

**THE EFFECT OF HUMAN RESOURCE MANAGEMENT
PRACTICES ON PERCEIVED ORGANIZATIONAL
PERFORMANCE:
THE CASE OF ETHIOPIAN AIRLINES**



**A Thesis Submitted to the School of Graduate Studies of
Addis Ababa University in Partial Fulfillment for the Award
of Master of Arts in Human Resource Management**

By: Serkalem Tedla

**October 2018
Addis Ababa**

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Advisor: Bantie Workie

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DECLARATION

I, Serkalem Tedla, declare that the thesis entitled “The Effect of Human Resource Management Practices on Perceived Organizational Performance: The Case of Ethiopian Airlines” is my original work. I have carried out the study independently with the guidance and support of the research advisor, Ato Bantie Workie. Any sources used for the study have been duly acknowledged. Moreover, this study has not been submitted for the award of any Degree or Diploma Program in this or any other Institution.

Serkalem Tedla

Signature: _____

Date: _____

CERTIFICATE

This is to certify that this study, “**The Effect of Human Resource Management Practices on Perceived Organizational Performance: The case of Ethiopian Airlines**”, undertaken by Serkalem Tedla in partial fulfillment of the requirements for the Degree of Master in Human Resource Management at Addis Ababa University under my guidance.

Research Advisor: Ato Bantie Workie

Signature: _____

Date: _____

THE EFFECT OF HUMAN RESOURCE MANAGEMENT PRACTICES ON PERCEIVED ORGANIZATIONAL PERFORMANCE:

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By: Serkalem Tedla

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List of Acronyms

ANOVA:	Analysis of Variance
ET:	Ethiopian Airlines
HR:	Human Resource
HRM:	Human Resource Management

ABSTRACT

This research has been done to examine The Effects of Human Resource Management practices on Perceived Organizational Performance in Ethiopian Airlines. Based on prior researches a structured questionnaire was developed. A total of 324 employees participated in the study and the data were analyzed using descriptive and inferential statistics. The research findings revealed that recruitment and selection, training and development, compensation and reward, performance appraisal and career management were all positively and significantly correlated with organizational performance with the range of $r=.540$ to $r=.740$. The multiple regression result indicated that recruitment and selection, training and development, compensation and reward and career management, have significant and positive effect on organizational performance. However, performance appraisal practice was the factor with insignificant effect on organizational performance as it was explained by significance level $p>0.05$. Career management was the most contributing factor in predicting organizational performance followed by recruitment and selection, training and development, compensation and reward in their respective order. Generally, based on the findings of this study, it can be concluded that Ethiopian Airlines should focus on the practices of recruitment and selection, training and development, compensation and reward and career management which can improve organizational performance and also should give due attention to motivate its staffs by developing fair and objective performance appraisal system and adjusting compensation and reward system.

Keywords: *Human Resource Management Practices, Recruitment and Selection, Training and Development, Compensation and Reward, Performance Appraisal, Career Management, organizational performance*

CHAPTER ONE

INTRODUCTION

1.1. Background of the study

Human resource management (HRM) is the policies, practices, and systems that influence employees' behavior, attitudes, and performance. Many companies refer to HRM as involving “people practices” (Saiyadain, Sodhi and Joshi, 2009). There are several important HRM practices that should support the organization's business strategy: analyzing work and designing jobs, human resource planning, recruiting, selection, training and development, performance management, compensation, and employee relations. An organization performs best when all of these practices are managed well (Noe, Hollenbeck, Gerhart and Wright, 2011).

Human resources are considered the most valued assets to the organization where people or employees operate in an integrated system (Denton, 2006). It is important for organizations to adopt human resource management (HRM) system as it is able to help organization to achieve competitive advantage. According to resource-based view competitive advantage of an organization lies primarily in the application of the bundle of valuable resources at the organization's disposal (Barney, Wright and Ketchen, 2001).

Traditionally, sources such as natural resources, technology & economies of scale could create competitive advantage for organizations but these traditional sources have lost competitive advantage as they could be imitated by the competitors easily (Stiles & Kulvisaechna, 2004). As a result, HR has replaced them as a main source of competitive advantage. High quality HR enables organizations to compete on the basis of market responsiveness, quality of product and services, differentiated product, and technological innovations (Becker, Huselid & Ulrich 2001).

Different researchers showed the link between HR Practices and various types of performance and the link is significantly positive (Armstrong, 2009). HRM practices have positive effects on

the employees' job performance and the results unraveled that some not all the HRM practices correlate significantly with employee job performance even though all are related. (Tablu 2013).

To compete and achieve organizational goals, the organization is required to make and effective and efficient workforce. Therefore, this study has aimed to examine the effect of HRM practices on perceived organizational performance in Ethiopian Airlines. Due to time constraint and difficulty of addressing all HRM practices as bundle, the study focused only on five selected HRM practices, such as, recruitment & selection, training and development, compensation and reward management, performance appraisal, and career management.

This research has attempted to provide information about the active practices of HRM in Ethiopian Airlines and their relation to the organizational performance. The results of this research will be helpful for the organization to improve HRM practices to enhance organizational performance.

Background of the Organization

According to the Fact Sheet of Ethiopian Airlines, the company was established on December 21, 1945 and started operation on April 08, 1946. Currently, the airline has three hubs that are located at Addis Ababa, Lome and Malawi. It operates more than 100 International and 20 Domestic destinations. Its vision is to be the most competitive and leading aviation group in Africa by providing safe, market driven and customer focused services by 2025.

As of March 31, 2018, the company has 12,952 permanent employees. The Human Capital Management Strategy is formulated in line with the vision 2025 corporate and business strategy with appropriate checks for vertical and horizontal strategic fit. It has aimed to transform human capital in to social capital and ultimately in to organizational capital. The corporate HR vision is "Ethiopian Aviation Group will be the best employer of choice in Africa by 2025.

1.2. Statement of the Problem

Human resource management is critical to the success of the organizations because human capital has certain qualities that make it valuable. In terms of business strategy, an organization can succeed if it has a sustainable competitive advantage which means better than competitors at something and can hold that advantage over a sustained period of time (Noe *et al*, 2007)

Human Resource Management is extremely important for Airline industry as it is a service industry. A message frequently found in corporate mission statements and annual reports is that people are the firm's most valuable resource. Having the right personnel at the right place and at the right time is of utmost importance to the survival and success of any organization. The recognition of Human Resource Management as a key source of competitive advantage provides professionals working in the human resources functional areas with elevated organizational status. The acknowledgement of human resource management, however, presents professionals working in the area with a number of role changes and new challenges (Jimoh A, & Danlami S., 2011)

The airline industry is perhaps one of the most volatile industries in the world. It is an industry whose way of doing business is constantly changing due largely in part to outside forces. The commercial airline is an extremely competitive, safety sensitive, high technology service industry. People, employees and customers, not products and machines, must be the arena of an organization's core competence.

HR strategy for Ethiopian Airlines describes a people management vision, strategy and objectives which will support Ethiopian Aviation Group's vision 2025 and the capabilities and capacity to create and sustain unique competitive advantage through the combination and integration of people, strategy, systems, cultures and processes. In line with this HR strategy, the Airline has huge talented workforces that are crucial to its success. However, the researcher has observed that the airline gives a deaf ear to the alarming turnover of skilled and experienced employees who are fleeing abroad and to other organizations in the country. HR being one of the four major pillars of the airline's growth, the researcher doubts that the airline attains its goals while letting these skilled minds go.

No empirical research has been conducted to examine the effect of HRM practices on perceived organizational performance in Ethiopian Airlines. In order to effectively investigate whether human resource practices are capable of contributing to deploy human resources for competitive advantage, it is essential to examine the effect of HRM practices on perceived organizational performance. Therefore, this study has focused on selected HRM practices and assessing their relation to organizational performance.

1.3. Research Questions

This paper has attempted to provide answers to the following research questions:

1. How are selected HRM practices in Ethiopian Airlines?
2. What is the perception of employees towards HRM practices and organizational performance?
3. What is the effect of HRM practices on organizational performance?

1.4. Research Objectives

The main objective of the study is to examine the perceptions of employees towards human resource management practices and organizational performance in Ethiopian Airlines. The specific objectives of the research are:

- To Examine selected HRM practices in Ethiopian Airlines
- To Evaluate employees perception on HRM practices and organizational performance
- To find out the effect of HRM practices on organizational performance

1.5. Significance of the Study

Effective human resource practice is a fundamental factor in the ongoing notions of any organization. The implementation and effectiveness of human resource practices will have an effect on organizational performance. HRM practice can affect employee turnover rate, level of job satisfaction and their commitment to their organization. (Saeed, Ladhi, Lqbal, Saardhu, Maeod, Munir & Yassin, 2013). Human resource is critical for service organization like Ethiopian Airlines.

The results of the study would give an insight and understanding of the existing relationship between HRM practices and organization performance in Ethiopian Airlines. The study will help the organization to identify areas of potential problems related with the organization's human resource practices and adjust HR practices, policies and procedures on Human Capital strategies. The finding would also be significant for HR managers, managers and the concerned management bodies of Ethiopian Airlines in order to maintain, improve or totally change the existing approach of HRM practices. Furthermore, this study can serve as a benchmark for other researchers, policy makers and to employees themselves in highlighting their feeling and improving their working environment.

1.6. Scope of the Study

The research is conducted at Addis Ababa Head Office only because the majority of the workforce (94%) is found at Addis Ababa (Ethiopian Airlines, 2018). A representative sample was drawn from this target population.

The conceptual scope of the study encompassed five selected HRM practices which are recruitment and selection, training and development, compensation and reward, performance appraisal, and career management.

Furthermore, the study focused on those employees who were professional with educational background of degree and above as participants of this research. This was mainly due to practices of HRM could be easily understood by professional employees so that it might have its own contribution in maintaining the quality of the information and hence the result of the study.

The study used quantitative methods to analyze the collected data due to the nature of the data. The study assessed the selected HRM practices on perceived organizational performance and employed both descriptive and inferential statistics to see the relationship between HRM practices and organizational performance.

1.7. Limitation of the Study

The study addressed the current HRM practices and organizational performance. No longitudinal study conducted. Although several HRM practices applied in the organization, this study encompasses only five selected HRM practices on researcher preference reviewing previous literatures. Due to geographic and time delimitations, the research was conducted on Head Quarter. It didn't include city sales, domestic and outstation offices.

1.8. Organization of the Study

The paper is organized into five chapters. The first chapter is the introductory chapter and it comprises background of the study, statement of the problem, research questions, objectives of the study, significance of the study, and scope of the study. The second chapter presents review of related literature which contains the relevant literature compiled as related to the study. The third chapter describes the methodology of the study, which covers description of the study area, research approach and design, the population and sampling techniques applied, types of data used and the tools/ instruments adopted to collect the data, the procedure of data collection and methods of data analysis. The fourth chapter discusses the research results or findings. And the final chapter is about the conclusion of the research and recommendations.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

This chapter gives an overview of literatures related to the study. In line with the objectives of the study, this chapter casts more light on, the concepts of HRM, contentions surrounding theories, perspectives, various bundles' of HR practices, and previous study findings. It ends with the conceptual framework of the study.

2.1 Theoretical Literature

Many researches have been conducted to show the importance of Human resource management practices for organization performance. Here below are definition of terms, theories and perspectives on this respect.

2.1.1 Definition of Terms related to HRM, HRM practices and organization performance

The following key terms related to HRM, HRM practices and organization performance are defined as follows:

Human resource management (HRM) is concerned with all aspects of how people are employed and managed in organizations. It covers the activities of strategic (Armstrong, 2014). It is defined as a strategic and coherent approach to the management of an organization's most valued assets – the people working there, who individually and collectively contribute to the achievement of its objectives (Essays, 2013). HRM as described by Boxall, Purcell & Wright (2007), it is 'the management of work and people towards desired ends'.

Human Resource Management can be described as a strategic, integrated and coherent approach to the employment, development and well-being of the people working in organizations. It has a strong conceptual basis drawn from the behavioral sciences and from

strategic management, human capital and industrial relations theories. This foundation has been built with the help of a multitude of research projects (Armstrong, 2010).

HRM practices are basically organization's actions which are responsible for administering human assets and make sure that assets are working to fulfilling organization's objective (Daud 2006). It comprises set of specific practices, philosophies and formal policies, designed by organizations to attract, motivate, develop, and retain human resource (employees) for effective functioning of the organization.(Abubakar, Bangil and Othman 2016). Researchers have proposed countless varied lists of HR practices. Boselie et al. (2005) identified twenty-six general categories of practices used by researchers. Some practices form the core of the various practices proposed. These include recruitment and selection, training and development, performance management and reward scheme, however, others such as job design and employee involvement are more sporadic and are yet to gain grounds in the HRM literature (Tablu 2013). HR practices are adjusted, accepted, and used by line managers and employees as part of their everyday work.

Performance is the output of an individual or a team in an organization. Performance can be defined as the capability in an organization to achieve and effectively manage their accessible resources through various methods in order to result in a competitive advantage (Sherafatia & Mohammadi 2014). Organization performance refers to profitability, growth and employee turnover (Daud 2006).

Dyer and Reeves (cited in Quansah 2013) captured the performance outcomes of HRM in to three ways. The first is financial outcomes which are profits and sales markets. The second is organizational outcomes which include productivity, quality and efficiency and the third is HR related outcomes which are attitudinal and behavioural effects on employees - satisfaction, commitment, employee turnover, absence.

The concept of performance covers both what has been achieved and how it has been achieved. Firm performance can be measured on key performance indicators, which are usually to do with financial results (profitability) or productivity and on qualitative assessments of organizational capability or effectiveness. Organizational capability is defined as the capacity of a firm to function effectively in order to compete and deliver results. Organizational effectiveness is

defined as the capacity of an organization to achieve its goals by making effective use of the resources available to it (Armstrong 2009).

2.1.2 Best Practice Human Resources Management Theory

The assumption of best practice approach is that there is a set of best HRM practices that are universal in the sense that they are best in any situation, and that adopting them will lead to superior organizational performance. The underlying guiding principle of best practice is the valuing and rewarding of employee performance. (Johnson cited in Christine 2013). Researchers have developed and listed a number of best practices. Huselid (1995) listed 13 “High performance work characteristics”. Pfeffer (1998a) outlined seven best practices of successful organizations. Delery and Doty (1996) identified seven strategic HR practices that are related to overall organizational performance.

2.1.3 HRM Practices and Organization Performance Theory

The main goal of all firms is to consistently maximize and improve their bottom line. The impact that HRM policies and practices have on the overall firm performance is very important in terms of human resources management. (Huselid 1995).

Human resources are crucial in the creation of firm specific competitive advantage. Organizations will employ HRM practices to motivate staff and encourage participation and contribution. This theory outlines that HRM practices can affect individual employee’s performance through their influence over employees’ skills and motivation and through organizational structures that allow employees to improve how their jobs are performed. (Huselid 1995).

2.1.4 The Resource Based View (RBV)

The main idea of this theory is that resources including employees systems and business partners are combined into ways of working which are rare, inimitable, valuable and non-substitutable so that they become resources of competitive advantage, (Shaun cited in Christine 2013). This approach focuses on internal resources that are viewed as the principal factor for a sustainable competitive advantage. In effect, the value brought by human resource is the core of this approach where flexibility is optimized in order to reduce costs and increases efficiency (Armstrong, 2010).

2.1.5 The Universalistic Perspective

They emphasis that there is relationship exist between the adoption of particular HRM practices and increased organizational performance. Some HR practices are better than others and all organizations should adopt these best practices. There is a universal relationship between individual ‘best’ practices and firm performance. Further, there is the assumption that HRM practices have an effect on employee motivation as well as increased efficiency (Ichniowski cited in Christine 2013).

Scholars and researchers of universalistic perspective starts with the premise that the existence of relationship between the adoption of particular HRM practices and increased organizational performance (Delery and Doty 1996). They proposes ‘best practices’ that when adopted and implemented would contribute to contribute positively to financial performance regardless of the strategic goals of the organization (Huselid 1995).

2.1.6 The Contingency Perspective

According to these perspective organizations in order to be effective their HR policies must be consistent with other aspects of the organization. The advocator believes that the primary contingency factor is the organization’s strategy. They emphasizes that HR strategies should be congruent with the context and circumstances of the organization. ‘Best fit’ can be perceived in

terms of vertical integration or alignment between the organization's business and HR strategies (Armstrong, 2006).

As Delery et.al (1996) states contingency theorists' thought that an organization's HR policies must be consistent with other aspects of the organization. They attempted to show how a number of HR practices are consistent with different strategic positions and how these practices relate to firm performance.

2.1.7 The Configurational Perspective

This is a holistic approach that emphasizes the importance of the pattern of HR practices and is concerned with how this pattern of independent variables is related to the dependent variable of organizational performance. In its general sense, configuration has been defined by Huczynski and Buchanan 2007 (cited in Christine 2013) as: 'The structures, processes, relationships and boundaries through which an organization operates. They are guided by the holistic principle of inquiry, are usually based on typologies of ideal types, and explicitly adopt the systems assumption of "equifinalit"' (Delery et al 1996).

2.2 Human Resource Practices Selected for the Study

Hassen (2016) in his literature review presented HRM practices as a process of attracting, motivating, and retaining employees to ensure the survival of the organization. The practices selected for this study are based on its importance in relation to the industry. The practices to be used for this study are listed and defined as follows:

2.2.1 Recruitment and Selection

Ensuring that the right people in the right place at the right time is a critical factor in gaining and maintaining competitive advantage. Recruitment and selection have always been crucial processes for organizations. They are integrated activities. (Bratton and Gold 2017) refers to recruitment as "the process of generating a pool of capable people to apply to an organization for employment. Selection is the process by which managers and other use specific

instruments to choose from a pool of applicants the person or persons most likely to succeed in the job(s), given management goals and legal requirements. Recruitment and selection represent the entry point activities. Hence, emphasis may be placed on admitting only those applicants who are likely to behave, acquire skills and show attitudinal commitment in line with the requirements of the organization's strategy.

The objective of effective recruitment and selection policy of a business organization is to figure out who these right people are, by matching individual characteristics with the requirements of the job. When management fails to get a proper match, both employee performance and satisfaction suffer (Robbins, Judge, Odendael & Roodt, 2009).

Because of globalization, increase technological usage and stiff competition, business organizations across the globe have resorted to hiring the best and smart talents that will help them achieve organizational objectives. Wrong hires can lead to friction among employees and can even result in the exit of the most experienced and skillful staff of a company because they may not want to be associated with poor performance and failure of others (Armstrong, 2006).

In fact, the basic purpose of recruitment is to create a pool of suitably qualified candidates to enable the selection of the best candidates for the organization, by attracting more and more employees to apply in the organization whereas the basic purpose of selection process is to choose the right candidate to fill the various positions in the organization. Available evidence indicates that there is a positive and significant relationship between recruitment and selection and the performance of an enterprise (Gamage, 2014).

2.2.2 Training and Development

Training and development constitute an ongoing process in any organization. "Training is the formal and systematic modification of behavior through learning which occurs as a result of education, development and planned experience" (Armstrong, 2009).

Training helps employees to identify organization goals and mission. It helps not only managing change but also developing positive culture in the organization, which in turn may lead to providing higher level of service to stakeholders (Armstrong, 2009). The importance of training has become more obvious given the growing complexity of the work environment, the rapid change in organizations and technological advancement which further necessitates the need for training and development of employees to meet the challenges. Training helps to ensure that organizational members possess the knowledge and skills they need to perform their jobs effectively, take on new responsibilities, and adapt to changing conditions (Jones, George and Hill, 2000).

2.2.3 Compensation and Reward Management

Compensation is a process of providing monetary value to employees for the work they performed. Compensation can be used to hire skilled employees, reward the performance, encourage company loyalty by reduce turnover. Compensation strategies play an important role in recruiting and retaining skilled employees (Hassan, 2016).

Compensation is the remuneration received by an employee in return for his/her contribution to the organization. It is an organized practice that involves balancing the work-employee relation by providing monetary and non-monetary benefits to employees. Compensation is an integral part of human resource management which helps in motivating the employees and improving organizational effectiveness (Patnaik & Padhi, 2012)

Reward management is concerned with the formulation and implementation of strategies and policies in order to reward people fairly, equitably and consistently in accordance with their value to the organization (Armstrong, 2009).

2.2.4 Performance Management

Performance management is defined as a strategic and integrated approach to delivering sustained success to organizations by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors (Armstrong, 2006). Performance management is a systematic process for improving organizational performance by developing the performance of individuals and teams. It is a continuous and much wider, more comprehensive and more natural process of management that clarifies mutual expectations, emphasizes the support role of managers who are expected to act as coaches rather than judges and focuses on the future (Armstrong 2009).

2.2.5 Career Management

Career management is defined as the process by which individuals collect information about values, interests, skill strengths and weaknesses, identify a career goal, and engage in career strategies that increase the probability that career goals to be achieved (Pieters, 1996).

Career management is concerned with the provision of opportunities for people to develop their abilities and their careers in order to ensure that the organization has the flow of talent it needs and to satisfy their own aspirations. It is about integrating the needs of the organization with the needs of the individual (Armstrong, 2009).

Organizational career management practices include; performance appraisal as a basis of career planning, career centers, career counseling by the human resource department, formal mentoring, career workshops, retirement preparation programs, succession planning, formal education as a part of career development and lateral moves to create cross functional experience (Agarwala, 2007).

2.3 Empirical Literature Findings on Human Resource Practices and Organization Performance

There is an extensive amount of research suggesting that there is a link between HR practices and various types of performance, and further that this link is significantly positive (Armstrong, 2009). This is to show some of the large body of evidence pointing in the direction of a positive influence HRM to job performance.

Huselid (1995) evaluated the links between systems of high performance work practices and firm performance. The result of the study revealed that these practices have an economically and statistically impact on both intermediate employees outcome and financial performance.

The findings of Dolan, Mach, Mercè, and Sierra Olivera (2005) showed that HRM policies and practices play a major role. The variables connected with HRM policies and practices significantly add to the profile that explains good or poor economic performance of the firm. Furthermore, the results show that when some HR policies and practices are absent or poorly implemented, detrimental consequences for firms' economic performance result.

Azlan Mohamad, Lo, and King La, (2009) conducted a study on eighty-five firms in Sarawak, Malaysia and their study proves strong positive correlation values for HRM determinants such as information technology, training, and incentives with organizational performance exist.

Saeed et.al (2013) found a significant relationship among all the variables, i.e. staffing practices, incentive practices, training practices and organization's performance. In their study the influence of HR practices was seen on organization's performance in the banking sector of Pakistan.

The empirical study finding of Hamid, Maheen, Cheem, and Yaseen (2017) indicated that the establishment of higher levels of compensation management practices, employees development and organizational citizenship behavior that will lead to a higher level of organizational performance.

Trehan and Setia, (2014) conducted a research on 24 Indian private organizations on the plausible links between HR practices and performance. Their finding indicated that HR practices influence firm performance outcomes through effectiveness of the HR system and employee commitment and performance. They stress HR practices share a two-way relation with organizational culture, strategic objectives and market orientation of the organization which are ultimately linked to OP outcomes.

In general, many researches have been conducted to show the link between good HRM practice and firm performance. Armstrong (2009) has shown on table the list of researchers who conduct research on the link between HRM and firm performance.

2.4 Conceptual Framework

A conceptual frame work in research outlines the possible courses of action or the preferred approach to an idea. It highlights the independent variable and also shows the dependent variable which is also the outcome.

Guest (cited in Armstrong 2008) modeled the relationship between HRM and performance. According to Armstrong (2009: 143) HRM does not make a direct impact on financial performance. There are two intermediate factors between HRM and financial performance - employee characteristics affected by HRM and the impact of those characteristics on nonfinancial performance.

The conceptual frame work of this study is drawn reviewing previous studies.

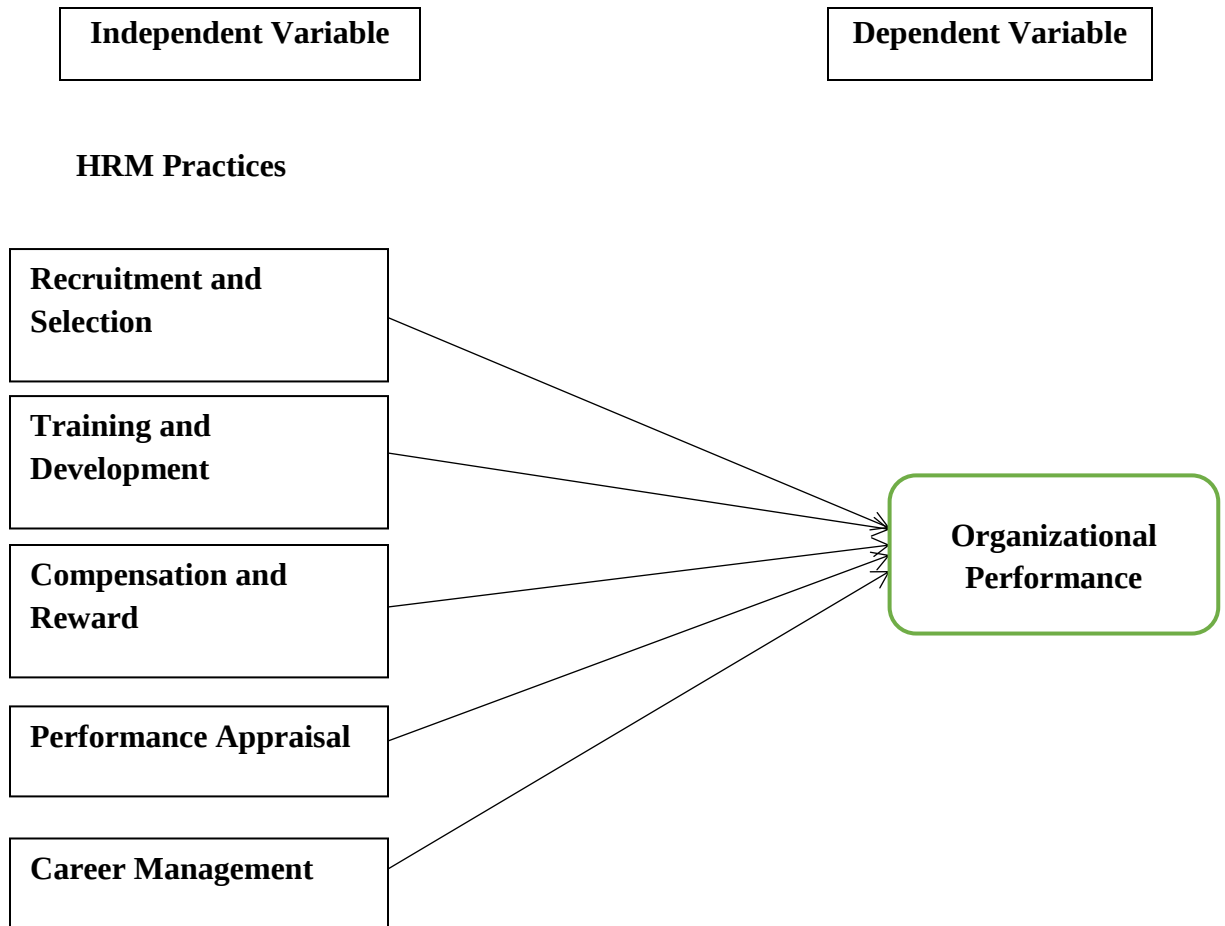


Figure 2.1 Conceptual Framework

2.5 Research Hypothesis

Based on the literature review and the hypothesized connections presented in the conceptual framework the following hypotheses were tested:

Hypothesis 1: There is positive relationship between recruitment and selection and organizational performance

Hypothesis 2: There is positive relationship between training and development and organizational performance

Hypothesis 3: There is positive relationship between compensation and reward and organizational performance

Hypothesis 4: There is positive relationship between performance appraisal and organizational performance

Hypothesis 5: There is positive relationship between career management and organizational performance

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter outlines an overview of the methodology on which this study is based. The research design, population, sample, data collection, variable measure is described in detail.

3.1 Description of the Study Area

This research focuses examining HRM practices and perceived organizational performance in Ethiopian Airlines. Accordingly the dependent variable is performance and the independent variables are five HRM practices i.e recruitment and selection, training and development, compensation and reward, performance appraisal and career management.

3.2 Research Approach

Research methodology is defined as a systematic approach or a procedure of studying a research phenomenon. There are two main approaches to research, the quantitative approach and the qualitative approach (Kothari, 2011). This study employed quantitative research approach in line with its objectives as it involved the analysis of data and information gathered using questionnaire.

3.3 Research Design

The research design encompassed the methods for the collection, measurement and analysis of data related to the research objectives. The research design chosen for this study was survey method. The survey research method is most appropriate because data is collected using a structured questionnaire which was analyzed using descriptive statistical tools. Descriptive research method is used to describe, explain and validate research findings. The relationship between HRM practices and organizational performance was analyzed using correlation coefficients and regression analysis.

3.4 Population and Sample

3.4.1 Population

As per the report from Human Resource Management Department of Ethiopian Airlines, there were a total of 12,957 employees working for the organization as of March 31, 2018 as shown in the table below:

Table 3-1 Total Number of Permanent Employees as of March 31, 2018

Employee type	Number Employee			Percentage
	Male	Female	Total	
Cockpit Crew	682	15	697	5.38%
Cabin Crew	10	1930	1940	14.98%
Aircraft Technician	1698	126	1824	14.08%
Customer Services Agent	645	450	1095	8.45%
Team Leader and Above	940	415	1355	10.46%
Others	4377	1664	6041	46.64%
Total	8,352	4,600	12,952	100%

Source: HRM Report March 2018

As of March 31, 2018, 94% of the work force was located in Addis Ababa, the remaining 1% and 5% employees located in Ethiopian domestic stations and international offices respectively. Out of the total employee of Ethiopian Airlines, the study focused on professional employees who have degree and above educational level and is located in Head Office, Addis Ababa. Cockpit crew, cabin crew, Addis sales office, domestic and outstation employees were not included in the survey because it was difficult to reach them.

3.4.2 Target Population

Out of the total employees located in Head Quarter (12,170), 4,000 employees were chosen using the researcher's personal observation on HR data as per the criteria that fulfill one year and above service year and their educational level is degree and above. The remaining 8,170 employees encompassed employees whose educational level were diploma and below (4,632), Employees who served Ethiopian Airlines for less than 1 year (901), and Pilot and Cabin Crew (2,637).

3.4.3 Sample Frame

To determine the target population, the researcher identified and sorted employees who work in headquarter and whose service year was one and above and their educational level was degree and above. Accordingly, 4000 employees were identified. Stratified sampling was used to distribute the number of employees per the size the divisions. The researcher prepared the below tables to show divisional distribution of the number of employees.

Table 3-2: Population Size Distribution

Division	Number of Employees	Percentage
Internal Audit & Compliance	19	0.48%
Corporate Finance	300	7.50%
Information Technology	180	4.50%
ET Aviation Academy	173	4.33%
Corporate HRM	552	13.80%
Maintenance, Repair & Overhaul (MRO)	1788	44.70%
ET Cargo Services	333	8.33%
Strategic Planning & Alliances	47	1.18%
Commercial	608	15.20%
Total	4000	100.00%

Source: Researcher prepared per HRM report

3.4.4 Determination of Sample Size

Considering the fact that it would be difficult to study the entire population due to time, cost and accessibility, a subset of the population i.e. sample size has been chosen so as to represent the whole population. Sample is viewed not as a whole in itself but as an approximation of the whole. As a result, representative sample was drawn using “Sample Size Calculator for Prevalence Studies” which was developed by Naing,Winn & Nordin (2006). Accordingly, confidence interval of 95% was used to determine the level of certainty whether the response for each question is the true answer or not. 5% margin of error which is the amount of error from

difference in the responses the researcher can tolerate when drawing a conclusion from the data.

$$n = \frac{N Z^2 P(1-P)}{d^2(N-1) + Z^2 P(1-P)} = 351$$

Where: n=Sample size with finite population correlation

N=Population Size (4,000 Employees)

Z=The statistic for a level of confidence (95%)

P= Expected proportion / probability of response distribution (0.5)

d=Precession / margin of error (5% or 0.05)

As per the above formula accepted representative sample size of the target population was 351. Stratified sampling was used to distribute the survey questionnaires to get employees perception towards Ethiopian Airlines HRM practices and organizational performance. This technique was applied to obtain a representative sample. In this technique, the population was stratified into a number of non-overlapping subpopulations or strata and sample items were selected from each stratum.

Table 3-3: Sample Size Distribution

Division	Percentage from targeted population	Sample size Distribution
Corporate Finance	8%	26
Information Technology	5%	16
ET Aviation Academy	4%	15
Corporate HRM	14%	48
Maintenance, Repair & Overhaul (MRO)	45%	157
ET Cargo and Logistic Services	8%	29
Commercial	14%	49
Other Corporate Divisions	2%	7
Total	100%	351

The representative sample was proportionate to the population size in each division. A random sample has been taken from each stratum.

3.5 Data Sources and Types

Primary and secondary sources have been used in data gathering and analysis.

3.5.1 Primary Source

Primary data are firsthand or raw data, original records and materials created by participants or witnesses of the event(s) under study. In collecting primary data for the study, structured questionnaire was used.

3.5.2 Secondary Source

Secondary data was gathered from books, articles, journals, company website & portal page, publications, and internal brochures were used.

3.6 Data Collection Instrument

The primary instrument for data collection in this research was structured questionnaire which has two parts. Prior studies questionnaire on the area was taken and modified for this study. The first part of the questionnaire was to gather information about the respondent's profile. The second part was designed to collect information about the main parts of the questionnaire. This was mainly to examine employees' perceptions and experiences about HRM practices (recruitment and selection, training and development, compensation and reward, performance appraisal, career management) and organizational performance. The instrument had five Likert scales (1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree). So, using this scale, respondents expressed their level of agreement for each item among the scales.

3.7 Data Collection Process

Before distributing the questionnaire to the entire employees per the sample size, the instrument was pretested distributing to thirty employees from the sample. Results of the pilot study reflected the fact that the questionnaire was clear and appropriate for gathering the data which the researcher required. Then, the questionnaires were distributed for the sample respondents and collected in person

3.8 Data Analysis Tools

The data analysis was made using both descriptive and statistical regression. Tables were used to show summary of descriptive statistics such as frequencies, percentages, means and standard deviations. Correlation analysis – Pearson correlation was used to measure the strength of association between variables. Moreover, multiple regression was used to examine the significance contribution of each independent variable to the dependent variable; organizational performance. Major findings were interpreted based on the result.

3.9 Validity and Reliability of Instrument

Uyimadu (2005) defines validity as the extent to which a measuring instrument on application performs the function for which it is designed. To ensure the quality of the research design, the content validity was checked and verified by the advisor of this research, who looked into the appropriateness of questions and the scales of measurement. To test the construct validity, correlation coefficient for the independent and dependent variables was calculated in order to ensure that independent variables have positive relation with the dependent variables.

Reliability is the tendency toward consistency found in repeated measurements (Carmines and Zeller, 1979). The reliability of the instrument was ascertained using the internal consistency method. To check the internal reliability of the scale, Cronbach's Alpha Coefficient was calculated. Cronbach's alpha coefficients of 0.7 or higher are considered acceptable and this was

the case for all of the questionnaires used (Pallant, 2005). Thus, reliability of the measures ensures that they are free from error and yield consistent results. In this study, the coefficient for all independent and dependent variables were acceptable or $>.7$.

The below table indicates that the Cronbach's alpha coefficient of each parameters were above the minimum acceptable value ranged from 0.85 to 0.93. This could indicate the attributes included in each parameter were internally consistent and reliable.

Table 3-4 Reliability Analysis of Variances

Variables	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
Recruitment and Selection	0.854	0.855	6
Training and Development	0.857	0.853	6
Compensation and Reward	0.903	0.904	6
Performance Appraisal	0.930	0.930	7
Career Management	0.892	0.891	9
Organizational Performance	0.840	0.842	8

Source: Survey (2018)

3.10 Ethical Considerations

All reference materials were acknowledged with proper citation and confidentiality of data was maintained throughout the process.

CHAPTER FOUR

RESULTS AND DISCUSSION

This chapter presents information on primary data collected from respondents on HRM Practices and perceived Organizational Performance in Ethiopian Airlines. The data were processed and presented in tables using SPSS software. Descriptive statistics were employed to analyze data obtained from the survey. Reliability of the results was checked through Cronbach's alpha. Multiple regression and correlation was used to check the characteristics of and relationships among the variables.

A total of 351 questionnaires were distributed and a total of 324 useable responses were obtained which has given response rate of 92%. Respondents indicated the degree to which they agreed with the statements.

4.1 Descriptive Analysis

In this section discusses demographic profile of respondents, descriptive analysis of variables and respondents' level of agreement.

4.1.1 Demographic Profile of Respondents

This section summarized the demographic characteristics of the sample, which included age of the respondent, gender, marital status, education level, service year in the organization and employment group.

Table 4-1 Demographic Profile of Respondents

Age in year		Frequency	Percent
1	18-27	105	32.4
	28-37	152	46.9
	38-47	48	14.8
	48 and above	19	5.9
	Total	324	100
Gender		Frequency	Percent
2	Female	117	36.1
	Male	207	63.9
	Total	324	100
Marital Status		Frequency	Percent
3	Single	159	49.1
	Married	162	50
	Divorce	2	0.6
	Widow	1	0.3
	Total	324	100
Educational Level		Frequency	Percent
4	First Degree	274	84.6
	Masters and above	50	15.4
	Total	324	100
Service year in the organization		Frequency	Percent
5	1-5 years	168	51.9
	6-10 years	102	31.5
	11 years and above	54	16.7
	Total	324	100
Employment Group		Frequency	Percent
6	Management	38	11.7
	Non-Management	286	88.3
	Total	324	100

Source: Survey data (2018)

Table 4.1 depicted the descriptive statistics of the sample that 36.1% of the respondents were female and 63.9% male. Respondents aged between 28-37(46.9%) years formed the largest age

group and followed by the group comprises of 18-27(32.4%) that indicated the sample populations were youngsters.

84.6% of the respondents were first degree holder and 15.4% were masters and above in their educational level. With regard to marital status of the respondents, half (50%) were married and 49.1 were single.

The service tenure of respondents in the organization showed that 51.9% of the respondents had 1-5 years of experience and these took the majority. 31.5% and 16.7% of the respondents were 6-10 years and 11 and above years of experience respectively. The employment grouping depicted that majority of the respondents (88.3%) were in non-management position and 11.7% of the respondents were holders of management position which included team leaders, managers, and directors.

4.1.2 Descriptive Analysis of Selected HRM Practices and Organizational Performance Measures

This section presented the respondents' perception on the selected HRM Practices summarizing the measurement of mean and standard deviation. The mean indicated to what extent the sample group averagely agreed or disagreed with different statements. The lower the mean, the more the respondents disagree with the statement. The higher mean, the more the respondents agree with the statement. The standard deviation shows the variability of an observed response from a single sample Marczyk, Dematteo and Festinger (2005).

Table 4-2 Descriptive Statistics

Variables	Mean	Std. Deviation
Recruitment and Selection		
Ethiopian Airlines places the right person in the right job.	3.15	1.163
Adequate and relevant information about the organization and job is provided to the candidate at the time of recruitment.	3.45	1.053
Selection of a candidate in Ethiopian Airlines is strictly based on his/her merit.	3.29	1.048
Ethiopian Airlines hires employee with specialized skills	3.47	1.015
Recruitment and selection process fit the candidates with the jobs	3.4	0.982
The Airline prefers promotion from within when filling vacant position	3.64	1.030
Grand Mean	3.40	4.781
Training and Development		
New employees are familiarize with organizational norms and values (orientation)	4.06	0.846
Ethiopian Airlines provides continuous training for updating employee skills and knowledge	3.6	1.053
The training needs of the employees in the Airlines are assessed on the basis of their performance appraisal.	3.23	1.089
Every employee goes through various training programs every year	3.05	1.146
The quality of current employees are enhanced by providing comprehensive training and development	3.26	1.091
There is a budget dedicated to training and development programs every year	3.43	1.104
Grand Mean	3.44	4.850
Compensation and Reward		
Ethiopian Airlines pays adequately for the work done.	2.82	1.201
Employees are recognized and rewarded appropriately in Ethiopian Airlines	2.85	1.157
Incentive compensation is based on employees' performance for achieving specific goals and objectives	3.12	1.137
Pay raises for employees are based on job performance	2.96	1.108
Ethiopian Airlines Compensation is the combination of both monetary and non-monetary rewards	3.2	1.040
The existing reward and incentive plans motivate employees for better performance.	2.82	1.160
Grand Mean	2.96	5.598
Performance Appraisal		
Performance appraisal in Ethiopian Airlines aims at improving employee performance and strengthening employee's job skills.	3.02	1.221
Performance goals are set at realistic levels	2.91	1.120
Employees feel their performance appraisal has been fair and objective.	2.56	1.087

Employees receive proper feedback on how they are performing.	2.9	1.138
Performance appraisal at Ethiopian Airlines undertakes to identify the developmental needs of its employees to help them attain their career goals	2.92	1.095
Adequate growth opportunities are available in our organization for those who perform well.	3.04	1.144
In our organization good performers get promoted first.	3.07	1.175
Grand Mean	2.92	6.708
Career Management		
Ethiopian Airlines recognizes the career growth needs of its employees.	3.14	1.102
Career development is the responsibility of the employee	3.4	1.010
Employees are encouraged to take more responsibility for their own development, including the development of the skills	3.34	1.039
Internal advancement opportunities are based on merit	3.17	1.050
Clear career path information is provided to employees	3.19	1.150
Employee's career aspirations within the organization are discussed with immediate supervisor	3.09	1.078
Employees are clear about promotion possibilities	3.38	1.051
The organization plans for the career and development of employees	3.29	1.063
Our organization prefers an internal employee whenever a vacancy opens up	3.52	1.071
Grand Mean	3.28	7.039
Organization Performance		
Ethiopian Airlines is able to achieve stated goals.	4.01	.840
Work in ET is easier because of laid down procedures	3.19	1.179
Each section understands the role it plays in achieving organizational goals.	3.69	.959
The organization has enough human resource to accomplish its goals.	3.32	1.151
Customers' expectations are met	3.34	1.038
The organization is profitable.	4.29	.772
Most suppliers are happy to work with Ethiopian Airlines	3.65	.989
Employees are motivated to stay with in this organization	2.44	1.249
Grand Mean	3.49	6

Source: Survey data (2018)

Table 4.2 depicted that variables means from 2.92 - 3.49 was registered. Recruitment and Selection mean score was (3.4). This depicted that majority of the respondents agree on the items of this HRM practice except on placement and selection on merit. The score of mean by training and development was 3.44. The item scores highest mean (4) is familiarization of new employees in the organization from the viewpoint of respondents. Least score was given to the exercise of the organization on training need assessment and provision of training to enhance the quality of employees. The other variable compensation and reward score a mean of 2.96. Most

of the respondents disagree on adequate payment for the work done, recognition and rewarding of employees, and motivational factor of reward and incentive plan. The practices of performance appraisal mean score is 2.92. The lowest mean 2.5 was scored on practice undertaken by the organization with regard to fairness and objectivity of appraisal. Career management mean score is 3.28. Lowest mean was provided for items indicating application of merit for internal advancement, information provided for career path and discussion with supervisor on career aspiration.

The mean score of organization performance was 3.49. Lower mean score was for items stating the easiness of work in ET due to laid down procedures, customers' expectations are met, enough human resource to meet the goals and motivation of employees to stay in the organization.

4.1.3 Respondents' Level of Agreement on HRM Practices and Organization Performance

This section focuses on analysis of each of the items of HRM practices and perceived organizational performance as obtained from the survey questionnaires. This analysis enabled us to see the perception of respondents on of each the items of HRM practices and perceived organizational performance. Furthermore, the research seeks information on HRM practices and the level of performance in Ethiopian Airlines.

The survey questionnaires seek information on Ethiopian Airlines with regards to its HRM practices and overall the performance of the organization inquired in different parameters. The below analyses were done based on the average rating of all the responses. The respondents indicated their level of agreement; the lowest possible score being 1 (strongly disagree) and the highest possible score as 5 (strongly agree) for all the parameters.

Recruitment and Selection

The study showed the highest level of agreement (64%) for the question "the airline prefers promotion from within when filling vacant position". The second highest agreement of the respondents was registered for the question "Adequate and relevant information about the organization and job is provided to candidate at the time of recruitment" (58%). The third

highest score is registered for the question “Ethiopian Airlines hires employees with specialized skills” (56%). The lowest level of agreement (47%) were recorded for the questions “Ethiopian Airlines places the right person for the right job” and also for question “Recruitment selection of candidates to be strictly based on individual’s merit.” All in all 54% of the respondents agreed on the Recruitment and Selection process of Ethiopian Airlines.

Table 4-3 Respondents' Level of Agreement on Recruitment and Selection

Description	Level of Agreement (%)					Overall Agreement Level
	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree	
Ethiopian Airlines places the right person in the right job.	12.0	16.7	24.1	38.9	8.3	47
Adequate and relevant information about the organization and job is provided to the candidate at the time of recruitment.	4.3	17.3	20.4	45.4	12.7	58
Selection of a candidate in Ethiopian Airlines is strictly based on his/her merit.	6.2	15.7	31.2	36.7	10.2	47
Ethiopian Airlines hires employee with specialized skills	4.0	13.9	25.9	43.2	13.0	56
Recruitment and selection process fit the candidates with the jobs	3.4	16.4	26.9	43.8	9.6	53
The Airline prefers promotion from within when filling vacant position	4.0	10.5	21.9	44.8	18.8	64
Average	5.7	15.1	25.1	42.1	12.1	54.2

Source: survey data (2018)

Training and Development

The respondents’ opinion on training and development practices indicated that majority of respondents (81%) agreed on “new employees are familiarized with organizational norms and values (orientation).” Whereas the lowest level of agreement (40%) was registered on “every employee goes through various training programs every year”. The overall level of Agreement of respondents with regards to Training and Development is 56.2%.

Table 4-4 Respondents' Opinion on Training and Development

Description	Level of Agreement (%)					Overall Agreement Level
	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree	
New employees are familiarize with organizational norms and values (orientation)’	.6	5.6	12.7	50.0	31.2	81
Ethiopian Airlines provides continuous training for updating employee skills and knowledge	4.3	13.3	17.9	47.5	17.0	65
The training needs of the employees in the Airlines are assessed on the basis of their performance appraisal.	6.2	21.0	27.5	34.6	10.8	45
Every employee goes through various training programs every year	9.9	24.4	26.2	30.2	9.3	40
The quality of current employees are enhanced by providing comprehensive training and development	5.2	22.5	24.7	36.1	11.4	48
There is a budget dedicated to training and development programs every year	7.7	13.0	20.1	46.9	12.3	59
Average	5.7	16.6	21.5	40.9	15.3	56.2

Source: survey data (2018)

Compensation and Reward

The study depicted that low level of agreement was registered on compensation and reward practices in Ethiopian Airlines, the overall average rating of the respondents being 37.7%. Relatively highest score of 46% were registered for the questions Incentive compensation being based on employee’s performance and Ethiopian Airlines compensation being monetary and non-monetary rewards. The lowest level of agreement (33%) were recorded for the questions Ethiopian Airlines pays adequately for the work done and The existing reward systems being motivating for employees better performance.

Table 4-5 Respondents' Level of Agreement on Compensation and Reward

Description	Level of Agreement (%)					Overall Agreement Level
	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree	
Ethiopian Airlines pays adequately for the work done.	15.1	29.0	23.1	24.4	8.3	33
Employees are recognized and rewarded appropriately in Ethiopian Airlines	14.5	25.3	26.5	27.5	6.2	34
Incentive compensation is based on employees' performance for achieving specific goals and objectives	11.1	19.1	23.5	39.5	6.8	46
Pay raises for employees are based on job performance	9.9	26.5	28.4	28.1	7.1	35
Ethiopian Airlines Compensation is the combination of both monetary and non-monetary rewards	6.5	19.8	28.1	38.9	6.8	46
The existing reward and incentive plans motivate employees for better performance.	13.9	29.6	23.8	26.2	6.5	33
Average	11.8	24.9	25.6	30.8	6.9	37.7

Source: survey data (2018)

Performance Appraisal

Respondents were required to indicate their level of agreement with seven aspects on performance appraisal practices in Ethiopian Airlines. The study findings revealed that the least agreement of respondents (22%) was registered on employees feeling about their performance appraisal being fair and objective. The relatively highest rating of (42%) were recorded for attributes performance appraisal in Ethiopian Airlines aims at improving employee performance and strengthening employee's job skills and in our organization good performers get promoted first. On average, 36% of the respondents agreed on performance appraisal practice of the airline.

Table 4-6 Respondents' Level of Agreement on Performance Appraisal

Description	Level of Agreement (%)					Overall Agreement Level
	Strongly disagree	Disagree	Undecided	Agree	Strongly Agree	
Performance appraisal in Ethiopian Airlines aims at improving employee performance and strengthening employee's job skills.	14.5	20.7	22.5	33.0	9.3	42
Performance goals are set at realistic levels	12.3	24.7	28.7	28.4	5.9	34
Employees feel their performance appraisal has been fair and objective.	18.2	32.4	27.8	18.2	3.4	22
Employees receive proper feedback on how they are performing.	13.0	25.9	25.3	30.2	5.6	36
Performance appraisal at Ethiopian Airlines undertakes to identify the developmental needs of its employees to help them attain their career goals	13.0	21.3	29.9	32.1	3.7	36
Adequate growth opportunities are available in our organization for those who perform well.	12.3	18.8	28.7	32.7	7.4	40
In our organization good performers get promoted first.	13.6	16.0	28.4	33.3	8.6	42
Average	13.8	22.8	27.3	29.7	6.3	36.0

Source: survey data (2018)

Career Development

Respondents were required to give their level of agreement on nine attributes of career development practice. 61% of the respondents agreed on that our organization prefers an internal employee whenever a vacancy opens up. 56% of the respondents showed their agreements on employees are clear about promotion possibilities. Respondents (52%) revealed their level of agreement on that career development is the responsibility of the employee. Overall, on average 50% of the respondents agreed on career management practice.

Table 4-7 Respondents' Level of Agreement on Career Management

Description	Level of Agreement (%)					Overall Agree-ment Level
	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree	
Ethiopian Airlines recognizes the career growth needs of its employees.	10.2	18.2	25.3	40.4	5.9	46
Career development is the responsibility of the employee	4.3	14.8	28.7	41.0	11.1	52
Employees are encouraged to take more responsibility for their own development, including the development of the skills	5.6	15.7	27.8	40.7	10.2	51
Internal advancement opportunities are based on merit	8.6	15.4	32.4	37.0	6.5	44
Clear career path information is provided to employees	10.2	18.5	22.8	39.2	9.3	48
Employee's career aspirations within the organization are discussed with immediate supervisor	8.3	21.6	29.6	33.3	7.1	40
Employees are clear about promotion possibilities	7.4	11.7	25.3	46.3	9.3	56
The organization plans for the career and development of employees	7.7	14.5	26.9	42.6	8.3	51
Our organization prefers an internal employee whenever a vacancy opens up	7.4	8.3	22.8	47.2	14.2	61
Average	7.8	15.4	26.9	40.9	9.1	50.0

Source: survey data (2018)

Organization Performance

Majority of the respondents (88%) agreed that the organization is profitable. The second highest rating of the respondents (79%) was responded as Ethiopian Airlines being able to achieve its goals. The third highest rating (66%) by the respondents indicated their agreement on each section's understanding of the role it plays in achieving the organizational goals. The lowest level of agreement (24%) was registered on the question "Employees are motivated to stay within this organization". Overall, 58% of the respondents agreed on the nine parameters that are considered to measure the performance of the organization.

Table 4-8 Respondents' Level of Agreement on Organization Performance

Description	Level of Agreement (%)					Overall Agreement Level
	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree	
Ethiopian Airlines is able to achieve stated goals.	1.2	4.0	15.4	51.5	27.8	79
Work in ET is easier because of laid down procedures	9.3	22.2	19.8	37.3	11.4	49
Each section understands the role it plays in achieving organizational goals.	3.4	7.4	23.5	48.1	17.6	66
The organization has enough human resource to accomplish its goals.	9.0	16.4	20.7	42.0	12.0	54
Customers' expectations are met	4.6	18.8	24.7	42.0	9.9	52
The organization is profitable.	.6	2.2	9.3	43.5	44.4	88
Most suppliers are happy to work with Ethiopian Airlines	4.0	5.9	31.2	39.5	19.4	59
Employees are motivated to stay with in this organization	30.9	23.1	21.9	18.8	5.2	24
Average	7.9	12.5	20.8	40.4	18.5	58.8

Source: survey data (2018)

4.2 Analysis of Statistics Results

This section tried to see the strength of relationships between variables and the influence of HRM practices on organization performance.

4.2.1 Correlation Analysis

Pearson correlation was used in this study to measure the strength of associations between variables. Correlation coefficients reveal magnitude and direction of relationships (either positive or negative) and intensity of the relationship (-1.0 to +1.0). As per Marczyk, Dematteo and Festinger (2005) correlation of .01 to .30 are considered small, correlations of .30 to .70 are considered moderate, correlation of .70 to .90 are considered large and the correlations of .90 to 1.00 are considered very large.

Accordingly the below Pearson correlation coefficient depicts that the five factors measuring HRM practices were moderate level of positive relation with organizational performance with in the range .540 to .740., all were significant at $p < 0.01$ level.

Table 4-9 Correlation Analysis

Independent Variables	Organizational performance
Recruitment and Selection	.697 ^{**}
Training and Development	.540 ^{**}
Compensation and Reward	.679 ^{**}
Performance Appraisal	.676 ^{**}
Career Management	.740 ^{**}

The dependent variable, organizational performance has high correlation with career management and moderate level of relation with the rest of independent variables.

4.2.2 Regression Analysis

The study employed multiple regression analysis to see the contribution of independent variables on dependent variable. The model summary showed the value of R^2 is 0.631. This indicated that 63% variation in dependent variable (organizational performance) is explained by the five variables of HRM practices.

Model Summary

Table 4-10 Multiple Regression Result of Selected HRM Practices and Organizational Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics		
					R Square Change	F Change	Sig. F Change
1	.794 ^a	0.631	0.625	3.479	0.631	108.321	0.000

a. Predictors: (Constant), Career Management, Training and Development, Compensation and Reward, Recruitment and Selection, Performance Appraisal

The ANOVA table shows the overall significance/acceptability of the model from a statistical perspective. The significance value of F statistics shows a value .000, which is less than $p < 0/05$, implies that the model is significant.

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6555.264	5	1311.053	108.321	.000 ^b
	Residual	3836.761	317	12.103		
	Total	10392.025	322			

a. Dependent Variable: Organizational performance

b. Predictors: (Constant), Career Management, Training and Development, Compensation and Reward, Recruitment and Selection, Performance Appraisal

As the aim of the study is to find out the influence of HRM practices on organizational performance, standard Beta coefficient was used to investigate the strength of each independent variable on dependent variable. As shown on the Coefficients table, Beta value of independent variables recruitment and selection (.250), training and development (.097), compensation and reward (.186), performance appraisal (0.030) and career management (.348). This Beta value shows the amount of change in dependent variable (organizational performance) due to changes in independent variables.

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	Sig.	Collinearity Statistics	
		B	Std. Error	Beta		Tolerance	VIF
1	(Constant)	7.348	1.011		0.000		
	Recruitment and Selection	0.297	0.063	0.250	0.000	0.412	2.424
	Training and Development	0.114	0.05	0.097	0.025	0.629	1.591
	Compensation and Reward	0.189	0.06	0.186	0.002	0.332	3.016
	Performance Appraisal	0.026	0.055	0.030	0.645	0.271	3.684
	Career Management	0.281	0.049	0.348	0.000	0.313	3.196

a. Dependent Variable: Organizational performance

Source: Survey data (2018)

The table revealed that the path linking recruitment and selection to organizational performance was found to be Significant at 0.05 level ($\beta = 0.250$), indicating recruitment and selection has significant effect on organizational performance. This provided support for Hypothesis 1. The path linking training and development to organizational performance was found to be Significant at 0.05 level ($\beta = 0.097$), indicating training and development has significant effect on organizational performance. This provided support for Hypothesis 2. The path linking compensation and reward to organizational performance was found significant at 0.05 level ($\beta = 0.186$), indicating compensation and reward has significant effect on organizational performance. This provided support for Hypothesis 3. The path linking performance appraisal to organizational performance was found to be Insignificant at 0.05 level ($\beta = 0.030$), indicating performance appraisal has no significant effect on organizational performance. This provided no support for Hypothesis 4. The path linking career management to organizational performance was significant at 0.05 level ($\beta = 0.348$), indicating career management has significant effect on organizational performance. This provided support for Hypothesis 5.

In general, Beta coefficient analysis revealed that among the five predictors, career management is the most significant variable for organizational performance and recruitment and selection takes the second place. Compensation and reward practice follows to take fourth place. The significance level of performance appraisal is .645 which is higher than 0.05. This indicated that this variable was not significant to the model.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

This chapter provided the summary of the findings of the study, conclusions drawn from findings and recommendations based on the findings. It also highlights the limitations of this research, and then discusses and provides guidelines for further future work.

5.1 Summary

This section attempted to summarize major findings obtained from data analysis of survey questionnaire.

- The respondents in the sample population were with high number of male (63.9%) and largely dominated by age group of 28-37 (46.9%)
- Most respondents were degree holders (84.6%) and 15.4% are a masters level. The majority of the respondents' year of work experience in the organization falls in year 1-5.
- The independent variables mean score for measures of recruitment and selection was (3.40), training and development (3.44), compensation and reward (2.96), performance appraisal (2.92) and career management (3.28).
- Organizational performance's mean score was 3.49 which imply that the respondents were mostly inclined to agree on organization performance measures.
- This study depicted respondents' level of agreement that respondent's agreement on recruitment and selection (54.2%), training and development (56.2%), compensation and reward (37.7%), performance appraisal (36%), career management (50%) and organizational performance (58.8%).

- The result of Pearson correlation showed that the five variables measuring HRM practices were all positively related with organization performance with in the range .540 to .740, and all were significant at $p < 0.01$ level.
- The result of multiple regression analysis depicted 63% variation in organization performance is explained by the five HRM practices (where R square is 0.631 and adjusted R square is 0.625). Furthermore, the significance value of F statistics showed a value .000, t at $p < 0.05$, implied the model was significant.
- The outcome of this study revealed that career and development was the most contributing organizational performance with beta value 0.348 and the other contribution in descending order are recruitment and selection (0.250), compensation and reward (0.186) and training and development (0.097). Therefore, the hypothesis test for career development, recruitment and selection, compensation and reward and training and development are accepted.
- It is further identified that Performance Appraisal had no significant effect on organizational performance. The significance level of performance appraisal is .645 which is higher than 0.05. This finding implies that performance appraisal does not serve as motivator and enabler for employees' productivity and performance. Therefore, hypothesis test for performance appraisal is rejected.
- There is no possibility of multicollinearity among the variables which was asserted by tolerance values greater than 0.1 and VIF value less than 10.
- All HRM practices except performance appraisal had positive relationship with organizational performance.
- The findings of this study are aligned with previous studies that assert positive and significant relationship between HRM practices and organizational performance. The research conducted by Hameed and Mohamed (2016) proved that recruitment and

selection and training and development have significant effect on organizational performance.

5.2 Conclusion

This study examined the effect of HRM practices on perceived organizational performance in Ethiopian Airlines. The analyses were carried out in order to answer research questions that are to search on the relationship between some selected human resource management practices (recruitment and selection, training and development, performance appraisal, compensation and rewards, career management) and organizational performance. The result was based on staff survey. A sample of 324 respondents was taken. Data was gathered through questionnaire and was analyzed using correlation and regression techniques through SPSS v20. It was observed that the variables didn't yield the same result for the exercise of HRM practices and organizational performance.

As per the findings, 52.2% of respondents agreed on the measurement of recruitment with mean score of 3.4. However, the respondents provided least consent on the exercise of the organization to place the right person in the right job. And also disagree on the statement that selection of candidate was based on skill. This had a negative impact on satisfaction and motivation of employees. So the organization required to give on due attention implementation of these activities in order to improve employees' outcome.

With regard to organization training and development practice, employees believed and more agreed on familiarization exercise and disagreed on points that "the assessment of training needs are based on performance appraisal", "every employees went through various training program every year" and "the quality of employees are enhanced by providing comprehensive training and development". This reflected that the organization practice of training and development program was poor. Basically training and development program was to help to achieve organization goals by equipping employees by knowledge and experience to perform specific

job. It enhanced employees in furthering their careers in the organization this in turn contribute employee commitment. Therefore, the management should evaluate the program to be fruitful and to meet the desired goal.

The employees view on compensation and reward practices asserted by mean score of 2.96. Employees disagree on the statement that Ethiopian Airlines paid adequately for the work done and the existing reward and incentive plans motivate employees for better performance. Employees are demotivated if they feel this practice is inadequate and proper. The management required to reassess compensation and reward program to have a positive effect.

Similarly respondents perceived low on measurement of performance appraisal practice that stated performance appraisal has been fair and objective. Moreover, most employees took neutral position on statements that deal “performance goals are set at a realistic level”, “Employees receive proper feedback on how they are performing” and “Performance appraisal at ET aims at improving employee performance and strengthening employee’s job skills”. These findings entailed that the management should require to review its performance appraisal practice. Unless there is fair and objective assessment, the employees’ interest fail towards achieving organizational goal. There should be clear realistic goal setting, feedback system and supporting employees for developmental needs.

On career management practice, employees’ perception reveals that they are more to disagree on the measurement that “internal advancement opportunities are based on merit”, “clear career path information was provided to employees” and “Employees career aspiration within the organization are discussed with immediate supervisor”. The organization should emphasis on this practice to retain employees, to boost aspiration of employees, and to enhance commitment of employees.

On the other hand, among measures of organizational performance majority of employees highly agree on point that the organization is profitable. They also believe that the airline is able to achieve stated goal. However, on the contrary employees disagree on the measurement that employee are motivated to stay with in this organization. It is bad for the organization to have majority dislike to stay within the organization. The organization should investigate the problem

that demotivated employees to stay in the organization. The management should revisit its retention program in order to create committed and satisfied employees.

Furthermore, the study revealed that both correlation and regression analysis confirms that HRM practices have a significant effect on perceived organizational performance. Career and development is the most contributing HRM practice in prediction of organizational performance. The other three HRM practices; recruitment and selection, compensation and reward, training and development are ranked depending on their contribution from most to the least. Therefore, hypothesis for these four practices are accept. However, the study found that performance appraisal has no significant effect on organizational performance. Therefore, the hypothesis for performance appraisal is rejected.

In general, as per the findings of the study, it can be concluded that the selected HRM practices are important in improving organizational performance. This is asserted that the positive contribution of career management, recruitment and selection, compensation and reward, training and development to organizational performance. However, performance appraisal has no significant contribution to organizational performance. This indicated that more emphasis is required to improve the contribution of HRM practices on organizational performance. The application and implementation of effective HRM practices contributed to achieve the organization objective.

5.3 Limitation of the Study

This study has some limitation. First of all, the study focused only on five selected HRM practices. Effects of other independent variables were not covered. Secondly, cross sectional/single point data collection using quantitative research design was used to gather response from employees limited to one point in time. Lastly, the targeted population contains professionals who have degree and above in educational level. Employees who possessed diploma or below and whose work experience is below one year were not incorporated on the survey.

5.4 Recommendations

The way that the organization used to manage people can affect the organization performance. HRM practices make a direct impact on employee engagement, commitment, motivation and skill. These in turn improves organization performance in terms of productivity, quality and delivery of high level of customer service. This also in turn improves financial results achieved by the organization. If HRM practices poorly implemented, detrimental consequence for the organization's performance result.

The followings were recommendation for improvement of HRM practices in Ethiopian Airlines.

- The organization ought to pay on due attention to human resource management practices to improve organizational performance. The organization should implement these practices to increase the efficiency to compete in the global market place. The organization is better off to emphasis on HRM practices that contributes high to organizational performance.
- Ethiopian Airlines should undertake HRM practices to mobilize and deploy human resources for competitive advantage on organization success. The airlines operates in market seeking excellent performance which leads to sustainable competitive advantage. HRM practices lead to choices on strategic plan that generate organizational capability by ensuring that the organization has skilled, engaged, committed and well-motivated employees to achieve sustained competitive advantage.
- The management should pay attention to enhance employees' attitude towards the organization objective. Creating competitive advantage through people requires careful attention that best impact the HR. Hence, the organization should invest on high working/performance system to make an impact on the performance of the organization. High performance system facilitates employee involvement, skill enhancement and motivation.

- It is vital to assess the contribution of existing HRM practices on creation of values, supporting the objective of the organization and facilitating the achievement of strategic goals. It is not all intended HRM practices are implemented and these practices can be implemented in the ways that differ from the initial intention. Poorly implemented HRM practices affect the organization performance. Hence, appropriate action should be taken after analyzing organization functions that affecting employee's motivation and commitment.
- It is recommended Longitudinal study to be taken for much more considerable assessment of the connection of between HRM practices and organization performance.

In general, from these preliminary findings, it showed that Ethiopian Airlines should focus on motivating its staff which is the core input for the success of the company.

The following areas of concern should be given due attention by Ethiopian Airlines management.

- a) Developing fair and objective Performance Appraisal System
- b) Adjusting the Compensation and Reward System to be attractive and motivating to its employees
- c) Designing different monetary and non-monetary mechanisms to motivate the employees.

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APPENDIES

Questionnaires

Dear Sir/Madam

This survey is meant to collect relevant information to conduct research for fulfillment of Masters of Arts degree in Human Resource Management. The study aims to assess Ethiopian Airlines human resource management practices and organization performance. You are selected to participate voluntarily. The information you provide will be used only for academic purpose and will be kept strictly confidential. Your candid opinion is highly appreciated.

Thank you in advance for your time and cooperation!

Note: Please don't write your name

Part 1: General Profile (Please put „☐“ mark in the box that best describes you)

1. Age : ☐ 18 – 27 ☐ 28- 37 ☐ 38 - 47 ☐ 48 and above
2. Gender: ☐ Female ☐ Male
3. Highest educational level obtained:
☐ Diploma / Level IV ☐ First Degree ☐ Masters and above
4. How long have you been in this organization? _____
5. Marital Status: ☐ Single ☐ Married ☐ Divorce ☐ Widow
6. Employment Group: ☐ Management ☐ Non-Management

Part 2: Human Resource Management Practice in Ethiopian Airlines

Listed below are descriptive statements about Human Resource Practices and organization performance. For each statement, Please indicate the degree of your agreement/ disagreement with the following statements

Please make a cross (X) mark in the applicable box

HRM Practices

S N O	<i>Human Resource Practices</i>	Strongly Agree	Agree	undecided	Disagree	Strongly Disagree
	Recruitment and Selection	5	4	3	2	1
	Ethiopian Airlines places the right person in the right job.					
	Adequate and relevant information about the organization and job is provided to the candidate at the time of recruitment.					
	Selection of a candidate in Ethiopian Airlines is strictly based on his/her merit.					
	Ethiopian Airlines hires employee with specialized skills					
	Recruitment and selection process fit the candidates with the jobs					
	The Airline prefers promotion from within when filling vacant position					
	Training and Development					
	New employees are familiarize with organizational norms and values (orientation)'					
	Ethiopian Airlines provides continuous training for updating employee skills and knowledge					
	The training needs of the employees in the Airlines are assessed on the basis of their performance appraisal.					
	Every employee goes through various training programs every year					
	The quality of current employees are enhanced by providing comprehensive training and development					
	There is a budget dedicated to training and development programs every year					

	Compensation and Reward					
	Ethiopian Airlines pays adequately for the work done.					
	Employees are recognized and rewarded appropriately in Ethiopian Airlines					
	Incentive compensation is based on employees' performance for achieving specific goals and objectives					
	Pay raises for employees are based on job performance					
	Ethiopian Airlines Compensation is the combination of both monetary and non-monetary rewards					
	The existing reward and incentive plans motivate employees for better performance.					
	Performance appraisal					
	Performance appraisal in Ethiopian Airlines aims at improving employee performance and strengthening employee's job skills.					
	Performance goals are set at realistic levels					
	Employees feel their performance appraisal has been fair and objective.					
	Employees receive proper feedback on how they are performing.					
	Performance appraisal at Ethiopian Airlines undertakes to identify the developmental needs of its employees to help them attain their career goals					
	Adequate growth opportunities are available in our organization for those who perform well.					
	In our organization good performers get promoted first.					
	Career Management					
	Ethiopian Airlines recognizes the career growth needs of its employees.					
	Career development is the responsibility of the employee					
	Employees are encouraged to take more responsibility for their own development, including the development of the skills					
	Internal advancement opportunities are based on merit					
	Clear career path information is provided to employees					
	Employee's career aspirations within the organization are discussed with immediate supervisor					
	Employees are clear about promotion possibilities					
	The organization plans for the career and development of employees					
	Our organization prefers an internal employee whenever a vacancy opens up					

Performance

<i>Organization Performance</i>	Strongly Agree	Agree	undecided	Disagree	Strongly Disagree
	5	4	3	2	1
Ethiopian Airlines is able to achieve stated goals.					
Work in ET is easier because of laid down procedures					
Each section understands the role it plays in achieving organizational goals.					
The organization has enough human resource to accomplish its goals.					
Customers' expectations are met					
The organization is profitable.					
Most suppliers are happy to work with Ethiopian Airlines					
Employees are motivated to stay with in this organization					

Thank you for participating!