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**ADDIS ABABA UNIVERSITY**

**COLLEGE OF BUSINESS AND ECONOMICS**

**THE EFFECT OF HUMAN RESOURCE MANAGEMENT PRACTICES ON  
INNOVATION PERFORMANCE WITH MODERATING FACTOR OF  
NETWORK COMPETENCE AT NIB INTERNATIONAL BANK**

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**A Research Thesis Submitted to the Department of MBA,  
management stream**

**College of business and economics, in Partial Fulfillment of  
the Requirement of Master of business administration**

**February, 2024**

**ADDIS ABABA, ETHIOPIA**

**ABABA UNIVERSITY**  
**COLLEGE OF BUSINESS AND ECONOMICS**



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**January, 2024**

**CERTIFICATION**

We attest that Ms **Million Demissie** Conducted and finished the research thesis titled "The Effect of Human Resource Management Practices on Innovation Performance with Moderating Factor of Network Competence at Nib International Bank" and the research work was supervised by us and submitted to the department of MBA, college of business and economics, Addis Ababa University, Ethiopia

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## DECLARATION

I declare that this thesis is based on a study undertaken by **Million Demissie** of the department of MBA, management stream, college of business and economics, Addis Ababa University, Ethiopia

My goal in conducting this research is to explain how human resource management methods at Nib International Bank affect innovation performance, with network competence acting as a moderating component.

To the best of my knowledge, this research project is entirely original with no submissions made elsewhere for credit toward any kind of degree or diploma. The ideas and opinions of other academics, writers, and researchers that are represented in the work are appropriately recognized.

Declared by:

Name \_\_\_\_\_ Million Demissie Gudeta \_\_\_\_\_

Sign \_\_\_\_\_  \_\_\_\_\_

Date \_\_\_\_\_ 23-02-24 \_\_\_\_\_

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## **ACRONYMS**

HRM	Human Resource Management
RBV	Resource Based View
KPI	Key Performance Indicator
TQM	Total Quality Management
KSAO'S	Knowledge, Skills, Abilities, And Other Attributes
SPSS	Statistical Package for Social Science software
VRIN	Valuable, Rare, Inimitable, and Non-Substitutable

## **ABSTRACT**

*This study aims to investigate the influence of human resource management (HRM) practices on innovation performance, considering network competence as a moderating factor within the context of NIB International Bank. This study employs a comprehensive research design, combining both descriptive and explanatory approaches, Quantitative methodologies are utilized, involving the distribution of structured questionnaires to personnel clerks and management officials from Nib International Bank's main office and selected branches, employing random sampling procedures to ensure representative participation, Data collection involves both primary and secondary sources, with standardized questionnaires adapted from reputable sources, utilizing five scale-based questionnaires, and gathered responses from a sample of 121 individuals. The analysis process involves utilizing statistical techniques, including regression and correlation, through the statistical package for social science (SPSS). The descriptive findings underscore the pivotal role of HRM practices in enhancing human resource management, emphasizing the significance of staying abreast of the latest technological advancements, fostering a conducive environment for career growth, providing development opportunities, recognizing employee contributions, and promoting work-life balance. The study recommends strategic improvements in these areas to further elevate innovation performance at NIB International Bank.*

**Key words:** *human resource management practices, network competence and innovation performance*

# CHAPTER ONE

## 1 INTRODUCTION

### 1.1 Background of the study

In addition to promoting social and economic stability and sustainable economic growth, commercial banks are essential for providing financial services to the general public and enterprises (Alsafadi, Y. 2021). To stay competitive in the banking business, organizations need to sustain high performance levels in a dynamic and competitive environment. This entails satisfying client needs through the provision of specialized goods and services, so accomplishing the goal for which they were founded. The financial industry is becoming more and more competitive, especially in the banking sector, which is why there are a lot of new banks popping up.

In order to thrive in this difficult environment, banks devise plans that make use of vital technology and human resources in an effort to become market leaders. A crucial element in an organization is the human capital, which goes beyond just having the necessary professional credentials. It includes committed workers who are prepared to put in the required time and effort. Utilizing these priceless resources to forward the objectives of the company requires effective management. The correlation between innovation performance and Human Resource Management (HRM) practices is especially important in the banking sector. Understanding the critical role that HRM practices play in encouraging innovation becomes essential as financial institutions traverse a continuously changing market that is driven by technological improvements and increasing consumer expectations. The impact of HRM procedures, including personnel acquisition, development, and performance review, on banks' innovation performance is examined in this study. It also presents network competence as a moderating factor. By examining these elements in the context of NIB International Bank, this research seeks to unearth insights that can not only contribute to academic discourse but also offer actionable recommendations for practitioners aiming to enhance their innovation capabilities amidst the challenges of the banking industry. Through an empirical investigation and thoughtful analysis the study tries to illuminate the pathways through which HRM practices influence innovation,

and how network competence may serve as a moderator, shaping the ultimate impact on NIB International Bank's innovation performance.

Human resource management, or HRM, is a methodical, integrated, and coherent approach to the employment, development, and well-being of people in organizations (Armstrong, 2016). It stands for the method by which management develops the labor force and works to foster the human resources necessary for the company (Boxall and Purcell, 2016). HRM includes every aspect of hiring and managing people in an organization. Organizations these days are focusing on optimizing the use of talented human resources as a strategic asset in order to achieve exceptional performance.

Organizations these days are focusing on optimizing the use of talented human resources as a strategic asset in order to achieve exceptional performance. In order to guarantee organizational performance, HRM policies and strategies must now be in line with business strategies. Even with the progress of technology and mechanization, human resources continue to be the most valuable resource for companies that prioritize success. In the end, successful companies are built on the strength of remarkable individuals. Academically and in the corporate world, HRM has become increasingly important. (Ayalew A., et al 2021).

The main tool used by enterprises to direct and shape employee abilities, attitudes, and behaviors in order to complete tasks and meet goals is human resource management (HRM) techniques. Recruitment and selection, training and development, remuneration, and appraisal/performance management are the four facets of HRM practices. Notably, HRM is crucial in supporting and enabling organizational transformations.

According to Easa N. et al. (2021) innovation is a deliberate effort to introduce novelty that is beneficial to the organization and society at large. This novelty can take the shape of new ideas, goods, or procedures that are unique to the adopting unit. When used in an organizational setting, the term innovation usually refers to the full process by which an organization comes up with new ideas and turns them into something worthwhile. In order to promote creativity, human resource management is an essential instrument for influencing attitudes and behavior (Da Silva et al., 2019). Innovation performance is a deliberate kind of innovation that describes inventions that increase the importance, utility, or effectiveness of goods or services. The ability to improve

the general state of the network and efficiently handle particular network connections is what defines enterprise network competence. Network competence is a set of complex and dynamic skills, whereas some focus on the enterprise's network position, configuration, and management of external network connections (Jian, Z et al., 2013). According to Ezuma et al. (2019), these capabilities enable organizations to exert influence over their interactions with external partners. They also optimize the portfolios of business relationships and reallocate critical resources, including time, investments, and technical competences, from one business relationship to another.

Several studies have begun to investigate the relationship between human resource management (HRM) and innovation, with an emphasis on organizational innovation-fostering techniques (Jotabá et al., 2022). HR innovation is closely related to changes in the social structures of companies, including how these innovations are adopted and spread via social processes and environmental influences (Koosek, 1987). HR innovations are essential for fostering organizational innovation as a whole. Supporting employees' career growth and implementing goal-oriented systems with rewards for originating and successfully completing creative projects are critical for creativity in firms.

### **1.1.1 Background of Nib international bank**

With significant contributions to Ethiopia's financial environment, Nib International Bank occupies a key place in the banking industry. Nib International Bank was founded on May 26, 1999, operating under license number LBB/007/99 in compliance with the Ethiopian Commercial Code and Proclamation for Licensing and Supervision of Banking Business Proclamation no. 84/1994. The bank opened for business on October 28 of that same year. The bank was established with 27 workers, birr 27.6 million in paid-up capital, birr 150 million in allowed capital, and 717 shareholders, making it the sixth private bank in the nation to receive a license. As of right now, it has more than 410 branches, 7,500 workers, and more than birr 50 billion in total deposits mobilized ([www.nibbank.com](http://www.nibbank.com)). Nib International Bank has demonstrated in recent years a dedication to innovation and modernization while working within the limitations and possibilities of the Ethiopian financial sector. It has led the way in implementing new technology to improve customer satisfaction and operational effectiveness. Nib Bank strives

to serve a diversified clientele and advance financial inclusion through its wide branch network throughout Ethiopia.

Nib International Bank's Human Resource Management (HRM) procedures are critical to the development of the bank's workforce, creation of an innovative environment, and developing the bank's capabilities. Moreover, the study gains strategic significance and complexity from the moderating role of network competence. Nib International Bank functions inside an internal and external network, much like any other prosperous financial institution. The effective management of these networks, promoting collaboration, knowledge sharing, and strategic partnerships, can significantly influence the bank's innovation performance.

Given these elements, examining the relationship between Nib International Bank's HRM practices, network competence, and innovation performance is important both academically and practically for the bank's on-going growth and success in the always changing Ethiopian financial landscape. In order to ensure that Nib International Bank continues to be a leader in promoting innovation within the Ethiopian financial industry, this research attempts to offer insightful information that will direct strategic decisions and practices.

## **1.2 Statement of problem**

Examining the relationship between Nib International Bank's HRM practices, network competence, and innovation performance is important both academically and practically for the bank's ongoing growth and success in the always changing Ethiopian financial landscape. In order to ensure that Nib International Bank stays highly competitive in promoting innovation within the Ethiopian financial industry, this research attempts to offer insightful information that will direct strategic decisions and practices.

While there has been extensive research on how human resource management practices impact innovation performance in different organizational contexts, there is a distinct lack of literature addressing the specific dynamics within the banking sector, particularly at NIB International Bank. Moreover, little focus has been placed on understanding the moderating influence of network competence on the connection between human resource management practices and innovation performance in this specific context. As a result, there is a pressing need for a thorough investigation to address this gap and offer insights that cater to the distinctive features

and challenges of NIB International Bank. This research aims to contribute to a more comprehensive understanding of the factors influencing innovation in the banking industry.

The researcher had a few years of experience working in the bank and looked at a lot of websites and observed that no research had been conducted on the impact of HRM practices on Nib International Bank's innovation performance. Thus, the purpose of this study is to investigate, using network competence as a moderator how HRM practices impact innovation performance. So that using network competence as a moderator in the relationship between HRM and innovation performance sets this study apart from others. Since Nib International Bank operates in a highly competitive market, it is critical to comprehend the relationships between HRM practices, innovation performance, and network competence. Despite the fact that innovation is a critical component of banking, little study has been done on how Nib International Bank's HRM practices explicitly impact innovation outcomes or how network competence functions in this context. In addition to advance understanding of HRM, innovation performance, and network competence, this study will provide Nib International Bank with useful guidance on enhancing their HRM plans, promoting innovation performance, and utilizing network competence to outperform its competitors in the banking sector.

### **1.3 Research questions**

- What is the impact of human resource management practices on innovation performance in NIB International Bank?
- How does network competence moderate this relationship?

### **1.4 Objectives of the study**

#### **1.4.1 General Objective**

To assess the effect of human resource management practices on innovation performance with moderating factor of network competence at Nib International Bank.

#### **1.4.2 Specific Objectives**

- To investigate the relationship between human resource management practices and innovation performance at NIB International Bank

- To determine the moderating effect of network competence on the relationship between human resource management practices and innovation performance

## **1.5 Significance of the research**

The paper is significant for the following reasons. First, it will help to inform strategic decision-making at Nib International Bank. Secondly it will contribute to academic knowledge, and provide insights that can have broader implications for the financial sector in Ethiopia. Thirdly, it is important to other researchers who wish to replicate the study in other places or to those who want to fill the gaps seen in the paper. It can also serve as a reference to decision makers.

## **1.6 Scope of the research**

This study focuses on the effect of human resource management practices on innovation performance with moderating factor of network competence at Nib international bank. Since HRM practices are too broad to cover given the time and financial resources only four HRM practices were chosen for the research and those are recruitment and selection, training and development, Due to time, financial and geographical constraints the study was held in Head office and some selected city branches of the Bank. Methodologically the study is delimited to questionnaire thinking that the information obtained through the employment of questionnaire will enable the researcher to safely generalize the conclusions.

## **1.7 Organization of the thesis**

This research paper has five chapters. Chapter one introduces the thesis as a whole. The first chapter contains the introduction part including the background, research problem, objectives, scope and significance of the study. Chapter two reviews prior literature and it looked into the details of overview HRM practices, Innovation performance, network competence and the connection between the three variables. Chapter three describes the research methodology. Chapter four presents the results of the data analysis and interpretation. And Chapter five presents the conclusions and recommendations.

## **CHAPTER TWO**

### **2 LITERATURE REVIEW**

#### **2.1 Theoretical Literature**

The banking sector is undergoing major transformation as a result of the rapid advancement of technology and abrupt changes in market dynamics. Innovation is now essential to maintaining competitiveness, and HRM practices play a critical role in fostering innovation inside businesses. This literature review explores recent studies looking at the relationship between HRM practices and innovation performance. Examining network competence's moderating function is the main goal, especially in light of Nib International Bank.

#### **2.2 Human resource management practices**

Despite the fact that people management and human resource management (HRM) are frequently associated, various authors disagree on the concept, parameters, and context. Some authors, like Welbourne and Andrews (1996), argue that human resource management (HRM) is still in its infancy; others, like Kane (1996), disagree. Different creators, notwithstanding, have zeroed in on the essential way to deal with overseeing individuals with an end goal to recognize HRM and staff the executives (Sisson, 1990). Different creators, including Legge (1995), have focused on the hard and delicate ways to deal with human asset the executives. Human asset the executives (HRM) ought not be integrated into a solitary model due to the key distinctions that have prompted these distinctions. All things being equal, satisfactory accentuation ought to be put on understanding HRM issues, which will help experts, creators, chiefs, and associations create and execute HRM strategies and practices that will be useful and that can help organizations gain and support an upper hand (Fajana S., et al 2011) Human resource management, or HRM, jobs are the plans, rules, and techniques that organizations use to deal with their representatives proficiently. These procedures cover a wide range of personnel management topics, including hiring and selecting staff, developing training programs, managing performance, offering benefits and remuneration, encouraging employee involvement, and managing employee relations.

The discipline of Human resource management has broadly considered and discussed the possibility of HRM practices. Different perspectives and meanings of HRM practices have been

presented by journalists and researchers. Welbourne and Andrews (1996), for instance, refute Kane's claim that HRM is still in its infancy. In order to distinguish between personnel management and human resource management, Sisson (1990) emphasizes the strategic approach to managing people. Legge (1995) focuses on the hard and delicate strategies for human asset the executives. As a general rule, various researchers have various definitions and understandings of HRM practices, which bring about basically various perspectives. Viable HRM practices, then again, are generally recognized as being fundamental for organizations to attract, sustain, and keep a gifted labor force, further develop specialist efficiency and execution, and ultimately gain an upper hand. HRM practices are the various plans and moves that an organization makes to deal with its kin assets productively. Some of these procedures include workforce planning, hiring and selection, development and training, compensation, and employee evaluation. HRM systems are fundamental for raising specialist efficiency and making organization progress. And significantly increase employee motivation, happiness, and loyalty. Consumer loyalty and persistent improvement can result from the utilization of total quality management (TQM) procedures, which can be worked with by the reception of HRM practices.

HRM strategies are essential for upgrading authoritative outcomes and laborer execution in Pakistan's woods industry. Studies on the relationship between HRM practices and employee performance have been conducted in numerous industries, including mechanical manufacturing and tea factories. In general, HRM procedures are necessary for developing and managing human resources in order to achieve organizational goals, boost worker performance, and increase employee satisfaction. The ultimate objective of human resource management (HRM) is to support the goals and objectives of an organization by attracting, developing, and retaining a workforce that is talented and enthusiastic. To support an upper hand, organizations need to reliably upgrade their presentation through cost decrease, inventive ideation, plan, and execution of hierarchical objectives, as well as by improving quality and efficiency. Human resource management (HRM) is becoming increasingly important to the achievement of individual, organizational, community, national, and international goals and objectives. HRM is the viable administration of workers inside an association to achieve hierarchical objectives through an essential arrangement of exercises rather than overseeing capital or innovation, overseeing workers is a troublesome errand. HRM practices can be characterized as activities planned to oversee underutilized HR and assurance that those assets are put to use on the side of

accomplishing authoritative goals. According to Schuler and Jackson (2014), most people agree that HRM practices are a system that attracts, cultivates, motivates, and retains employees to ensure the organization's successful operation and continued existence. Human asset the executives (HRM) is a sensible and key way to deal with dealing with an association's most significant resource, its kin, as per Armstrong. The specialists as a gathering help in the achievement of hierarchical objectives. HRM was characterized by Delery and Doty as a bunch of practices and strategies that are taken on and established to ensure that an organization's human resources assist it with accomplishing its business objectives. HRM works on, including employing, preparing, and advancement, execution surveys, and advantages and pay, control HRM. HRM rehearses are portrayed by Schuler and Jackson as a system that attracts, supports, empowers, and keeps laborers to ensure the association's endurance and fruitful execution. Similar to HRM practices, HRM practices are a set of procedures that an organization uses to manage its human resources to support the development of firm-specific competencies, intricate social relationships, and organizational knowledge that keeps it ahead of the competition.

While HRM and its practices might have different definitions, they are undeniably connected with specific practices and authoritative approaches planned to attract, sustain, move, and keep laborers who will guarantee the organization's endurance and proceeded with progress. Since human asset the board HRM practices affect workers' exhibition, representatives assume a basic part in the administration and endurance of any association. In contrast, the process of attracting, cultivating, and retaining a bright and motivated workforce to support the organization's goals is the ultimate goal of HRM.

As per Schuler and Jackson (1987), HR chiefs can involve HRM as a menu of key choices to propel the most useful practices. Their examination showed that a scope of factors, including size, hierarchical construction, unionization, mechanical progressions, political and legitimate structures, and industry area, may fundamentally affect HRM practices. A more intensive look uncovered that HRM can be decreased to four fundamental obligations: recruiting, paying representatives, creating preparing projects, and directing execution surveys. The HRM field has changed a lot over time, depending on social and contextual factors. The historical backdrop of American business has resembled the advancement of HRM, previously known as "staff the executives" (Brewster, 1995). During the 1980s, HRM supplanted staff the board, and

organizations started to accentuate their laborers as significant assets. Despite the fact that HRM is essentially an American idea, presently viewed as a worldwide one can be applied to different countries (Brewster, 1995). "HRM is the science and the training that arrangement with the idea of the business relationship and every one of the choices, activities, and issues that connect with that relationship," expressed Ferris et al., (2004), which provides a comprehensive definition of HRM.

Schuler and Jackson (1987) proposed a menu for HRM practices that included six significant practices: arranging, staffing, examination, redressing, and preparing. Also, Fombrun et al. (1984) proposed a model in light of four interrelated HRM capabilities: evaluation, staffing, rewards, and training as indicated by Fombrun et al. (1984), the human asset cycle addresses consecutive administration undertakings, and execution is the aftereffect of all human asset parts cooperating.

The "best practice group" of HRM rehearses is advanced by the universalistic or "inward fit" viewpoint, which suggests that business methodologies and HRM rehearses make little difference to each other with regards to deciding business execution (Arthur, 1994; Pfeffer, 1994; Huselid, 1995; Ichniowski et al., 1997; Brewster, 1999; Claus, 2003). The viewpoint known as the "outer fit" or possibility approach features the arrangement between HRM practices and business methodology, proposing that HRM practices follow business procedures to decide business execution (Schuler and Jackson, 1987; Huselid, 1995; Youndt et al., 1996). From a configurational point of view, a company's external environment, HRM strategy, and business strategy all fit together. This recommends that HRM practices and business techniques collaborate with the hierarchical setting to decide business execution (Arthur, 1994; 1994, Guest and Hoque; 1996, Delery and Doty; Huselid and Becker, 1996; Ichniowski et al., 1997). The effect of HRM practices has for the most part been disregarded in HRM research (Sisson, 1993; Lucas, 1996; Hoque, 1999). The lack of examination on administrations can be ascribed to the area's outrageous heterogeneity, which incorporates monetary foundations, retail locations, transportation organizations, and neighborliness foundations (Hoque, 1999). It was therefore impossible for researchers to examine the services sector as a whole without the development of precise control variables and the selection of a representative sample of the sector's organizations because of the industry's heterogeneity (Hoque, 1999). Then again, Cappelli and Neumark

(2001) battle that zeroing in on HRM research inside a specific industry has benefits (Wright, P. M., and Snell, S. A., 1998)

In this way, it is plentifully clear from the hypothetical writing that representative way of behaving inside organizations essentially affects authoritative execution, and that HRM practices can impact the presentation of individual workers by affecting their abilities and inspiration as well as by making hierarchical designs that empower representatives to play out their positions all the more actually (Huselid, M. A., 1995).

The underlying meaning of HRM was presented by Bakke (1966), who explained that the essential action in any administration capability includes the successful use of assets to accomplish hierarchical targets. Bakke alluded to the capability related with grasping, saving, growing, productively utilizing, and coordinating the potential inside "individuals" resource as the HR capability. Be that as it may, the total rise of HRM happened later with the detailing of the Michigan "matching model" (Fombrun et al., 1984) and the Harvard structure created by Brew et al. (1984), as framed by what Boxall (1992) depicts. These models upheld for an extended understanding of HRM past simple determination and remuneration, underscoring the need for an additional far reaching and vital viewpoint on an association's HR. The HRM matching model suggested that the overall strategy of the company should be reflected in the HR systems and organizational structures. It likewise portrayed a human asset cycle containing four major cycles choice, evaluation, prizes, and improvement that are generally done in all associations. Then again, the Harvard system is established in the conviction that tending to verifiable work force difficulties is dependent upon head supervisors developing a point of view on how they imagine representatives drawing in with and advancing inside the venture. This structure declares that HRM approaches and practices can really accomplish these objectives when directed by a focal way of thinking and key vision, credits that must be given by head supervisors. HRM is likely to continue as a collection of distinct activities, each influenced by its own procedural tradition, in the absence of such overarching principles. This required embracing a drawn out perspective in the administration of people and perceiving individuals not just as a variable expense yet as possible resources. According to Armstrong (1987), some personnel managers view HRM as nothing more than an acronym or a rebranding of conventional personnel management. Its virtue lies in its emphasis on treating people as an essential resource,

despite the fact that it could be viewed as merely a different name for personnel management. As part of the company's strategic planning processes, it is thought that top management is directly responsible for managing this resource. Armstrong points out that many organizations have not given the idea enough attention, despite the fact that it is not a novel idea (Ayalew, A., and Gedif, M., 2021). Minbaeva (2005) declared that HRM rehearses are a bunch of practices utilized by an association to oversee HR through working with the improvement of skills that are firm unambiguous, produce complex social connection and create association information to support upper hand.

Stakeholders of an organization insist that every functional area, including human resources, clearly demonstrate their contributions to the organization's overall performance in today's fiercely competitive environment. It is basic that a company's human resources effectively add to the acknowledgment of its business targets. The idea of Human resource management (HRM) came to the front line during the 1980s, and HRM practices envelop a lucid arrangement of inside strategies and methodologies carefully conceived and executed to ensure that the association's human resources assumes a critical part in accomplishing its business goals (Otoo, F. 2019). HRM is portrayed as a key and coordinated strategy for supervising the most regarded resources of an association's labor force. These people, both exclusively and on the whole, assume an essential part in understanding the association's targets (Armstrong, 2001) The acts of HRM explain the administrative techniques empowering associations to get significant and uncommon information, as well as apply effect on imaginative exercises and improve by and large execution (Lopez-Cabrales et al., 2009). HRM shapes the occupation related mentalities, abilities, and ways of behaving of representatives to accomplish hierarchical objectives. It assumes a significant part in cultivating a working environment climate helpful for information the board exercises and development (Minbaeva, 2013). Research in human asset the executives has an extensive and regarded history fixated on checking human resources, enveloping the information, abilities, capacities, and other individual qualities. This exploration custom includes laying out associations between human resources and huge hierarchical results (Soltis, S. M., Metal, D. J., and Lepak, D. P., 2018). An essential part of any business that employs people is human resource management (HRM), or the management of work and people toward desired goals. It isn't something whose presence should be drastically legitimate: HRM is an unavoidable outcome of beginning and growing an association. HRM occurs in some form or another, despite

the myriad variations in the ideologies, styles, and managerial resources employed (Boxall, P. F., 2007). Currently, human resources are the most important competitive advantage, and the valuable role of people in the organization is emphasized (Lucas and Verry, 2016). Organizations that understand the strategic role of their human resources and have people who are capable, skilled, and knowledge-based will succeed in the current competitive environment of organizations and in an environment that is characterized by successive changes and the need for continuous innovation. With the misfortune or retirement of supervisors and experts and thus an extreme lack of gifts, associations will deal with numerous issues. The issue of talent retention has grown in all organizations over the past decade. (Morley et al., 2016; Noruzy et al., 2013; Gholami et al., 2013). According to Narwal and Yadav (2017), one of the most challenging issues facing businesses at the moment is talent management and the prevention of talent migration.

As a matter of fact, the capacity to select, enlist, hold, train, create and use capacities of individuals at all levels of the association can be viewed as one of the practical upper hands of an association. Since interest for qualified faculty is more than its inventory, associations have endured misfortunes because of the deficiency of experienced and talented individuals in light of multiple factors (Tsai, 2017, Karimi, A., Teimouri, H., Shahin, A., and Barzoki, A. S., 2019).

HR has been known as the "key fixing to authoritative achievement and disappointment" (Noble and Kreps, 1999), remembering achievement and disappointment for organization development execution. It is essential to comprehend the reason why and how human resources energizes advancement, and what organization of human asset the executives (HRM) rehearses inside the firm can create wanted degrees of development execution. College analysts that make enterprising new businesses represent the immediate connection between human resources and development execution. According to Lepak and Snell (2002), a company's human capital pool's interactions may also contribute to superior innovation performance. Until the 2000s, the development writing was portrayed by somewhat sparse consideration being paid to HRM practices and how they impact advancement execution (Laursen and Foss, 2003).

Numerous scientists over the period have recognized different HRM rehearses by various names, as per Chandler and McEvoy (2000) one of the waiting inquiries in HRM research is whether there exists a solitary arrangement of strategies or practices that addresses a generally better

methodology than overseeing individuals. Researchers concentrated on four HRM functions: staffing, training, compensation, and appraisal in order to increase conceptual equivalency. These four practices are said to contain the substance of HRM and to be comprehensively pertinent to organizations working in different conditions (Easterby-Smith et al., 1995). In fact, it is believed that all associations should comply to the basic standards in regards to recruiting, paying workers, giving preparation, and directing evaluations ( Yeganeh, H., and Su, Z.,2008). Comparable to the primary examination way, three significant viewpoints rise out of the current writing: universalistic, possibility and design (Katou and Budhwar, 2007).While there is no widespread agreement on the specific practices that form a cohesive human resource management (HRM) system, previous studies and research exhibit a degree of consistency in the analyzed HRM practices. According to the literature, practices linked to recruitment and selection, training and development, performance management, as well as rewarding and compensation are commonly and extensively considered. The HRM practices are as follows:

### **2.2.1 Recruitment and Selection**

Recruitment and selection are two distinct exercises of HRM, yet they are profoundly interrelated. This is clear that best choice practice is generally conceivable solely after best enlistment practice. The fundamental point of recruitment and selection process should be to get the number and nature of workers fundamental to guarantee the human asset needs of the association at most minimal expense (Armstrong, 2006).

Recruitment is the most common way of creating a pool of proficient individuals to apply for work to an association and determination which is the cycle by which supervisors and others utilize explicit instruments to look over a pool of candidates an individual or people bound to prevail in the job(s) given administration objectives and legitimate prerequisites (Bratton 2007). The recruitment cycle alludes to "the moves associations initiate to create candidate pools, keep up with feasible candidates, and urge wanted contender to join those associations" (Dineen and Soltis, 2011). From this beginning stage, obviously casual connections are probably going to assume a part in the interim. Candidate pools can be produced and improved through both in-person organizations like formal and casual references (Breaugh, 2009) and online organizations (Davison, Maraist, and Bing, 2011). The exercises incorporate Creating sets of responsibilities and determinations. Posting position promotions on different stages (online work sheets,

organization site, web-based entertainment, and so on), utilizing recruitment offices or talent scouts to find appropriate applicants, Leading grounds enlistment or taking part in work fairs, inside advancements or moves. It is essential to the success of a service business to select and hire the right people (Yeung, 2006). Employees and managers likely use their networks to gauge or obtain support for decisions if the selection decision is made (or influenced) collectively. One example of an understudied phenomenon is personnel politicking of this kind, which is probably common and heavily influenced by the organization's network structures. The exercises incorporate evaluating resumes and applications to waitlist up-and-comers, leading meetings to survey abilities, experience, and social fit, Managing tests or appraisals, for example, character tests or abilities tests, checking references and directing personal investigations, Going with conclusive choices and stretching out bids for employment to choose applicants.

Recruitment can be from internal or external source. Inner recruitmentsources are advancement, move, work posting, position offering. Outside recruitment sources can be ad, E-recruitment, representative references, instruction and preparing, work organizations (Birhane,2021).

### **2.2.2 Training and Development**

Training is a basic hierarchical capability. To get by and flourish in the present (and tomorrow's) profoundly aggressive and continually developing world, employers should have the option to persistently refresh and further develop worker information, abilities, mentalities, and ways of behaving. Effective training works with change to accomplish authoritative objectives. Training ordinarily alludes to the exercises that assist workers with taking care of their on-going responsibilities all the more successfully. Development as a rule alludes to the exercises that assist workers with planning for the following open position. Preparing ought not be planned and directed until needs are recognized. Training and developmentcenters around working with change to further develop worker work execution. This indicates that the trainer must possess competencies the clusters of skills, knowledge, abilities, attitudes, and behaviors to implement the specific change required to assist organizations in accomplishing their objectives. Support from management is essential for successful training. Supervisors can guarantee that every one of their immediate reports go to preparing as planned. They can likewise urge students to show recently scholarly conduct at work once they return to the cutting edge. Administrators can likewise notice and commendation better than ever conduct. However, management support is

frequently inconsistent. Organizations must fulfill their obligation to give high-quality training and to help 100% cooperation by the objective audience(s). However, as the articulation goes, “You can lead a pony to water yet you can’t make him drink.” In order to maintain optimal job behavior and performance, employees must share equally in the responsibility by continuing to acquire knowledge and skills. For preparing to be successful, it is essential to ensure that all students can grasp the substance of the program (Moskowitz, M., 2008).

After work searchers are chosen and become representatives, centre movements from looking and choosing for capabilities to conquering inadequacies and growing new KSAOs (the knowledge, skills, abilities and other characteristics of individuals). Any effort to increase an employee's ability to perform through learning, typically by changing the employee's attitude or increasing his or her skills and knowledge, is considered training and development in a formal sense. While training supposedly is the method involved with giving explicit abilities, improvement is supposed to be the learning amazing open doors intended to assist workers with developing. As per (Armstrong, 2001) training is the formal and orderly change of conduct through learning. All in all it is the degree to which the help firms pressure the significance of different expertise improvements and preparing was assessed. Training and development are the interaction by which people change their abilities, information, perspectives and conduct (Robbins, S. 1998). Preparing includes planning and steady learning exercises that brought about an ideal degree of execution. Training and development are the most usually utilized methodology to encourage workers' obligation to organizations. What's more, have exercises like Direction programs for new representatives to acquaint them with the association, Hands on preparing to assist workers with securing explicit abilities while playing out their obligations, Studios and classes to address explicit subject matters or ability advancement, E-learning courses and web based preparing modules, Broadly educating to open workers to various parts of the association. Improvement goes past quick work prerequisites and spotlights on the drawn out development and headway of representatives inside the association. Its exercises are Authority advancement projects to get ready representatives for positions of authority, Progression intending to distinguish and prepare workers for key positions, Mentorship and training projects to give direction and backing, advanced education help or educational cost repayment programs, Unique ventures or tasks that offer representatives potential chances to foster new abilities.

### **2.2.2.1 Training**

The formal and systematic modification of behavior through learning that results from instruction, development, and planned experience is called training. According to Salleh (2012), "training focuses on identifying, assuring, and helping develop the key competencies that enable individuals to perform their current job through planned learning." Training is essential in a learning and development system because it seems to develop the knowledge and skills needed at the individual level, leading to higher levels of innovation and influencing the development of organizational cultures and management skills that support innovation. It is frequently regarded as a sign of the presence of high performance work systems.

### **2.2.2.2 Development**

Development is a long-term educational process that uses an orderly, methodical method to teach administrative staff general-purpose conceptual and theoretical knowledge. Employee development helps employees get ready for their next opportunity, while training helps people do their existing positions more efficiently.

### **2.2.3 Compensation**

An organization can only succeed when its employees choose participate in necessary roles. And in order to maximize their contribution the organization has to compensate well. (Gerhart et al.,1994). Policies, guiding principles, structures, and procedures that explain compensation philosophies and strategies serve as the foundation for compensation processes. These structures are designed and managed to guarantee the availability and maintenance of suitable kinds and amounts of pay, benefits, and other forms of compensation. This includes Base Salary/Wages the fixed amount of money paid to an employee for their work on a regular basis (hourly, monthly, annually). Bonuses which are additional payments made to employees, often as a reward for exceptional performance or meeting specific targets. Commissions Payments based on a percentage of sales or other performance metrics. Distributing a portion of the company's profits among employees. Providing employees with the opportunity to purchase or receive company shares, linking their financial interests to the company's success. Paying allowances for specific expenses, such as housing, transportation, or meals. However, compensation goes beyond monetary benefits; it also includes non-monetary incentives that support either extrinsic or

intrinsic drive. Like Benefits that may be Non-cash rewards provided to employees, including health insurance, retirement plans, dental and vision coverage, and other perks. Work-Life Balance Programs which include flexible work schedules. Professional Development Opportunities that Support for employees' ongoing education, training, and career advancement. And recognition and Awards giving Acknowledgment for employees' achievements and contributions through awards, certificates, or other forms of recognition. And also Creating a positive and comfortable work environment. Competent workers may not be as effective if they are not driven to do well. Implementing performance-based compensation is one way that firms can improve employee performance and motivation (Delaney and others, 1996). The whole set of benefits that employees receive in return for their labor and services to a company are referred to as compensation. Beyond merely the base pay, it includes a range of components intended to draw in, inspire, and keep workers. A crucial part of human resource management is compensation, which can have both monetary and non-monetary components.

#### **2.2.4 Appraisal/Performance Management**

A performance appraisal is comparing an employee's work performance to predetermined benchmarks and then reporting the results to the employee (Mathis R., 2004). It is an essential tool that companies use to make decisions on things like training and development, transfers, wage increases, promotions, and terminations. Performance reviews have the potential to increase employee commitment and happiness in addition to these other benefits. (Wiese and others, 1998). In order to improve employees' efficacy both personally and as a team, performance management is a comprehensive process that includes planning, monitoring, developing, evaluating, and rewarding workers. Performance management seeks to guarantee that workers are making contributions to the company's overall success and to match individual performance with organizational objectives. Usually, the following elements are included in the process: Setting Expectations: defining precise performance standards and objectives for staff members. This could involve laying down key performance indicators (KPIs), specifying job tasks, and establishing performance goals. Monitoring Performance: keeping a close eye on how well workers are performing in comparison to the set standards. Regular check-ins, progress reports, and the application of performance metrics can all be part of this. Feedback and Coaching: giving workers regular performance feedback that emphasizes their strong points and

areas for development. To assist staff members in growing their abilities and accomplishing their objectives, managers may also provide coaching and direction. Performance Appraisals: evaluating employee performance through formal performance reviews that are conducted on a regular basis (e.g., semi-annually or annually). This entails a deeper conversation about successes, difficulties, and potential areas of improvement. Recognition and Rewards: Acknowledging and rewarding employees for their achievements and contributions. This can include salary increases, bonuses, promotions, or other forms of recognition. Development and Training: Identifying opportunities for employee development and providing training and resources to help them enhance their skills and capabilities. Career Planning: Discussing employees' career aspirations and aligning their development plans with the organization's long-term goals. This can include succession planning and identifying opportunities for career advancement.

### **2.3 Innovation performance**

Damanpour's definition of innovation, which reads as follows: "the adoption of an idea or behavior, whether a system, policy, program, device, process, product or service, that is new to the adopting organization" (Damanpour et al., 1989), is the main definition chosen.

According to Cropanzano and Mitchell (2005), innovation is understood as a complicated and detailed sequence of events including many activities, decisions, human behaviors, the social system, and the influence of organizational members' cognitive processes on firm innovativeness. The swift advancement of advanced technology, information and communication systems, coupled with evolving consumer preferences, has prompted numerous establishments, especially those in the manufacturing sector, to actively explore innovative approaches, concepts, and imaginative resolutions for enhancing their offerings, procedures, techniques, and technology in order to promote innovative performance among employees. Technical proficiency and the financial appeal of goods and services are typically insufficient for modern organizations to ensure long-term viability, as goods and services must also be of the highest caliber and, ideally, unique. Numerous definitions of innovation have been published in the literature; nevertheless, most of these definitions have something in common: they all refer to creative

ideas that led to the development of new goods, procedures, and administrative innovations (Tan and Nasurdin, 2011).

According to Moeller, Steinman, and Calabretta (2010), Innovation Performance (IP) is broadly defined as the total amount of innovation outcomes produced by employees, including technological innovation (product and process) and administrative innovation. Numerous studies divided innovation performance into two categories: technological innovation (product, process) and administrative innovation (Nzewi, Osisoma, and Emerole, 2017; Gopalakrishnan and Damanpour, 1997; Mueller, Steinman, and Calabretta, 2010).

Innovation is defined as an organization's inclination to create new or improved goods or services through its workforce and the accomplishment of introducing those goods or services to the market (Oladun, 2012). According to Seyed and Omid (2013), it can also refer to an employee's ability to consistently innovate ideas and knowledge into new goods, services, or procedures for the benefit of stakeholders. Since individual employees of the company are thought of as the suppliers of new ideas, the organization's ability to enhance innovations rests greatly on the policies and tactics established (Mumford, 2000). Innovation has consistently and significantly contributed to the success of organizations and their capacity to maintain profitability by giving them a competitive edge. Businesses in the same sector are always competing with one another for profit, market share, and leadership positions in the sector (Osisoma, Nzewi, and Emerole, 2017). Organizations use a variety of tactics to accomplish these aims, but innovation seems to be the most popular and successful. However, research has indicated that a number of internal and external factors, such as technology, the competitive environment, customer needs, organizational factors, and the social environment within the organization, all have an impact on innovation in organizations (Damanpour, 1996; Osisoma, Nzewi, and Emerole, 2017). Organizational and social elements appear to be the most crucial and important in supporting employees' adoption and upkeep of innovative performance among these factors. According to Moeller, Steinman, and Calabretta (2010), the work environment and organizational and social elements like HRM practices play a significant role in determining an individual's and an organization's capacity for innovation. (Ebiasuode, Onuoha and Nwede, 2017; Chukwudi and Ogbo, 2012; Ajala, 2012 as cited by Adegbite, W. M. (2019)).

A review of the literature on service innovation reveals that, although it is becoming more important, it is still less studied than the manufacturing industry (Jaw et al., 2010). The traditional product/process categorization is questioned by Droege et al. (2009), who argue that it might not adequately account for service innovation. They highlight the importance of identifying unique aspects of service innovation as a major area for future study. A thorough definition of innovation is provided by Rogers (2014), who defines it as any innovative concept, course of action, or artifact that a person or entity finds to be unique. According to Rogers (1998), innovation is also defined as the process of creating and promoting novel concepts in order to reap rewards. From a somewhat different angle, innovation is defined by Du Plessis (2007) as the generation of new ideas and information with the goal of achieving business outcomes, emphasizing the development of market-oriented products and services and internal firm processes and structures. According to Durst et al. (2015), service innovation is the application of creativity in a variety of circumstances related to the service industry. This includes developing completely new services or gradually improving ones that already exist. In contrast, Rubalcaba et al. (2012) define service innovation as the innovation that a business firm undertakes in the services sector, specifically characterized by the formulation of service strategies within the manufacturing context (Hanif, M. I., and Asgher, M. U., 2018). They approach service innovation primarily from a manufacturing-sector standpoint. A company's product is a measure of its innovation performance and process innovations.

Businesses are better positioned to build a long-lasting competitive advantage if they provide products that are tailored to the demands and preferences of their target market and market them quicker and more effectively than their rivals ( Alegre, J., Lapiedra, R., and Chiva, R., 2006).

Williams (1999) emphasizes the characteristics of innovation that have a favorable effect on generation and exploration and result in the development of new systems, products, or procedures. According to Laursen and Salter (2006), the idea of creating and executing new ideas with commercial potential lies at the heart of innovation, which improves organizational performance. Later definitions from the 2000s have emphasized other ideas as well, emphasizing how organizations use knowledge, intellectual property, and HRM procedures to support the development of more inventive goods. According to Chen & Huang, innovation is the process of creating new goods and services by combining human resources and organizational experience.

Businesses use specialized HRM techniques to support organizational growth in order to achieve strategic goals, including improving innovation performance. By means of these procedures, establishments investigate the proficiency and understanding at their command. Innovation is a critical component of a competitive advantage in the modern knowledge-based global economy, especially in the face of quickly changing and unexpected environmental circumstances (Chen and Jaw, 2009 cited in Zehir, C., Üzmez, A., and Yıldız, H., 2016).

The analysis of creative performance has brought links, communities, and networks to the forefront of importance. Since the beginning of the industrial revolution, one prominent source of competitive advantage has been innovation. Innovation has become essential for many businesses, despite the difficulties in managing it (Prajogo, D 2006). Innovation is a crucial concept that is commonly characterized as the effective implementation of novel concepts originating from organizational procedures that combine diverse resources (Dodgson et al., 2013). According to Cohen and Levinthal, a key component of inventive performance is the capacity to successfully use outside information (Cohen and Levinthal, 1990). A company's ability to innovate includes both product and process innovations. These results are interdependent and comprise a complex process that involves every department in the organization (Utterback et al, 1975). A "process" is the means by which the item or service is created and supplied, while a "product" is the good or service that is given to the client (Barras 1986). As a result, the introduction of a new good or service to satisfy consumer demands or the needs of other users is the definition of product innovation. Process innovation, on the other hand, entails adding a new component to production processes or functions (Damanpour et al., 2001). While process innovations focus on the internal workings of the business with the goal of increasing efficiency, product innovations are largely focused on the market and the needs of customers (Utterback et al. 1975). Businesses can create a sustainable competitive advantage by offering products that are customized to meet the needs and preferences of their target market and promoting them faster and more efficiently than their rivals (Prahalad and Hamel, 1990; Amit and Schoemaker, 1993; Nonaka and Takeuchi, 1995; Calantone et al., 1995)

Product innovation, conceptually speaking, is the process of coming up with new ideas or concepts that ultimately result in changes to the organization's end product or service. Conversely, process innovation refers to changes made to the ways in which businesses produce

finished goods or provide services. This could entail creating new procedures internally or implementing innovations from outside (Tidd et al., 1997). According to Gobeli (1994), the literature on innovation clearly discusses the distinction between these two categories of innovation.

According to the findings of Verdier et al. (2015) and Parameswar et al. (2017), banks need to innovate in order to survive in a competitive market. This opinion is supported by other research, which highlight how technology improvements help banks become more capable of financial innovation. For example, an investigation on the innovation potential of the Ukrainian banking industry found that banks' technological capabilities have improved, which has led to more innovation. A similar tendency was noted in Yemen by Mutahar et al. (2017), who emphasized the critical connection between innovation and technological advancement. Furthermore, Kaushik et al. (2015) carried out a survey research to pinpoint critical metrics for creating successful innovative goods and services, emphasizing the need for banks to have sufficient technological capabilities to meet this goal. They emphasized how crucial technological efficiency is to this procedure. Wang, S. (2020) confirmed further that banks that achieve more effective innovations also tend to have greater technology advancements (Yaw et al., 2019).

Two main study lines that focus on different innovation precursors can be identified in the large corpus of research on innovation. The first stream explores innovation from a technology perspective, and the second focuses on human factors. Studies examining technological elements, such as Napolitano (1991), demonstrate the importance of technology and research and development (R&D) in the process of innovation. According to this report, R&D and technology are the keystones of innovative businesses. On the other hand, studies on human factors in innovation place more emphasis on components like corporate culture and structure. According to this line of inquiry, people and the organizational environment are crucial factors in deciding whether or not an invention is successful (Prajogo, D. 2006).

### **2.3.1 Dimensions**

When assessing the efficacy and success of their innovation initiatives, firms take into account a number of factors, which are encompassed under the dimensions of innovation performance.

These factors offer a thorough picture of an organization's level of innovation performance. The following are some widely acknowledged dimensions of innovation performance, while the precise dimensions may differ depending on the industry and organizational goals:

### **Product Innovation:**

Businesses use a variety of indicators, all of which fall under the umbrella of innovation performance characteristics, when evaluating the effectiveness and success of their innovation projects. These variables provide a comprehensive view of the degree of innovation performance inside a firm. The specific characteristics of innovation performance may vary based on the industry and the objectives of the business, however the following are some commonly accepted dimensions:

**Digital Wallets and Mobile Banking Apps:** Introduction of mobile banking apps and digital wallets has revolutionized the way customers manage their finances. These apps often include features such as mobile payments, expense tracking, and real-time account alerts.

**Instant Payments:** Real-time payments and faster transaction processing are becoming increasingly popular. Innovations like Instant Payment Systems (IPS) enable customers to transfer money instantly, 24/7, contributing to a more convenient banking experience.

**Cybersecurity Solutions:** As cyber threats evolve, banks are investing in innovative cybersecurity solutions to protect customer data and financial transactions. This includes advanced encryption technologies, behavioral analytics, and continuous monitoring for suspicious activities.

(Akamavi, R.2005, Damanpour, F. and Gopalakrishnan, S. (2001).

**Process Innovation:** The dynamics of innovation in service firms is interesting as there are few opportunities to enforce property rights whereas the analysis of manufacturing organisations often centres on reaping benefits to patent protection.(Bátiz-Lazo, B.,2006). Process innovation is enhancing and streamlining an organization's internal procedures. This dimension assesses how successfully a company increases overall effectiveness of operations, lowers costs, and boosts efficiency. Process innovation is essential for promoting long-term system transformation and enhancing corporate performance in the banking sector (Nugroho and Hamsal, 2021). Banks may improve client experiences, increase efficiency, and streamline operations by implementing creative techniques including merging disparate information systems and disruptive technology. Consequently, process innovation in banking fosters digital transformation and helps create

viable business models. This makes it easier for new financial services to be adopted and satisfies clients' changing wants in a cutthroat market.

Additionally, it has been demonstrated that process innovation in the banking sector significantly and favorably affects corporate performance.

In today's fast-paced business world, banks that put process innovation first are more likely to surpass their rivals and see sustainable development. Furthermore, not all big banks in the financial sector use innovative processes. Through the adoption of cutting-edge tactics and technologies that level the playing field and increase their competitiveness in the market, smaller banks can also profit from process innovation. According to Mrisho and Gwaltu (2023), process innovation is crucial for the banking sector to be sustainable and competitive in a business climate that is changing quickly. It helps banks to satisfy client needs, stay competitive in the market, and adjust to technology breakthroughs.

## **2.4 Theories of HRM**

There are a number of theories on HRM. But here the paper has been constructed based on Resource-Based View theory and social network theory.

### **2.4.1 Resource-based view theory**

According to resource-based theory, also known as the resource-based view, a corporation can gain a competitive advantage if its resources are valuable, uncommon, and expensive to replicate. The Resource Based View states that in order to maintain a competitive edge, businesses should continuously assess their workforce to make sure the correct people are employed in the proper positions and have the necessary abilities (Barney, 2004). Any company's strength or weakness is largely determined by the level of its workforce and the nature of their working relationships.

An organization's resources are examined and interpreted by the Resource-Based View (RBV) in order to understand how the firm achieves a sustainable competitive advantage. This strategy is based on the idea that a company's hard-to-copy qualities can be sources of both competitive advantage and superior performance (Barney, 1986; Hamel and Prahalad, 1996). Resources that are difficult to transfer or acquire, requiring steep learning curves or significant changes to the

organizational environment and culture, are more likely to be exclusive to the company and, as a result, harder for rivals to imitate. According to Conner (1991), the difference in performance between organizations is dependent upon the unique inputs and capabilities that each possesses. The RBV takes a firm-specific or 'inside-out' approach to explain why firms either prosper or fail in the marketplace (Dicksen, 1996). Barney (1991) defined resources as those that have value, rarity, inimitability, and non-substitutability. These resources enable businesses to create and maintain competitive advantages, which they then use to achieve superior performance (Collis and Montgomery, 1995; Grant, 1991; Wernerfelt, 1984). An organization is seen as a collection of organizational, human, and physical resources under the Resource-Based View (RBV) (Barney, 1991; Amit and Shoemaker, 1993). The main source of sustained competitive advantage for attaining long-term better performance is resources within businesses that are valued, rare, difficult to imitate, and difficult to substitute (Barney, 1991).

A useful resource, according to Barney, "must enable a firm to do things and behave in ways that lead to high sales, low costs, high margins, or in other ways add financial value to the firm" (1986). He highlights that a firm's resources are useful when they enable it to develop or execute strategies that improve its efficacy and efficiency (1991). RBV helps managers understand why competences are thought to be a company's most important asset and how they might improve business performance. As per Hamel and Prahalad (1996), the firm's RBV recognizes the importance of traits linked to prior experiences, organizational culture, and capabilities for the organization's success (Madhani, 2010).

The resource-dependency approach (Pfeffer and Salancik, 2003) is the cornerstone of the resource-based view (RBV) of the company. It posits that organizations are resource-dependent and possess the ability to actively manage those resources. The perspective that enterprises are collections of resources that are valuable, rare, inimitable, and non-substitutable (VRIN)—that is, the foundation for competitive advantage—is reaffirmed by the RBV (Penrose, 1959; Wernerfelt, 1984; Barney, 1986; 1991; Barney et al., 2011). Businesses work to create and maintain a foundation of human, conceptual, and physical resources. The RBV states that by utilizing this resource base, businesses can achieve a durable competitive advantage since different resource configurations provide different competitive advantages compared to competitors (Barney 1991).

Thus, the key to the company's long-term success is figuring out the best balance between resource development and exploitation (Wernerfelt, 1984). Resources from business networks, particularly the network resources of connected enterprises, are added to the RBV perspective by Lavie (2006). This viewpoint is based on the work of Gulati (1999) and Gulati et al. (2000), who showed how network resources can help organizations become more competitive overall, perform better, and take advantage of strategic opportunities, leading to the creation of "strategic networks." Access to these networks can result in a durable competitive advantage (Gulati et al., 2000) and change a company's overall worldwide strategy (Solberg and Durrieu, 2006). But a major criticism levelled about RBV is its static view of VRIN resources, which assumes stability once, obtained, despite organizational resources, as pointed out by Dierickx and Cool (1989), are prone to instability and vulnerability.

Hence, RBV is critiqued for implying that certain resources under a company's control naturally result in a durable competitive advantage while ignoring the organizational variances required to cultivate and maintain those resources. The recognition that organizational assets, such as staff knowledge and cutting-edge production techniques, might deteriorate points to their dynamic character. As a result, one may argue that they need to be strategically developed and maintained by intentional management using organizational routines that are thought of as dynamic capabilities (Teece and Pisano, 2003).

According to the Resource-Based View (RBV), resources are things that the firm owns or controls, such as information, processes within the organization, assets, and firm attributes that can be used to develop and execute strategies (Learned et al, 1969; Daft, 1983; Barney, 1991; Mata et al., 1995). Brand identities, technological prowess, and effective practices are a few examples of these resources (Wernerfelt, 1984; Olavarrieta and Ellinger, 1997; Spanos and Lioukas, 2001). Resources have been divided into physical and intangible categories by some scholars (Itami and Roehl, 1991; Hall, 1993). To help businesses develop and execute value-creating business strategies, scholars have categorized several resource categories (e.g., Hitt and Ireland, 1985; Grant, 1991; Amit and Schoemaker, 1993; Black and Boal, 1994; Bogaert, Maertens, and Van Cauwenbergh, 1994; Wade and Hulland, 2004). Barney (1991) categorizes three types of resources as Physical capital resources (physical, technological, plant and

equipment), Human capital resources (training, experience, insights) and Organizational capital resources (formal structure)

A hierarchical structure of resources is presented by Brumagim (1994), consisting of four levels: the first level Production/maintenance resources, which are regarded as the most basic; second Administrative resources; third Organizational learning resources; and fourth Strategic vision resources, which are seen as the most advanced. Every company has a variety of resources and competencies, and in order to have a deeper understanding of these resources, it is helpful to identify them. Making a distinction between tangible and intangible resources is a useful method for classifying resources. To sum up, the Resource-Based View offers a thorough framework for comprehending how a company's internal assets and competencies support its competitive advantage. It pushes strategic managers to examine themselves and take advantage of the organization's distinctive qualities in order to attain and maintain success in the marketplace.

#### **2.4.2 Social Network Theory**

The links and exchanges that occur between people or organizations within a network are the main subject of this theory. This perspective considers the network of connections that players are a part of, which can both limit and open up options. It places a lot of emphasis on the surroundings of an entity, which are understood to be made up of other entities and the connections among them (Kadushin, 2004). The term "network competence," which comes from social network theory, describes an organization's capacity to efficiently manage and capitalize on its network connections. The theoretical foundation of social network theory and its applicability forms the basis of the suggested model (Woolcott et al., 2019). The methods and procedures that interact with network structures to produce certain results for individuals and groups are referred to as social network theory.

Whether applied to individual actors or to more general levels that include the entire system, it offers a strong foundation for deciphering patterns of interaction within a complex system (Woolcott et al., 2019). Social network theory helps us understand how people are embedded in interdependent webs of social contacts and activities by seeing social relationships as nodes and the ties between them. Social network theory also emphasizes how critical it is to comprehend the kind of connections that exist between nodes as well as the strength and weakness of links that exist within the network. Social network theory enables us to examine the dynamics and

structure of social networks by applying social network analysis, which distills the system to a collection of actors (nodes) and links (edges) (Woolcott et al. al., 2019).

Thus, the organization of social links becomes a key idea for identifying emergent social phenomena that do not exist at the level of the individual actor and for assessing the structural characteristics of the networks in which individual actors are immersed (Dunn, 1983). A conceptual framework known as "Social Network Theory" looks at the links and linkages that exist between people, groups, organizations, and even entire societies. It offers a means of comprehending the interactions between things and the ways in which the patterns of these relationships might affect different facets of communication, behavior, and information flow.

According to Woolcott et al (2019) the Key concepts in Social Network Theory include:

- a. **Nodes:** Nodes represent the entities within the network. These can be individuals, organizations, countries, or any other unit of analysis.
- b. **Ties:** Ties represent the relationships or connections between nodes. Ties can be formal or informal, strong or weak, and they can take various forms such as friendship, communication, collaboration, or exchange of resources.
- c. **Network Structure:** The overall pattern of ties and connections within a network is referred to as its structure. This structure can have implications for the flow of information, the spread of influence, and the emergence of certain behaviors.
- d. **Centrality:** Centrality measures the importance of a node within a network. Nodes with high centrality are often more influential, as they may have more connections or occupy strategic positions within the network.
- e. **Density:** Density is a measure of how interconnected the nodes are within a network. High density indicates a high level of connections between nodes, while low density suggests fewer connections.

## 2.5 Network competence

It is well known that an organization does not function in a vacuum. For example, scholars such as Ritter (1999) and Peña (2002) claim that firms are increasingly looking to each other for interdependence in order to flourish because business owners lack the necessary knowledge and

abilities to expand. Additionally, it's believed that companies can no longer produce or build a sufficient body of knowledge on their own in the domains of technology and specialized skills. Networking hence becomes necessary (Ezuma, K. E., and Ismail, 2017). Some people define competence as having the resources and prerequisites—that is, the credentials, abilities, or knowledge—necessary to carry out specific activities without taking the task's actual completion into account. However, a series of actions has also been used to characterize competence (Ritter and Gemünden, 2003). A shift in the strategic context of business, driven by the institutionalization of new technologies, created a network economy where interconnectivity and co-operation is common practice (Human, 2009).

According to Ritter (1999), network competence is the level of aptitude, expertise, and capacity needed to carry out or complete the interdependent enterprises' relationship-building activity. Businesses work together to build on one other's strengths in order to flourish, proving that businesses can no longer develop independently since they are unable to generate the necessary skill and knowledge foundation to increase performance. In order to optimize various business relationship portfolios and reallocate critical resources like time, money, and technical expertise from one business relationship to another, organizations must possess a set of complex, dynamic capabilities known as "network competence."

In services firms, network competence has grown in importance recently. The fact that most firms operate in a dynamic environment and that operational performance must be both effective and efficient explains why this idea is frequently discussed. Humans have the innate ability and need to form networks, which they do in a variety of settings including their own families, schools, sports teams, and more. A social network is characterized as a group of people connected by links or by their cohabitation. Over the past few years, the banking industry has faced a number of difficulties due to shifting markets and business environments. The banking industry has become more capital-intensive and demanding of its clients because of ongoing innovation and improvement that raises client satisfaction levels. Network competence is defined as an organization-specific capacity to manage, utilize, and capitalize on interactions across organizations (Ritter and Gemünden, 2003; Ritter et al., 2002). Any organization operating in the twenty-first century and facing fierce competition must develop network competence in order to survive. However, many businesses find it challenging to capitalize on this need, particularly

during the transition to a more innovative and capital-intensive organizational structure (Ijeoma, 2015).

An organization's unique capacity to manage, utilize, and benefit from interorganizational ties is known as skill network competence. Some people define competence as having the resources and prerequisites—that is, the credentials, abilities, or knowledge—necessary to carry out specific activities without taking the task's actual completion into account. However, a series of actions has also been used to characterize competence (Day, 1994; Li and Calantone, 1998). In the definition of network competence it is taken into account both having the required credentials, knowledge, and abilities as well as using them skillfully. Regarding network competence, distinction is made between the abilities, knowledge, and credentials required to carry out the activities involved in managing a company's technology network (see also Gemünden and Ritter, 1997; Ritter, 1999). For the purposes of this work, formal credentials (such as certificates) and other skills and knowledge will collectively be referred to as "qualifications." Task execution is a prerequisite for the (further) development of those qualifications, and those qualifications are resources and preconditions for effective task execution. These components are incorporated into the definition of network competence for additional reasons, which are demonstrated by their mutual dependency. Relationship-specific duties are those that are necessary to create and sustain a single relationship. The literature on relationship management suggests three different types of relationship-specific tasks:

### **2.5.1 Initiation**

Relationships between organizations do not just happen. They're the outcome of particular investments. Relationships may need to end and new ones started due to shifting political, social, economic, and technical conditions. Attending trade exhibitions, keeping an eye on trade publications, and taking advantage of recommendations from current partners are common methods for finding new partners. Visiting the company and giving prospective partners information about the business are examples of initiation actions.

## **2.5.2 Exchange**

An inter-organizational interaction might be considered to need the exchange of goods and services, capital, persons, information, and expertise (Anderson and Narus, 1984, 1990; Bagozzi, 1975; Dwyer et al., 1987; Homans, 1958; Thibaut and Kelly, 1959). With an emphasis on relationships involving technology, differentiation was made between activities related to technology (transfer of technological information, needs, and requirements), people (knowledge of personal needs, requirements, and preferences to form social bonds), and organizations (information on partner's strategy, organizational structure, and culture).

## **2.5.3 Coordination**

Generally, a relationship between organizations requires more than just a basic exchange. In order for the two organizations' operations to be in harmony with one another, they must synchronize their operations (Mohr and Nevin, 1990). In order to achieve this coordination, formal roles and procedures must be established and followed, as well as effective dispute resolution techniques (Helfert and Vith, 1999; Ruckert and Walker, 1987).

According to Jackson et al. (1993), "Network management task execution is a complex process that requires various types of qualifications." It is possible to distinguish between social and specialized qualifications.

Among the specialized credentials required to manage "the technical side" of partnerships are the following: Understanding partners' technical demands, requirements, and capacities requires technical expertise. To define inputs and set pricing, one needs economic abilities. Due to the possibility of conflict between participants, this is especially relevant to collaborative innovation. This further emphasizes how crucial expertise is in legal affairs. These are useful for contract setup, but they are also essential for collaborative innovation advances where it is challenging to define the end result up front. Understanding the other actors is a valuable asset. This knowledge contains details about the staff, resources, and operations of partners, all of which are crucial for comprehending their actions and the network's growth. Furthermore, experiential knowledge

gained from dealing with outside partners is essential. With this information, one can choose the right course of action by anticipating and assessing key situations (Helfert, 1999).

The ability to behave independently, wisely, and constructively in social situations is known as one's social qualification (Helfert, 1999). It encompasses a number of traits, including the capacity for cooperative behavior, extraversion, empathy, emotional stability, self-reflection, and a sense of justice. Given the significance of interpersonal interactions and relationships in commercial relationships, social credentials are of particular relevance (Ritter, T., and Gemünden, H. G., 2003).

The importance of network expertise has increased in service businesses in the modern day. Understanding the value and effects of inter-organizational networks and interactions on a firm's ability to compete and perform better is becoming increasingly important. Rather than choosing whether to build relationships or prioritize them, businesses must make a decision about how best to manage these ties.

The ability of a company to efficiently integrate, connect, and build partnerships in order to maximize available resources is referred to as network competence. According to Ritter et al. (2002), an organization's degree of network competence is determined by the people who manage its relationships as well as how well they carry out network management duties. This competency includes the company's capacity to develop and oversee connections with important partners, such as vendors, clients, and other businesses, and to skillfully handle interactions within these partnerships. The identification of factors like resource availability, human resources policies that align with a network orientation, inter-organizational communication, and the general openness of the corporate culture within the organization are all considered precursors to network competence (Ritter et al., 2002).

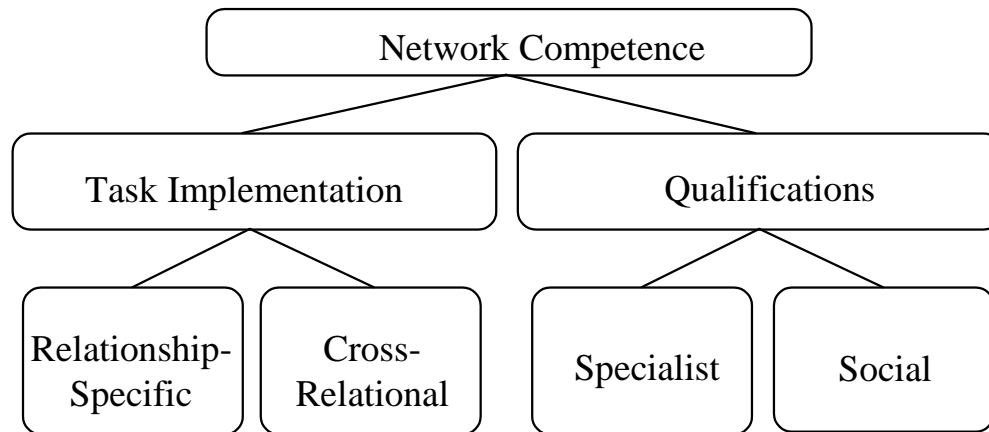
#### **2.5.4 The Components of Network Competence**

The concept of network competence consists of two parts. Task execution is the first dimension. Relationship-specific tasks (initiation, exchange, and coordination for sustaining individual relationships) and cross-relational tasks (maintaining the entire network of interconnected relationships, including staffing, organizing, planning, and controlling) are two categories of

tasks that fall under this category. As stated by Torkkeli, L., in 2013, the second dimension is qualifications-focused and separates expert from social qualifications.

Task execution: Möller et al. (1999) make a useful difference between the tasks necessary for the management of a portfolio of relationships and the tasks necessary for the management of individual relationships. They distinguish between three different relationship-specific tasks: establishing partnerships, exchanging goods and services, and coordinating dyadic interactions. Furthermore, adjustments made by each member of the dyad are recognized as adding to the unique dynamic. This idea is consistent with research conducted by Palmatier (2007), who refers to these modifications as relationship-specific investments (RSI). Nonetheless, "relationship-specific tasks" is used going forward in this study. Ritter et al. (2002) support their paradigm for cross-relational tasks by referencing well-known managerial duties from general management literature, such as staffing, organizing, planning, and regulating. These tasks are integral to all relationship management activities and reflect the firm's competence in network management. The reference to cross-relational tasks is retained in this study.

Requirements for Network Management Positions Within the context of network management, Ritter et al. (2002) make a distinction between social qualifications and expert qualifications. Specialized credentials relate to the "technical aspects of the relationship" and include knowledge about other actors as well as proficiency in the political, legal, and economic spheres. These prerequisites suggest familiarity with the resources and business practices of network partners. Conversely, social qualities center on how individuals within an organization act within other organizations. These include the capacity for cooperative behavior, self-reflection, empathy, emotional stability, extraversion, conflict resolution, and communication skills. These elements, which are regarded as critical determinants of network competence, represent the interpersonal dynamics among business-to-business participants in a network. Ritter et al. (2002) defined network competence as essentially a company's total ability to function within a network or among several networks as well as its efficiency in carrying out network management responsibilities. While network qualification is the collection of resources, network management duties are the capacity to use these resources cooperatively within a network. When combined, they form a skill called network competence (Human, G. 2009).



Source: Ritter, T., and Gemünden, H. G. (2003)

Figure 2.1 network competence diagrams

The ability to build relationships is a key component of network competence, especially when it comes to successful innovation and technology integration. A number of obstacles may stand in the way of the establishment and success of cooperative partnerships. The goal of network management initiatives is to lower these obstacles by making it easier to find new collaborators for technology exchanges and convincing them of the advantages of teamwork (Ritter, T. 2002).

However, there appears to be a study vacuum concerning organizational management difficulties. This disparity is surprising given the importance of relationships and networks and the idea that a company's capacity to prosper within its networks is a basic competency. This capability is ultimately a key determinant of a firm's overall performance. Notably, an exception is found in the exploration of network competence, specifically focusing on comprehending the impact of network management on the success of innovation. The development and testing of the network competence concept have been carried out in Germany, yielding promising results (Ritter, T., 2003).

The degree of job execution and network management is crucial to network competence. It functions as a means of encouraging relationship- and knowledge-building. Ritter (1999) defined network competence as the degree of abilities, know-how, and proficiency required to carry out the work of establishing connections between interdependent businesses. Enterprise collaboration emphasizes that businesses can no longer survive in isolation and aims to combine strengths for mutual success. They are unable to produce the requisite expertise and body of

information on their own to improve performance. Thus, using the network competence method in corporate undertakings can potentially overcome regional barriers to information and marketing. The banking industry has seen a number of difficulties due to the shifting markets and business environment over the last several years. The increase in capital intensity which is highly demanding from the customers due to continuous improvement and innovation that enhance customer's service satisfaction.

**Network Orientation in Human Resource Management:** In companies such as entrepreneurial firms, the vitality and success of a firm depend heavily on the knowledge and application of network competence as a tool for cooperation, relationship building, knowledge generation, and circulation. Through networking, human resource development practitioners may find, recruit, and mobilize the best human resource talent to help businesses and stakeholders achieve their goals. The concept of choosing, training, and gaining access to competent managers to carry out the networking activity was bolstered by network competence direction in human resource management (Ritter, 1999). Nowadays, businesses are making use of network orientations' advantages to manage their workforce in a creative and professional manner, all the while fulfilling their obligation to cultivate relationships with other businesses. Thus it can be observed that network direction in managing human resources is vital (Ezuma, K, 2019)

## **2.6 HRMP and innovation performance**

A crucial and, by all accounts, increasingly significant component of a company's resource base is its human capital. The "key ingredient to organizational success and failure" (Baron and Kreps, 1999) has been described as human resources, and it also affects how well a corporation performs in terms of innovation. human resource management (HRM) is essential at every stage of the innovation process. This includes stimulating the innovation funnel by encouraging creativity skills and cultivating conducive working conditions, as well as providing support throughout the various stages of the innovation process through appropriate HR practices. The body of research on the relationship between HRM practices and innovation performance is difficult to find. Theoretical research indicates unequivocally that HRM methods have an impact on individual worker performance by influencing workers' motivation and skill levels through organizational structures that enable workers to perform their tasks more effectively. Increased knowledge diffusion through job rotation, and increased information dissemination facilitated by

IT, may also be expected to provide a positive contribution to innovation performance. Training may be a factor leading to a higher rate of process improvements and may also lead to product innovations (Laursen, K., and Foss, N. J., 2013).

**Performance in terms of product or process innovation:** Therefore, it is relevant to ask whether any (contemporary) HRM methods are more conducive to some types of innovation than others. For example, it would seem reasonable to assume that quality circles would encourage process innovation more than product innovation. In a similar vein, it is possible to speculate that internal training also fosters process innovation more than external training, which may enhance performance in product innovation by providing employees with access to wider networks of more varied information. It is also possible that different HRM approaches have varying effects on innovation performance (Laursen, K., and Foss, N. J., 2013).

According to Zhou (2006), innovation is now essential to gaining a competitive advantage and is one of the main subjects of discussion in management literature. Damanpour et al. (2009) define innovation from an organizational perspective as the creation and/or use of novel concepts or practices. They characterize innovation as being novel to the adopting organization and believe that there are two primary phases to the innovation process: generation and adoption. The two main sub-processes of the adoption process are initiation and implementation, whereas the generating process consists of opportunity recognition, research, design, commercial development, marketing, and distribution.

The decisions made to embrace the innovation are referred to as the initiation phase, and the events and actions that use the innovation at first and keep doing so until it is a regular part of the organization's operations are referred to as the implementation process. Although there is much discussion around the term "innovation," this study will only address the outcome of innovation or innovation performance, which is defined as a wide phrase that describes a company's capacity to introduce new lines (or ranges) of items onto the market (Chen and Huang, 2009). It is acknowledged that a company's human resource management is intrinsically tied to its capacity to acquire new products and other performance metrics (Laursen and Foss, 2003). This viewpoint has significant ramifications for how HRM techniques are applied, which are thus consistent with creative tactics. Boxall (1996) asserts that businesses can gain a competitive edge in human capital by attracting and keeping extraordinary individuals—that is, by fostering their

growth and development as well as acknowledging and appreciating their contributions. The ability, motivation, and opportunity hypothesis, or AMO model, includes these three general HRM practices (Paauwe, 2009).

Therefore, HRM strategies that help improve employees' skills (like training) and motivate them to perform (like employment security and compensation), despite the wide range of HRM methods could be implemented( Perdomo-Ortiz et al. 2009). If workers lack the abilities and knowledge to execute, the "opportunity" component of the equation might not be as important (Bos-Nehles et al., 2013). Innovation requires both ability and motivation. It has been said that workers with the expertise needed for innovation should not be given short-term contracts because they are anticipated to make significant contributions to the company (Tsui and Wu, 2005 cited in Diaz-Fernandez, et al., 2017). Instead, they should be given secure employment circumstances.

Product innovation can be broken down into two categories: innovations for tangible goods and innovations for services. Innovative services present unique HRM difficulties. Thus, while the importance of users and customers in the innovation process has been highlighted by the growing emphasis on user innovation, it may be especially important for service innovations to have significant user and customer involvement. As a result, it may be especially important to empower employees to collaborate with users and customers in the case of these innovations (Laursen, K., and Foss, N. J., 2013).

Employees will be encouraged to try out new concepts, build mutual understanding, and make adjustments to organizational operations through efficient HRM procedures, all of which are likely to foster organizational innovation. HRM methods that promote exploration over exploitation can lead to three types of innovation: administrative, process, and product innovation, building on the thesis presented by Shipton et al. (2005). More specifically, innovation in products, processes, and administration would increase with the prevalence of such approaches. More specifically, innovation in products, processes, and administration would increase with the prevalence of such approaches. For example, intensive training can develop the depth of understanding required to draw connections between divergent stimuli (Shipton et al., 2005). Similarly, knowledge-based reward systems could motivate staff members to learn about topics unrelated to their current roles, which could lead to them expanding their perspectives and

trying different approaches to problem-solving (Laursen and Foss, 2003). Employees that receive proper career management are better able to build networks within the company and facilitate efficient collaboration by understanding their place in it (Jiménez-Jiménez and Sanz-Valle, 2005). Employee creativity can be encouraged through performance reviews that consider an individual's knowledge and abilities (Shipton et al., 2005). Psychometric testing and work sampling in the recruitment process are likely to guarantee that candidates have the necessary knowledge and abilities to support creativity (Shipton et al., 2005). Knowledge learnt through such mechanisms will lead to innovations in products, processes, and administrative activities (Ling, T. C., and Nasurdin, A. M. (2010).

Although there is much discussion around the term "innovation," this study will only address the outcome of innovation or innovation performance, which is defined as a wide phrase that describes a company's capacity to introduce new lines (or ranges) of products onto the market (Chen et al 2009). It is acknowledged that the management of a company's human resources is closely related to its capacity to acquire new products and other performance-related factors (Laursen, K et al, 2003). This viewpoint has significant ramifications for how HRM techniques are applied, which are thus consistent with creative tactics. Boxall (1996) asserts that companies can gain an edge in human capital by attracting and maintaining great individuals—that is, by expanding their expertise and abilities and rewarding their contributions. The ability, motivation, and opportunity hypothesis encompasses these three general HRM practices (AMO model).

If workers don't have the abilities and knowledge to perform, the "opportunity" component of the equation might not be as important. Innovation requires both ability and motivation. It has been said that workers with the skills necessary for innovation should not be given short-term contracts because their contributions to the company are expected to be significant, and they should instead be given secure job circumstances. Consequently, employment security should be the first practice to take into account because employees will become more interested and dedicated to the company the more they feel that it values their ability to offer new information to the workplace (Diaz et al., 2017). Practices in human resource management are the plans, guidelines, and procedures that businesses use to efficiently manage their employees. Recruitment and selection, development and training, performance management, pay and benefits, employee engagement, and employee relations are some of these procedures. It has

been discovered that these procedures significantly affect organizational performance, which includes performance in terms of creativity. The process of coming up with and putting into practice fresh concepts, procedures, goods, or services that boost an organization's value, competitiveness, efficiency, or effectiveness is known as organizational innovation. It is often acknowledged that techniques in human resource management are essential to the development of organizational innovation. The association between HRM practices and innovation performance was demonstrated by the research titled *The Role of Network Competence in moderating the association*. For example, a study by Jimenez-Jimenez and Sanz-Valle (2005) found a correlation between innovation success and HR strategies including teamwork, skill-oriented recruitment, all-encompassing and long-term learning, and so on. Furthermore, Omolawal and Onyeonuru (2018) claimed that hiring new employees is an essential organizational activity that must be approached seriously since the caliber of an organization's workforce has a significant impact on its ability to succeed and survive. Because of this, forward-thinking businesses view HRM practices as an organizational strategy that promotes teamwork, strengthens organizational culture, and fosters customer relationships through empowerment and participation. All of these factors will support the development and promotion of new goods and services (Gupta and Singhal, 1993). Innovative and creative workers who are adaptable, willing to take risks, and understanding of ambiguity and uncertainty are needed to spearhead the process of innovation when businesses develop and implement new products, processes, or administrative procedures.

Companies need HRM techniques to enhance organizational processes and promote a more coherent pattern of contact and communication among employees in order to advance individual capacities, motivation, and opportunities for creative performance (Osemeke, 2012). Investigating the connections between traditional inputs (research and development, technology, and financial capability) and organizational factors, such as human resource management practices, is necessary for sustained innovation performance among employees, especially in manufacturing firms. This will help to foster creativity and uniqueness within the company product and processes. Given the importance of innovation to organization's competitive position, several studies have tried to investigate the major antecedent of innovation performance such as individual, environmental, and organizational structural factors (Damanpour, Richard and Claudia, 2009; Damanpour, Szabat and Evan, 1989). An organization's

employees' creativity and innovation are hampered by a variety of factors, including political issues within the company, a preference for the status quo, conservative, low-risk behavior among top management, a lack of good human resource policies, excessive time pressure, and a lack of an innovation culture (Amabile, 2012). Organizational variables have been argued to be the most important factor in promoting innovation performance among workers among all the potential predictors of employee innovation performance (Damanpour, 1996); HRM practices and procedures have also been noted to be the intermediary mechanism to influence employees' performance, including employee innovation performance within the organization (Jimenez-Jimenez and Sanz-Valle, 2008). The conduct of individuals within organizations holds significant consequences for the overall effectiveness of the organization. Human resource management practices can impact the performance of individual employees by shaping their skills and motivation, as well as influencing organizational structures that enable employees to enhance the execution of their job responsibilities. (Laursen, K., and Foss, N. J., 2013)

## **2.7 Moderating effect of Network competence**

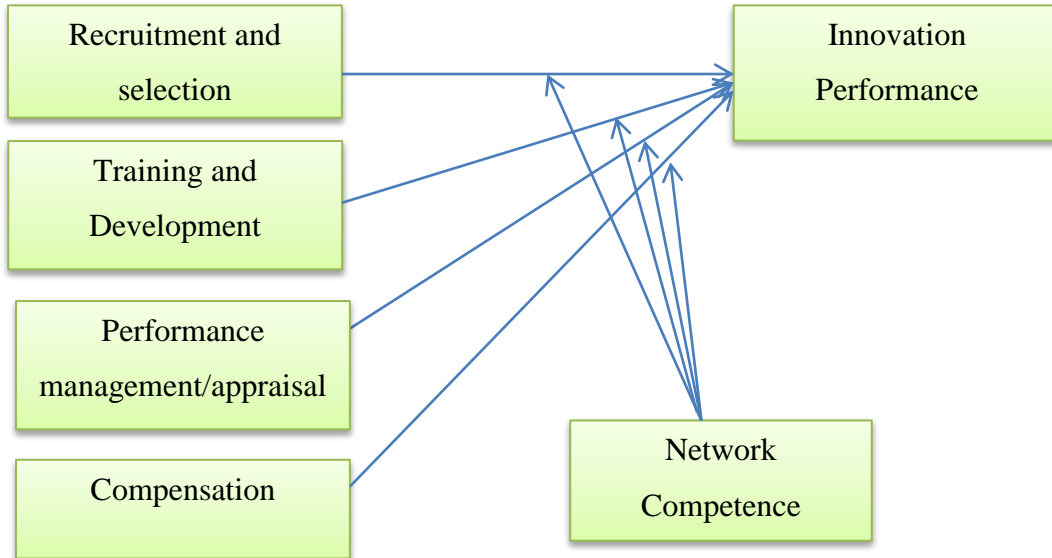
The ability to competitively implement and ensure innovation performance is contingent upon the level of network competence. Thus, the second hypothesis is that when NIB implements well thought HRM practices to support and motivate its workforce, network competence has moderating effects on the ability of that firm to achieve innovation performance through HRM practices.

As network competence has shown a strong positive influence on a firm's product and process innovation success (Ritter and Gemu'nden, 2003), the effectiveness of organizational innovation performance is critical to business success today. When associated with network competence, the relationship between HRM practices and innovation performance will either be stronger or weaker. The notion that companies can enhance their innovation performance by leveraging the knowledge present in networks of external stakeholders has gained prominence in innovation studies. The heightened connectivity facilitated by emerging information and communication technologies significantly eases the exploration and incorporation of external knowledge, thereby generating novel and enhanced inputs for idea generation and innovation. Additionally, networks offer the potential advantage of accessing diverse and distant external resources through a

broader array of connections, thereby creating new opportunities for innovation. (Colombo M., et al, 2011)

Thus, in this study, network competence is positioned as a moderating variable. The enhanced interconnectedness offered by emerging information and communication technologies significantly simplifies the exploration and internalization of external knowledge, leading to the creation of novel and enhanced elements for generating ideas and fostering innovation. Additionally, networks provide the advantage of accessing a variety of distant external resources through a wider range of connections, potentially opening up new opportunities for innovation.(Colombo M., et al, 2011)

## 2.8 Conceptual framework



Adapted from Sypniewska, B., Lenart-Gansiniec, R., and Chen, J. (2023) Weathering the Storm: Innovation-Driven Human Resource Management Practices.

Figure 2.2 conceptual framework

## **CHAPTER THREE**

### **3 RESEARCH METHODOLOGY**

Here we go over the methods used in this section respond to the study's research questions. The study methodology, study design, research population, sample and sampling technique, data source and type, data collection procedures, ethical considerations, and data analysis techniques are all topics to be discussed in this section.

#### **3.1 Research design**

A study design, according to Churchill (2002), is a thorough approach that delineates the procedures that must be adhered to in order to gather and assess the necessary data. It's a strategy to use toward the end of your research. In order to accomplish the goal, the study design makes it easier for the researcher to gather pertinent data. Research design, as a deliberate approach to gathering data, aids in obtaining the necessary information on the primary topic of the study and has been applied suitably. Descriptive and explanatory research designs are thus used in this study.

#### **3.2 Research approach**

This study used quantitative methodologies to assess the impact of human resource management strategies at Nib International Bank on innovation performance with network competence acting as a moderating factor. Personnel clerks and management officials from a sample of Nib International Bank's main office and a few selected branches completed structured questionnaires as part of the study. Using a random selection procedure, participants were chosen for the study based on their availability and desire to take part. A method for estimating sample sizes was used to ensure that the size of the sample is sufficient to produce results that are statistically significant. A standardized questionnaire is provided to participants in the data collection process to fill out. The purpose of the survey's closed-ended questions is to learn respondents' opinions about the variables affecting innovation performance. Finally, statistical techniques were applied to examine the gathered data using SPSS.

### **3.3 Data type, source and data collection instrument**

#### **3.3.1 Type of Data**

In this study, only quantitative data types are employed. In order to collect primary data, standardized questionnaires were filled out by workers of Nib International Bank's central office as well as a few selected branches. Additionally, secondary data from reviewed literature were employed in this investigation.

#### **3.3.2 Source of data**

There was use of both primary and secondary data sources. Primary data was employed in order to use self-administer questioners to get the most recent information from the relevant body. Using a questioner, information was gathered from the Nib International Bank headquarters and a few chosen branch staff members. There was use of both primary and secondary data sources. Primary data was employed in order to use self-administer questioners that I adopted about HRM practices from Aladwan, K., Bhanugopan, R., & Fish, A. (2014), about network competence from Ritter, T., Wilkinson, I., & Johnston, W. (2002). And for the product innovation performance adapted from Rutten, J.(2014). For process innovation the questionnaire is adapted from Prajogo, D. I., & Ahmed, P. K. (2006). Secondary data were gathered from books, online databases, and scholarly publications. Secondary data were gathered from a number of sources, including books, online databases, and scholarly publications.

### **3.4 Methods of data collection**

As John (2007) points out, there are numerous approaches to conducting research and gathering data. A questionnaire was used to gather quantitative data for this investigation. The survey consists of two primary sections. The demographics of the respondents were the primary emphasis of the first section of the questionnaire, while the key components of the research purpose were highlighted in the second section.

The quantitative data consists of numerical information that may be statistically examined to determine the correlation between innovation success, network competence, and human resource management techniques.

### 3.4.1 Population, Sampling Frame, and Sampling

Random sampling was used in the study. The populations of the study are Nib International Bank head office and selected branches personnel clerks and management officials. Participants were selected for the study from one head office and 9 branches. In addition, simple random sampling procedures together with stratified sampling technique are also used to select respondents from each population.

### 3.4.2 Sample Size Determination

The number of participants required to generate adequate statistical power to identify meaningful differences or correlations between variables is determined by the sample size (Kothari, 2004). The sample size for this study was determined by taking into account a number of variables, such as the estimated effect size, margin of error, degree of confidence, and population size.

The employees of Nib International Bank's central office and a few selected branches make up 184 of the population; the sample size was taken from this total population. As a general guideline, the sample size ought to represent at least 5% of the entire population.

Considering these points, we apply the Solvin's formula or method of sample size determination. Besides, according to Cooper Schindler (2006) a sample size greater than 10% of the population is adequate for research in social science researches. Totally the population is 184 head office workers and branch employees.

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

Where "n" is the sample size, N represented for the total number of respondents, and "e" is the level of precision.

$$n = \frac{184}{1 + 184(0.05)^2} = 126$$

Where "n" is the sample size, N represented for the total number of respondents, and "e" is the level of precision. Therefore, the sample size for the study is determined to be a minimum of 126 respondents. This means 126 or more measurements/surveys are needed to have a confidence level of 95% that the real value is within  $\pm 5\%$  of the measured/surveyed value.

### 3.5 Sampling Techniques and Procedure

Samples from the entire population were collected by the researcher for this investigation. The sample population was chosen using a stratified and straightforward random sampling technique because the study's scope is restricted to the management officials, personnel clerks, and head office staff of Nib International Bank and a few selected branches. Questionnaires were issued to personnel clerks and management officials at Nib International Bank's head office as well as a few selected branches, with the goal of ensuring equal opportunities for diverse groups and proportionality between professional staff and employees.

**Table 3.1: Sampling distribution of the respondents**

Branches	Population number from each branches	Percent from the total population	Sample number from the total sample size		
			Proportion	Issued questionnaire	Returned questionnaire
Head office	55	29.89	38	38	36
Mehal merkato branch	10	5.43	7	7	7
merkato merab branch	10	5.43	7	7	7
Tana branch	22	11.95	15	15	15
Raguel branch	16	9.24	11	11	11
Tiret branch	15	8.7	10	10	9
Addis ketema branch	14	8.1	10	10	9
Tatari branch	10	5.43	7	7	7
Adarash branch	21	11.41	14	14	13
Nibhalal autobistera branch	11	5.9	7	7	7

<b>Total</b>	<b>184</b>	<b>100</b>	<b>126</b>	<b>126</b>	<b>121</b>
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### **3.5.1 Data Analysis Techniques**

One of the most important parts of research is data analysis, which is looking at, classifying, or suggesting evidence based on two broad approaches. The first approach is based on theoretical claims and data analysis guided by research questions and a literature-derived framework. Creating a case description to convey the data is the second tactic.

Information from key informants, secondary sources, and primary sources was combined for this study based on the research components. Following that, the results were analyzed and interpreted in light of the hypotheses and information from the literature review. The research questions and the framework developed from the literature were taken into consideration when conducting the analysis. The goal of this strategy was to give a thorough grasp of how HRM practices affect innovation performance, with network competence serving as a moderating component. The statistical package for social science (SPSS) was used to examine the data. Making meaning of the data and adjusting parametric tests required converting the raw data into means, which is a step in the analytic process. The association between innovation performance, network competence, and human resource management techniques was ascertained using inferential statistics like regression and correlation. To give a concise summary of the research findings, tables and figures were used to display the data gathered with these instruments. Using these techniques, the study sought to offer a thorough comprehension of how HRM practices affect innovation performance, with network competency serving as a moderating component.

### **3.6 Model specification**

For the purpose of achieving the objectives of the study, data gathered through different techniques were analyzed and interpreted quantitatively; hence the data analysis employed quantitative methods. To this effect, linear regression model was used to show effect of human resource management practices on innovation performance with moderating factor of network competence.

SPSS software was used to analyze the data, like:

$$Y_i = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \dots + \beta_n X_{ni} + \epsilon_i$$

(To show the effect of the human resource management practices on the network competence without the moderator variable)

$$Y_i = \beta_0 + \beta_1(X) + \beta_2(Z) + \beta_3(X*Z) + \epsilon_i$$

(To show the effect of the moderator variable interaction with the independent variables on the dependent variable)

### 3.6.1 Tests

#### 3.6.1.1 Multicollinearity Test

Before executing a model, such as multiple regressions in our case, it is essential to examine explanatory variables for Multicollinearity (Verbeek, 2008). Multicollinearity is identified when independent variables exhibit correlation, posing a challenge to the model. This issue, known as multicollinearity, arises when explanatory variables in multiple regression models are highly correlated, leading to redundant information about the response. The presence of multicollinearity in the model can result in significant variance, elevated t-values, and potentially misleading outcomes (Hosmer and Lemeshow, 1980). Consequently, two widely employed methods for detecting multicollinearity are the Variance Inflation Factor (VIF) and Tolerance (TOL) and are calculated as follows;

$VIF = 1 / (1 - R_j^2)$  ;  $TOL = 1 - R^2$  Where,  $R^2$  is calculated by analyzing the independent variables in the model using STATA software, as the common rule of Verbeek indicates that if VIF is 10 or greater than 10 and a TOL of 0.10 or less it may indicate the presence of Multicollinearity otherwise free from the problem.

### 3.7 Validity and reliability

Prior to the factors of the exploratory variables being extracted, the model's dependability was evaluated through a variety of econometric tests to make sure the variables that make up each factor are highly consistent and reliable within themselves (Hair et al., 1998, cited in Cheng and Choy, 2007). The study's quality will be assessed based on two primary criteria. Validity and reliability are these. The evaluation of validity can be done through empirical or theoretical methods. How well a theoretical notion is represented or translated into an operational measure

is the main focus of the theoretical evaluation of validity. By reviewing relevant literature and modifying tools from earlier studies, the validity of the current study is addressed in this regard. The lack of random mistake that allows later researchers to draw the same conclusions if they repeat the study using the same procedures is known as reliability (Yin, 2003). When compared to a two-scale system, the reliability of such a scale is higher. Since there are fewer reliable responses when there are more than five response alternatives, choosing five is a wise decision (Hayes, 1992). Cronbach's alpha is also used to assess internal consistency.

### **3.8 Ethical Considerations**

This study adheres to ethical considerations. Firstly, the researcher obtained approval and guidance from their advisor and requested permission from the respective officials before distributing questionnaires and collecting data. The researcher assures participants of the confidentiality of their information and ensured that questions were simple, clear, and sensitive to avoid ambiguity and misunderstandings. Lastly, all participants were given the right to privacy to think about the research task and provide their responses freely. By following these ethical considerations, the study aimed to maintain moral and ethical behavior in the research process and ensure that participants were treated fairly and with respect.

## **CHAPTER FOUR**

### **4 DATA ANALYSIS AND INTERPRETATION**

#### **4.1 Introduction**

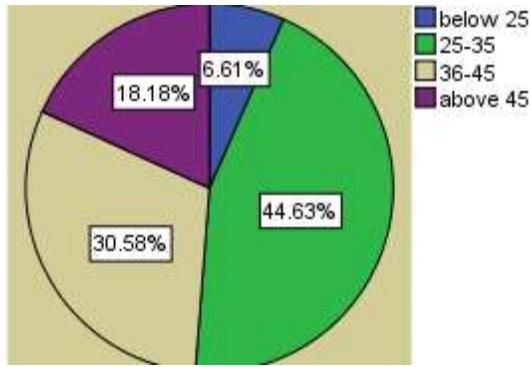
The presentation, analysis, and interpretation of the data obtained from primary sources through questionnaires are the main topics of this chapter. As a result, the information provided here is displayed in tables and is expressed using regression analysis, mean, standard deviation, and percentages. In order to respond to the research questions, the data that have been evaluated and displayed in the tables have also been verbally explained.

#### **4.2 Response rate**

A questionnaire was employed in the study to gather data from the participants. Based on the 126-person sample size reported in the research methods sections, a certain number of questionnaires were delivered. Only 121 of the questionnaires that the respondents completed correctly and returned were selected for additional research. The other questionnaires had different questions. SPSS was used for the analysis. Ultimately, a narrative and tables and charts were used to present the analysis. Just 121 of the 126 people who were given the questionnaire returned it with the proper and pertinent response. With this, we have a 96.03% response rate.

#### **4.3 Background of the Respondents**

- ✓ **Age category of the respondents**



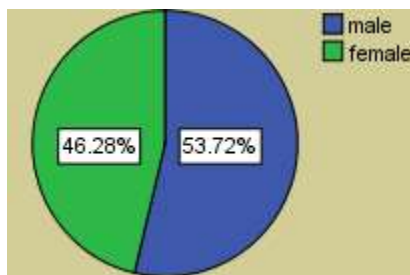
		Frequency	Percent
Valid	below 25	8	6.6
	25-35	54	44.6
	36-45	37	30.6
	above 45	22	18.2
	Total	121	100.0

Pie chart 4.1: Age of the respondents

The age distribution of the respondents, as we can see above pie chart 1, is 6.61 percent for those below 25, 44.63 percent for those between the ages of 25 and 35, 30.58% for those in between 36 and 45, and 18.18% for those above 45. This suggests that the bank is hiring more younger and adult employees who are productive enough to do their jobs actively

✓ **Sex of the respondents**

53.72% (65) of the 121 participants who gave their consent to participate in the poll were men, and 46.3% (56) were female. The researcher believes that the fact that more women are given the chance to advance in their knowledge and status in the banking industry and are included in the opportunity given emphasis by the government to include women in all aspects of job opportunities is the reason why there are almost as many female participants as male participants. It also demonstrates that equal opportunities were given to the female participants in comparison to the males.

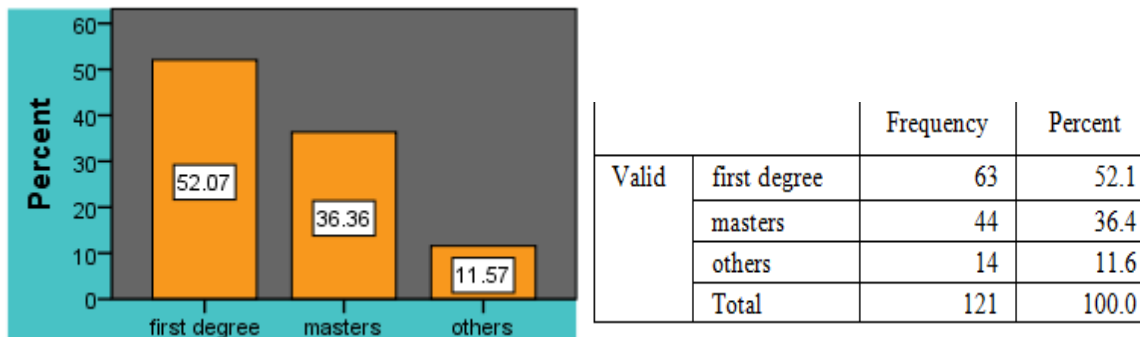


		Frequency	Percent
Valid	male	65	53.7
	female	56	46.3
	Total	121	100.0

Piechart 4.2: sex of the respondents

✓ **Educational background of the respondents**

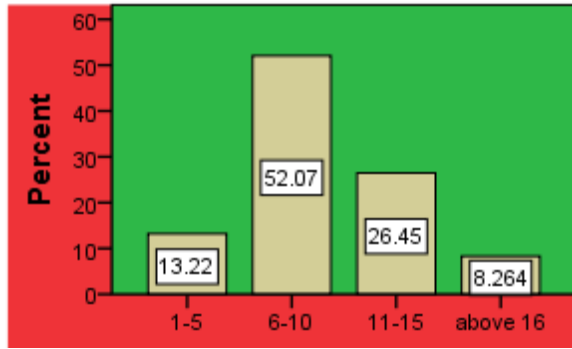
It was also necessary for the study to know the academic qualification of respondents in order to determine their level understanding towards the elements of the human resource management practices on innovation performance with moderating factor of network competence. From the data collected, it is clearly seen that respondents possess a range of educational qualifications degree and masters and other levels. Majority of the respondents were degree holders, which accounted to 52.1%. The other groups of respondents were unspecified educational background represented by ‘others’ respondents were 11.6%. The researcher so believes that the respondents can understand interpret and conceptualize the variables of human resource management practices on innovation performance with moderating factor of network competence.



Bar chart 4.1: educational background of the respondents

✓ Experience of the respondents

Furthermore, bar chart 2 below demonstrates that the majority of respondents have an average of 6 to 10 years’ experience with a percentage of 52.07% or 63 in numbers; moreover, the experience ranging from 11 to 15 years represents a significant number of respondents of around 26.4%. The next two percentages, for experience ranging from 1 to 5 years and above 16 years, respectively, are 13.2% and 8.3%. According to the researcher, work experience helps employees understand the work environment and what they can expect from their managers in terms of network competence, innovation performance and human resource management practices elements. It also gives them the chance to consider different performance options for each employee they oversee.



		Frequency	Percent
Valid	1-5	16	13.2
	6-10	63	52.1
	11-15	32	26.4
	above 16	10	8.3
	Total	121	100.0

Bar chart 4.2: Experience of the respondents

#### 4.4 Reliability analysis

Reliable testing is an essential part of sound measurement, and sound measuring itself needs sound measurement to be done properly, as Kothari (2004) noted. In order to preserve instrument reliability and make sure the data collection tools are yielding consistent results, reliability analysis was thus performed on all instruments used in this research following full scale data collection; the Cronbach's coefficient alpha score was then presented as follows.

**Table 4.1: Cronbach's alpha coefficient value for each variable**

A value	Interpretation	Items	A based on standardized items	Interpretation
$\alpha \geq 0.9$	Excellent	Innovation performance	0.809	Good
$0.9 > \alpha \geq 0.8$	Good	HRM Practices (transformed)	0.877	Good
$0.8 > \alpha \geq 0.7$	Acceptable	Network competence	0.832	Good
$0.7 > \alpha \geq 0.6$	Questionable			
$0.6 > \alpha \geq 0.5$	Poor			
$0.5 > \alpha$	Un acceptable			

Source: SPSS result (2023)

Each variable from the above table was examined for reliability, and with a Cronbach's coefficient alpha score of 0.809 for innovation, 0.877 for HRM practices, and 0.832 for network

competence, they were therefore determined to be reliable, and the determined extracted factors were found to be greater than the critical point of 0.70 (Nunnally, 1978, cited in Cheng and Choy, 2007), indicating the high reliability and internally consistency.

#### 4.5 Descriptive analysis

Descriptive statistics in this study are used to describe simple summaries about the data collected using questionnaire. This section used using percentage, frequency, mean, and standard deviation to present the response analysis of the respondents. Here the study presented the results of the discussed frequency analysis results, the mean and standard deviation of each variable are presented in line with the discussion and the pooled mean and standard deviation of all the variables are presented at the end of the descriptive analysis.

##### 4.5.1.1 Human resource management practices Training and development

**Table 4.2: descriptive analysis of training and development**

No	Items	Responses %					Standard D.	Mean
		Strongly D.	Disagree	Neutral	Agree	Strongly A.		
1	This organization has provided me with training opportunities enabling me to extend my range of skills and abilities		1.7	15.7	79.3	3.3	0.483	3.84
2	This organization is committed to the training and development of its employees			1.7	50.4	47.9	0.533	4.46
3	I get the opportunity to discuss my training and development requirements with my employer		0.8	5.8	66.9	26.4	0.567	4.19
4	This organization offers good opportunities for promotion, support for employees' ongoing education, training,	4.1	15.7	19.8	31.4	28.9	1.17	3.65

	and career advancement.							
5	Grand mean							4.035

Source: SPSS result (2023) and own survey

Research showed that a trained appraiser is one who has received training in the performance appraisal process, which will assist them in assiduously correcting any flaws that may have occurred during the appraisal process. It goes without saying that an assessor needs to be sufficiently knowledgeable about the performance appraisal system in order to apply it without providing an impartial and subjective review. In addition to financial incentives, Kamiti's (2014) research suggests that training should be used to inspire civil service workers. The response for the table 4.3 above shows that the NIB has provided the employee with training opportunities enabling them to extend their range of skills and abilities (82.6% cumulative agree) and NIB is committed to the training and development of its employees (50.4 agree, 47.9 strongly agree and mean score 4.46). Moreover, most of the employee (93.3% cumulative agree with mean score of 4.19) believes that they get the opportunity to discuss their training and development requirements with their employer (manager), and NIB offers good opportunities for promotion, support for employees' ongoing education, training, and career advancement

#### 4.5.1.2 Reward and recognition

**Table 4.3: descriptive analysis of reward and recognition**

No	Items	Responses %					Standard D.	Mean
		Strongly D.	Disagree	Neutral	Agree	Strongly A.		
1	Employees are given positive recognition when they produce high quality work	2.5	12.4	15.7	40.5	28.9	1.07	3.81
2	My employer encourages me to extend my abilities and pays me well				50.4	49.6	0.502	4.5
3	This organization offers a good benefits				45.5	54.5	0.5	4.55

	package compared to other organizations							
4	This organization sometimes values individual excellence over teamwork		9.9	19	32.2	38.8	0.992	4.0
5	Grand mean							4.215

Source: SPSS result (2023) and own survey

From the above table from the perspective of employees almost the condition of reward and recognition is satisfactory. Employees are given positive recognition when they produce high quality work (69.4 cumulative agree and mean score 3.81) and the employees believe that their employer/manager encourages them to extend their abilities and pays them well (100% cumulative agree). Moreover, the summary of the statistics shows that NIB offers a good benefits package compared to other organizations (100%) and NIB values individual excellence over teamwork (71% cumulative agree). In terms of rewarding, employees are said to be satisfied with their jobs when they believe they are fairly compensated for their ability, knowledge, intelligence, and involvement. As a result, they perform better at their jobs. Examples of motivating factors include offering bonuses for exceeding sales targets and praising and recognizing employees for their hard work (Bhattacharya and Mukherjee, 2019 cited by Noor Z et al. 2020). Bhattacharya and Mukherjee (2019) explored more inventive ways to thank employees. It said that arranging office outings and parties or providing breakfast and lunch when targets are met or the company turns a profit demonstrates to workers that they are appreciated and keeps them motivated. This helps to create a positive work environment as well as attract new talent.

### 4.5.1.3 Compensation

**Table 4.4: descriptive analysis of compensation**

No	Items	Responses %					Standard D.	Mean
		Strongly D.	Disagree	Neutral	Agree	Strongly A.		

1	The fixed amount of money paid to an employee for their work on a regular basis (hourly, monthly, annually) is not satisfactory				59.5	40.5	0.493	4.4
2	There are additional payments made to employees, often as a reward for exceptional performance or meeting specific targets.	0.8	0.8	5.8	58.7	33.9	0.671	4.24
3	Flexible work schedules, telecommuting options, and other initiatives to support employees in achieving a balance between work and personal life needs improvement.	4.1	14.9	29.2	32.2	19	1.09	3.47
4	There is a culture of creating a positive and comfortable work environment can be considered a form of non-monetary compensation.	3.3	19	18.2	38.8	20.7	1.12	3.55
5	Grand mean							3.915

Source: SPSS result (2023) and own survey

The researcher believes that employee performance and competitive advantage are increased by a remuneration structure that rewards excellence. The ability to recruit and keep key personnel for extended periods of time, as well as attract more and better applicants, are two ways that the pay structure improves the performance of the company. In line with this Fogleman, S. L., and McCorkle (2009) showed that compensation can be any benefit an employee receives from their employer or employment that has no monetary value is considered or social and professional benefits like friendships, job security, flexible scheduling, growth opportunities, appreciation, and recognition and compensation like an employee's base pay which may consist of an hourly or annual salary as well as any performance-based benefits, such profit-sharing incentives. Additionally, compensation also encompasses everything from health insurance, retirement plans, paid time off, child care, or moving costs to legally mandated public protection programs like Social Security. From the above table we can see that the fixed amount of money paid to an

employee for their work on a regular basis (hourly, monthly, annually) is not satisfactory (100%) which will implies that even if the company pays well with respect to the expectation of the employees it might not be satisfactory. But still 92.6% of the employee implied that there are additional payments made to employees, often as a reward for exceptional performance or meeting specific targets. Moreover, as it can be seen above, flexible work schedules, telecommuting options, and other initiatives to support employees in achieving a balance between work and personal life needs improvement and there is significant (from the response of 59.5% cumulative agree) culture of creating a positive and comfortable work environment can be considered a form of non-monetary compensation.

#### 4.5.1.4 Performance appraisal

**Table 4.5: descriptive analysis of performance appraisal**

No	Items	Responses %					Standard D.	Mean
		Strongly D.	Disagree	Neutral	Agree	Strongly A.		
1	My current performance appraisal system is useful	2.5	8.3	17.4	52.	19.8	0.942	3.79
2	My current performance appraisal system is fair			2.5	38.8	58.7	0.546	4.56
3	I am satisfied with my current performance appraisal system				60.3	39.7	0.491	4.4
4	The performance feedback I receive helps me to improving my job performance and to attain my goals.	6.6	22.3	16.5	15.7	38.8	1.14	3.13
5	Grand mean							3.97

Source: SPSS result (2023) and own survey

My current performance appraisal system is useful is implied by most of the employees, 71.8%, and most of them believe that their current performance appraisal system is fair (men score 4.56, 38.8% agree and 58.7% strongly agree). Additionally, all of the respondents (100%) are satisfied

with their current performance appraisal system and they believe that the performance feedback they receive helps them to improve their job performance and to attain their goals. The researcher believe that performance appraisal, according to Ermias (2020) referencing Selset al. (2003), is a methodical assessment of an employee's effectiveness in carrying out his designated activities. Employees are motivated to work harder to meet company goals when their performance is evaluated transparently (Singh, 2004 referenced by Ermias, 2020). Employee satisfaction lowers absenteeism and turnover. The evaluation plan can also serve as the foundation for a survey on planned career advancement and financial incentives. According to Anupama and Dulababu (2011), referenced by Ermias (2020), the literature demonstrated a decent and strong correlation between organizational success and the attention paid to performance management and worker appraisal. When all levels of management are in sync with one another, the association's chances of really achieving its goals are greatly increased. Additionally, this ensures that every member of the association understands what is expected of them and what is crucial for the association (Michael, Melanie, and Dinesh, 2014 quoted by Ermias, 2020).

#### 4.5.2 Network competence

**Table 4.6: descriptive analysis of network competence**

No	Items	Responses %					Standard D.	Mean
		Strongly D.	Disagree	Neutral	Agree	Strongly A.		
1	The level of newness (novelty) of new products in the bank are satisfactory	3.3	19.8	24.8	28.9	23.1	1.148	3.49
2	The use of latest technological innovations in new product development is going as intended and the speed of new product development is good	33.4	13.2	23.1	10.5	19.8	1.053	3.60
3	There is sufficient number of new products introduced to the market by the bank and its rate of early market entrance is competent				30.6	69.4	.463	4.69

4	The technological competitiveness is very good				63.6	36.4	.483	4.36
5	The up datedness or novelty of technology used in processes are satisfying			5.8	74.4	19.8	.488	4.14
6	The speed of adoption of the latest technological innovations in processes is appreciated				63.6	36.4	.483	4.36
7	The overall rate of change in processes, techniques and technology is very pleasant		1.7	12.4	80.2	5.8	.490	3.90
8	Grand mean							4.1

Source: SPSS result (2023) and own survey

The above table depicts that the level of newness (novelty) of new products in the bank are satisfactory (52% cumulative agree) but still there is a room for improvement. However most of the employees disagreed regarding the use of latest technological innovations in new product development is going as intended and the speed of new product development is good in which 46.6% cumulatively disagreed and 23.1% of the respondents remained neutral, implying that the level of the use of latest technological innovations in new product development is not going as intended and the speed of new product development is not sufficiently good. The employees also implied that there is sufficient number of new products introduced to the market by the bank and its rate of early market entrance is competent (100% cumulatively agree) and the technological competitiveness is very good (100% cumulative agree). Moreover, the up datedness or novelties of technology used in processes are satisfying, the speed of adoption of the latest technological innovations in processes is appreciated and the overall rate of change in processes, techniques and technology is very pleasant (see the above table 4.7)

The HRM practices that C. Collins and K. Clarke (2003) mention as being helpful in the development of relationship networks include funding for personal connections related to the job, training in fostering relationships with important stakeholders, evaluating employees' abilities to maintain internal contacts with other departments' employees, and talking about strategies for fostering relationships with important stakeholders. Financial incentives should be provided to employees in order to encourage them to form personal bonds with important internal stakeholders. Additionally, employees should be assessed based on their capacity to

build relationships with important external stakeholders. An incentive program should be established to encourage the formation of personal connections between employees and important internal stakeholders, and mentorship regarding the cultivation of these relationships should be provided.

### 4.5.3 Innovation performance

**Table 4.7: descriptive analysis of innovation performance**

No	Items	Responses %					Standard D.	Mean
		Strongly D.	Disagree	Neutral	Agree	Strongly A.		
1	The way the bank evaluate its relationship with each technical partner depends on our relations with other technical partners.			5.8	49.6	44.6	.597	4.39
2	The bank organizes regular meetings among the technical partners	2.5	8.3	17.4	52.1	19.8	.942	3.79
3	The bank assigns responsibility to people for each relationship with the technical partners.			2.5	38.8	58.7	.546	4.56
4	The bank uses organizations like chambers of commerce, consultants, industry associations, government organizations, apart from our existing technical partners, to identify potential technical partners				60.3	39.7	.491	4.40
5	The bank gives emphasis to company advertisements to visit industrial fairs and exhibitions to identify potential technical partners	6.6	22.3	38.8	15.7	16.5	1.140	3.13

6	There is proper link between people from our technical partners and key people in our firm and they have good relations with important people in our firm.	3.3	19.8	24.8	28.9	23.1	1.148	3.49
7	Potential technical partners have good knowledge about the way our firm works and the way our technical partner firms work	3.3	13.2	23.1	40.5	19.8	1.053	3.60
8	The technical department of the bank is experienced in dealing with technical partners				50.4	49.6	.502	4.50
9	The technical department of the bank has good communication skill, confidence in their need, sense potential conflict of interest easily				45.5	54.5	.500	4.55
10	The technical departments mix well with other people they can work out constructive solutions when there is conflict.		9.9	19	32.2	38.8	.992	4.00
11	Grand mean							4.04

Source: SPSS result (2023) and own survey

Literature review shows that the relationship between HRM and innovation in businesses is expanding as more scholars look into this field (Beugelsdijk, 2008). The ongoing pursuit of a competitive edge in a very volatile environment is the reason for this expanding interest (Jimenez-Jimenez and Sanz-Valle, 2008; Shipton et al., 2005). From the above table 4.8 we can depict that the way NIB evaluate its relationship with each technical partner depends on our relations with other technical partners which help the bank to accommodate space for feedbacks (mean score=4.39, agree 49.6% and strongly agree=44.6%) by organizing regular meetings among the technical partners (mean score=3.79, agree 52.1% and strongly agree=19.8%).

Moreover, the above analysis implies that the bank assigns responsibility to people or its assigned technical employee for each relationship with the technical partners (mean score=4.56, agree 38.8% and strongly agree=58.7%). The response for the statement if the bank uses organizations like chambers of commerce, consultants, industry associations, government organizations, apart from our existing technical partners, to identify potential technical partners the respondents implied so (mean score=4.4, agree 60.3% and strongly agree=39.7%) but they do not think that the bank gives emphasis to company advertisements to visit industrial fairs and exhibitions to identify potential technical partners (mean score=3.13, strongly disagree 6.6%, disagree 22.3% and neutral 38.8%) implying that there is a room for improvement in the area of giving emphasis to company advertisements to visit industrial fairs and exhibitions to identify potential technical partners. Almost half of the respondents think that there is a proper link between people from the technical partners and key people in the bank and the bank has good relations with important people in the bank whereas almost significant number of respondents remained neutral and disagreed (cumulative disagree 23.1% and neutral=24.8%) in showing their responses. However, the employees believe that potential technical partners have good knowledge about the way NIB works and the way NIB technical partner firms work (cumulative agree 60.3%), the technical department of the NIB is experienced in dealing with technical partners (100% cumulative agree), the technical department of the bank has good communication skill, confidence in their need, sense potential conflict of interest easily (cumulative agree 100%) and the technical departments mix well with other people they can work out constructive solutions when there is conflict (71% cumulative agree and mean score=4.00).

Effective human resource management can foster innovation (Shipton et al., 2005). Additionally, businesses looking to innovate view HRMP as a valuable asset (Beugelsdijk, 2008). Moreover, human capital can foster innovation through the development of organizational expertise, leading to the creation of new goods and services (Chen and Huang, 2009). Inspection of the HRMP and outcomes linkage can be done in a number of ways. Nonetheless, complementarities, a collection of practices, or a single practice used alone are the current approaches (Wright and Boswell, 2002).

## **4.6 Inferential statistics**

Two instances of these inferential statistics are regression and correlation. A statistical method for determining the relationship between a dependent variable and one or more independent variables is regression analysis. Regression analysis will be used to determine how much each of the independent variables affects the dependent variables. The estimation of the coefficients that demonstrate the impact of each elements of the HRM on the innovation performance network competence as a moderating variable will be studied using regression analysis.

### **4.6.1 Correlation**

The correlation coefficient shows a positive relationship between the two variables, suggesting the correlation coefficient shows a positive relationship between the main independent-moderate interaction and the dependent variable which is innovation performance, suggesting that an increase in one will probably result in an increase in the other as well. Positive correlations suggest that increase in the independent variables increase the dependent variables. A negative correlation coefficient, on the other hand, denotes a negative relationship, which means that one variable tends to decline as the other rises.

#### **4.6.1.1 Correlation between network competence, innovation performance and Human resource management practices**

The correlation coefficient, which ranges from -1 to +1, is the result of correlation analysis, and based on the correlation coefficient ( $r$ ) absolute values, the strength of these associations will be examined: The correlation is rated as being very poor at  $\pm 0-0.19$ , weak at  $\pm 0.2-0.39$ , moderate at  $\pm 0.40-0.59$ , high at  $\pm 0.6-0.79$ , and very strong at  $\pm 0.8-1$ . When two variables have a positive correlation coefficient, it means that there is a positive association between them and that an increase in one will probably result in an increase in the other. In this context, positive correlations imply that the interaction of training and development, reward and recognition, selection and recruitment, compensation and appraisal performance with network competence have a supportive relationship with innovation performance. A negative correlation coefficient, on the other hand, denotes a negative association and shows that one variable tends to grow as the other declines.

From the following table 4.9 the interaction of the moderating variable and independent variable versus the dependent variable and the above stated cut points we can see that innovation performance has a positive and statistically moderate correlation with interaction of network competence and selection and recruitment (0.557\*\*) and interaction of network competence and reward and recognition (0.454\*\*), indicating that as the interaction of network competence with selection and recruitment and reward and recognition increases, innovation performance increases. On the other hand the interaction of network competence with training and development, with compensation and appraisal performance has also a positive but weak correlation with innovation performance which were showed with r value of (0.381\*\*), (0.306) and (0.257) respectively.

**Table 4.8 correlation table**

		innovatio n_perform ance	selection_ x_network k	training_x _network	reward_x _network	compensa tion_x_ne twork	appraisal_ x_network k
innovation_ performanc e	Pearson Correlation	1	.557**	.381**	.454**	.306**	.257**
	Sig. (2-tailed)		.000	.000	.000	.001	.004
	N	121	121	121	121	121	121
selection_x _network	Pearson Correlation	.557**	1	.620**	.661**	.550**	.554**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	121	121	121	121	121	121
training_x_ network	Pearson Correlation	.381**	.620**	1	.645**	.780**	.776**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	121	121	121	121	121	121
reward_x_n etwork	Pearson Correlation	.454**	.661**	.645**	1	.674**	.749**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	121	121	121	121	121	121
compensati on_x_netw ork	Pearson Correlation	.306**	.550**	.780**	.674**	1	.942**
	Sig. (2-tailed)	.001	.000	.000	.000		.000
	N	121	121	121	121	121	121

appraisal_x _network	Pearson Correlation	.257**	.554**	.776**	.749**	.942**	1
	Sig. (2-tailed)	.004	.000	.000	.000	.000	
	N	121	121	121	121	121	121

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

Source: SPSS result (2023) and own survey

#### 4.6.2 Regression analysis

In this section the regression analysis was conducted so the analysis and results of  $R^2$ , regression coefficient results and interpretation were presented.

#### 4.6.3 Assumption

Before proceeding with the multiple regression models, it is crucial to assess the potential issue of multicollinearity among the explanatory variables (Verbeek, 2008). Multicollinearity arises when independent variables in a multiple regression model are highly correlated, leading to redundant information about the response. Detecting multicollinearity is essential, as its presence may result in large variances, high t-values, and potentially misleading results (Hosmer and Lemeshow, 1980). Two common methods for detecting multicollinearity are the Variance Inflation Factor (VIF) and Tolerance (TOL). A VIF value exceeding 10 or a TOL of 0.10 or less is typically indicative of multicollinearity. In our analysis, multicollinearity tests were conducted, and the results indicate that the conditions for multicollinearity are satisfied. Specifically, all VIF values are below 10, and TOL values are above 0.10. These findings suggest that the explanatory variables in our model are not highly correlated, mitigating the risk of multicollinearity (see the following table 4.10)

- multicollinearity

**Table 4.9 multicollinearity**

Collinearity Statistics	
Tolerance	VIF
.640	1.563
.630	1.586
.391	2.558
.265	3.771

.194	5.149
------	-------

Source: SPSS result (2023) and own survey

- **Linearity**

The results of the linearity test indicate a considerable degree of linearity between network competence and innovation performance and human resource management practices and innovation performance; (see table 4.11).

**Table 4.10 linearity table**

ANOVA Table								
			Sum of Squares	df	Mean Square	F	Sig.	
network competence * innovation performance	Between Groups	(Combined)	27.295	12	2.275	40.173	.000	
		Linearity	24.822	1	24.822	438.402	.000	
		Deviation from Linearity	2.473	11	.225	3.970	.000	
	Within Groups			6.115	108	.057		
	Total			33.410	120			
Human resource management practices * innovation	Between Groups	(Combined)	15.956	12	1.330	43.786	.000	
		Linearity	13.145	1	13.145	432.857	.000	
		Deviation from Linearity	2.811	11	.256	8.416	.000	
	Within Groups			3.280	108	.030		
	Total			19.236	120			

Source: SPSS result (2023) and own survey

- **Normality**

**Table 4.11 normality table**

Tests of Normality						
	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
innovation performance	.143	121	.000	.942	121	.000
a. Lilliefors Significance Correction						

Source: SPSS result (2023) and own survey

The Shapiro-Wilk and Kolmogorov-Smirnov tests were utilized to evaluate the normality of the dependent variable, which is innovation performance. There was no discernible departure from normality, as indicated by the significance values of 0.00 for both tests. Furthermore, the innovation performance variable's probability-probability (p-p) plot showed a close alignment of the plots with the fit line, indicating the lack of outliers (see Figure 4.1). These results strengthen the robustness of our research by providing evidence in favor of the innovation performance variable's distribution being normally distributed.

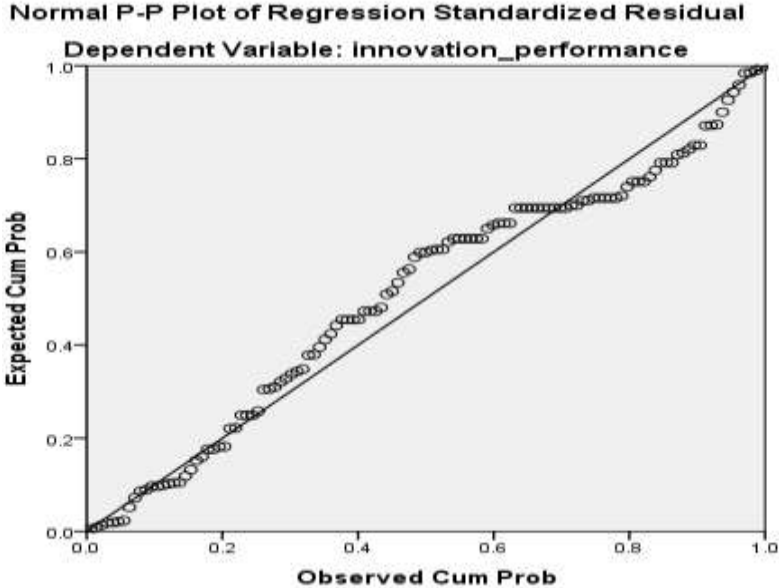


Figure 4.1 normality plot of the dependent variable

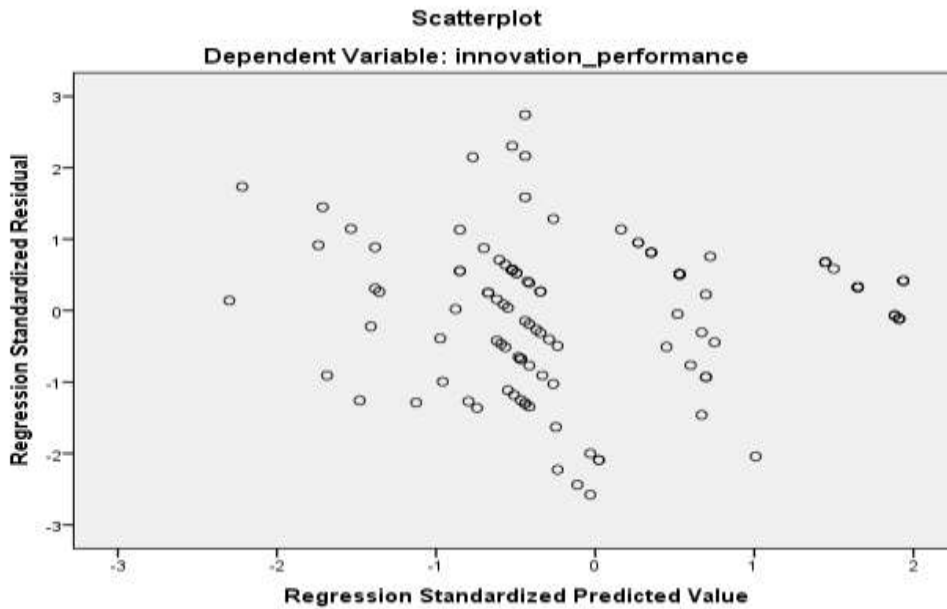


Figure 4.2 Scatter plot of the dependent variable

- **Homoscedasticity**

In the context of error, homoscedasticity is advantageous. Plots are dispersed and spread throughout the data as anticipated, suggesting that homoscedasticity is not broken and that the residuals are dispersed rather than forming any patterns (figure 4.2).

#### 4.6.4 Regression analysis without the moderating variable

##### 4.6.4.1 Model summary

Table 4.12 Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.873 <sup>a</sup>	.762	.752	.24334

a. Predictors: (Constant), performance\_appraisal, training\_and\_development, selection\_and\_recruitment, reward\_and\_recognition, compensation

Source: SPSS result (2023) and own survey

The model summary displays the goodness-of-fit metrics for the used regression model. Below are the meanings associated with each metric:

The correlation coefficient (multiple correlations) shows the direction and degree of the linear link between the dependent variable innovation performance and the predictor information HRM practices such as performance appraisal, training and development, selection and recruitment, reward and recognition, compensation. The multiple correlation coefficients (R) of .873<sup>a</sup> in this case shows that there is a rather high positive link between the predictors and the dependent variable. The coefficient of determination ( $R^2$ ) indicates the proportion of the dependent variable's variance that the predictor variables can explain. The predictor variable HRM practices such as performance appraisal, training and development, selection and recruitment, reward and recognition, compensation can explain roughly 76.2% of the variance in the innovation performance, according to the model's R Square value of 0.762.

In this instance, the adjusted R Square is 75.2%, which is slightly lower than the R Square and suggests that the model accounts for a slightly smaller proportion of variance after adjusting for the number of predictors and sample size. In contrast, the R Square is a more conservative estimate of the proportion of variance explained by the predictor.

Standard Estimate Error: The average degree of uncertainty or variability in the anticipated values of the dependent variable is represented by the standard error of the estimate. The standard error of the estimate in this model, which shows the average difference between the expected and actual values of innovation performance, is 0.24334.

According to the model summary, the predictor HRM practices variables together explain a sizable amount of the variance in innovation performance (75.2% of the variable is responsible for or have an impact on innovation performance, with the remaining 24.8% being other related factors that were not taken into account). It's crucial to remember that neither the relative importance of each predictor nor the direction of their effects is discussed in this summary. To determine the precise correlations between the predictor and innovation performance, more investigation would be required. One such investigation might involve looking at the regression coefficients and their significance.

#### **4.6.4.2 Analysis of variance**

Important information about how well the regression model predicts the dependent HRM practices and innovation success can be found in the ANOVA table.

The regression component of the ANOVA table assesses the overall significance of the regression model. The sum of squares from the regression represents the overall variability in the innovation performance that the predictor variables can account for (21.801). The degrees of freedom for regression ( $df = 5$ ) represent the number of predictor variables in the model. The regression mean square is obtained by dividing the total squares by the degrees of freedom (21.801). The F-ratio (73.632) is the ratio of the regression mean square to the residual mean square. A small p-value ( $Sig. = .000^b$ ) in the regression model indicates its statistical significance and indicates that the predictor variables collectively have a notable impact on innovation performance. The residual component of the ANOVA table evaluates the innovation performance's unexplained variability after the impact of the predictor components has been determined. The sum of squares for the residuals reflects the unexplained variance in innovation performance (6.810). The degrees of freedom of the residuals ( $df = 119$ ) are obtained by subtracting the number of predictor variables from the total number of observations (120).

The mean square for the residuals (0.076) can be found by dividing the sum of squares for the residuals by the degrees of freedom. This illustrates the average degree of unexplained variability in innovation performance. The total component of the ANOVA table provides information about the overall variability in innovation performance prior to any regression modeling. The sum of squares (28.610) for the whole represents the overall variation in innovation performance. The total degrees of freedom ( $df = 120$ ) are calculated as the total number of observations minus one. In summary, the ANOVA table confirms that the variability in innovation performance is significantly explained by the regression model that contains the predictor variables HRM practices such as performance appraisal, training and development, selection and recruitment, reward and recognition, compensation. The model is statistically significant, as indicated by the sig p-value (0.000) of the regression component.

**Table 4.13 analysis of variance for HRM as predictor of innovation performance**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	21.801	5	4.360	73.632	.000 <sup>b</sup>
	Residual	6.810	115	.059		
	Total	28.610	120			

a. Dependent Variable: innovation_performance
b. Predictors: (Constant), performance_appraisal, training_and_development, selection_and_recruitment, reward_and_recognition, compensation

Source: SPSS result (2023) and own survey

#### 4.6.4.3 Regression Coefficients

The unstandardized coefficient for selection and recruitment at significance level of 0.00 is 0.596. This indicates that, on average, a one unit increase in selection and recruitment is associated with a 0.596 unit increase in innovation performance, holding other variables constant. The coefficient for training and development at p-value of 0.05 is 0.137 suggesting that, on average, a oneunit increase in training and development of employees is associated with a 0.137 unit increase in innovation performance, holding other variables constant. The coefficient for reward and recognition is 0.20 suggesting that, on average keeping other variables constant; one-unit increase in reward and recognition is associated with a 0.20 unit increase in innovation performance.

**Table 4.14 regression coefficient of human resource management practice variables without the moderator variable**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.578	.280		-2.065	.041
	selection_and_recruitment	.596	.068	.499	8.776	.000
	training_and_development	.137	.067	.032	.560	.047
	reward_and_recognition	.200	.072	.204	2.799	.006
	compensation	.150	.082	.162	1.836	.039
	performance_appraisal	.121	.088	.142	1.377	.017

a. Dependent Variable: innovation\_performance

Source: SPSS result (2023) and own survey

The coefficient for compensation is 0.15 and with p-value of 0.039 it is significant p-value of 0.05; whereas performance appraisal with coefficient of 0.121 and p-value of 0.017 it is

significant at p-value of 0.05, and on average keeping other variables constant, one unit increase in performance appraisal increases innovation performance with 0.121.

In summary, based on the standardized coefficients, it appears training and development, reward and recognition, selection and recruitment, compensation and performance appraisal have significant effect on innovation performance. These findings suggest that training and development, reward and recognition, selection and recruitment, compensation and performance appraisal are effective strategies for enhancing innovation performance.

#### 4.6.5 Regression analysis without the moderating variable

Table 4.15 model summary with moderating variable

##### 4.6.5.1 Model Summary

Table 4.15 model summary of human resource management practice variables with the moderating variable

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.781 <sup>a</sup>	.611	.607	.30598	.611	186.586	1	119	.000
2	.809 <sup>b</sup>	.654	.648	.28975	.043	14.701	1	118	.000
3	.852 <sup>c</sup>	.726	.719	.25897	.072	30.716	1	117	.000
4	.871 <sup>d</sup>	.758	.750	.24428	.032	15.499	1	116	.000
<b>5</b>	<b>.873<sup>e</sup></b>	<b>.762</b>	<b>.752</b>	<b>.24334</b>	<b>.004</b>	<b>1.897</b>	<b>1</b>	<b>115</b>	<b>.002</b>
<b>6</b>	<b>.892<sup>f</sup></b>	<b>.795</b>	<b>.777</b>	<b>.23068</b>	<b>.033</b>	<b>3.594</b>	<b>5</b>	<b>110</b>	<b>.005</b>
a. Predictors: (Constant), selection_center									
b. Predictors: (Constant), selection_center, training_center									
c. Predictors: (Constant), selection_center, training_center, reward_center									
d. Predictors: (Constant), selection_center, training_center, reward_center, compensation_center									

e. Predictors: (Constant), selection_center, training_center, reward_center, compensation_center, appraisal_center
f. Predictors: (Constant), selection_center, training_center, reward_center, compensation_center, appraisal_center, compensation_x_network, reward_x_network, selection_x_network, training_x_network, appraisal_x_network

Source: SPSS result (2023) and own survey

With a moderated multiple linear regression model, one can compare the fit of nested models to determine the incremental variance explained ( $R^2$ ); the incremental variance explained by interaction terms tends to be small.

$R^2$ : a model fit statistic and effect size that can be interpreted as the proportion of variance explained in the outcome of variable collectively by the predictor variables.  $R^2$  change can be small if changes are up to 0.01, medium if up to 0.09 and large above 0.25 (Frazier et al., 2004; Dawson (2014). From the above table 4.15 we can see that the **model 5** implies that the adjusted  $R^2$  is 75.2 without the moderating variable can explain roughly 75.2% of the variance in the innovation performance. The multiple correlation coefficients (R) of .873<sup>a</sup> in this case shows that there is a rather high positive link between the predictors and the dependent variable without the moderating variable. The introduction of the moderating variable and its interaction in the **model 6** increased the collective effect of the HRM practices such as performance appraisal, training and development, selection and recruitment, reward and recognition, compensation. The R Square Change is ( $0.777-0.752=0.025$ ) which is small.

#### 4.6.5.2 Analysis of variance

**Table 4.16 analysis of variance for HRM as predictor of innovation performance with different models**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	17.469	1	17.469	186.586	.000 <sup>b</sup>
	Residual	11.141	119	.094		
	Total	28.610	120			
2	Regression	18.703	2	9.352	111.385	.000 <sup>c</sup>

	Residual	9.907	118	.084		
	Total	28.610	120			
3	Regression	20.763	3	6.921	103.195	.000 <sup>d</sup>
	Residual	7.847	117	.067		
	Total	28.610	120			
4	Regression	21.688	4	5.422	90.863	.000 <sup>e</sup>
	Residual	6.922	116	.060		
	Total	28.610	120			
5	Regression	21.801	5	4.360	73.632	.000 <sup>f</sup>
	Residual	6.810	115	.059		
	Total	28.610	120			
6	Regression	22.757	10	2.276	42.765	.000 <sup>g</sup>
	Residual	5.854	110	.053		
	Total	28.610	120			
a. Dependent Variable: innovation_performance						
b. Predictors: (Constant), selection_center						
c. Predictors: (Constant), selection_center, training_center						
d. Predictors: (Constant), selection_center, training_center, reward_center						
e. Predictors: (Constant), selection_center, training_center, reward_center, compensation_center						
f. Predictors: (Constant), selection_center, training_center, reward_center, compensation_center, appraisal_center						
g. Predictors: (Constant), selection_center, training_center, reward_center, compensation_center, appraisal_center, compensation_x_network, reward_x_network, selection_x_network, training_x_network, appraisal_x_network						

Source: SPSS result (2023) and own survey

The ANOVA table above with the moderating variable indicates that the variability in innovation performance is significantly explained by the regression model that contains the predictor variables HRM practices such as performance appraisal, training and development, selection and recruitment, reward and recognition, compensation. The model is statistically significant, as indicated by the sig p-value (0.000) of the regression component.

#### 4.6.5.3 Regression coefficient with moderating variable

**Table 4.17** regression coefficient of human resource management practice variables with a moderator variable

Coefficients <sup>a</sup>
---------------------------

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
6	(Constant)	4.103	.032		128.133	.000
	Selection_center	.708	.077	.592	9.245	.000
	Training_center	.029	.074	.025	.395	.063
	Reward_center	.354	.080	.360	4.445	.000
	Compensation_center	.176	.083	.190	2.137	.035
	Appraisal_center	.047	.098	.055	.481	.081
	Selection_x_network	.116	.173	.054	.670	.004
	Training_x_network	.161	.152	.083	1.057	.003
	Reward_x_network	.503	.153	.285	3.287	.001
	Compensation_x_network	.200	.190	.152	1.049	.037
	Appraisal_x_network	.515	.223	.408	2.310	.023
a. Dependent Variable: innovation performance						

The above table shows that the moderating effect of the network performance on the selected variables of HRM practices such as performance appraisal, training and development, selection and recruitment, reward and recognition, compensation is significant for reward and recognition, selection and recruitment as well as training and development at p-value of 0.01 levels. However, in the case of compensation and appraisal performance the effect is significant but not at p-value of 0.01 rather 0.05.

Generally from the regression analysis of with and without the moderating variable we can summarize the following main findings. The model summary implied that the moderating variable increased the total variance that can be explained with the HRM practices from 75.2% to 77.7% and the multiple correlation coefficients 0.873 to 0.892 implying high positive relation between the predictors and the dependent variable with the presence of the moderating variable network competence. The moderating variable has a decrement effect on the coefficient of selection and recruitment, training and development and compensation; whereas it has incremental effect on reward and recognition and performance appraisal.

#### 4.6.5.4 Hypothesis summary

Using null hypothesis significance testing, the researcher interpret a p-value that is less than 0.05 to meet the standard for statistical significance, meaning the researcher rejects the null hypothesis that a regression coefficient associated with an interaction term is equal to zero, controlling for the effects of the predictor variable. If the p-value associated with a regression coefficient is equal to or greater than 0.05, the researcher fail to reject the null hypothesis that a regression coefficient associated with the interaction term is equal to zero, controlling for the predictor variables.

**Hypothesis 1:** selection and recruitment, training and development, performance appraisal and compensation as practices of human resource management would positively influence innovation performance

So from the regression analysis  $P\text{-value} < 0.05$  for selection and recruitment, training and development, performance appraisal and compensation implying that the null hypothesis will be rejected and the alternative hypothesis of HRM practice variables have positively influence innovation performance.

**Hypothesis 2:** network competence would moderate the effects of human resource management practice such as: selection and recruitment, training and development, performance appraisal, compensation on innovation performance. Also from the model summary of the regression analysis (table 4.15)  $P\text{-value} < 0.05$  for the overall model summary implying that network competence would moderate the effects of human resource management practice on innovation performance.

## CHAPTER FIVE

### 5 SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### 5.1 Summary

NIB offers employees training opportunities to enhance their skills and abilities, with a high level of commitment to employee development. Employees believe they have the opportunity to discuss training requirements with their employer, and NIB offers promotions and support for ongoing education. Employees are satisfied with the reward and recognition provided, with positive recognition for high-quality work and a good benefits package. They believe fair compensation for their abilities leads to better performance. The analysis shows that employees' regular pay is not satisfactory (100%), indicating that despite good pay, employees still expect additional payments for exceptional performance or specific targets. Improvements in flexible work schedules, telecommuting options, and a positive work environment are needed, as well as a culture of non-monetary compensation. The bank's new products are satisfactory (52% agree), but there's room for improvement. Employees disagree about the use of latest technological innovations and the speed of development. They believe the bank has a sufficient number of new products, competitiveness, and early market entrance. The bank's technology updating is satisfactory, and the overall rate of change is pleasant. The NIB evaluates its relationship with technical partners based on their relationships with other technical partners, which help in accommodating feedback and organizing regular meetings. The bank assigns responsibility to people or technical employees for each relationship with technical partners. The bank uses organizations like chambers of commerce, consultants, industry associations, and government organizations to identify potential partners, but does not emphasize company advertisements at industrial fairs and exhibitions. Employees believe potential technical partners have good knowledge about NIB's work and its technical department is experienced in dealing with them. The technical department also has good communication skills, confidence in their needs, and the ability to work out constructive solutions when conflicts arise.

The correlational analysis showed that innovation performance has a positive and statistically moderate correlation with interaction of network competence and selection and recruitment (0.557\*\*) and interaction of network competence and reward and recognition (0.454\*\*), indicating

that as the interaction of network competence with selection and recruitment and reward and recognition increases, innovation performance increases. On the other hand the interaction of network competence with training and development, with compensation and appraisal performance has also a positive but weak correlation with innovation performance.

The model summary implied that the moderating variable network competence increased the total variance that can be explained with the HRM practices from 75.2% to 77.7% and the multiple correlation coefficients 0.873 to 0.892 implying high positive relation between the predictors and the dependent variable with the presence of the moderating variable network competence. The moderating variable has a decrement effect on the coefficient of selection and recruitment, training and development and compensation; whereas it has incremental effect on reward and recognition and performance appraisal.

## 5.2 Conclusion

This thesis has thoroughly examined the complex interplay of human resource management (HRM) practices and their influence on innovation performance. Additionally, it has investigated the moderating influence of network competence in the distinctive setting of NIB International Bank. The research aimed to reveal the subtle connections among HRM practices, network competence, and the bank's capacity to foster and maintain innovation. The results, derived from a thorough examination of data gathered from clerical and managerial employees at the bank's central office, have brought to light significant observations. The detailed analysis highlighted the essential impact of HRM practices in molding the organizational environment, underscoring their effectiveness in human resource management. The study's concentration on aspects like technology integration, opportunities for career advancement, developmental programs, recognition initiatives, work-life balance, and marketing strategies has contributed to a holistic comprehension of the diverse facets of HRM practices.

While there is a positive perception regarding compensation, with employees anticipating bonuses for exceeding performance goals, there is room for improvement in telecommuting options, flexible work schedules, and fostering a non-monetary compensation culture. Although respondents acknowledge the adequacy of the bank's new products, early market entry, competitiveness, and variety of offerings, there is a need for enhancement in the application of the latest technological advancements and the pace of development. The bank's technology updates are deemed satisfactory, and technical partner relationships are assessed based on connectivity, with designated individuals or technical staff assigned specific responsibilities for each partnership.

Despite not prioritizing firm marketing, the bank utilizes associations with industry, government agencies, consultancies, and chambers of commerce to identify potential partners. Employees perceive technical partners as well-versed in NIB's operations, having been previously engaged with the organization's technical department. The technical department is recognized for strong communication abilities, confidence in their requirements, and the ability to resolve disputes amicably. Overall, the study indicates a very good level of HRM practices, network competence, and innovation performance.

In terms of correlation, the study reveals a positive and statistically moderate correlation between innovation performance and the interaction of network competence with selection and recruitment. Conversely, the interaction of network competence with training and development, and with compensation and appraisal performance, demonstrates a positive but weak correlation with innovation performance.

Significantly, recognizing network competence as a moderating element introduces an additional level of intricacy to the connection between HRM practices and innovation performance. A crucial suggestion arising from this is the emphasis on fortifying inter-organizational relationships. By doing so, the bank can utilize these networks to gain a competitive edge, ultimately elevating its innovation performance on the whole.

The model summary suggests that the moderating variable, network competence, enhances the total variance explained by HRM practices on innovation performance. The multiple correlation coefficients indicate an overall increasing effect of the moderating variable on the model. However, it is noteworthy that the moderating variable has a diminishing effect on the coefficients of selection and recruitment, training and development, and compensation. Conversely, it has an augmenting effect on the coefficients of reward and recognition and performance appraisal.

In summary, it is clear that the ability of NIB International Bank to nurture innovation is closely linked to the strategic alignment and effective implementation of HRM practices. The suggestions outlined in this thesis, which include incorporating technological advancements, fostering career growth, expanding development opportunities, implementing recognition and rewards programs, emphasizing work-life balance, and strengthening the commitment to robust marketing, collectively offer a guideline for the bank to enhance and strengthen its innovative capacities.

To conclude, the thesis emphasizes the interdependent connection among proficient HRM practices, network competence, and innovation performance. It underscores the necessity for a strategic and comprehensive approach to human resource management to consistently propel innovation and success at NIB International Bank.

### 5.3 Recommendation

Based on the main findings from the study and conclusions made the researcher recommends the following set of points:

- 🐝 Nib bank should Embrace Cutting-Edge Technology Integration and Advocate for the incorporation of the latest technological advancements into NIB International Bank's HRM practices. This involves adopting state-of-the-art tools and systems to enhance operational efficiency, streamline processes, and foster a culture of continuous innovation.
- 🐝 The bank should Foster Career Growth Opportunities and prioritize the creation and promotion of career growth opportunities for its workforce. Implement mentorship programs, skill development initiatives, and robust career path planning to cultivate talent and ensure a motivated and engaged employee base.
- 🐝 Nib should invest in comprehensive training programs, workshops, and seminars to continually upskill and empower staff and should Expand and Enhance Development Initiatives this entails, fostering an environment that values and supports ongoing learning.
- 🐝 Implement Robust Recognition and Rewards Programs: Recommend the establishment of impactful recognition and rewards programs within the organization. Acknowledging and rewarding innovative contributions by employees can significantly elevate morale, motivation, and a sense of accomplishment, thereby nurturing a culture of creativity and innovation.
- 🐝 NIB International Bank should prioritize and implement initiatives that support work-life balance. Striking a harmonious balance between professional and personal life is essential for employee well-being, contributing to higher job satisfaction and sustained innovation performance.
- 🐝 The bank also should improve firm marketing strategies. Effectively communicating the bank's commitment to innovation and employee-centric practices can enhance its reputation, attract top talent, and position NIB International Bank as an employer of choice within the competitive banking industry.

- 🐝 Nib should establish a systematic approach for the regular assessment and adaptation of HRM practices. In a swiftly evolving business environment, it's crucial to periodically evaluate the effectiveness of current practices, gather feedback from employees, and adapt strategies accordingly to ensure alignment with organizational goals and industry trends.
- 🐝 NIB International Bank should invest in building robust interorganizational relationships with customers, suppliers, research institutions, and competitors to enhance its ability to leverage networks for a competitive advantage and improved innovation performance.

By implementing these recommendations, NIB International Bank can create a conducive environment that fosters innovation, engages its workforce, and positions the organization for sustained success in the ever-evolving banking landscape.

#### **5.4 Limitation and Implications for Further Research**

1. The findings of the study may face limitations in generalizability due to the use of data from a specific group of employees at the head office of NIB International Bank. To enhance the comprehensiveness of the insights, a broader and more diverse sample, including employees from different branches and organizational levels, could be considered.
2. The research utilized a cross-sectional approach, collecting data at a specific moment, thereby constraining the capacity to establish causation or track changes over time. Subsequent investigations could gain valuable insights by employing longitudinal studies, allowing for a more comprehensive exploration of the interplay among HRM practices, network competence, and innovation performance over an extended period.
3. The study concentrated specifically on the banking sector, which may restrict the applicability of the findings to other industries. Subsequent research endeavors could investigate a range of industries to determine how well the identified connections between HRM practices, network competence, and innovation performance can be applied across different sectors.
4. This thesis used quantitative data, so in order to enhance quantitative results by incorporating qualitative research methods to acquire a more profound insight into

employees' perspectives and experiences related to HRM practices, network competence, and innovation. Qualitative data can provide valuable insights into the nuanced aspects of organizational dynamics.

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## **Appendices**

### Survey Invitation Letter

Dear Colleagues,

I would like to invite you to participate in this survey, which is an important part of my MBA study on “The effect of human resource management practices on innovation performance with moderating factor of network competence: the case of Nib International Bank.”. The purpose of this study is to assess the effect of HRM practices on innovation performance and to check if network competence can serve as moderator between the two at Nib international bank. This study is conducted in partial fulfillment of the requirements for the Master’s in Business Administration at Addis Ababa University. You are under no obligation to accept this invitation. However, your response is vital to the outcome of my study and you are kindly requested to completely and objectively answer all questions. The questions are designed to enable quick and easy responses. The questions can be answered simply by clicking the appropriate circle. The questionnaire focuses on the effect of human resource management on innovation performance network competence as moderating factor. The questionnaire has 4 sections. Please respond to all the questions objectively.

Please note that your responses are anonymous.

Thank you in advance for your time to respond to the below questions

**Survey Questionnaire:**

**Part I: Demographic and General Questions**

1. Gender  Male  Female
2. Age  < 25  25-35  36-45  above 45  50+
3. Level of Education?  
 First Degree  Masters  Other (Please specify)
4. Work experience at Nib international bank  
 1-5 years  6-10 years  11-15 years  above 16 years

**Part II:**The following are 5-point Likert scale questions with a scale of: 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, and 5 = Strongly Agree. All of the questions can be answered by clicking only on one best response for you. There is no right or wrong answer.

**A. HUMAN RESOURCE MANAGEMENT PRACTICES RELATED QUESTIONS**

- i. Indicate your level of agreement on **recruitment and selection at Nib International Bank**. Please mark (√) your response to each statement according to the following five-point scale in terms of your own agreement and disagreement of the statement. (1) Strongly disagree, (2) Disagree, (3) Neutral (4) Agree, and (5) Strongly agree

No	Items related to recruitment and selection	1	2	3	4	5
1	The recruitment and selection processes in this organization are impartial					
2	Interview panels are used during the recruitment and selection process in this organization					
3	Favoritism is not evident in any of the recruitment decisions made here					
4	This organization does not need to pay more attention to the way it recruits people					

- ii. Indicate your level of agreement on **training and development at Nib International Bank.** Please mark (√) your response to each statement according to the following five-point scale in terms of your own agreement and disagreement of the statement. (1) Strongly disagree, (2) Disagree, (3) Neutral (4) Agree, and (5) Strongly agree

no	Items related to training and development	1	2	3	4	5
1	This organization has provided me with training opportunities enabling me to extend my range of skills and abilities					
2	This organization is committed to the training and development of its employees					
3	I get the opportunity to discuss my training and development requirements with my employer					
4	This organization offers good opportunities for promotion, support for employees' ongoing education, training, and career advancement.					

- iii. Indicate your level of agreement on **reward and recognition at Nib International Bank.** Please mark (√) your response to each statement according to the following five-point scale in terms of your own agreement and disagreement of the statement. (1) Strongly disagree, (2) Disagree, (3) Neutral (4) Agree, and (5) Strongly agree

No	Items related to reward and recognition	1	2	3	4	5
1	Employees are given positive recognition when they produce high quality work					
2	My employer encourages me to extend my abilities and pays me well					
3	This organization offers a good benefits package compared to other organizations					

4	This organization values individual excellence over teamwork					
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- iv. Indicate your level of agreement on ***compensation at Nib International Bank***. Please mark (√) your response to each statement according to the following five-point scale in terms of your own agreement and disagreement of the statement. (1) Strongly disagree, (2) Disagree, (3) Neutral (4) Agree, and (5) Strongly agree

No	Items related to compensation	1	2	3	4	5
1	The fixed amount of money paid to an employee for their work on a regular basis (hourly, monthly, annually) is not satisfactory					
2	There are additional payments made to employees, often as a reward for exceptional performance or meeting specific targets.					
3	There are flexible work schedules, telecommuting options, and other initiatives to support employees in achieving a balance between work and personal life needs improvement.					
4	There is a culture of creating a positive and comfortable work environment can be considered a form of non-monetary compensation.					

- v. Indicate your level of agreement on ***Performance appraisal at Nib International Bank***. Please mark (√) your response to each statement according to the following five-point scale in terms of your own agreement and disagreement of the statement. (1) Strongly disagree, (2) Disagree, (3) Neutral (4) Agree, and (5) Strongly agree

No	Items related to Performance appraisal					
1	My current performance appraisal system is useful					
2	My current performance appraisal system is fair					
3	I am satisfied with my current performance appraisal system					
4	The performance feedback I receive helps me to improving my job performance and to attain my goals.					

**B. INNOVATION PERFORMANCE RELATED QUESTIONS**

- vi. Indicate your level of agreement on *innovation performance at Nib International Bank*. Please mark (√) your response to each statement according to the following five-point scale in terms of your own agreement and disagreement of the statement. (1) Strongly disagree, (2) Disagree, (3) Neutral (4) Agree, and (5) Strongly agree

No	Items related to innovation performance	1	2	3	4	5
1	The level of newness (novelty) of new products in the bank are satisfactory					
2	The use of latest technological innovations in new product development is going as intended and the speed of new product development is good					
3	There is sufficient number of new products introduced to the market by the bank and its rate of early market entrance is competent					
4	The technological competitiveness is very good					
5	The updatedness or novelty of technology used in processes are satisfying					
6	The speed of adoption of the latest technological innovations in processes is appreciated					
7	The overall rate of change in processes, techniques and technology is very pleasant					

**C. NETWORK COMPETENCERELATED QUESTIONS**

- vii. Indicate your level of agreement on network competence at Nib International Bank. Please mark (√) your response to each statement according to the following five-point scale in terms of your own agreement and disagreement of the statement. (1) Strongly disagree, (2) Disagree, (3) Neutral (4) Agree, and (5) Strongly agree (see next page)

No	Items related to network competence	1	2	3	4	5
1	The way the bank evaluate its relationship with each technical partner depends on our relations with other technical partners.					
2	The bank organizes regular meetings among the technical partners					
3	The bank assigns responsibility to people for each relationship with the technical partners.					
4	The bank uses organizations like chambers of commerce, consultants, industry associations, government organizations, apart from our existing technical partners, to identify potential technical partners					
5	The bank gives emphasis to company advertisements to visit industrial fairs and exhibitions to identify potential technical partners.					
6	There is proper link between people from our technical partners and key people in our firm and they have good relations with important people in our firm.					
7	Potential technical partners have good knowledge about the way our firm works and the way our technical partner firms work.					
8	The technical department of the bank is experienced in dealing with technical partners.					

9	The technical department of the bank has goodcommunicationskill, confidence in their need, sense potential conflict of interest easily.					
10	The technical department mix well with other people they can work out constructive solutions when there is conflict.					