employees which is 268(80%).

**Table 4.7. Marital Status of Respondents**

Marital Status	Frequency	Percent	Valid Percent	Cumulative Percent
SINGLE	81	24.2	24.2	24.2
MARRIED	252	74.2	74.2	99.4
WIDOW	2	.6	.6	100.0
Total	335	100.0	100.0	

Source: own survey (2019)

Result from the above table 4.7 shows about marital status of the respondents' revealed that the majority 252(74.2%) of the respond were married. The rests 81(24.2%) and 2(0.6%) were single and widowed respectively.

### 4.3 Descriptive analysis of HRM Practices

This section describes the responses of the respondents to the four selected HR practices or drivers of employee engagement which affects employee engagement level. Employee engagement is a

variable impacted by the four antecedent factors namely Communication, Development, Reward and Recognition and performance appraisal.

**Table 4.8. Descriptive Statistics of HRM Practices**

**Descriptive Statistics**

No. items	N	Mean	Std. Deviation
Reward and compensation	335	3.83	1.12
Performance appraisal	335	3.74	0.94
Communication	335	3.86	0.99
Training and development	335	3.66	1.07
Valid N (list wise)	335		

Source: own survey (2019)

As exhibited in Table 4.8, the mean value for reward and compensation is approximately 4. This means the respondents generally are satisfied and indicated they have relatively better reward and compensation system in CBE.

The mean value for performance appraisal is 3.74 is approximately 4. Performance appraisal is related with rating procedure, reflection of true performance and the satisfaction on the result. This implies employees have relatively above average satisfaction in relation with performance appraisal.

As exhibited in Table 4.8, the mean value for communication is 3.86 approximately 4. This means the respondents generally are satisfied and indicated they have relatively better information about the organization working, are update changes concerning their work, upward feedback and remained on truck with the organization as a whole.

The mean value for development and training is 3.66 approximately 4. Training and development is mainly related with the opportunities of training, learning, growth and development. This means respondents have average satisfaction (agree) level or feeling good with training and development of the organization.

#### 4.4. Descriptive analysis of Engagement Dimension

**Table 4.9 Descriptive Statistics of Engagement**

No. items	N	Mean	Std. Deviation
Vigor	335	5.57	1.43
Dedication	335	5.53	1.51
Absorption	335	5.52	1.52
Engagement	335	5.54	1.48

Source: own survey (2019)

As exhibited in Table 4.9 the mean value for vigor is  $M= 5.57$ ;  $SD=1.43$ . This means the respondents generally are satisfied and indicated very often have high level of energy and mental reliance while working, the willingness to invest effort in one's work.

The mean value for dedication is  $M=5.53$ ;  $SD=1.51$ . Dedication is related with being involved in one's work, finding meaning in one's work, being challenging and experiencing sense of enthusiasm, inspiration and pride. The result shows in the seven point scale approximately equal to six. So it indicates very often.

As exhibited in Table 4.9, the mean value for absorption is 5.52 approximately 6 with  $SD=1.52$ . This means the respondents generally are satisfied and indicated they have relatively very often

fully concentrated and engrossed in one's work, whereby time passes quickly and one has difficulty to detaching oneself from work .

The mean value for overall engagement is  $M= 5.54$  approximately 6 with standard deviation ( $SD=1.48$ ). Engagement is mainly the cumulative sum of vigor, dedication and absorption. This means respondents have above average satisfaction (very often) level or feeling good in the organization organization.

#### **4.5. Relationship between HRM practice and Employee Engagement**

Correlation analysis is used to describe the strength and direction of the linear relationship between two variables. According to Julie P. (2011), Pearson correlation coefficients ( $r$ ) can only take on values from  $-1$  to  $+1$ . The sign indicates whether there is a positive correlation (as one variable increases, so too does the other) or a negative correlation (as one variable increases, the other decreases). The size of the absolute value (ignoring the sign) provides an indication of the strength of the relationship. A perfect correlation of  $1$  or  $-1$  indicates that the value of one variable can be determined exactly by knowing the value on the other variable. This part contained the relationship between HRM practices and employee engagement.

The Pearson Product moment correlation coefficient (commonly called Pearson Correlation Coefficient) measures the strength and direction of relationship between variables. According to Field (2005), a coefficient( $r$ ) of  $+1$  indicates a perfect positive relationship while  $-1$  indicates a negative relationship. Breaking down the strength of the relationship, values of  $r=\pm 0.1$  to  $\pm .29$  represent a weak relationship while  $r=\pm 0.3$  to  $\pm .49$  represent a medium relationship while  $r=\pm 0.5$  to  $\pm 1.0$  indicate a strong relationship.

**Table 4.10. Correlation of HRM practices with Engagement**

		Reward and compensation	performance appraisal	Communication	Training and development	employee engagement
Reward and compensation	Pearson Correlation	1	.500**	.427**	.433**	.437**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	335	335	335	335	335
Performance appraisal	Pearson Correlation		1	.409**	.292**	.277**
	Sig. (2-tailed)			.000	.000	.000
	N		335	335	335	335
Communication	Pearson Correlation			1	.522**	.280**
	Sig. (2-tailed)				.000	.000
	N			335	335	335
Training and development	Pearson Correlation				1	.259**
	Sig. (2-tailed)					.000
	N				335	335
Employee engagement	Pearson Correlation					1
	Sig. (2-tailed)					
	N					335

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

Source: own survey (2019)

As shown in the above table 4.10 the reward is moderately significant and positively correlated with employee engagement with the coefficient of ( $r=.437, p>0.01$ ). The result indicates that the increase or decrease of reward practice will change employee engagement in the same direction.

As shown in the above table 4.10 Performance appraisal has positively but weakly correlated with employee engagement with the coefficient of ( $r=.277, p>0.01$ ). The result shows the increase or decrease of Performance appraisal practice will change employee engagement in the same direction but the relationship was weak.

As shown in the above table 4.10 Communication has weak significant and positively correlated with employee engagement with the coefficient of ( $r=.280, p>0.01$ ). According to the above table

the result shows that the increase or decrease of reward practice will change employee engagement in the same direction.

Training and development also has weak significant and positively correlated with employee engagement with the coefficient of ( $r=.259, p>0.01$ ). According to the above table 4.10 the result shows that the increase or decrease of training and development practice will change employee engagement positively.

#### **4.6. Effect of HRM Practices on Engagement**

According to Julie, (2011), multiple regressions is not just one technique but a family of techniques that can be used to explore the relationship between one continuous dependent variable and a number of independent variables or predictors (usually continuous).

It allows a more sophisticated exploration of the interrelationship among a set of variables.

Further, the end result of conducting multiple regressions to develop the regression equation or the line of best fit between dependent variable and several independent variables. There are a number of different types of multiple regression analyses that you can use, depending on the nature of the question you wish to address.

Multiple regression analysis was used. Since the researcher believe that the specific objective could be answered by this model. The effect of four HRM practices (Reward and Compensation, Performance appraisal, Communication and Training and Development).

## 4.7. Diagnostics Test

### 4.7. 1. Multi-collinearit test.

As in the regression here, for this study the researcher was checked this assumption with tolerance and VIF statistics. Andy (2006) suggests that a tolerance value less than 0.1 almost certainly indicates a serious collinearity problem. Liu, (2010) also suggests that a VIF value greater than 10 is cause for concern and in these research data the values are below 10 for all predictors. It seems from these values that there is no an issue of collinearity between the predictor variables. The derived model is likely to be unchanged by small changes in the measured variables. In another word, these values give us some idea as to how accurate our regression model is. Thus, there was no concern with biased effect of collinearity.

Table 4.11. Multi-collinearity test

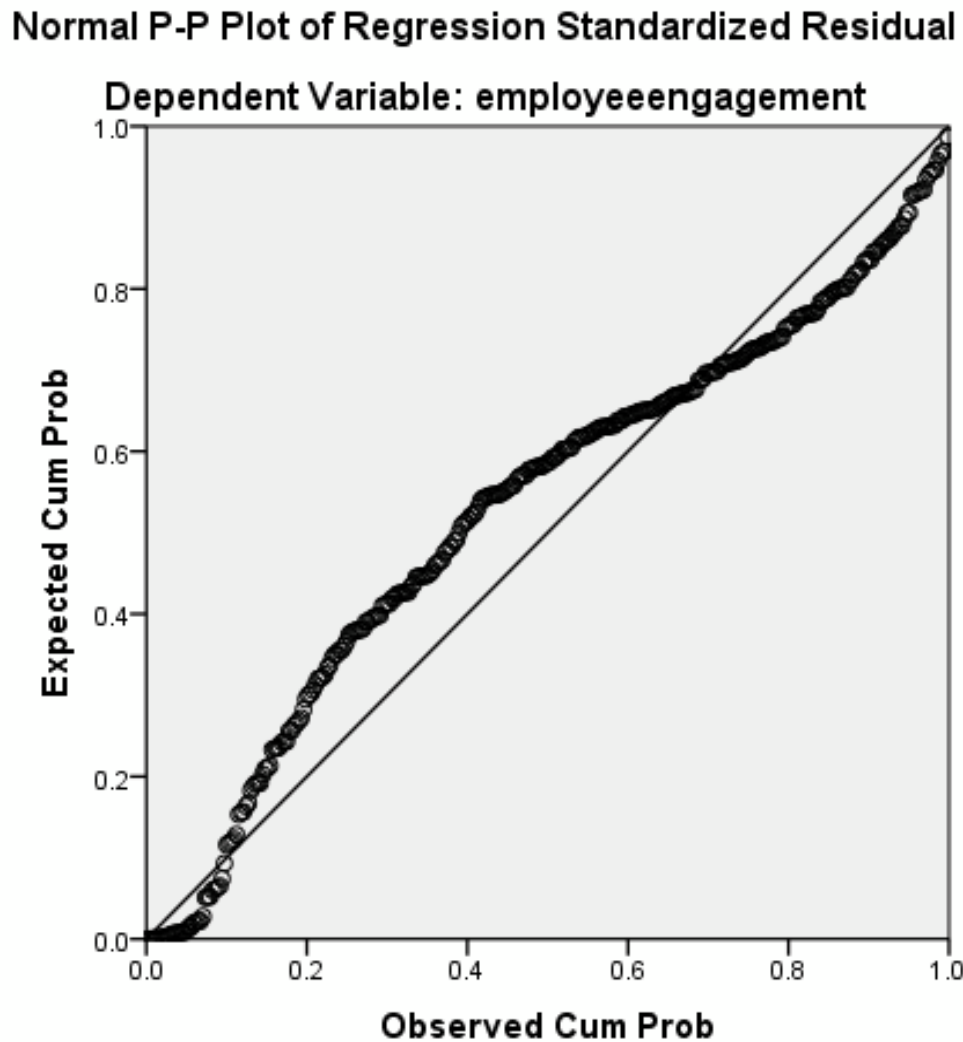
#### Coefficients

Model	Collinearity Statistics	
	Tolerance	VIF
1		
Reward and compensation	.646	1.548
Performance appraisal	.704	1.421
Communication	.642	1.559
Training and development	.673	1.485

a. Dependent Variable: employee engagement

Source: own survey (2019)

#### 4.7.2. Normality Test



Source :- own survey (2019))

**Figure 4.1 Normality test**

Normality test in statistics, normality test used to determine if a data set is well-modeled by a normal distribution and to compute how likely it is for a random variable underlying the data set to be normally distributed. As shown above in figure 4.1 the researcher conclude that the data appears to be normally distributed as it follows the diagonal line closely and does not have a non-linear pattern.

Table4.12. Model summary

Model	R	R square	Adjusted R Square	STD. error of the estimate	Change statistics				
					Adjusted R square	F change	Df1	Df2	Sig. F change
1	.453a	.205	.196	18.6475	.205	21.321	4	330	.000

Predictors: (Constant), training and development, performance appraisal, reward and compensation, communication.

Source: own survey (2019)

A measure of the strength of the computed equation is R-square, sometimes called the coefficient of determination. R-square is simply the square of the multiple correlation coefficients listed under R in the Model Summary table, and represents the proportion of variance accounted for in the dependent variable (employee engagement) by the predictor variables (independent variables).

As shown in Table 4.12, reward and compensation, performance appraisal, communication, training and development accounts for 20.5% (R Square, 0.205) of the variation in employee engagement. The results also indicate that the estimation of employee engagement using the model can be wrong by 18.648% (Std. Error of the Estimate, 18.6475).

**Table4. 13. Model summary, ANOVA**

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	29655.161	4	7413.790	21.321	.000 <sup>b</sup>
Residual	114750.941	330	347.730		
Total	144406.101	334			

a. Dependent Variable: employee engagement

b. Predictors: (Constant), training and development, performance appraisal, reward and compensation, communication

Source: own survey (2019)

ANOVA test was also conducted to determine whether the model works in explaining the relationship among variables as postulated in the conceptual model.

The results in Table 4.13 show an F value of 21.321 with a significance level of 0.000 which is far lower than the confidence level of 0.05, hence establishing a significant relationship.

The implication is that each independent variable contributes significantly to changes in the dependent variable. This shows that the model works and thus accounts for significantly more variance in the dependent variable than would be expected by chance.

**Table4. 14. Coefficients of regression Model**

Model	Unstandardized		Standardized	T	Sig.
	Coefficients		Coefficients		
	B	Std. Error	Beta		
(Constant)	49.783	5.767		8.632	.000
Reward and compensation	1.321	.227	.356	5.830	.000
1 Performance appraisal	.159	.178	.052	.893	.373
Communication	.306	.227	.083	1.350	.178
Training and development	.207	.268	.046	.773	.440

Dependent Variable: employee engagement

Source: own survey (2019)

To determine how each independent variable affects the dependent variable, regression analysis was run and the results are as presented in Table 4.14. The regression analysis results indicate that an increase in, Reward and compensation by one unit would increase employee engagement by 1.321, units. Since performance appraisal, communication, training and development significant levels are above 0.05 (the acceptable p-value) which means that they have no significant influence on the dependent variable. Though they have no significant effect on engagement it is important to note that the factors have positive effect on engagement.

According to Robinson et al., (2004), reward and compensation, performance appraisal, communication and training and development have positive and significant effect on engagement. But in this study only reward and compensation have significant effect on employee engagement.

The beta coefficients are positive (the sign indicates the nature of the relationship). This means that the independent variable and the dependent variable move together in the same directions meaning that an increase in the independent variables leads to an increase in the dependent variables.

The regression model was hence summarized as;

$$Y = 49.783 + 1.321X1 + 0.159X2 + 0.306X3 + 0.207X4 + E.$$

Where: Y = employee engagement

X1 = reward and compensation

X2 = Performance appraisal

X3 = communication

X4 = Training and development

E=standard error (0.05)

## Chapter Five

### Summary, Conclusions and Recommendation

#### 5.1. Summary of Major Findings

The study was shown to evaluate the effects of HRM practice on employee engagement in commercial bank of Ethiopia. In order to accomplish these, important data were gathered through questionnaire with 335 employees CBE North Addis and the data was studied with the aid of descriptive statistics, correlation and regressions. Based on the discussion of the data, the following summaries are drawn.

- ❖ According to the study finding reward and compensation have significant and moderate positive correlation with employee engagement. As it indicated in the above findings the study shows that the result is consistent with the suggestion given Robinson et al (2004), which conditions that; increasing reward and raising levels of commitment and engagement are important organizational requirements. The development of reward management plans, structures and practices is supported by the assumptions about how people can best be encouraged to deliver high levels of performances, unrestricted effort and impact.
- ❖ Concerning HR practices or drivers of Employee Engagement in five point likert scale, the average level of satisfaction for Communication mean is  $M=3.86$ , training and development  $M=3.66$ , Reward and compensation  $M=3.83$  and performance appraisal  $M=3.74$ . It indicates that above average employees agree on the status and implimentation of HRM practices in CBE.
- ❖ Concerning the mean of employee engagement in seven point likert scale, Vigor is  $M=5.57$ , dedication  $M=5.53$ , absorption  $M=5.52$ . It shows that the level of engagement was above average approximately  $M= 6$ (very often) for all engagement components.

- ❖ The study demonstrates that reward and compensation and employee engagement has relatively significant and positive relationship. i.e the decrease or increase of reward and for employee has direct relationship with employee engagement.
- ❖ The study finding shows that there is a significant and weak positive relationship (correlation) between Performance and employee engagement.
- ❖ The finding of the study indicates that, there is a significant weak correlation between communication and employee engagement. It implies that the presence or absence of communication in the given organization has direct relationship with the employee engagement.
- ❖ According to the research finding development and training opportunities have significant and weak positive correlation with employee engagement.
- ❖ According to the finding of this research reward and compensation has a distinctive highest contribution on employee engagement comparative to others components of employee engagement. (Beta Value = 1.321).
- ❖ The effects of communication, performance appraisal, training and development were not significant effect on employee engagement as observed in the coefficient of regression model. Though they have no significant effect on engagement, it is important to note that the factor have positive effect on engagement.
- ❖ As the result indicates a one unit change in reward or compensation have an effect of increasing or decreasing the full engagement by 1.321 units.
- ❖ This finding is similar to results from previous studies, in which it was discovered that a lack of recognitions or rewards can lead to burnout, therefore proper recognitions or rewards is very important for engaged employee (Gonzalez-Roma et al.,2006 ;Kahn,1990;Maslach et al.,2001).

## **5.2. Conclusions**

The main purpose of this research study was to assess the effect of HRM practice on employee engagement, and on this study it was found that engagement and its components (reward, performance appraisal, communication and development and training opportunities) have a significant positive correlation with employee engagement. Hereafter, the higher the employees are satisfied with the HRM practice in the organization, the higher the engagement of their employee engagement will be and lead to improving organizational performance and engagement.

As it has been discussed in the discussion and result section, the correlation between HRM practices and employee engagement of the studied bank (CBE) has a positive relationship.

Chen (2007) distinguished that the different HRM practices may have different impact on employee behavior and engagement, so it is important to develop effective HRM practices rather a bundle of HRM practices to give a comprehensive knowledge of good practices to HRM practitioners. According to the result of the study, it has been inferred that among the selected HRM practices (reward and compensation, performance appraisal, communication and development and training opportunities), only reward and compensation has significant effect on employee engagement. It also discovered that reward and compensation has the largest unique contribution to explaining the employee engagement.

As the researcher mentioned in the statement of the problem, the reason why employees of CBE are not engaged, in the first hand assumed to be the outcome of unsuccessful practice of HRM but as the result of this study shows HRM practice and employee engagement has a positive relationship. So, it might be another reason and the researcher leaves it to future study.

Therefore, in general it can be concluded that HRM practices (reward and compensation, performance appraisal, communication and training and development) have positive effect on the employee engagement in the studied organization (CBE). But only reward and compensation has significant effect on employee engagement.

### **5.3. Recommendations**

Established on the above findings and conclusion the following points are recommendation are provided

- ✚ Since reward and recognition strategies play an important role in reflecting the employee engagement, the organization need to adapt their rewards strategy to be aligned with their own particular organization objective. Today's market trend, employees not only interested at the benefits entitlement and compensation packages offered by the company but they also seek for overall organizational incentive plans. For the bank, it is especially important to be predictable and consistent in terms of the distribution of rewards and job resources as well as the procedures used to allocate them.
- ✚ So as to increase the level of engagement CBE had better to implement the following areas:
  1. Establish strategies that reward adequately Individual performance.
  2. Provision of recognition for those employees perform good job.
  3. There should be a continuous improvement in salary and benefit at the time of increase in responsibility of employees.
  4. Promotion of employees should also be done based on individual performance or one's work contribution.

5. CBE should follow price leading strategy so as to maintain consistency of engagement because employees compare their salary with people doing similar jobs in other organizations, and feel reasonable.
6. The last but not the least measure should be done are improving the consistency of total benefit packages so as to improve the satisfaction and happiness of employees.

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## Appendix

### ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE OFFICE OF GRADUATE STUDY SURVEY QUESTIONNAIRE .

**Dear Respondents:-** The aim of these survey question is to gather data to assess the engagement level of employees in CBE, to measure the extent to which selected HR practices or drivers of employee engagement affect employee engagement and to compare levels of employee engagement among employee categories for academic purpose. Therefore I kindly request you to fill this questionnaire genuinely assuring that the data will be used solely for the intended professional purpose and is subject to ethical rules of research at Addis Ababa University. Please follow the instructions and answer all questions. Your answers will be treated strictly confidential. You need not to reveal your identity. Please call **YITAGESU TACHIBELE +251920056868** for any inquiry or explanation you need. Thank you for your participation.

.....  
..... **Part One:** - Demographic and other information Please put tick mark (✓) in the circle with most closely represent your personal situation. Please mark one item only per question.

1. Gender      1. Gender      Male            Female
2. Age      20-29            30-39            40-49            Above 50
3. Educational qualification
- Diploma            First Degree            Master's Degree            Other
4. Work experience in CBE in years
- 0-1            2-5            6-10            11-20            Above 21
5. Your job grade in CBE \_\_\_\_\_
6. Position status      Management            Non Management (Professional)
7. Marital Status      Single            Married            Divorced            Widow

**Part Two:** - Employee engagement level survey questions Please put tick mark (✓) in the box corresponding to the option that identifies your level of overall satisfaction (agreement) on the true feeling you have on a seven point scale where 7 is “always every day perform or feel” and 1 is “never do or feel”. 1= Never, 2= Almost never (A few times a year or less), 3= rarely (Once a month or less) 4= Sometimes (A few times a month) 5= Often (Once a week), 6= Very often (A few times a week), 7=Always Everyday).

s.no	Parameters	1	2	3	4	5	6	7
1	At my work, I feel bursting with energy. (VI1)							
2	I find the work that I do full of meaning and purpose. (DE1)							
3	Time flies when I am working. (AB1)							
4	At my job, I feel strong and vigorous. (VI2)							
5	I am enthusiastic about my job. a (DE2)							
6	When I am working, I forget everything else around me. (AB2)							
7	My job inspires me. a (DE3).							
8	When I get up in the morning, I feel like going to work. a (VI3)							
9	I feel happy when I am working intensely. a (AB3)							
10	I am proud of the work that I do. (DE4)							
11	I am immersed in my work. (AB4)							
12	I can continue working for very long periods at a time. (VI4)							
13	To me, my job is challenging. (DE5)							
14	I get carried away when I am working. (AB5)							
15	At my job, I am very resilient, mentally. (VI5)							
16	It is difficult to detach myself from my job. (AB6)							
17	At my work, I always persevere, even when things do not go well. (VI6)							

**Note:** VI = Vigor scale; DE = Dedication scale; AB = Absorption scale. a. Shortened version (Utrecht Work Engagement Scale–9 [UWES-9]).

Source: Schaufeli and et al, (2002).

**Part Three:** - questions related with HR practices drivers of employee engagement Please put tick mark (√) in the box corresponding to the option that identifies your level of overall satisfaction (agreement) (1=strongly disagree 2=disagree 3=neutral 4=agree 5=strongly agree)

	<b>Reward and recognition</b>	1	2	3	4	5
1	Individual performance is adequately rewarded.					
2	CBE recognizes or praises me when I do a good job.					
3	Considering my duties and responsibilities, I feel my salary is fair.					
4	Promotion is done based on individual performance or one's work contribution					
5	In comparison with people doing similar jobs in other organizations, I feel my salary is reasonable.					
6	I am happy with total benefit package of my organization.					
	<b>Performance appraisal</b>	1	2	3	4	5
7	I felt quite satisfied with my last appraisal discussion					
8	In general, I felt the Company has excellent performance appraisal system					
9	I learned a lot from performance appraisal					
10	The performance appraisal help me to understand my mistake					
11	My manager's evaluation reflecting my true performance					
12	The procedure used to evaluate my performance were fair					
13	I agree with my final rating					
	<b>Communication</b>	1	2	3	4	5
14	I am kept well informed about what CBE is doing.					
15	I am able to speak up and challenge the way things are done.					
16	The system for orienting new employees and getting them started is effective.					
17	My supervisor or colleagues at work seems to care about me as a person.					
18	The company's process sets clear and realistic goal for the work.					
19	HR manager provides a realistic job preview of all the important aspects of a job when hiring.					
20	There is a good communication between the management and employees in the organization.					

Source: developed by the researcher

		1	2	3	4	5
	<b>TRAINING AND Development</b>					
20	I am aware of the promotion opportunities in my organization					
21	I have a clearly established career path					
22	Overall staff development has helped me to do my job more effectively.					
23	In general promotions are handled fairly at my organization.					
24	I think there are sufficient opportunities for career development in my organization.					

Source: developed by the researcher