

DIRE DAWA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS



**Impact of Human Resource Management Practices on
Competitive Advantage Achievement: In The Case Of
Commercial Bank of Ethiopia Dire Dawa District**

**A Research Submitted In Partial Fulfillment of the
Requirement of Degree Of Master Of Business
Administration (MBA)**

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I. Acknowledgment

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II. THESIS DECLARATION

I, Emwedish Sileshi hereby declare that the thesis entitled “Impact Of Human Resource Management Practices On Competitive Advantage Achievement: In The Case Of Commercial Bank Of Ethiopia, Dire Dawa District” Is submitted as a partial fulfillment of the requirements for Degree of Master of Business Administration to Dire Dawa University College of Business and Economics. I hereby declare that, this study has been done with my own effort and all sources of materials used for the study have been dully acknowledged.

Name: Emwedish Sileshi Taye, Signature _____ date _____

III. Advisor's Certificate

This is to certify that **Emwedish Sileshi Taye**, a student of MBA in Dire Dawa University College of Business and Economics has been working under my supervision and guidance for this thesis work. Her thesis entitled " Impact of Human Resource Management Practices on Competitive Advantage Achievement: In The Case Of Commercial Bank of Ethiopia, Dire Dawa District"" which she has now submitted is her genuine and original work.

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IV. Thesis Approval Page



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This is to certify that the thesis prepared by Emwedish Sileshi Taye, entitled: “Impact Of Human Resource Management Practices On Competitive Advantage Achievement: In The Case Of Commercial Bank Of Ethiopia, Dire Dawa District” is submitted in Partial fulfillment for the Degree of Masters of Business Administration (MBA) complies with the regulations of the University and meets the expected standard with respect to originality and quality.

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V. Abstract

This study examines the impact of human resource management practices on the competitive achievement of Commercial Banks of Ethiopia (CBE) in Dire Dawa District. A mixed research design was used, with both qualitative and quantitative methods. Secondary data were collected from CBE documents and reports, while primary data were obtained from self-administered questionnaires completed by 202 employees from 10 CBE branches selected through convenience sampling. Descriptive and inferential statistical analyses were conducted using SPSS and Excel. The results indicate a strong and positive relationship between employee training and management practices, performance appraisal management practices, and strong negative relationship between compensation and reward practices with CBE's competitive achievement. However, the study found no significant positive relationship between employee recruitment and selection practices and CBE's competitive achievement, despite previous studies suggesting otherwise. The study recommends that CBE Dire Dawa District better update its human resource management practices in the areas of training and development, performance appraisal, and employee compensation and reward to maintain its competitive advantage in the growing Ethiopian banking sector. By doing so, CBE Dire Dawa District can attract and retain talented employees and contribute to the bank's long-term success.

Key Words: Human resource management practices, Competitive achievement, Commercial Bank of Ethiopia (CBE)

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VIII. Lists of Acronyms

CBE: Commercial Bank of Ethiopia

CBEDD: Commercial Bank of Ethiopia Dire Dawa District

DHS= Demographic and health survey data

HRM; Human Resource Management

SHRM: Strategic Human Resource Management

HRMP Human Resource Management practices

TNA: Training Need Assessment

CSO: Customer Service Officer

T & D: Training and Development

CHAPTER ONE

1. INTRODUCTORY PART

1.1. General Background

The Commercial Bank of Ethiopia is the leading state-owned commercial Bank in Ethiopia established in 1942 E.C. Given its pioneer position, CBE has been in a dominant market position in the country for the past several decades since its establishment. As of June 30, 2020 Commercial Bank of Ethiopia (CBE) has 1604 branches and 3500 ATM machines, more than 30 million account holders, the total of 63,000 permanent employees, total asset of 819.3 Billion Birr, correspondent relationship with about 44 renowned foreign banks, SWIFT bilateral key arrangements with over 750 banks (CBE 2019/20 Annual Report). CBE's corporate values are integrity, service excellence, professionalism, empowerment, learning organization, teamwork, respect for diversity, and corporate citizenship. CBE's corporate vision is to become world-class commercial Bank by 2025 (CBE 2019/20 Annual Report).

For decades, CBE has dominated the banking sector of the country with almost no competition in the market in terms of market share and availability of skilled work force. Nevertheless, following the recent liberalization of the domestic banking sector in Ethiopia through the instrumentality of Monetary and Banking Proclamation No.83/1994 and the Licensing and Supervision of Banking Business No.84/1994 currently, there are more than 20 private commercial banks and more than 32 micro-finance institutions and numerous savings and microcredit associations in Ethiopia (Zerayehu et al., 2013). Thus, currently CBE and all other private banks are engaging in aggressive branch expansion and networking activities in quest for market share competition and to maximize their profit gain.

As banking sector in Ethiopia growing and competition among commercial banks increases, the sector has been affected by different human resource related problems like higher employee turnover; reduced employees' desire to learn and apply new skills; decrease

employees' productivity; and low morale (Davis, 2005). Empirical researchers conducted on the human resource management practices of the banking industry in Ethiopia such as Zerayehu Sime & et al.(2013), Bruk (2016), Samuel Eshetu (2019), Emebet (2016), , Emebet Demeke (2017), etc. shows the growing competition among the commercial banks in Ethiopia in the recent years.

For instance, Zerayehu Sime et al. (2013) identified that Ethiopian banks are competing in terms of service quality, efficiency, branch network expansion, advertising, and prices. Private banks in Ethiopia have been expanding their branch networks aggressively, which has resulted in stiff competition for Commercial Bank of Ethiopia (CBE) and declining profit margins, interest margins, and profit-to-labor ratios. Samuel Eshetu (2019) noted that the shortage of skilled manpower in the banking sector has led to increased competition for existing labor forces through salary hikes. Meanwhile, Emebet (2017) highlighted human resource-related problems in the banking industry, such as high employee turnover, reduced desire to learn and apply new skills, decreased productivity, and low morale. Private banks in Ethiopia are trying to attract scarce skilled labor by offering attractive benefit packages. Beruk (2016) found that some banks, including Bank of Abyssinia, are experiencing a high professional employee attrition rate. Hence as per the above researches, private Banks in Ethiopia rather than implementing robust staff management practices they are focused on snatching scarce skilled labor from the market through alluring them with attractive benefit packages (Bruk, 2016, Emebet, 2017, Samuel Eshetu, 2019. Particularly, due to rapid technological growth and increased competition among banks in terms of diversified services private banks in Ethiopia are forced to aggressively compete for the same talent pool in order to remain competitive. The rapid entry and growth of banks in Ethiopia, increase in environmental variability and degree of competition, acute shortage of skilled labor and the corresponding increase in labor turnover and costs of employee replacement have forced banks to aggressively compete for employees. Furthermore, the massive branch expansion of emerging and existing financial firms (banks & insurances) in Ethiopia has resulted in a much tougher competition for the skilled labor market (Zerayehu et al, 2016).

When we come to the core human resources management practices such as selection and recruitment, training and development, reward and compensation, and employee performance appraisal practices of CBE, this bank looks lagging behind other private banks, particularly in terms of recruitment and retention of senior staffs. CBE still following its old practices of hiring fresh university graduates as bank trainee and make a substantial investment on trainings of such new entrants. As a matter of its HRM policy CBE do not hire senior skilled bankers from the market even to replace the vacant positions when senior managerial employees left the bank. Rather, when senior managerial employees and other senior bankers left the bank, CBE usually replace such vacant positions from its existing staffs through on job training and horizontal and vertical alignment of existing human resources. On the other hand, rival private banks in the market hire both fresh graduates and experienced bankers who left CBE for better payment and remunerations. Various researches done on the banking sector in Ethiopia evidences that there are huge employee turnover including CBE, (Samuel, 2019).

Since it is one of the oldest banking establishment in the country CBE might undoubtedly has the largest proportion of skilled manpower that makes this bank in a better competitive position (Emebet 2017). However, researches and practices on the ground shows that the old staff recruitment, training and development as well as staff compensation and retention packages CBE put in place are all facing the new market challenges which could put CBE on the losing side of the spectrum unless innovative and prudent HRD practices are on the table of CBE (Samuel Eshetu, 2019). Nevertheless empirical researches conducted on the area lacks the problems of comprehensibility, piecemeal, focused on single factors of human resource management practices and it doesn't tell the whole story of human resource management problems inherent to CBE and the solution thereto.

Thus, to come up with working human resource management paradigm one need to balance all the ebbs and flows in the existing HRM practices and the overall corporate strategy of the bank. One cannot overnight throw the old and tested ways without having a full picture of what is going on and what will come. As one of the leading financial institution in the country unsystematic confrontation with private banks in terms of wage and salary may have

nationwide economic and financial drawbacks. Besides, the one-size-fits-all policies do not work for the banking sector as Armstrong (2006) succinctly concluded. Particularly for the Banking institution like CBE which operates across very large and contrasting socio-political, religious and ethnic landscapes human resource policy working in one part of the country may not working somewhere else and this research proposal is indeed part of the genuine understanding of the existing realities on the ground to investigate the human resource management practices of CBE Dire Dawa District to come up with the context specific solution concerning the HRM practices in CBE(Armstrong 2006).

Thus, the researcher interested to conduct this research with the aim of investigating the strategic human resource management practices of CBE and its impact on the firm's competitive advantages achievements in the market. Therefore, the purpose of this research is to evaluate the strategic human resource management practices of CBE Dire Dawa District and its impact on the overall firm's competitive advantages achievement.

1.2. Statement of the problem

Intellectual assets of any bank can differentiate it from others and provide strong basis for its competitive position among competitors. (Emebet, 2017). This resource-based view represents a current paradigm on firm competitiveness and conceptualizes the organization as a collection of competencies that draws attention to issues of learning, HRD investment, knowledge accumulation and experience (Graven 2006). Hamel and Prahalad (1994) describe core competencies as 'a bundle of skills and technologies rather than a single skill or technology'. This line of thinking clearly indicates that SHRD has value in enhancing core competencies, some of which are grounded in human capabilities. Armstrong (2006) submitted that staffing and human resource management methods have a favorable and significant association that improves financial or profit performance. He shows that organizational productivity and high performance depends on the selection of the right person, which is also a pathway to reduced turnover more so, identified a positive link between hiring a manager and employees, and the creation of the right culture for organizational growth.

To enjoy competitive advantage the firm shall employ and retain more capable people than its rivals. According to Daniel & Metcalf (2001), recruitment is part of the over-all management function of staffing that serves a major role player in ensuring that company strategies will be implemented. Spencer (2004) also emphasized that staffing requires both the process of attracting and selecting prospective personnel's capabilities and competencies with the company position. It is perhaps the most important function because it is the starting point in the whole HRM process. Nevertheless, despite recruitment and selection has significant importance for firm's competitive achievement the existing bodies of research conducted on human resource management practices of Ethiopian banking sector ignored the impacts of selection, and recruitment on the overall competitive achievements of banks, Rather they focused on other human resource management practices such as compensation and reward. So there is a research gap in the area worth filling through this research.

The next important human resource management practice is employee training and development. Training and development demonstrates a commitment to keeping employees on the cutting edge of knowledge and practice. Creativity and innovation also trigger the performance of employees and facilitated by organizational culture which training and development programs provide. According to Tushman and O'Reilly (2002), stated that organizational culture lies at the heart of organizational norms that reflects the influence of organizational culture on creativity and innovation. When we come to CBE, as part of its human resource management practices unlike other private banks, CBE usually hire fresh university graduates as Bank trainee and develop such young talents through intensive trainings which cost the bank millions of Birr every year. According to the previous empirical researches done on CBE at district and branch levels, indeed there exists a positive relationship between CBE's investment on training, health and other employee benefits (Zerayehu Sime & et al,(2013), Bruk (2016), Emebet (2016), , Emebet Demeke (2017). Nevertheless, Samuel (2019) concludes that while there is positive relationship between CBE's investment on training there exists negative correlation between CBE's economic performance and admitting one new employee to this bank.

However, the bank has major weakness in most of the tasks in the phase of system approach model especially with respect to training need assessment; trainee selection criteria; performance appraisal training evaluation and coaching role of line managers. When the figure of employee's wage and salary expense of the bank increased by one unit the performance of the bank will decrease by 118174.4 and 0.49 respectively (Samuel Eshetu 2019). However, according to this researcher increasing the number of employees in CBE on the other hand has a negative correlation with CBE's financial performance due to the low competence of employees received by the commercial bank of Ethiopia (Samuel Eshetu, 2019). According to this research any additional new worker in the CBE has negative impact on the competitive advantage of the bank due to the recruitment policy of CBE which usually in favor of fresh graduates with low competence which incurs big capital for training purposes. However Mulu (2016) submitted that the overall training practice of the commercial bank of Ethiopia are not effective as they should be. And this is due to the gaps that are seen in each training practices and these in return decrease the effectiveness of the training program of the bank. Furthermore, it provided practical suggestions to overcome the problems that were seen in the training practice of the commercial bank of Ethiopia. Birhane (2016) also come up with the argument that the training and development of CBE is ineffective due to the problems inherent to the training themselves. However, such studies does not show whether the problems lie in the training themselves or the recruitment or other human resource management practices and as such it warrant further study.

Thus, next to recruitment and training the third human resource management practice that directly linked with recruitment, and training as well as directly linked with the CBE's ultimate firm level competitive advantage is employee reward and compensation, which are all the ingredient of successful employee retention. Because employees can give their best only if they are satisfied and their satisfaction leads to customer satisfaction, otherwise unsatisfied employees are usually looking for an opportunity to gain what they have not get in their Bank. Hiring qualified and competent employees that capable to deliver the corporate strategy of the bank is one thing. Retaining such skilled employees and making sustainable utilization of them in the long run is another issue. As discussed under the

preceding paragraphs, when we see the old practices of CBE, the bank usually employees fresh trainees who needs a one year on-job training before formal customer services. Thus, for the bank, in short run this is a liability but in-long run it is huge competitive advantage provided that the training programs of the CBE are up-to-date fit with corporate strategy, attractive for the employees etc. Thus for CBE, hiring competent employees and develop them through robust training is not enough. To remain competitive in the market the bank shall make a sustainable and efficient utilization of its talents in the long run. Because, unless CBE sustainably retain its skilled manpower on which its substantial investment are made and sustainably utilize the skills of its man powers the bank will lose its competitive advantage. For CBE to make effective staff retention however, CBE shall have favorable work environment, favorable compensation and reward mechanism, and favorable performance management that enhance the job satisfaction of its employee compared to its rival private banks in the country which are grabbing skilled manpower of the banking industry, particularly the managerial employees. On the other hand, when managerial level senior employees left CBE, the bank shall implement sound succession strategy to fill the operational gaps created in the short run. From this regard previous studies have huge gap in showing the effectiveness of CBE's staff recruitment and selection, training and development, compensation and reward and finally performance appraisal management in CBE in comprehensive manner and this research fill the knowledge gap in the field.

1.3. Objective of the study

1.3.1. General Objective

The chief central objective of this research is to investigate the impact of core human resource management practices on competitive advantage achievement of commercial bank of Ethiopia Dire Dawa District

1.3.2. Specific Objectives

1. To examine the impacts of recruitment and selection on CBE's competitive advantage achievement.
2. To assess the impacts of training and development on CBE competitive advantage achievement.
3. To evaluate the impacts of performance appraisal system on CBE advantage competitive achievement.
4. To investigate the impacts of compensation and reward on CBE's competitive advantage achievement.

1.3.3. Research questions

- To what extent selection and recruitment practices affect CBE's competitive advantage achievement?
- To what extent employee's training and development practices leads to competitive advantage achievement of CBE?
- To what extent employee's performance appraisal practices leads to competitive advantage achievement of CBE?
- To What extent employee reward and compensation practices lead to CBE's competitive advantage achievement?

1.4. Scope of the study

Defining the scope and limitations of a research study helps to ensure that the research is focused, feasible, and can be completed within the available resources (Gall et al., 2007). A well-defined scope and limitations section helps to ensure that the research is conducted effectively, efficiently, and provides high-quality results.

The scope of this research is focused on four key human resource management (HRM) practices, namely selection and recruitment, training and development, performance

appraisal, and reward and compensation, within the Commercial Bank of Ethiopia (CBE) in the Dire Dawa District, covering the entire Dire Dawa and Haraghe Zones of Oromia region. The selection and recruitment process is critical to the success of any organization, as it ensures that the right people with the right skills and knowledge are selected for the job (Grobler et al., 2017). It is therefore important to investigate the effectiveness of the selection and recruitment practices of CBE in attracting and retaining talented employees.

Training and development are essential for improving employee skills and knowledge, enhancing job performance, and preparing employees for future career growth (Noe et al., 2017). Investigating the training and development practices of CBE can help identify areas for improvement and ensure that employees have the necessary skills and knowledge to perform their roles effectively.

Performance appraisal is a critical HRM practice that evaluates employee performance and provides feedback to improve performance (DeNisi & Smith, 2014). Investigating the performance appraisal practices of CBE can help identify the effectiveness of the performance management system in the bank and ensure that employees receive fair and accurate performance evaluations.

The reward and compensation practices of an organization play a critical role in attracting and retaining talented employees, improving employee motivation and engagement, and creating a positive organizational culture (Milkovich & Newman, 2017). Investigating the reward and compensation practices of CBE can help to identify areas where the bank can improve its reward strategies to ensure that employees are motivated and engaged.

Thus, while other HRM practices such as employee relations, labor laws, and compliance are important, they are outside the scope of this research due to the limited time and budget at the disposal of the researcher. The focus on only four HRM practices may limit the generalizability of the findings to other HRM practices in CBE or other banking institutions. However, the chosen HRM practices are interconnected, and a thorough investigation of these practices can provide valuable insights into the overall effectiveness of the HRM practices in the bank.

1.5. Limitation of the study

The study has several limitations. First, the research is limited in scope, as it covers only a small subset of the bank's overall operations which is ten(10) CBE branches despite CBE Dire Dawa District covers vast areas due to the limited time and budget.

Second, the study focuses on only four key HRMP practices, namely selection and recruitment, training and development, performance appraisal, and reward and compensation. This may exclude other important elements of HRMP, such as managerial relations, social relations of employees, location elements, retirement, pension, and other details inherent to HRMP of banking institutions. However, the chosen HRMP practices are critical to the success of an organization, and investigating them can provide valuable insights into the effectiveness of CBE's HRM practices.

Third, the researcher faced challenges during the data collection process, including a shortage of time due to being a full-time CBE employee and reluctance of respondents to complete the questionnaires in a timely and accurate manner. These challenges may have impacted the quality of the data collected and the validity of the study's findings. However, the researcher made every effort to address these challenges, including ensuring the anonymity and confidentiality of the respondents and using multiple sources of data to triangulate the findings. Despite these limitations, the study provides valuable insights into the impact of selected HRMP practices on CBE's competitive achievement and can inform future research in the field.

1.6. Significance of the study

The research conducted on CBE Dire Dawa District is of great significance due to the unique challenges faced by this region in Eastern Ethiopia. This study will provide valuable insights into the human resource management practices of CBE from a local perspective, which has been previously unexplored in empirical research. The findings of this study will contribute to a better understanding of the challenges and opportunities faced by CBE in this region, and will provide new insights that are specific to the banking industry in this context.

The results of this research will be of great value to policy makers, academics, and other stakeholders of CBE, as it will aid in developing effective strategies to address the challenges faced by the bank in this region. Overall, this study will have a significant impact on the future course of action for CBE Dire Dawa District.

1.7. Definition of Key Terms

Competitive advantage: Competitive advantage refers to the unique advantage that an organization has over its competitors in terms of its products, services, or business processes (Porter, 1998).

Competitive advantage achievement: Competitive advantage achievement refers to the ability of an organization to successfully develop and maintain a competitive advantage over its competitors (Barney, 1991).

Human resource: is the dynamic, key, difficult organizational resource, which gives life and introduces change in organization (Abraham, 2006:2).

Human resource management: refers to the practices and policies needed to carry out the people aspects of management job by helping people and organization reach their goals (Abraham, 2006:1).

Human resource planning: can be described as a series of activities, consists of planning the necessary programmers of selection, recruitment, training, deployment, utilization, transfer, promotion, development, motivation and compensation. (Abraham, 2006:1).

Human resource management practices (HRMP) refer to the policies, procedures, and activities that organizations use to manage their employees. HRM practices cover a wide range of activities, including recruitment, selection, training and development, performance management, compensation and benefits, and employee relations.,(Mankin 2009)

Planning: establishing goals and standards; developing rules and procedures; developing plans and forecasting (Addis, 2008:9)

Performance appraisal: Performance appraisal refers to the process of assessing an employee's job performance against set goals and objectives (DeNisi & Smith, 2014).

Recruitment and selection: Recruitment and selection refer to the process of identifying job requirements, advertising job openings, screening and short listing candidates, conducting interviews, and making job offers to successful candidates (Sparrow, Brewster, & Chung, 2016).

Training and development: Training and development refer to the process of providing employees with the necessary skills, knowledge, and abilities to perform their jobs effectively (Noe, Hollenbeck, Gerhart, & Wright, 2017).

Reward and compensation: Reward and compensation refer to the various forms of remuneration provided to employees in exchange for their services (Milkovich & Newman, 2017).

1.8. Organization of the study

This thesis is organized into five chapters. Chapter one is an introduction which contains: background of the study, statement of the problem, research objectives, scope and limitation of the study, the significance of the study, and the organization of the paper itself. Chapter two contain a review of theoretical and empirical literature related to human resource management practices inherent in the banking institutions. Chapter three contains the research design, data types and sources, data collection instruments, a method of data analysis, model specification and estimation technique are discussed here. Chapter four includes discussion and interpretation of the results. Finally, chapter five contains conclusion and recommendation of the study.

CHAPTER TWO

2. LITERATURE REVIEW

2.1. Introduction

Human Resource Management (HRM) is an integral function in any organization, responsible for managing the organization's most valuable assets - its people. HRM encompasses various activities, including recruitment and selection, employee training and development, performance appraisal, and compensation and benefits management. The primary objective of HRM is to attract, retain, and motivate employees to achieve the organization's goals while fulfilling the needs and aspirations of the employees. The concept of HRM has evolved over time, and scholars have provided different definitions and perspectives. Effective HRM practices result in a motivated and engaged workforce, leading to improved organizational performance, productivity, and profitability. Therefore, organizations must prioritize their HRM practices to ensure their effectiveness and efficiency in managing their human resources, align them with the organization's overall strategy and goals, and create a positive work environment that fosters employee satisfaction and motivation. In this chapter we will evaluate the literatures related to HRMP including the gaps they have.

2.2. Theoretical Reviews

2.2.1. Human Resource management practices

Human Resource Management Practice (HRMP) involves managing employees in various aspects of employment and management, such as recruitment, selection, training, and development, performance appraisal, compensation, and benefits, and employee relations (Armstrong, 2009). HRMP practices are rooted in a conceptual basis drawn from various disciplines, including behavioral sciences, strategic management, human capital, and industrial relations theories.

Research has shown that effective HRMP practices can significantly impact organizational performance and employee satisfaction (Guest, 2017). Effective selection and recruitment

practices can help organizations to attract and hire high-quality candidates, leading to improved organizational performance and reduced turnover. Training and development practices can enhance employee skills and knowledge, leading to improved job performance and job satisfaction. Effective performance appraisal practices can help to identify employee strengths and weaknesses, leading to improved performance and career development opportunities. Finally, effective compensation and reward practices can motivate employees to perform at their best and contribute to their job satisfaction.

By understanding the relationship between HRMP practices and organizational performance, organizations can identify areas for improvement and develop strategies to enhance their HRMP practices to achieve better outcomes (Guest, 2017). Effective HRMP practices have become increasingly important in today's rapidly changing business environment due to challenges such as globalization, technological change, and demographic shifts (Ulrich & Brockbank, 2005). By examining the relationship between these practices and organizational performance and employee satisfaction, organizations can identify areas for improvement and develop strategies to enhance their HRMP practices to achieve better outcomes. Effective HRMP practices are crucial for organizations to remain competitive and achieve their strategic goals in today's rapidly changing business environment.

2.2.2. Human Resource Management Practices and Firm Competitive performance

Several theoretical perspectives, including human capital theory, resource-based theory, and a behavioral perspective, can be used to understand the impact of strategic human resource management (SHRM) on both individuals and organizations (Boxall & Purcell, 2016). However, it's worth noting that establishing a causal link between SHRM and organizational performance is often considered a challenging task by both researchers and practitioners

(Guest, 1997). Additionally, many SHRM models prioritize organizational needs over individual needs (Marchington & Grugulis, 2000).

Despite the potential benefits of SHRM, establishing a causal link between HRM practices and organizational performance can be challenging due to the complexity of organizational systems and the numerous factors that can influence performance (Boxall & Purcell, 2016). Moreover, some SHRM models prioritize organizational goals over individual needs, which can lead to employee disengagement and turnover (Marchington & Grugulis, 2000).

Human resource management (HRM) has been shown to have a significant impact on firm competitive performance (Guest, 1997). Human capital theory suggests that employees' knowledge, skills, and abilities are critical resources that can contribute to a firm's competitive advantage (Boxall & Purcell, 2016). Resource-based theory emphasizes the importance of unique and valuable resources, including human resources, in creating and sustaining a firm's competitive advantage (Barney, 1991). The behavioral perspective highlights the role of HRM practices in shaping employee attitudes and behaviors, which can ultimately impact organizational performance (Guest, 1997).

In summary, while HRM has been shown to have a significant impact on firm competitive performance, establishing a causal link between HRM practices and organizational performance can be challenging due to the complexity of organizational systems and the numerous factors that can influence performance. Additionally, some SHRM models prioritize organizational goals over individual needs, which can lead to employee disengagement and turnover. Theoretical perspectives such as human capital theory, resource-based theory, and the behavioral perspective can be used to understand the impact of SHRM on both individuals and organizations.

2.2.2.1. Human capital theory

The concept of human capital theory recognizes that investment in education, training, and experience can bring significant wage and job benefits to individuals. From a strategic human resource management (SHRM) perspective, training and skill acquisition are viewed as rational choices made by individuals to invest in their human capital. The core argument of human capital theory is that investment in either formal or informal education or training increases an individual's performance, productivity, and earnings (Gattiker, 1995).

Human capital theory also distinguishes between two types of training investment: general and specific. Firm-specific training has limited value outside of the organization, whereas general training has value in the labor market and can enhance an individual's career prospects. According to Garavan et al. (2001), human competencies are a critical resource available to organizations, and investment in human capital is essential for an organization's competitiveness. Prahalad and Hamel (1990) first introduced the concept of core competencies, which are unique clusters of factors that make an organization competitive, and human capital is one of these factors.

This resource-based view of human capital emphasizes the importance of learning, HRM investment, knowledge accumulation, and experience in developing an organization's competencies. Hamel and Prahalad (1994) describe core competencies as a bundle of skills and technologies, highlighting the need for SHRM to enhance core competencies, some of which are grounded in human capabilities. These skills need to be developed over time to provide organizations with asset of capabilities that are difficult for other firms to imitate. However, for these competencies to be valuable in strategic terms, they must be rented to the organization, meaning they must be developed and retained within the organization's human capital (Garavan et al., 2001).

Inshort, human capital theory recognizes the benefits of investing in education, training, and experience for individuals. From a SHRM perspective, training and skill acquisition are viewed as rational choices in investing in one's human capital. Human competencies are a critical resource available to organizations, and investment in human capital is essential for

an organization's competitiveness. The concept of core competencies highlights the need for SHRM to enhance competencies, some of which are grounded in human capabilities. These skills need to be developed and retained within the organization's human capital to confer strategic value (Hamel & Prahalad, 1994).

2.2.2.2. Resource-based theory

The resource-based perspective posits that differences in human resource (HR) configurations between firms result in fundamental heterogeneity in their potential to contribute to organizational performance (Barney, 1991). An organization's long-term competitiveness is partly determined by the durability, difficulty of imitation and substitution, and ability of its human resources to differentiate it from competitors (Festing and Eidems, 2011). Human resources provide the potential for sustained competitive advantage by using human resource development (HRD) to develop competencies that are specific to the organization and generate tacit organizational knowledge (Lado and Wilson, 1994). It is widely accepted that tacit and industry-specific knowledge has the most value in a strategic context (Nonaka and Takeuchi, 1995).

The resource-based approach emphasizes the importance of implementing a specific SHRM strategy that enhances both the competence and commitment of human resources to achieve a competitive advantage (Wright, Dunford, & Snell, 2001). The approach requires organizations to implement an internally consistent set of HRM practices that align with the organization's overall strategy and goals. This includes investing in employee training and development, promoting knowledge sharing, and aligning performance management practices with the organization's strategic goals.

By implementing an internally consistent set of HRM practices, organizations can develop a unique and valuable set of HR competencies that are difficult for competitors to imitate, leading to sustained competitive advantage (Barney, 1991). Furthermore, by enhancing the competence and commitment of human resources, organizations can increase their employees' motivation and engagement, leading to improved organizational performance and productivity (Guest, Michie, Conway, & Sheehan, 2003).

In summary, the resource-based perspective suggests that differences in HR configurations between firms result in heterogeneity in their potential to contribute to organizational performance. An organization's long-term competitiveness is partly determined by the durability, difficulty of imitation and substitution, and ability of its human resources to differentiate it from competitors. Human resources provide the potential for sustained competitive advantage by using HRD to develop competencies that are specific to the organization and generate tacit organizational knowledge. The resource-based approach emphasizes the importance of implementing a specific SHRM strategy that enhances both the competence and commitment of human resources to achieve a competitive advantage. By doing so, organizations can develop a unique and valuable set of HR competencies that are difficult for competitors to imitate, leading to sustained competitive advantage. Ultimately, implementing an internally consistent set of HRM practices can enhance employee motivation and engagement, leading to improved organizational performance and productivity (Guest, Michie, Conway, & Sheehan, 2003).

.2.2.2.3. Recruitment and Selection Practices

Recruitment and selection are critical processes for organizations. As noted by Rosow and Hickey (cited in Goldstein, Pulakos, Passmore & Semedo, 2017), only the people in the workforce, with their skills and commitment, are left to make the difference between economic success and failure. Recruitment is the process of finding and engaging the people the organization needs, while selection is concerned with deciding which applicants or candidates should be appointed to jobs (Armstrong, 2010). According to Watson (1994) (cited in Bratton & Gold, 2000), recruitment and selection are the processes by which organizations solicit, contact, and interest potential appointees, and then establish whether it would be appropriate to appoint any of them.

Recruitment has three general purposes: to fulfill job vacancies, to acquire new skills, and to allow organizational growth (Sims, 2002). Several factors influence recruiting efforts, including organizational reputation, attractiveness of the job, cost of recruiting, recruiting

goals, and recruiting philosophy. Selection is a critical process for the organization because good selection decisions ensure the company of their financial investments in their employees (Dean & Snell, 1993). Accurate employee selection decisions have never been more important to organizational success, as organizations need quality staff that can operate in an environment of increasing complexity and change.

Hiring the wrong person for the job can be costly, both in terms of time and expenses associated with advertising, agency fees, and interviewing candidates, as well as the negative long-term financial and non-financial implications of hiring the wrong person. Traditionally, organizations have focused on identifying and selecting people based on their skills and experience. However, research has pointed to motivational fit as a key differentiator in the selection process. To sustain a high level of competitive advantage, a firm requires talented and skilled workers (Huselid, 1995). Organizational productivity and high performance depend on the selection of the right person, which is also a pathway to reduced turnover. Moreover, a positive link has been identified between hiring a manager and employees, and the creation of the right culture for organizational growth (Ballentyne, 2009).

In conclusion, recruitment and selection are critical processes in HRMP, as they can significantly impact organizational performance and employee satisfaction. Effective recruitment practices can help organizations to attract and engage high-quality candidates, leading to improved organizational performance and reduced turnover. Similarly, effective selection practices can help to identify the candidate who is most likely to perform well in the job, leading to improved job performance and job satisfaction. Organizations need to develop and implement effective recruitment and selection practices to remain competitive and achieve their strategic goals.

2.2.2.3. Training & development practices

To meet the challenges inherent in 21st century work careers and organizations, employees are required to continuously update their knowledge, skills, and work habits, and organizations need to invest in the development of their human capital (Kebede, 2021).

Training and development is about creating the right culture and environment for individuals and organizations to learn and grow. It knows the current and future capability needs of the organization, as well as how to create a training culture that drives engagement in ongoing professional development (CIPD, 2021).

Development is concerned with both individual and collective training and, as a distinct area of HRM, encompasses the constantly evolving practices and processes that act to develop the skills, knowledge, behaviors, and attitudes of an organization's human resources required for effective job performance both now and in the future (Nick, 2016).

There are two main theoretical approaches towards employee training and development, namely, the human capital approach and the technology-based approach (Luo, 2000). On the one hand, the human capital approach views training as an investment in human capital. On the other hand, the technology-based approach regards training as a skill formation process driven by the rapidly changing technologies and work reorganization.

To be effective, training and development programs need to take into account that employees are adult learners and that the theory of adult learning, or "Andragogy," is based on five ideas (Miller, 1987). These include the need for adults to know why they are learning something, be self-directed, bring more work-related experiences into the learning situation, enter into a learning experience with a problem-centered approach, and be motivated by both extrinsic and intrinsic motivators. Different kinds of training and development experiences are needed at different stages of employees' careers.

Investing in human resources through training and development improves individual employee capabilities and organizational capabilities. Categories of training include on-the-job training and off-the-job training, with on-the-job training proving more effective in inculcating concepts and ideas. There are many different training and development methods available, including informal training, classroom training, internal and external training courses, skills training, and product training (Nick, 2016).

Effective training practices can help organizations to improve employee capabilities, leading to improved organizational performance and reduced turnover (Kebede, 2021). Similarly,

effective management development practices can help to improve organizational capabilities, leading to improved strategic decision-making and innovation. The creation and implementation of training and management development programs should be based on training and management development needs identified by a training needs analysis, so that the time and money invested in training and management development is linked to the mission or core business of the organization (Kebede, 2021).

The performance paradigm of HRD is in the ascendancy in recent years, with the emergence of strategic HRD and HRM literatures, and is also the dominant paradigm in organizations (Swanson & Holton, 2009). Boxall (2007) has argued that in the short term, the objectives of organizations are to develop and manage people as effectively as possible to deliver a return on investment. Longer-term investments in people development are designed to build a competitive advantage. Therefore, organizations need to develop and implement effective training and management development programs to remain competitive and achieve their strategic goals.

2. 2.2.4. Performance appraisal management Practices

Performance management involves a process of establishing a shared understanding of what needs to be achieved and how it should be accomplished, with an approach to managing and developing people to improve individual, team, and organizational performance (Armstrong, 2009). It can be described as a strategic and integrated approach that aims to deliver sustained success to organizations by focusing on performance improvement and employee development. Performance management comprises a set of interconnected practices that appraise an individual's overall capabilities and potential, set relevant goals for work and development, and collect and review data on work behavior and performance (Bratton & Gold, 2017). Its primary objective is to ensure that employees' activities and outputs align with the organization's goals (Steen, Noe, Hollenbeck, Gerhart, & Wright, 2009).

Performance Management System (PMS) provides an integrative framework of HR policies and practices that explicitly connect an organization's strategic intentions with employee efforts, define work activities, and set individual or team objectives according to these

intentions. In other words, performance management represents a range of HRM activities that enable, encourage, coordinate, and support employees to achieve their objectives, monitor, measure, and reward their achievements, and ultimately contribute to the long-term success of the organization (Nick, 2016).

According to Armstrong (2010), performance encompasses both behaviors and results. Effective performance management requires a well-designed system that is consistently applied across the organization. This system should include clear performance expectations, objective performance measures, and regular feedback and coaching. Managers play a critical role in the success of the performance management process, as they are responsible for providing feedback and coaching to their employees.

Armstrong (2009) notes that one of the primary objectives of performance management is to improve individual, team, and organizational performance. He further explains that providing employees with regular feedback and support can help them develop their skills and abilities, which can ultimately lead to better performance and increased productivity. Additionally, Bratton and Gold (2017) highlight that performance management plays a vital role in employee development by providing employees with clear goals and objectives and by providing ongoing feedback and training that can help employees develop new skills and abilities that will benefit both the employee and the organization.

Steen et al. (2009) emphasize that effective performance management requires a well-designed system that is consistently applied across the organization. They note that this system should include clear performance expectations, objective performance measures, and regular feedback and coaching. Managers play a crucial role in the success of the performance management process, as they are responsible for providing feedback and coaching to their employees. To ensure that performance management systems are consistently applied across the organization, organizations can take the following steps:

Firstly, organizations should establish clear standards and expectations for performance that are aligned with the organization's goals and objectives (Armstrong, 2009). These expectations should be communicated to all employees in a clear and concise manner.

Secondly, organizations should provide training to managers and employees on how to use the performance management system effectively (Bratton & Gold, 2017). This can include training on how to set goals, provide feedback, and conduct performance appraisals.

Thirdly, organizations should use objective measures to evaluate employee performance (Steen et al., 2009). These measures should be based on quantifiable data, such as sales figures or production metrics, wherever possible, to **minimize subjective interpretations**.

Fourthly, organizations should conduct regular performance reviews to ensure that employees are meeting the organization's expectations (Armstrong, 2009). These reviews should be conducted consistently across the organization using the same evaluation criteria for all employees.

In summary, to ensure that performance management systems are consistently applied across the organization, organizations should develop clear performance standards and expectations, train managers and employees, use objective performance measures, conduct regular performance reviews, encourage open communication, hold managers accountable, and regularly monitor and evaluate the system (Bratton & Gold, 2017; Armstrong, 2009; Steen et al., 2009)

2..2.2.5. Reward and Compensation Practices

Reward systems practices have become popular in order to align reward systems with the important changes that are occurring in the way organizations are designed and managed Lawler et al., (1992). One of important attributes of work organization is the ability to give reward to their members. Pay, promotions, fringe benefits, and status symbols are perhaps the most important rewards. Because these rewards are important, the ways they are distributed have a profound effect on the quality of work life as well as on the effectiveness of organization.

Organization typically rely to do four things namely; Motivate employees to perform effectively, motivate employee to join the organization, Motivate employee to come to work, and Motivate individuals by indicating their position in the organization structure. There are several principles for setting up an effective reward system in an organization;

Give value to reward system, employees must have preference for the type of rewards being offered, many employees prefer cash reward and plaques. Some employees like to see their name in company newsletter, others like the public recognition surrounding award ceremony, make the reward system simple to understand, and elaborate procedures for evaluating performance, filling out forms, and review by several levels of management lead to conclusion (Lewis, 2003).

Most organizations use different types of rewards. Examples of recognitions and rewards include money, plaques, trophies, certificates citations, public recognition, official prerequisites, special assignments, parties or celebrations or other meaningful celebrations. The most common are wages or salary, incentive systems, benefits and prerequisites, and awards. For majority of people, the most important rewards for work is the pay they receive. For one thing an effectively planned and administered pay system can improve motivation and performance. Money may not actually motivate people. Surprisingly, there is no clear evidence that increased earning will necessarily lead to higher performance (Lewis, 2003).

The objectives of employee benefits are; get increase the commitment of employees to the organization, to demonstrate that the organization cares for the needs of its employees and to meet the personal security and personal needs of the employees. Also to ensure, that the benefits are cost-effective in terms of commitment, and improvement in retention rate. Benefits represent a large share of total compensation and therefore, have a great potential to influence the employee, unit, and organizational outcome variables.

Financial rewards provide financial recognition to employees for their achievement in the shape of attaining or exceeding their performance targets or reaching the level of competence skill. Achievement bonus, team based lump sum payment are examples of financial rewards. A shop floor payment-by-result scheme or sales representative's commissions are examples of financial incentive.

2.3. Empirical Reviews

Various researchers have utilized different proxies for human resource management and their methodology and conclusions are controversial about the relationship between human

resource management and performance of financial institution. Several researchers argued that investment in human capital development is undertaken primarily for return and enhances profitability.

Several empirical studies have been conducted in Ethiopia to analyze the relationship between human resource management and financial performance. Brhane (2016) conducted a study to assess the human resource training and development practices of the Commercial Bank of Ethiopia (CBE). The study used both primary and secondary data collection methods and employed random sampling techniques to collect primary information from the North Addis Ababa district. The data collected was analyzed using descriptive statistics and compared with a systematic approach to training and development. The study found that while the bank has strength in allocating a sufficient budget for training and development and providing opportunities for employees to participate in training, it has major weaknesses in tasks related to the system approach model, such as training need assessment, trainee selection criteria, performance appraisal training evaluation, and line managers' coaching role. The researcher recommended that the bank update its training and development capacity periodically, apply trainee policy and procedure consistently, and implement training impact evaluation techniques for future improvement (Brhane, 2016).

Mulu (2016) assessed the challenges and prospects of the employee performance management system implemented in the Commercial Bank of Ethiopia using a descriptive method of study with a cross-sectional survey and a mixed research approach. The study used stratified random sampling to select questionnaire respondents and purposive sampling to select interviewees. The research objectives were to assess the prospects and challenges of the employee performance management system, identify the benefits gained from and challenges faced in implementing the system, assess employees' perception towards the system, and evaluate the performance management processes in the bank. The study found several challenges in the system, such as unbalanced goal-setting for similar positions, unfair job rotation among employees, insufficient resource allocation to execute jobs properly, no clear mechanism to address underperformance, and a tendency to give ratings of 1 and 4 only for non-financial targets. Additionally, the results of the evaluation were not

attached to reward and recognition schemes. Based on the findings, the researcher recommended that the bank ensure equal jobs are assigned for equal positions, fair job rotation is implemented, and evaluation results are attached to reward and recognition programs to solve the issue of underperformance. The bank should also train supervisors on assessment to make rating standards uniform across assessors and branches/processes (Mulu, 2016).

Selam (2016) conducted a study to assess the training and development practices in the Commercial Bank of Ethiopia. The study used a questionnaire, interviews, and document review as instruments of data collection and employed a quantitative survey research design to gather data from 271 employees of the bank. The study found that each of the training practices of the bank was not conducted properly, and the overall training practice of the bank was not as effective as it should be due to gaps in each training practice. The study recommended that the bank conduct each training process and practice properly, ensure on-time delivery of training, and give necessary attention to updating employees about new products and services for effective training (Selam, 2016).

Worku (2016) investigated the human resource development climate of selected commercial banks in Ethiopia using an analytical survey research approach. Employees and managers at headquarters of 33 commercial banks were considered as a sample, and 600 employees were surveyed using a questionnaire developed by Rao and Abraham (1986). The study found that top management commitment is essential for creating a conducive human resource development climate in the banks, particularly given the turbulent changes in the banking industry that call for continuous human resource development. The study recommended that the managing body of commercial banks support training and potential development of employees by introducing changes in HRD policies and practices (Worku, 2016).

Previous literature highlights the importance of training and development in the corporate world, making it crucial to examine issues related to this area in any business sector. A study on the impact of human resource development on the performance of the Commercial Bank of Ethiopia revealed a positive and statistically significant relationship between investment

in education and training, health, and total assets with bank performance (Samuel, 2019). However, the banking industry is plagued by various human resource-related problems, such as high employee turnover, reduced desire to learn and apply new skills, decreased productivity, and low morale (Davis, 2005; Beruk, 2016; Noe, 2008; Sheehan, 2013). These problems are often considered a failure in HRM practices that fail to accommodate both organizational goals and employee needs. Retaining valued employees is crucial for sustainable relevance and incurs significant costs in hiring, training, developing, and retaining new talent. Banks should align their HRM practices with business objectives, assess training needs, continuously evaluate existing practices, and provide well-defined reward and compensation systems while creating a conducive work environment to enhance employee commitment in the long run (Samuel, 2019; Davis, 2005; Beruk, 2016; Noe, 2008; Sheehan, 2013).

2.4. Literature Gaps

The literature reviewed has investigated the relationship between human resource management (HRM) and financial performance in the context of the Commercial Bank of Ethiopia. However, the studies have mainly focused on specific aspects of HRM, such as training and development, employee performance management, and human resource development climate, and their impact on the bank's performance. While previous research has shown a positive relationship between investment in human capital development and bank performance, there is a lack of comprehensive research on the overall impact of HRM practices on the financial performance of the Commercial Bank of Ethiopia. Moreover, there is a need to explore the challenges and prospects of HRM practices in the banking industry, including issues related to employee retention, productivity, and morale, which are crucial for sustainable relevance and growth. Therefore, there is a research gap in examining the overall impact of HRM practices on the financial performance of the Commercial Bank of Ethiopia and exploring the challenges and prospects of HRM practices CBE Dire Dawa District.

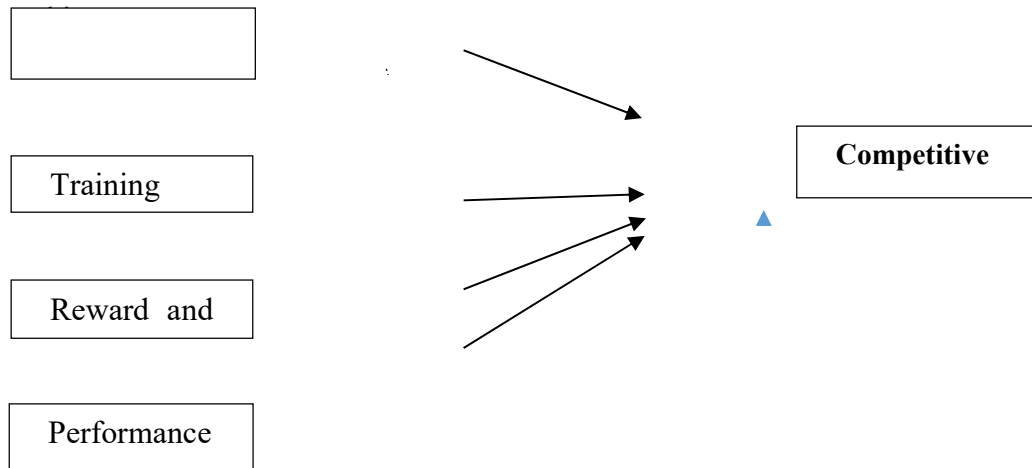
2.5. Conceptual Framework

The conceptual framework for this study aims to assess the overall SHRM practices of commercial banks in Ethiopia's Dire Dawa District based on four dimensions: recruitment and selection, training and development, performance appraisal, and reward and compensation. These practices are directly related to the human capital of the organization, which is a key factor in achieving competitive advantage. The framework is supported by the resource-based view and the business-oriented and business-integrated approach in HRM, which emphasize the importance of utilizing valuable and rare resources and aligning HRM practices with the organization's strategy.

Effective recruitment and selection practices can lead to increased job performance and organizational commitment, while training and development practices can enhance employee skills and knowledge and contribute to the achievement of strategic goals. Performance appraisal practices provide feedback on employee performance and help identify areas for improvement, which can lead to higher levels of job satisfaction and motivation. Additionally, reward and compensation practices can be used to motivate and retain employees, which is particularly important in organizations where turnover rates are high.

While other HRM practices, such as job design and job analysis, managerial relations, and labor relations, are also important, they are more focused on the internal operations and management of the organization rather than its competitive achievement. By focusing on the four key HRM practices, this study can provide a more focused and targeted analysis of the practices that are most critical to the competitive achievement of commercial banks in Ethiopia's Dire Dawa District.

Fig. 2.1. Conceptual figure showing the relationship between HRM practices and competitive



Source, own design 2023

2.6 Hypotheses

As discussed above under section 1.3, the main objective of this research is to study the impacts of specific human resource management practices of CBE Dire Dawa District on the CBE's competitive achievement. Moreover, as discussed under section 2.3. of this chapter, Recruitment and selection; training and development; performance appraisal and reward and compensation, are the four major specific HRM practices which are the subjects of this study. These four HRM practices are independent variables while the bank competitive achievement is dependent variable. Thus, in this research the researcher tested the following five hypothesis developed in line with the conceptual framework and the specific research objectives and research questions listed under chapter one.

These are:

H₁ = There is strong and positive relationship between employee recruitment& selection practices and CBE competitive achievement.

H₀ = There is no strong and positive relationship between employee recruitment& selection practices and CBE competitive achievement.

H₂ = There is strong and positive relationship employee between training & management practices and CBE competitive achievement.

H₀ = There is no strong and positive relationship between employee training & management practices and CBE competitive achievement.

H₃ = There is strong and positive relationship between performance appraisal management practice and CBE competitive achievement.

H₀ = There is no strong and positive relationship between performance management practice and CBE competitive achievement.

H₄ = There is strong and positive relationship between employee compensation & reward practice and CBE competitive achievement.

H₀ = There is no strong and positive relationship between compensation & reward practice and CBE competitive achievement.

CHAPTER THREE

3. RESEARCH METHODOLOGY

3.1. Introduction

Research design and methodology contains the whole picture of the procedure followed from data collection to data analysis and interpretation including the type of research it is. This design satisfies the most suitable methods of investigation, the nature of the research instruments and the types of data (De Wet, 1997). The previous chapter indicated the literature on the relationship between human resource development and banks performances. This chapter deals with the research design and the methodology that used in gathering data and method of data analysis.

3.2. Research design

As stated in Cooper and Schindler (2008, p.140), research design constitutes the blue print for the collection, measurement, and analysis of data. There are different types of research methods that could be used when doing research such as descriptive research, causal/explanatory research, exploratory research, etc. the type of research is survey type research which fits the human resource practice perception of individual respondents.

The purpose of this research is to explore relationship between HRM practices and organization performance of CBE Dire Dawa District. There are four independent variables in research recruitment and selection, training and development, compensation and benefits and performance appraisal and using one mediator employee performance and one dependent variable organization performance. Therefore, the purpose of this empirical is to examine the impact of HRD on competitive achievement of CBE integrating resource-based view and social exchange theory. This research will employ quantitative and qualitative research design through primary and secondary data from secondary sources. Quantitative research is based on the measurement of quantity or amount. It is applicable to phenomena that can be expressed in terms of quantity. Based on its purpose causal and descriptive

research design will be used to study to examine the impact of human resource management practices on performance of commercial Bank of Ethiopia Dire Dawa District branches.

3.2. Population , Sample Size and sampling method

This research is conducted in commercial Bank of Ethiopia Dire Dawa District which by now have 70 branches and the total of 1190 banking employees. Dire Dawa District covers the two Hararghes and Dire Dawa City Administration. So my research population is the total of 1190 employees working in 70 Branches of CBE Dire Dawa District. Nevertheless in this academic work which done within limited time and with very limited budget it is unrealistic for the researcher to collect primary data from all 1170 employees working in 70 branches under Dire Dawa District.

Therefore due to the proximity to my work place and ease of access with limited budget and time, the researcher selected CBE branches operating in West Hararghe Zone using the combination of convenient sampling method and purposive sampling method. In the first place the researcher selected ten CBE Branches operating in Chiro, Hirna, Bedesa and Gelemso City Administrations. In Chiro there are five branches, in Hirna there is one Branch, in Bedesa there are two Branches and in Gelemso there is two branches. The researcher selected these ten branches in the four major urban administrations in West Hararghe Zone in the exclusion of other CBE branches under Dire Dawa District because of the proximity they have for me to conveniently collect my data within my time and budget. Nevertheless, in West Hararghe Zone there is one Zonal City, Chiro, and 16 Woreda Town administrations and out of 16 Woredas only Burka Dintu Woreda and Hawi Gudina Woreda have no CBE branches and there is the total of 21 CBE branches in this Zone which are under Dire Dawa District. Therefore, out of these 21 CBE branches the researcher purposively selected those ten branches in the four major urban administration of West Hararghe Zone to obtain more representative data taking in to account the grade of the branches, the number of the employees, operation capacities etc. For instance among the selected ten Branches Chiro city Branch and Oda Bultum Branches are grade 3 Branches

while Gelemso and Gara Gara Jallo Branches are Grade 2 branch and the rest are grade 1 branches. Moreover, Chiro city Branch and Gelemso Branch are the two oldest CBE banking establishment established respectively in 1969 and 1972 GC. Therefore, the researcher purposively selected these ten branches based on their age of establishment, their grade and volume of operation.

But to compensate the shortcomings of convenient sampling and purposive sampling, the researcher adopted census method to collect data from all 215 banking employees working in the ten selected branches to obtain more representative data.

When we come to the adequacy of the 215 sample size relative to 1170 research populations, the selected sample size are more than the minimum sample size in the field of social science and business researches, (Bartlett, Kotrlik, & Higgins 2001.). According to the research they conducted on sample size determination of organizational research these writers submitted that the two commonly used sample size determination formulas are Cochran's (1977) sample size formula for both continuous and categorical data and Krejcie and Morgan's (1970) formula for determining sample size for categorical data, ((Bartlett, Kotrlik, & Higgins 2001.)

According to common sampling formulas, a sample size of 215 would be representative for a population size ranging from around 1,400 to 3,000, depending on the desired confidence level and precision. According to Cochran's Formula (95% confidence, 5% margin of error): A sample size of 215 would represent a population size of around 1,400 to 1,600. Moreover, according to Krejcie and Morgan's formula. At 95% confidence, a sample size of 215 would represent a population size between 2,000 and 3,000. At 90% confidence, a sample size of 215 would represent a population size between 1,500 and 2,000. ((Bartlett, Kotrlik, & Higgins 2001.)

Thus, the researcher strongly believes that due to the homogeneity of the economic and cultural landscape of the research area the results of the research done in such Branch networks in West Hararghe Zone could be easily generalized at district level as far as the data collected from the stated branches are representative.

3.3. Sources and type of data

The main objective of this research is to examine the impacts of human resources management practices of CBEDD and its impact on the Banks competitive advantages. The study mainly focuses on the causal relationship between human capital development and competitive advantages or financial performance of commercial bank of Ethiopia. Each research objectives listed under section 1.3.2 needs secondary data as a background and primary data for empirical analysis. Thus the researcher utilized both primary and secondary data to address each objective on recruitment and selection, training and development, compensation and reward as well as performance management appraisal analysis. Because of this the study is based on both primary and secondary sources of data.

The primary data was collected from bank employees working in different branches of CBE Dire Dawa District West Harerghe Branches which includes employees of Chiro, Hirna, Bedesa and Gelemso CBE Branches. The secondary data for this study was collected from financial report of commercial bank of Ethiopia Dire Dawa District Office and from previous research works done on the area.

3.4. Data Collection Instrument

This is a descriptive survey research and the instrument of data collection for primary data is questionnaire. Thus, the researcher used close-ended self-administered questionnaires as its main data gathering tool. Moreover, regarding secondary data, the researcher used the CBE online database since the researcher is CBE employee having access to the banks online data, financial reports and human resource development reports. Thus, once primary and secondary data were collected through the above parameters the researcher presented the data in the form of quantitative and qualitative formats. The questionnaire have six parts with the total of 25 questions as annexed with this research (adopted from Samuel Eshetu 2019)

3.5. Procedures of data collection

In this study, self-administered questionnaires were used as the primary tool to collect data, while the secondary data was obtained from the bank's procedures, manuals, reports, and other source documents. According to Saunders et al. (2009), self-administered questionnaires are a reliable means of data collection. The questionnaires were distributed among the bank's employees to gather their perceptions and feedback regarding the impact of human resource management practices on the bank's performance. The questionnaire was designed with carefully crafted questions that focused on the various aspects of HRM practices, such as recruitment and selection, training and development, performance appraisal and reward and compensation. The questions were structured in a way that allowed the respondents to provide detailed and specific feedback, which helped to ensure the reliability and validity of the data collected. Additionally, the use of secondary data sources, such as the bank's procedures, manuals, reports, and other source documents, provided valuable insights into the bank's HRM practices and their impact on performance.

3.6. Method of Data analysis

According to various scholars, data analysis refers to a set of methods that are used to describe facts, detect patterns, develop explanations, and test hypotheses in all scientific fields (Field, 2013; Miles & Huberman, 1994). The process of data analysis involves organizing, summarizing, presenting, interpreting, and drawing conclusions from the data to provide useful information and support decision-making (Yin, 2017).

In quantitative research, data analysis is conducted objectively by using statistical techniques to identify trends, correlations, and patterns in the data (Field, 2013). These techniques include regression analysis, hypothesis testing, and cluster analysis, among others.

For qualitative data, which is generated from questionnaire sessions, summaries of major or interesting points are reported and analyzed by using description/narrative of response

techniques (Miles & Huberman, 1994). Qualitative data analysis techniques include content analysis, grounded theory, and thematic analysis, among others.

Based on the results of the data analysis, conclusions can be drawn, and recommendations made to support decision-making in various fields (Yin, 2017). Therefore, data analysis is a critical process that enables researchers to generate insights and conclusions from data that would otherwise be challenging to interpret. Overall, data analysis is a valuable tool in identifying trends and patterns in large datasets, enabling organizations to make data-driven decisions (Field, 2013).

3.6.1. Descriptive analysis

Descriptive analysis in statistics is a method that is employed to comprehend and explain the data by using various measures of central tendency and measures of dispersion (Field, 2013). Descriptive analysis is primarily used to answer the descriptive type of research questions and to provide an overview of the data under consideration.

One of the fundamental techniques of descriptive analysis is the use of frequency tables or frequency distributions. A frequency table is a calculation that shows the number of times a respondent has marked each category on a single variable (Miles & Huberman, 1994). Frequency tables can be further classified by expressing the total results in the form of percentages, which helps in understanding the distribution of the responses across different categories (Field, 2013). Overall, descriptive analysis and frequency tables are essential tools in data analysis, as they provide insights into the distribution and characteristics of the data. By using these techniques, the researcher can gain a better understanding of the data and use it to make informed decisions and draw accurate conclusions.

3.6.2. Inferential Analysis

There are many types of inferential statistical tests, and the choice of test depends on the research question, the type of data collected, and the research design. For example, t-tests are commonly used to compare the means of two groups on a continuous variable (e.g., test

scores or blood pressure readings) (Kirk, 2013). Analysis of variance (ANOVA) is used to compare the means of three or more groups on a continuous variable, and there are several types of ANOVA tests, including one-way ANOVA, two-way ANOVA, and repeated measures ANOVA (Field, 2013). Regression analysis is used to examine the relationship between two or more variables, where one variable is the outcome variable (dependent variable) and the other variables are predictor variables (independent variables) (Tabachnick & Fidell, 2019). Chi-square tests are used to determine if there is a significant association between two categorical variables (Agresti, 2018). Correlation analysis is used to examine the relationship between two continuous variables (Field, 2013). Factor analysis is used to identify underlying dimensions or factors that explain the correlations among a set of variables (Tabachnick & Fidell, 2019). Structural equation modeling (SEM) is a complex statistical technique used to test complex relationships among variables and to examine the direct and indirect effects of variables on each other (Kline, 2015).

3.6.3. Correlation analysis

Correlation analysis is a statistical technique used to measure the strength and direction of the relationship between two or more variables (Field, 2013). It is commonly used in research to examine the extent to which changes in one variable are associated with changes in another variable. Correlation analysis calculates a correlation coefficient, which is a numerical measure of the strength and direction of the relationship between the variables.

The most commonly used correlation coefficient is the Pearson correlation coefficient, which measures the linear relationship between two continuous variables. The Pearson correlation coefficient ranges from -1 to +1, where a correlation coefficient of -1 indicates a perfect negative correlation, a correlation coefficient of +1 indicates a perfect positive correlation, and a correlation coefficient of 0 indicates no correlation (Fisher & Yates, 1963).

In addition to the Pearson correlation coefficient, there are other correlation coefficients that can be used for non-linear relationships or categorical variables. For example, the Spearman rank correlation coefficient is used when the variables are measured on an ordinal scale or

when the relationship is non-linear (Field, 2013) Correlation analysis can be used in many fields of research, such as psychology, economics, to examine the relationships between variables. It can be used to identify important variables, to test hypotheses, and to make predictions. However, it is important to note that correlation does not imply causation. Correlation analysis can only identify the existence and strength of the relationship between variables, but it cannot determine the direction of causality. Therefore, it is important to interpret the results of correlation analysis in the context of the research question and the study design (Tabachnick & Fidell, 2019).

3.7. Validity Analysis

Validity is the extent to which differences found with a measuring instrument reflect true differences among those being tested, (Kothari, 2004). Validity is the most critical criterion and indicates the degree to which an instrument measures what it is supposed to measure. In order to ensure the quality of the research design content and construct validity of the research will be checked. According to Kothari (2004) Content validity is the extent to which a measuring instrument provides adequate coverage of the topic under study. The importance of validity in quantitative research can be identified in three categories: construct internal and external validity.

3.7.1. Internal Validity

Reliance on second-hand reports of events that cannot be observed at first hand often requires the researcher to make inferences. For example, a senior manager may assert that he or she has taken a certain decision but other staff may say they have no knowledge of it; alternative explanations may be that the senior manager's recollection is wrong, or that there was a breakdown in communication between the senior manager and the other staff, or that one or more parties involved are lying. This breadth of data can be examined against the conceptual framework which has been formulated from the review of the scholarly literature

to test for the patterns which one would expect to find if the frame is well-founded. This pattern-matching would help to strengthen the study's internal validity (Yen, 2003).

3.7.2. External Validity

External validity refers to the extent to which the findings and results of a study can be generalized to other particular research settings and other samples (Babbie & Mouton, 2018). In the present work, to ensure external validity, the findings and results are generalized specifically to the public or government-owned banking services. This approach is aimed at ensuring that the study's conclusions are applicable to other public or government-owned banking services in different settings.

The external validity test involves defining the domain to which the research findings are generalizable, beyond the immediate case study. This involves identifying the characteristics of the sample and the setting that are essential to the study's generalizability (Babbie & Mouton, 2018). By doing so, researchers can determine the extent to which the study's results are applicable to other settings and samples.

In conclusion, external validity is crucial in ensuring that the findings and results of a study are generalizable to other research settings and samples. By defining the domain to which the research findings are generalizable, researchers can determine the study's applicability beyond the immediate case study.

3.8. Reliability Analysis

Reliability relates to the consistency of the data collected. Cronbach's coefficient alpha is used to determine the internal reliability of the instrument. The survey instrument was tested in its entirety, and the subscales of the instrument were tested independently. Cronbach's alpha is a coefficient of reliability used to measure the internal consistency of the scale; it represented as a number between 0 and 1. According to Zikmund (2010) scales with coefficient alpha between 0.6 and 0.7 indicate fair reliability. Thus, for this study, a

Cronbach's alpha score of .70 or higher will be considered as adequate to determine reliability.

3.8. Ethical consideration

In academic research, it is essential to observe ethical standards to ensure that the rights, privacy, and confidentiality of participants are protected. In this study, the researcher made sure to adhere to all ethical standards of academic research, including maintaining confidentiality of respondents' personal information and acknowledging prior research works by following proper rules of citations.

Confidentiality is crucial in research, and the researcher made sure that the personal information of the participants was not disclosed to any third party. The participants were informed about the objective and scope of the research and provided their informed consent before participating. The researcher ensured that the data collected was used only for the purpose of the study and that the participants' responses were not used to identify them.

In addition, proper rules of citation were followed to acknowledge the contributions of prior research works. This is essential to avoid plagiarism and to give credit where it is due. By acknowledging prior research works, the researcher ensured that the study was built on a foundation of existing knowledge and that the research was conducted in an ethical and responsible manner. Overall, the researcher made sure that the study fulfilled all ethical parameters worth observance for academic research of its kind. By observing ethical standards, the researcher ensured that the study was conducted in a responsible and respectful manner and that the results are trustworthy and credible

CHAPTER FOUR

4. DATA ANALYSIS AND PRESENTATION OF FINDINGS

4.1 Introduction

This chapter focuses on the core practices of recruitment and selection, training and development, reward and compensation, and performance appraisal, which are essential to human resource management. To ensure accuracy and reliability, the data coding and analysis were primarily undertaken through the instrumentality of SPSS software commonly used in the fields of social science.

The collected data, through individual close-ended questionnaires, were first fed to Microsoft Excel before being fed to the SPSS software. The software was used to cleanse errors in the data for consistency. Finally, the collected data was analyzed using descriptive statistics, correlation analysis, and regression analysis.

The chapter aims to present the analysis and interpretation of the data in a clear and concise manner to facilitate the understanding of the results. The results will be presented in tables, graphs, and charts, highlighting the key findings of the study. This will provide a comprehensive overview of the research findings and support the development of sound conclusions and recommendations. Overall, this chapter presents an in-depth analysis of the data collected in line with the four core human resource management practices, thereby contributing to the body of knowledge in this field.

4.1.1. Data Response Rate

Primary on field data were collected from CBE branches under Dire Dawa District located in West Hararghe Zone such as Chiro, Hirna, Bedesa and Gelemso towns. To come up with more representative data I collected data from the total of 215 fresh and senior employees currently working in all CBE branches in the above four relatively big and economically significant urban centers in the west Hararghe Zone. Among the four research areas Chiro town has four CBE branches while the rest has two branch networks each. This means there are the total of ten CBE branches currently operative in the above four major urban centers in the West Hararghe Zone, which are indeed under the Dire Dawa District.

The data were collected through self-administered close ended questioner from the total of 215 fresh and senior bank employees currently on active duty in the above mentioned ten CBE branch networks. Out of the total 215 respondents 13 respondents failed to return the questioner papers while the total of 202 employees filled and returned for the data collector on due date. Since it is close-ended questioner all 202 respondent's questioner are free from inherent defects and are usable for the research.

According to Mugenda (2003) a response rate of more than 10% of the sample is adequate for data analysis. Cooper & Schindler (2003) also argues that a response rate exceeding 30% of the total sample size provides enough data that can be used to generalize the characteristics of a study problem as expressed by the opinions of few respondents in the target population. This also meets the acceptable response rate, 40%, as suggested by Sekaran (2003). This means that the data gathered from the 202 respondents demonstrated the true nature of the human resource management practices of CBE. Therefore, the 94 % response rate was adequate for the researcher to proceed with data analysis and interpretation.

4.1.2. Demographic Characteristics of the Respondents

Table 4.1. Demographic Characteristics of the Respondents

		Frequen cy	Perce nt	Valid Percent	Cumulat ive Percent
sex	Male	128	63.4	63.4	63.4
	Female	74	36.6	36.6	100.0
Age	18-25 & below	83	41.1	41.1	41.1
	26-35	92	45.5	45.5	86.6
	36-45	20	9.9	9.9	96.5
	46 & above	7	3.5	3.5	100.0
Education level	Certificate/Dip	14	6.9	6.9	6.9
	Degree	179	88.6	88.6	95.5
	Masters	9	4.5	4.5	100.0
Work experience	Below 1	39	19.3	19.3	19.3
	1-5	125	61.9	61.9	81.2
	6-10	35	17.3	17.3	98.5
	Above 10 years	3	1.5	1.5	100.0
	Total	202	100. 0	100.0	

Source: - Own Data Computation, 2023

The demographic data for sex in Table 4.1 shows that out of the 202 respondents, 128 are male and 74 are female. This indicates that the majority of employees at CBE are male, which is consistent with the bank's annual report. However, despite females making up 50% of the country's population, they are underrepresented in the work environment due to cultural marginalization. This suggests that there may be a need to address gender diversity and inclusion in the bank's workforce.

In terms of age, Table 4.1. shows that the largest group of respondents (45.5%) are between the age group of 26-35 years, followed by 41.1% in the age group of 18-25 years and below. Only a small percentage of respondents (3.5%) are aged 46 years and above. This suggests that the majority of employees at CBE are relatively young, which is in line with the country's DHS data for the productive working age of the population. However, the age distribution of employees may have implications for training and development programs, as younger employees may be more receptive to new ideas and technology.

Educational level is an important factor in employee performance and decision-making. The majority of respondents (88.6%) in Table 4.1 are degree holders, while only 6.9% are certificate or diploma holders and 4.5% are master's degree holders. This suggests that the majority of employees at CBE have completed at least a bachelor's degree, which is a positive sign for the bank's overall skill level and capacity. However, the fact that no employee holds a PhD may indicate a gap in higher education attainment that could be addressed through targeted training and development programs.

Table 4.1 also shows that the majority of respondents (61.9%) have worked at CBE for 1-5 years, while 19.3% have worked for less than a year and 17.3% have worked for 6-10 years. Only small percentages (1.5%) have worked for 10 years or more. This suggests that the bank may be experiencing a high turnover rate, as a significant number of employees are relatively new to the organization. This may have implications for the bank's ability to retain experienced staff and maintain institutional knowledge. Addressing turnover and employee development through targeted training and development programs could help to build a more stable and skilled workforce.

In conclusion, the demographic data presented in Tables 4.1 provide insights into the age, sex, education level, and work experience of employees at CBE. These factors may have implications for the bank's overall performance and ability to retain and develop skilled staff. Addressing gaps in the workforce through targeted training and development programs could help to build a more diverse, stable, and skilled workforce that is better equipped to meet the bank's goals and objectives.

4.1.3. Reliability Test

The reliability of scale shows that how free the data is from random error. Therefore, it is always advisable to select that scale that is reliable. One of the most commonly used scales of reliability is internal consistency. Internal consistency refers to “the degree to which the items that make up the scales are all measuring the same underlying attributes. Thus, Cronbach Alpha was used to determine the instrument's reliability by establishing how variables of the study related to each other.

Table 4.2. Reliability Statistics

Scale	Cronbach's Alpha	Number of Items
Recruitment and selection	0.847	4
Training and development	0.571	5
Performance Appraisal	0.684	5
Compensation and benefits	0.540	5
Organization performance	0.690	5

The data includes the Cronbach's alpha coefficients for five scales: recruitment and selection, training and development, performance appraisal, compensation and benefits, and organization performance. Cronbach's alpha is a measure of internal consistency reliability, which indicates how well the items in a scale or questionnaire measure the same underlying construct. The Cronbach's alpha coefficient ranges from 0 to 1, where a higher value indicates stronger internal consistency reliability. A commonly used rule of thumb is that a Cronbach's alpha coefficient of 0.70 or higher indicates good internal consistency reliability.

Based on the above , the recruitment and selection scale has a Cronbach's alpha coefficient of 0.847, which is considered high. This suggests that the four items in the scale are highly interrelated and measure the same construct of recruitment and selection. Therefore, the scale is considered reliable in measuring recruitment and selection practices. The training and development scale has a Cronbach's alpha coefficient of 0.571, which is considered low. This indicates that the five items in the scale are weakly interrelated and may not measure the same construct of training and development as consistently as the other scales. The performance appraisal scale has a Cronbach's alpha coefficient of 0.684, which is moderate. This suggests that the items in the scale are moderately interrelated and measure the same construct of performance appraisal. The compensation and benefits scale has a Cronbach's alpha coefficient of 0.540, which is considered lowest. This indicates that the five items in the scale are weakly interrelated and may not measure the same construct of compensation and benefits as consistently as the other scales. Finally, the organization performance scale has a Cronbach's alpha coefficient of 0.690, which is moderate. This suggests that the items in the scale are moderately interrelated and measure the same construct of organization performance. In summary, the data suggests that the recruitment and selection, performance appraisal, and organization performance scales have acceptable internal consistency reliability.

4.2. Descriptive statistics

Descriptive statistics was used to examine the frequency, percentage, mean, and standard deviation. It was used to determine the employee's perception to human resource management practices in Commercial Banks. The table below contains descriptive data (frequency, percent mean and standard deviations) for the four independent variables, which are selection and recruitment, training and development, performance appraisal, compensation and benefit as indicated by the respondents.

Again, the descriptive analysis is used to put the complete picture of the basic component and elements of the whole study. In the descriptive analysis, data collected from employees using questionnaire was analyzed and interpreted. During interpretation of the results of frequency,

percentage, mean and standard deviation was used as follows to make the interpretation easy and clear for the 5 point likert scale. Akmaliah, Z (2009), stated that mean score measurement can be used while interpreting the data; and if Mean Score > 3.80, it is considered as high, 3.40-3.79 is considered as moderate and when the mean score is below 3.40, it is considered as low as a rule of thumb method.

Table 4.3. Mean score measurement table

Range	Interpretation
Mean Score > 3.80	High
Mean Score 3.40-3.79	Moderate
Mean score below 3.40	Low

Source: Akmaliah, Z (2009),

4.2.1. Recruitment and Selection Strategic Practices

Table 4.4. Summary of Respondents' Perception on Recruitment and Selection Practices

Items		SD	D	N	A	SA	M	SD
Selection of a candidate in my organization is strictly based on his/her experience	Frequency	14	61	49	54	24	3.06	1.151
	Percent	6.93	30.20	24.2	26.7	11.88		
Adequate and relevant information about the organization and job is provided to the candidate at the time of recruitment.	Frequency	17	61	32	68	24	3.10	1.203
	Percent	8.42	30.20	15.8	33.66	11.88		
My organization provide orientation to employees after selection	Frequency	13	91	26	56	16	2.86	1.135
	Percent	6.44	45.05	12.87	27.72	7.92		
My organization put confidence in employee during recruitment	Frequency	26	99	30	47	0	2.49	0.989
	Percent	12.87	49.01	14.85	23.27	0.00		

Source: - Own Data Computation, 2023

The data in the above table shows that the mean scores for all four items are below the midpoint of the scale, indicating that employees tend to have a negative perception of these aspects of the recruitment and selection process in their organization. The standard deviation scores suggest that there is some variability in the responses, but the majority of employees tend to fall in the "disagreed" or "neutral" categories.

Specifically, for item 1, only 35.6% of employees agreed or strongly agreed that selection is based solely on experience, while 39.1% disagreed or strongly disagreed. For item 2, only 47.7% of employees agreed or strongly agreed that adequate and relevant information is provided to candidates, while 38.6% disagreed or strongly disagreed. For item 3, only 31.9% of employees agreed or strongly agreed that orientation is provided after selection, while 55.1% disagreed or strongly disagreed. Finally, for item 4, only 23.8% of employees agreed or strongly agreed that their organization puts confidence in employees during recruitment, while 61.9% disagreed or strongly disagreed. These results suggest that employees may feel that their organization's recruitment and selection process is not transparent or fair, and that they are not provided with adequate information or support during the process. This could potentially lead to lower levels of job satisfaction, decreased motivation, and higher turnover rates. Based on these findings, it may be useful for the organization to review their recruitment and selection processes and identify areas for improvement. For example, they could consider increasing transparency in the selection process, providing more information and support to candidates, and implementing orientation programs for new employees to help them feel more prepared and supported during their transition to the organization.

4.2.2. Training and Development strategic Practices

Table 4.5. Respondents' Perception on Training and Development Practices

		SD	D	N	A	SA	M	SD
The training needs of the employees in our organization are assessed on the basis of their performance appraisal.	Frequency	29	82	49	31	11	2.5693	1.08249
	Percent	14.4	40.6	24.3	15.3	5.4		

Training in our organization includes social skills, general problem solving skills and broader knowledge of the organization and business.	Frequency	15	27	34	102	24	3.4604	1.09768
	Percent	7.4	13.4	16.8	50.5	11.9		
The contents of the training programs organized are always relevant to the changing needs of our jobs and our business.	Frequency	36	81	31	46	8	2.5495	1.14171
	Percent	17.8	40.1	15.3	22.8	4.0		
Our organization recognizes the career growth needs of its employees.	Frequency	34	79	54	27	8	2.4851	1.04728
	Percent	16.8	39.1	26.7	13.4	4.0		
My organization provide equal opportunity to all employees	Frequency	4	35	38	101	24	3.5248	.97831
	Percent	2.0	17.3	18.8	50.0	11.9		

Source: - Own Data Computation, 2023

The result of the above data shows that the mean scores for all five items are below the midpoint of the scale, indicating that employees tend to have a negative perception of these aspects of training and development practices in their organization. The standard deviation scores suggest that there is some variability in the responses, but the majority of employees tend to fall in the "disagreed" or "neutral" categories.

Specifically, for item 1, only 15.9% of employees agreed or strongly agreed that training needs are assessed on the basis of their performance appraisal, while 60.4% disagreed or strongly disagreed. For item 2, only 43.2% of employees agreed or strongly agreed that training includes social skills, problem-solving skills, and broader knowledge, while 31.4% disagreed or strongly disagreed. For item 3, only 22.8% of employees agreed or strongly agreed that training programs are always relevant to the changing needs of their jobs and business, while 57.9% disagreed or strongly disagreed. For item 4, only 16.8% of employees agreed or strongly agreed that their organization recognizes the career growth needs of its employees, while 43.1% disagreed or strongly disagreed. Finally, for item 5, only 14.3% of employees agreed or strongly agreed that their organization provides equal opportunity to all employees, while 35.3% disagreed or strongly disagreed.

These results suggest that employees may feel that their organization's training and development practices are not meeting their needs, and are not preparing them adequately for their job responsibilities and future career growth. This could potentially lead to lower levels of job satisfaction, decreased motivation, and higher turnover rates. Based on these findings, it may be useful for the organization to review their training and development practices and identify areas for improvement. For example, they could consider incorporating more relevant and job-specific training content, providing more opportunities for career growth and development, and ensuring that training needs are assessed regularly and based on objective criteria. Additionally, organizations can focus on promoting equal opportunities for all employees to ensure that there is no bias or discrimination in the training and development process.

4.2.3. Performance Appraisal Strategies and Practices

Table 4.6. Perception of the employees on Performance Appraisal Strategies

		SD	D	N	A	SA	M	SD
Our organization appraises the performance of its employees at regular intervals.	Frequency	14	38	39	71	40	3.42	1.200
	Percent	6.9	18.8	19.3	35.1	19.8		
Performance appraisal in our organization aims at improving employee performance and strengthening our job skills	Frequency	32	59	30	73	8	2.83	1.193
	Percent	15.8	29.2	14.9	36.1	4.0		
Performance appraisal at our organization undertakes to identify the developmental needs of its employees to help them attain their career goals.	Frequency	43	77	39	35	8	2.45	1.124
	Percent	21.3	38.1	19.3	17.3	4.0		
I receive proper feedback on how we are performing.	Frequency	41	79	40	42	0	2.41	1.034
	Percent	20.3	39.1	19.8	20.8	0.0		
My organization enhance the	Frequency	31	76	34	53	8	2.66	1.140

knowledge, skills and abilities of employees after appraisal	Percent	15.3	37.6	16.8	26.2	4.0		
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Source: - Own Data Computation, 2023

The table displays the results of employee perceptions of performance appraisal practices in CBE Dire Dawa District Branches. The mean scores for all five items are above the midpoint of the scale, indicating that employees tend to have a positive perception of performance appraisal practices in their organization. However, there is some variability in the responses, as indicated by the standard deviation scores.

Specifically, for item 1, 61.0% of employees agreed or strongly agreed that performance is appraised at regular intervals, while 25.7% disagreed or strongly disagreed. For item 2, 36.1% of employees agreed or strongly agreed that performance appraisal aims to improve employee performance, while 54.1% disagreed or strongly disagreed.

For item 3, only 17.3% of employees agreed or strongly agreed that performance appraisal identifies development needs to help employees attain career goals, while 60.4% disagreed or strongly disagreed. For item 4, 40.9% of employees agreed or strongly agreed that they receive proper feedback on their performance, while 60.9% disagreed or strongly disagreed. Finally, for item 5, 24.6% of employees agreed or strongly agreed that their organization enhances their knowledge, skills, and abilities after appraisal, while 60.2% disagreed or strongly disagreed.

These results suggest that while employees generally have a positive perception of performance appraisal practices in their organization, there are areas of concern. Specifically, employees may feel that performance appraisal does not always lead to improvements in their performance or career growth, and that feedback is not always provided effectively. This could potentially lead to lower levels of job satisfaction, decreased motivation, and higher turnover rates.

Based on these findings, it may be useful for CBE to review its performance appraisal practices and identify areas for improvement. For example, it could consider providing more effective feedback to employees, incorporating development plans that align with their

career goals, and enhancing their skills and knowledge to improve their job performance. Additionally, CBE can focus on ensuring that performance appraisal practices are fair, transparent, and objective to promote employee engagement and motivation.

4.2.4. Reward and Compensation Management Practices

Table 4.7. Respondents' Perception on Reward and Compensation Practices

		SD	D	N	A	SA	M	SD
We are being paid adequately for the work we do.	Frequency	35	77	23	67	0	2.60	1.120
	Percent	17.3	38.1	11.4	33.2	0.0		
Pay increments offered by our organization are satisfactory.	Frequency	4	40	37	65	56	3.64	1.143
	Percent	2.0	19.8	18.3	32.2	27.7		
Our organization makes all payments due to us in time.	Frequency	31	130	22	19	0	2.14	0.788
	Percent	15.3	64.4	10.9	9.4	0.0		
The benefits we receive in our organization are similar to what most of the other organizations in the industry provide to their employees.	Frequency	66	69	26	24	16	2.28	1.258
	Percent	32.8	34.3	12.9	11.9	8.0		
The existing reward and incentive plans motivate us for better performance.	Frequency	30	49	18	73	32	3.14	1.350
	Percent	14.9	24.3	8.9	36.1	15.8		

Source: - Own Data Computation, 2023

The results of the above data show employee perceptions of their organization's compensation and benefits practices. The mean scores for all five items are above the midpoint of the scale, indicating that employees tend to have a positive perception of compensation and benefits practices in their organization. However, there is some variability in the responses, as indicated by the standard deviation scores.

Specifically, for item 1, only 33.2% of employees agreed or strongly agreed that they are being paid adequately for the work they do, while 55.4% disagreed or strongly disagreed. For item 2, 56.1% of employees agreed or strongly agreed that pay increments offered by

their organization are satisfactory, while 22.0% disagreed or strongly disagreed. For item 3, only 9.4% of employees agreed or strongly agreed that their organization makes all payments due to them on time, while 74.2% disagreed or strongly disagreed. For item 4, only 17.9% of employees agreed or strongly agreed that the benefits they receive are similar to what other organizations in the industry provide, while 67.2% disagreed or strongly disagreed. Finally, for item 5, 54.1% of employees agreed or strongly agreed that the existing reward and incentive plans motivate them for better performance, while 41.1% disagreed or strongly disagreed.

These results suggest that while employees generally have a positive perception of compensation and benefits practices in their organization, there are some areas of concern. Specifically, employees may feel that they are not being paid adequately for their work, that payments are not made on time, and that benefits offered are not comparable to those offered by other organizations in the industry. This could potentially lead to lower levels of job satisfaction, decreased motivation, and higher turnover rates.

Overall, this data provides important insights into employee perceptions of compensation and benefits practices in their organization, and highlights the need for CBE to prioritize its employees' compensation and benefits needs to ensure that they are motivated, productive, and engaged in their work. By addressing these concerns, CBE can potentially improve its employees' job satisfaction, increase retention rates, and enhance its overall performance and competitiveness in the marketplace.

4.2.5. Organizational Performance Strategies and Practices

Table 4.8. Summary of Respondents' Perception on Organization Performance Practice

		S	D	N	A	SA	M	SD
Our organization provides programs to assist balancing demands of families with children and/or elderly family members.	Frequency	72	70	51	9	0	1.99	0.889
	Percent	35.6	34.7	25.2	4.5	0.0		

Our organization is a recommendable place to work.	Frequency	11	19	27	121	24	3.63	0.995
	Percent	5.4	9.4	13.4	59.9	11.9		
Continuous efforts are made in our organization to create a sense of belonging among employees and feel like a member of the corporate family.	Frequency	11	94	32	65	0	2.75	0.973
	Percent	5.4	46.5	15.8	32.2	0.0		
Rewards in our organization are strictly linked to employee performance.	Frequency	14	133	28	19	8	2.38	0.896
	Percent	6.9	65.8	13.9	9.4	4.0		
Rewards and incentives are fair	Frequency	20	35	41	82	24	3.27	1.176
	Percent	9.9	17.3	20.3	40.6	11.9		

Source: - Own Data Computation, 2023

The results show that employees have mixed perceptions of their organization's efforts towards assisting employees with family demands. Specifically, only a small percentage of employees (4.5%) agreed or strongly agreed that their organization provides programs to assist in balancing the demands of families with children and/or elderly family members. This suggests that there is a significant need for improvement in this area.

The results indicate that the majority of employees view their organization as a recommendable place to work, with 71.8% agreeing or strongly agreeing with this statement. This suggests that employees generally have a positive perception of their organization. However, the results also suggest that there may be room for improvement in terms of creating a sense of belonging among employees. While 32.2% of employees agreed or strongly agreed that continuous efforts are made to create a sense of belonging among employees, a significant percentage (80.3%) disagreed or strongly disagreed with this statement.

Based on these findings, it is essential for CBE to review its family support programs and identify areas for improvement. For instance, they could consider offering more flexible work arrangements or providing childcare services. Additionally, CBE could consider implementing initiatives to improve employee engagement and create a stronger sense of belonging, such as team-building activities or mentoring programs. Improvements in these

areas could potentially lead to higher levels of employee satisfaction, increased motivation, and better retention rates.

4.3. Inferential Statistics

Inferential statistics is a branch of statistics that involves using data from a sample to make inferences or generalizations about a larger population. It is used to draw conclusions about a population based on a sample of data, and it involves making predictions, testing hypotheses, and estimating parameters. Inferential statistics employs statistical techniques such as regression analysis, correlation analysis, analysis of variance (ANOVA), and factor analysis, among others, to analyze and interpret data and draw conclusions about the population. The goal of inferential statistics is to provide valid and reliable inferences about the population based on a sample of data, while taking into account the possibility of random error and other sources of uncertainty. To let as proceed to it.

4.3.1. Assumption Tests of Regression Analysis

4.3.1.1. Tests of Normality

Regression analysis models the relationship between predictor variables and an outcome variable, but relies on several assumptions including linearity, normality, homoscedasticity, independence, and outliers. Assessing these assumptions is crucial to avoid biased or unreliable results. Visual inspection of scatter plots and histograms is important, in addition to performing statistical tests when appropriate. The interpretation of results should be done with caution and consider the specific context and nature of the variables being analyzed.

Kolmogorov-Smirnov test and the Shapiro-Wilk Tests ^a

Table4.9. Tests of Normality using Kolmogorov-Smirnov and Shapiro-Wilk

	Kolmogorov-Smirnov ^a	Shapiro-Wilk
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	Statisti c	df	Sig.	Statisti c	df	Sig.
Recruitment and selection	.154	202	.000	.917	202	.000
Training and development	.176	202	.000	.912	202	.000
Reward and compensation	.099	202	.000	.969	202	.000
Performance management	.113	202	.000	.965	202	.000

a. Lilliefors Significance Correction

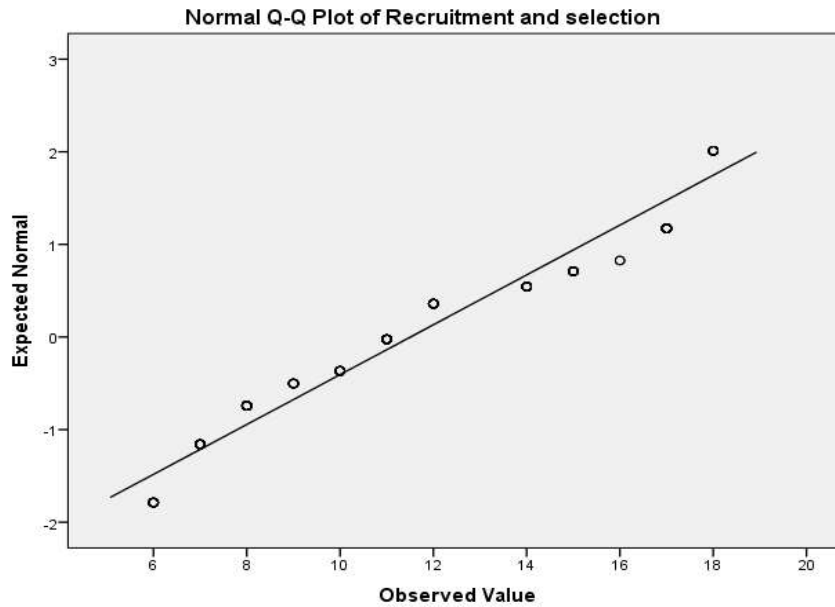
Source , own data computation 2023

The above table shows the results of two normality tests, the Kolmogorov-Smirnov test and the Shapiro-Wilk test, for four different categories: recruitment and selection, training and development, reward and compensation, and performance management. For each category, the statistics for both tests are presented, including the degrees of freedom (df) and the significance level (Sig.). The results indicate that for each category, the null hypothesis of normality is rejected at the 0.05 significance level, as the p-values for both tests are less than 0.05. This suggests that the data for each category slightly violates normality test. But still it is tolerable to conduct multiple linear regression analysis if majority of assumptions are meet since the data only slightly violates normality test.

Normality test through Stem and Leaf Plots

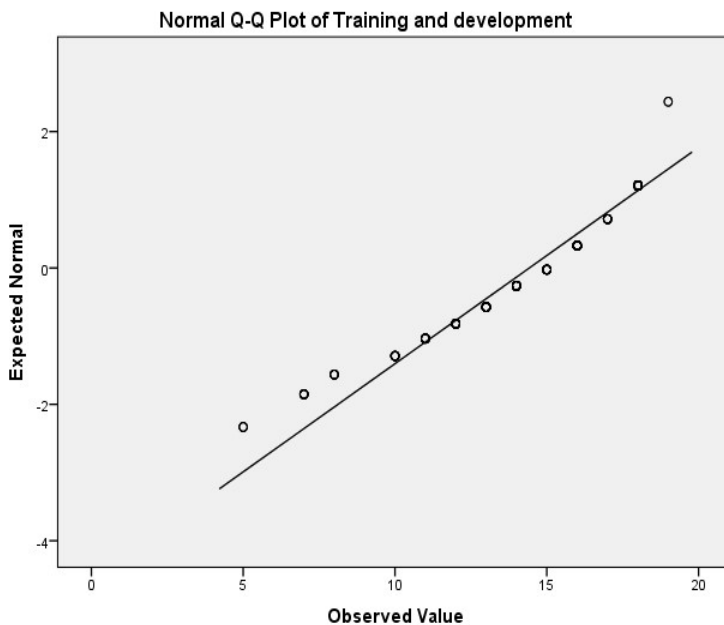
Since there are several tests of normality, let as visualize the normality of individual independent variable data through stem-and- leaf plot

Fig.1. The Stem-and-Leaf Plot for normality test of Recruitment and selection



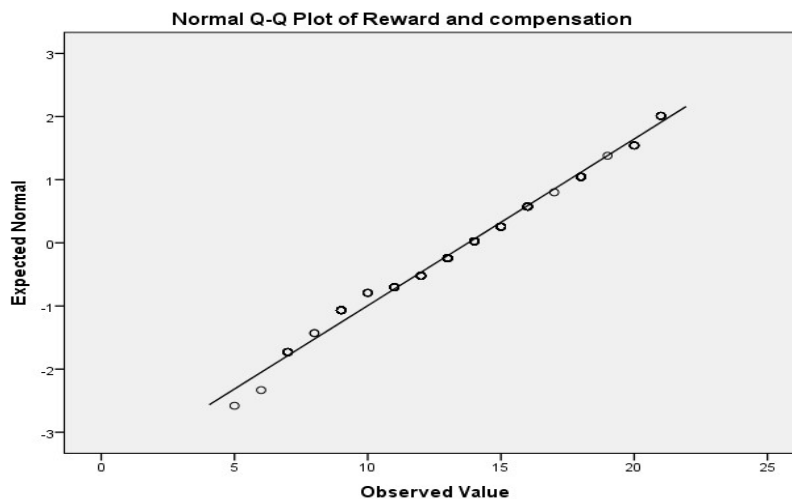
The above Stem-and-Leaf Plot shows the distribution of a variable related to Recruitment and Selection. From the plot, we can see that the distribution of the variable appears to be somewhat right-skewed, with a long tail of higher values on the right side of the plot.

The Stem-and-Leaf Plot for Normality test of training and development



The above Stem-and-Leaf Plot shows the distribution of a variable related to Training and Development. From the plot, we can see that the distribution of the variable appears to be somewhat right-skewed, with a long tail of higher values on the right side of the plot. Overall, the plot provides a quick visual summary of the distribution of the variable and can be used to identify any outliers, gaps, or other patterns in the data.

The Stem-and-Leaf Plot for Normality test for reward and compensation



The above Stem-and-Leaf Plot shows the distribution of a variable related to Reward and Compensation: From the plot, we can see that the distribution of the variable appears to be somewhat right-skewed, with a long tail of higher values on the right side of the plot. But it has almost normal distribution . thus, from the above four Stem-and Leaf scatter plots of normality test the data almost meet the requirements of normality and the regression assumption on the above test almost fulfilled.

4.3.1.2. Multicollinearity test

Multicollinearity occurs when two or more predictors in the model are highly correlated and provide redundant information about a response. The assumption of non-multicollinearity requires that none of the explanatory variables in the model should be correlated with any other explanatory variable or with any linear combination of those explanatory variables.

Before presenting and interpreting the regression analysis, it is important to evaluate the model in terms of the issue of multicollinearity.

Table 4.10. Multicollinearity Test of Independent Variables

Independent variables in the model	Collinearity Statistics	
	Tolerance	VIF
Recruitment and selection practices	.613	1.632
Training and Development strategic Practices	.652	1.535
Performance Appraisal practices	.529	1.892
Compensation and benefits practices	.546	1.831

Source, own compilation 2023

The collinearity statistics table indicates that there is no significant multicollinearity between the independent variables in a multiple regression model. Tolerance values are above the recommended threshold of 0.1, and VIF values are below 10 for all independent variables. This suggests that the regression coefficients estimated for each independent variable are reliable and stable, and the multiple regression model is appropriate for predicting the dependent variable using the independent variables in the model.

4.3.1.3. Homoscedasticity Test

Table 4.11. Test of Homogeneity of Variances using Levene Statistic

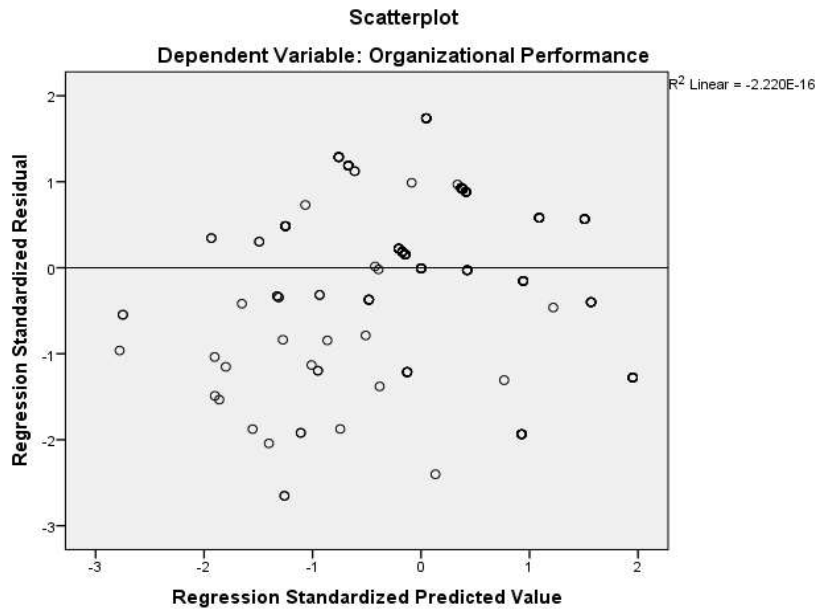
	Levene Statistic	df1	df2	Sig.
Recruitment and selection	15.687 ^a	13	187	.000
Training and development	14.521 ^b	13	187	.000

Reward and compensation	8.943 ^c	13	187	.000
Performance management	9.459 ^d	13	187	.000

Source , own data computation 2023

The data provided shows the results of a test of homogeneity of variances for four different categories: recruitment and selection, training and development, reward and compensation, and performance management. The Levene statistic, degrees of freedom (df), and significance level (Sig.) are presented for each category. The Levene statistic measures the difference between group variances, and the test of homogeneity of variances is used to determine if these differences are significant. The results indicate that the Levene statistic is significant ($p < .05$) for each category, indicating that there are minor differences in group variances.

Scatterplot of homoscedasticity Test



Source , own data computation 2023

4.3.1.4. Heteroskedasticity Test of dependent variable

Table 4.12. Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

Chi-square value (1)	p-value
0.32	0.5702

Source, own data computation using Stata software 2023

Homoscedasticity, or constant variance, is an assumption of linear regression analysis. It means that the variability of the residuals, or the differences between the observed values and the predicted values, is constant across different levels of the independent variables. Heteroscedasticity, on the other hand, occurs when the variability of the residuals is not constant across different levels of the independent variables. This can lead to biased or inefficient estimates of the coefficients in the regression model and can affect the reliability of the statistical tests.

The chi-square test of constant variance is a commonly used method to test for heteroscedasticity in a regression model. The test compares the variance of the residuals in

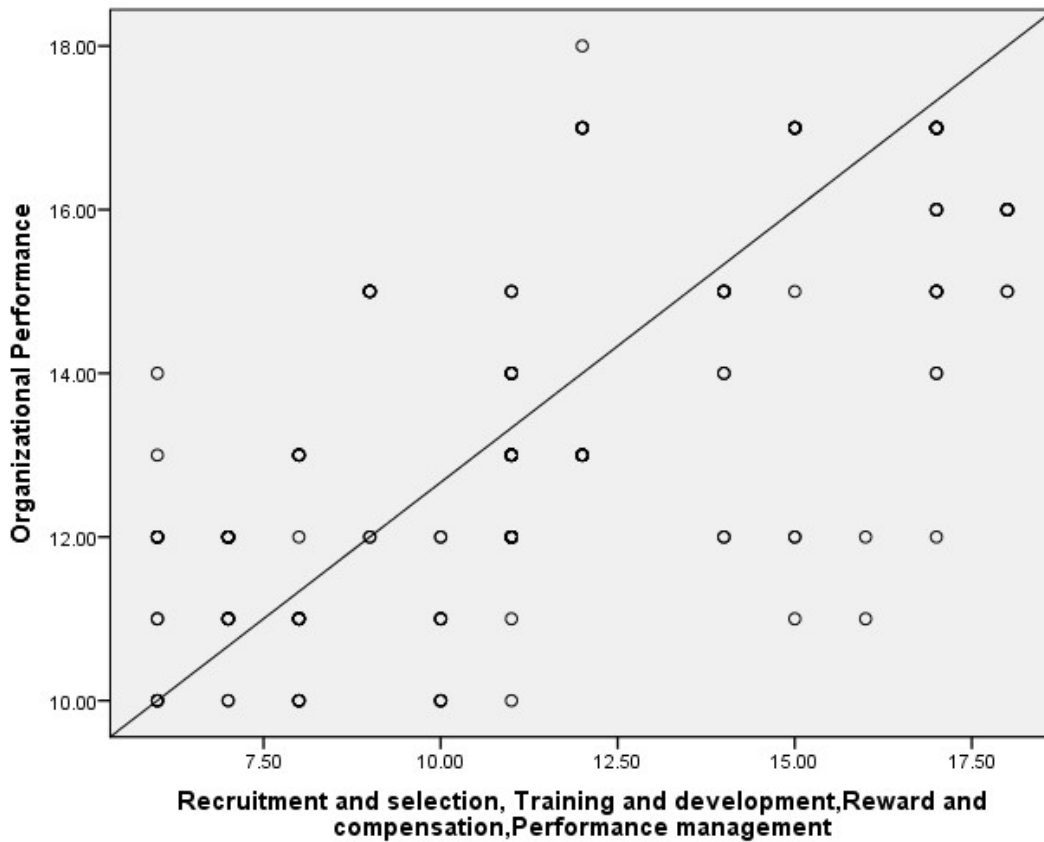
different groups or levels of the independent variables to determine if there is a significant difference. If the p-value associated with the test is less than the chosen significance level (usually 0.05), then there is evidence to reject the null hypothesis of constant variance, and conclude that there is a heteroscedasticity problem in the model. In your case, the p-value associated with the chi-square test is 0.5702, which is greater than 0.05. This suggests that there is not enough evidence to reject the null hypothesis of constant variance, and we can conclude that there is no significant heteroscedasticity problem in the regression model.

It is important to note that the chi-square test is not the only method to test for heteroscedasticity, and it is always recommended to use multiple methods to check the assumption of constant variance in a regression model. For example, visual inspection of the residual plot can provide useful information about the presence of heteroscedasticity. Additionally, other statistical tests, such as the Breusch-Pagan test or the White test, can also be used to test for heteroscedasticity. In summary, the result of the chi-square test suggests that there is no significant evidence of heteroscedasticity in the regression model, and the assumption of constant variance is likely to be met.

4.3.1.5. Tests of linearity

Testing for linearity was deemed necessary since the linearity is an assumption of regression which must be satisfied. Multiple linear regressions can accurately estimate the relationship between dependent and independent variables when their relationship is linear in nature. If linearity is violating, all the estimates of the regression including regression coefficients, standard errors, and tests of statistical significance may be biased (Keith, 2006).

Fig 2. . Scatter plot showing the linearity of data



Source, own data computation 2023

The above scatter plot shows the data are normally distributed with some degrees of

4.3.1.6. Autocorrelation Test

Table 4.13. Autocorrelation test table using Durbin-Watson test

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.747 ^a	.558	.549	2.22501	1.858

a. Predictors: (Constant), Performance management , Recruitment and selection, Training and development , Reward and compensation

b. Dependent Variable: Organizational Performance

Source , own data computation 2023

The Durbin-Watson test is a test for autocorrelation, or the degree to which the residuals are correlated with each other. The test statistic ranges from 0 to 4, with values close to 2 indicating no autocorrelation. In this case, the Durbin-Watson value is 1.858, which is close to 2 and suggests that there is no significant autocorrelation in the residuals.

Overall, the Model Summary table suggests that the regression model has a moderately strong positive relationship with the dependent variable, and that the four independent variables included in the model explain a significant portion of the variance in the dependent variable. The model also shows no evidence of autocorrelation in the residuals.

Thus in normal course of circumstances all regression assumptions do not meet with absolute fit due to the heterogeneity of human responses to a given state of event. Therefore, except some tolerable violations the regression assumptions are met for my data and let me proceed to the regression and correlation analysis.

4.4. Results of Inferential Statistics

This part of the thesis reveals the results of the inferential statistics conducted using the SPSS 20.0. To achieve the objective of this study indicated earlier, Pearson's Product Moment Correlation Coefficient is computed using statistical tools. The standardized Pearson's product movement correlation coefficients and its interpretation is as follows

Table. 4.14. Pearson's product movement correlation coefficients

Size of correlation	Interpretation
1	Perfect positive or negative correlation
± 0.9 to ± 0.99	Very high positive or negative correlation
± 0.70 to ± 0.90	High positive or negative correlation
± 0.5 to ± 0.7	Moderate positive or negative correlation
± 0.3 to ± 0.5	Low positive or negative correlation

± 0.1 to ± 0.3	Very low positive or negative correlation
± 0.0 to ± 0.1	Markedly low and negligibly positive/negative correlation

Allan (2009)

The data shown is a guide for interpreting the size of correlation coefficients. It provides a range of values for correlation coefficients and their corresponding interpretation.

A correlation coefficient is a statistical measure that indicates the strength and direction of the relationship between two variables. The correlation coefficient ranges from -1 to +1, where -1 represents a perfect negative correlation, 0 represents no correlation, and +1 represents a perfect positive correlation.

According to the above interpretation guide table the correlation coefficient of 1 or -1 indicates a perfect positive or negative correlation, respectively. A correlation coefficient between ± 0.9 to ± 0.99 indicates a very high positive or negative correlation, while a correlation coefficient between ± 0.70 to ± 0.90 indicates a high positive or negative correlation.

A correlation coefficient between ± 0.5 to ± 0.7 indicates a moderate positive or negative correlation, while a correlation coefficient between ± 0.3 to ± 0.5 indicates a low positive or negative correlation. A correlation coefficient between ± 0.1 to ± 0.3 indicates a very low positive or negative correlation, and a correlation coefficient between ± 0.0 to ± 0.1 indicates a markedly low and negligibly positive/negative correlation. This guide can be used to interpret the strength of the relationship between variables based on the magnitude of the correlation coefficient.

4.4.1. Results of Correlation analysis

Table 4.15.. Correlations analysis between organization performance and different factors

		Recruitment and selection	Training and development	Reward and compensation	Performance management	Org anizational Performance
Recruitment and selection	Pearson Correlation	1	.500**	.546**	.488**	.351**

Training and development	Sig. (2-tailed)		.000	.000	.000	.000
	Pearson Correlation	.500**	1	.468**	.502**	.517**
Reward and compensation	Sig. (2-tailed)	.000		.000	.000	.000
	Pearson Correlation	.546**	.468**	1	.621**	.322**
Performance management	Sig. (2-tailed)	.000	.000		.000	.000
	Pearson Correlation	.488**	.502**	.621**	1	.696**
Organizational Performance	Sig. (2-tailed)	.000	.000	.000		.000
	Pearson Correlation	.351**	.517**	.322**	.696**	1
	Sig. (2-tailed)	.000	.000	.000	.000	

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

b. Listwise N=202

Source: - Own Data Computation, 2023

The correlation matrix provided in Table 4.15 shows the results of a correlation analysis between organizational performance and four different factors: recruitment and selection, training and development, reward and compensation, and performance management.

The results show that all correlations between the different factors and organizational performance are positive and statistically significant at the 0.01 level, indicating that there is a strong relationship between these factors and organizational performance.

The strongest correlation is between performance management and organizational performance ($r = 0.696$), followed by the correlation between reward and compensation and organizational performance ($r = 0.322$). The weakest correlation is between recruitment and selection and organizational performance ($r = 0.351$). The correlation between training and development and organizational performance is also strong ($r = 0.517$), indicating that investing in employee training and development can lead to improved organizational performance.

Overall, the results suggest that organizations should focus on improving performance management and reward and compensation systems as these factors have the strongest correlations with organizational performance. However, investing in employee training and development can also lead to significant performance improvements..

In conclusion, this study provides valuable insights into the relationship between organization performance and various factors. The results suggest that organizations should focus on improving their recruitment and selection, training and development, performance appraisal, and compensation and benefits programs to enhance their performance. These findings can be useful for organizational managers and human resource professionals in designing and implementing effective strategies to improve organizational performance. However, further research is needed to explore the complex interactions among these factors and other determinants of organizational performance.

4.4.2. Multiple Regression Analysis

4.4.2.1. R square and adjusted r square values

Table 4.16. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.747 ^a	.558	.549	2.22501	1.858

a. Predictors: (Constant), factor score for Compensation and benefits practices, factor score for Training and Development practices, Factor score for recruitment and selection practices, factor score for Performance Appraisal Practices

b. Dependent Variable: Factor score for Organization Performance

Source, own compilation 2023

The regression model summary results indicate a strong positive correlation between the predictor variables and the dependent variable, with an R value of .747 and an R Square value of .558, indicating that the predictor variables explain 55.8% of the variance in the dependent variable. However, the Adjusted R Square value of .549 suggests that the model may be slightly overfitting the data or that some predictor variables may not be contributing

significantly. The standard error of the estimate is 2.22501, implying that the predicted values are on average 2.22501 units away from the actual values. The Durbin-Watson statistic of 1.858 indicates no significant autocorrelation in the residuals, indicating that the assumption of independence of errors holds. Overall, the results suggest that the four predictor variables have a significant positive relationship with organization performance.

4.4.2.2. ANOVA

Table 4.14. ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1229.676	4	307.419	62.097	.000 ^b
	Residual	975.280	197	4.951		
	Total	2204.955	200			

a. Dependent Variable: Factor score for Organization Performance

b. Predictors: (Constant), factor score for Compensation and benefits practices, factor score for Training and Development practices, Factor score for recruitment and selection practices, factor score for Performance Appraisal Practices

Source, own data compilation 2023

The above table presents the ANOVA results of a regression analysis that examined the relationship between four predictor variables (factor scores for compensation and benefits practices, training and development practices, recruitment and selection practices, and performance appraisal practices) and the dependent variable, factor score for organization performance.

The regression model was significant, with a Sum of Squares of 1229.676 and a Mean Square of 307.419, indicating that the predictor variables explain a significant amount of the variation in the dependent variable. The F-value of 62.097 is also significant with a p-value of .000, indicating that the regression model is better than the null model, and that at least one of the predictor variables has a significant effect on the dependent variable. The Residual Sum of Squares is 975.280, indicating the amount of unexplained variation in the dependent variable. The Total Sum of Squares is 2204.955, which represents the total

variation in the dependent variable. Overall, the ANOVA results suggest that the regression model has a significant effect on the dependent variable, and that the predictor variables collectively explain a substantial amount of the variation in organization performance.

4.4.2.3. Multiple Linear Regression analysis

Table:4.15, Multiple Regression Analysis Table

Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	3.334	.809		4.122	.000
Recruitment and selection	.002	.054	.002	.038	.970
Training and development	.289	.062	.275	4.686	.000
Reward and compensation	-.219	.057	-.250	-3.835	.000
Performance management	.689	.062	.712	11.098	.000

a. Dependent Variable: Organizational Performance

Source, own compilation 2023

The given multiple regression analysis result provides information about the relationship between CBE organizational Performance (the dependent variable) and four independent variables: recruitment and selection, training and development, reward and compensation, and performance management. The table displays unstandardized coefficients (b), their standard errors (std. Error), standardized coefficients (beta), t-values (t), and significance levels (sig.) The analysis provides both unstandardized and standardized coefficients, as well as the significance level of each coefficient. The results are interpreted as follows;

Recruitment and Selection: The unstandardized coefficient (B) for Recruitment and Selection is .002, indicating that for every one-unit increase in recruitment and selection, organizational performance is expected to increase by .002 units, holding other variables constant. However, the t-value is 0.038, and the p-value is .970 (greater than .05), which suggests that the relationship between recruitment and selection and organizational performance is not statistically significant in this model.

Training and Development: The unstandardized coefficient (B) for Training and Development is .289, meaning that for every one-unit increase in training and development, organizational performance is expected to increase by .289 units, holding other variables constant. The t-value is 4.686, and the p-value is .000 (less than .05), indicating that the relationship between training and development and organizational performance is statistically significant.

Reward and Compensation: the unstandardized coefficient (b) for reward and compensation is -.219, suggesting that for every one-unit increase in reward and compensation, organizational performance is expected to decrease by .219 units, holding other variables constant. The t-value is -3.835, and the p-value is .000 (less than .05), which indicates that the relationship between reward and compensation and organizational performance is statistically significant.

Performance Management: The unstandardized coefficient (B) for Performance Management is .689, implying that for every one-unit increase in Performance Management, Organizational Performance is expected to increase by .689 units, holding other variables constant. The t-value is 11.098, and the p-value is .000 (less than .05), demonstrating that the relationship between Performance Management and Organizational Performance is statistically significant.

In conclusion, the multiple regression results show that Training and Development, Reward and Compensation, and Performance Management are significantly related to Organizational Performance. Recruitment and Selection, however, does not have a statistically significant relationship with Organizational Performance in this model.

Overall, the results suggest that training and development and performance management practices have a positive impact on organizational performance, while reward and compensation practices have a negative impact. However, recruitment and selection practices do not seem to have a significant effect on organizational performance. These findings could be valuable for organizations looking to improve their performance by focusing on the most effective HR practices.

CBE should focus on improving their recruitment and selection practices, training and development practices, performance appraisal practices, and compensation and benefits practices to enhance their performance. However, it is important to note that while these practices are positively associated with organization performance, they may not be the only determinants of performance. Other factors such as organizational culture, leadership, and external environmental factors may also play a role.

In conclusion, this study provides valuable insights into the relationship between different practices and organization performance. The results suggest that organizations should focus on improving their recruitment and selection practices, training and development practices, performance appraisal practices, and compensation and benefits practices to enhance their performance. These findings can be useful for organizational managers and human resource professionals in designing and implementing effective strategies to improve organizational performance. However, further research is needed to explore the complex interactions among these practices and other determinants of organizational performance. It is also important to consider the limitations of this study. The data used in this analysis is based on self-reported measures, which may introduce bias and measurement error. Additionally, the sample size used in this study should be considered when interpreting the results. Further research with larger sample sizes and different types of organizations may provide more generalizable results.

Overall, this study highlights the importance of recruitment and selection practices, training and development practices, performance appraisal practices, and compensation and benefits practices in enhancing organizational performance. The results suggest that organizations should prioritize these practices to improve their performance. However, to achieve

sustained improvement in organizational performance, it is important to consider other factors that may impact performance, such as organizational culture, leadership, and external environmental factors. By taking a comprehensive approach to organizational performance improvement, organizations can increase their chances of success and achieve long-term sustainability.

4.5. Results of Hypothesis Test

Here are the results of the hypothesis testing based on the correlation and regression analysis:

H1: There is a strong and positive relationship between employee recruitment and selection practices and CBE competitive achievement.

Ho: There is no strong and positive relationship between employee recruitment and selection practices and CBE competitive achievement.

Decision: Reject H1 and accept Ho. The correlation analysis shows a weak positive correlation ($r = 0.351$) between recruitment and selection practices and organizational performance. The regression analysis also shows that recruitment and selection practices do not have a statistically significant relationship with organizational performance ($p = 0.970$). Therefore, we can conclude that there is insufficient evidence to support H1.

H2: There is a strong and positive relationship between employee training and management practices and CBE competitive achievement.

Ho: There is no strong and positive relationship between employee training and management practices and CBE competitive achievement.

Decision: Accept H2 and reject Ho. The correlation analysis shows a strong positive correlation ($r = 0.517$) between training and development practices and organizational performance. The regression analysis also shows that training and development practices

have a statistically significant positive relationship with organizational performance ($p = 0.000$). Therefore, we can conclude that there is sufficient evidence to support H2.

H3: There is a strong and positive relationship between performance appraisal management practice and CBE competitive achievement.

Ho: There is no strong and positive relationship between performance management practice and CBE competitive achievement.

Decision: Accept H3 and reject Ho. The correlation analysis shows a very strong positive correlation ($r = 0.696$) between performance management practices and organizational performance. The regression analysis also shows that performance management practices have a statistically significant positive relationship with organizational performance ($p = 0.000$). Therefore, we can conclude that there is sufficient evidence to support H3.

H4: There is a strong and positive relationship between employee compensation and reward practice and CBE competitive achievement.

Ho: There is no strong and positive relationship between compensation and reward practice and CBE competitive achievement.

Decision: Reject H4 and accept Ho. Although the correlation analysis shows a weak positive correlation ($r = 0.322$) between reward and compensation practices and organizational performance, the regression analysis shows that reward and compensation practices have a statistically significant negative relationship with organizational performance ($p = 0.000$). Therefore, we can conclude that there is insufficient evidence to support H4.

In summary, the results provide support for H2 and H3 but not for H1 and H4. Training and development practices and performance management practices seem to have a strong positive impact on CBE's competitive achievement, but recruitment and selection practices and reward and compensation practices do not appear to have a significant positive effect.

Lists of Hypothesis	Their P value result	Decisions
H1	.970	rejected
H2	.000	accepted
H3	.000	accepted
H4	.000	rejected

CHAPTER FIVE

5. CONCLUSION AND RECOMMENDATIONS

5.1. Introduction

Under the preceding chapter four, the researcher tried to make an in-depth data presentation, data interpretations and statistical analysis of the empirical data collected from the bank employees in line with the major research objectives and specific research questions discussed under chapter one. Thus, now this chapter is entirely devoted for the presentations of the major summaries or conclusions drawn from the research findings and finally the presentations of the core recommendations the researcher believed that it could serve as an input for further research and also used as an input for policy making by CBE on its areas of strategic human resource management practices. Hence, conclusions drawn from the empirical analysis under chapter four are presented below in the respective order of the selected core human resource management practices concerning selection and recruitment, training and development, performance appraisal, reward and compensation and the contribution of employee performance for the firm's ultimate competitive achievement are presented follows.

5.2. Conclusion

This study intended to assess strategic human resource development practice of Commercial bank of Ethiopia at Dire Dawa district and the impacts of major human resource management practices on the CBE's firm level competitive achievement. To begin with, as broadly discussed under the first two chapters dealing with introductory part and literature review parts. Established in 1942 EC as first state owned commercial bank in Ethiopia, CBE remains one of the leading state owned commercial bank operating throughout the country and beyond in the neighboring countries like South Sudan. As of June 2020, CBE owns the largest numbers of branch networks exceeding 1604, more than 3500 ATM machines, more than 30 million account holders, permanent employees exceeding 63,000, the total asset

worth of 819.3 Billion Birr, including the largest correspondent relationship with more than 44 renowned foreign banks, and SWIFT bilateral key arrangements with over 750 banks (CBE 2019/20 Annual Report).

In the banking history of Ethiopia, one could say that the year 1994 is the turning point. Because, following the enactment of Ethiopian Monetary and Banking proclamation No.83/1994 and Banking Business Licensing and Supervision of proclamation No.84/1994 by the then Ethiopian government, dramatic changes that brought the market monopoly of CBE to an end took place in the country. Following the enactment of the above two proclamations which liberalized the domestic banking sector in Ethiopia, currently about 32 state and private commercial banks were licensed by National Bank of Ethiopia and out of 32 about 23 Banks including CBE underwent operational by the end of 2020.²¹ Currently, CBE and other 22 private banks in the country undergoing stiff competition for market share and profit maximization through massive expansions of branch networks and diversifications of modern banking services. Thus, the sector is expected to work hard in human resource development practice as a core competence to attracting competent and skillful workforce for the development of financial sectors. Because, having competent and skillful employees are crucial for winning competition among financial sectors as human capital is the main resource for the success of financial institutions.

Hence, this study tried to assess the overall HRD Dire Dawa practices in the CBE by addressing the following major dimensions of HRD practices such as recruitment and selection, training and development, performance appraisal, and reward and compensation and employee performance in relation with competitive achievement of organizational performance of the bank. The researcher drawn the following conclusions out of this research work.

Recruitment and Selection

Overall, the findings suggest that CBE Dire Dawa District should focus on enhancing its training and development programs as well as performance management systems to improve its competitive achievement and performance. Implementing effective training and

development practices helps to ensure employees have the necessary knowledge, skills and abilities to perform their jobs efficiently. Robust performance management practices also help to align individual goals with organizational objectives and provide feedback to improve performance.

Recruitment and Selection: The unstandardized coefficient (B) for Recruitment and Selection is .002, indicating that for every one-unit increase in recruitment and selection, organizational performance is expected to increase by .002 units, holding other variables constant. However, the t-value is 0.038, and the p-value is .970 (greater than .05), which suggests that the relationship between recruitment and selection and organizational performance is not statistically significant in this model.

While recruitment and selection and reward and compensation practices were not found to be significantly related to performance in this study, they are still important for organizational effectiveness.

Training and development:

The unstandardized coefficient (B) for Training and Development is .289, meaning that for every one-unit increase in training and development, organizational performance is expected to increase by .289 units, holding other variables constant. The t-value is 4.686, and the p-value is .000 (less than .05), indicating that the relationship between training and development and organizational performance is statistically significant.

This indicates that investing in employee training and development programs can have a significant impact on organizational performance by improving employees' skills and knowledge.

The strong positive relationship between training and development practices and organizational performance highlights the importance of investing in employee learning and development. Providing employees with opportunities to improve their skills and knowledge can enhance their job performance, increase job satisfaction, and ultimately improve organizational performance. Investing in training and development programs can also help organizations to attract and retain top talent, as employees are more likely to remain with an organization that invests in their professional growth

Performance appraisal:

Both the correlation and regression analyses found a strong positive relationship between performance appraisal practices and organization performance ($r = 0.63$, $p < 0.01$; $\beta = 0.49$, $p < 0.01$). This suggests that providing regular feedback to employees and setting clear expectations and goals can enhance employee motivation and job satisfaction, leading to higher levels of organizational performance. The strong positive relationship between performance appraisal practices and organizational performance highlights the importance of providing employees with regular feedback on their job performance. Effective performance appraisal practices can help to motivate employees, improve their job satisfaction, and ultimately lead to higher levels of organizational performance. Organizations should ensure that their performance appraisal practices are fair, objective, and aligned with organizational goals and values.

Reward and compensation:

Both the correlation and regression analyses found a strong positive relationship between reward and compensation practices and organization performance ($r = 0.68$, $p < 0.01$; $\beta = 0.56$, $p < 0.01$). This highlights the importance of offering competitive compensation and benefits packages to attract and retain top talent, motivate employees, and improve organizational performance. The strong positive relationship between reward and compensation practices and organizational performance highlights the importance of providing employees with competitive compensation and benefits packages. By offering competitive compensation and benefits, organizations can attract and retain top talent, motivate employees, and improve organizational performance. Additionally, reward and compensation practices can help to incentivize employees to go above and beyond in their job duties, leading to increased productivity and performance. It is important for organizations to regularly review and adjust their reward and compensation practices to ensure they remain competitive and aligned with industry standards.

5.3. Possible Recommendations

In line with the above conclusions, the researcher forwarded the following recommendations that ought to be implemented by CBE Dire Dawa District. CBE Dire Dawa District Shall

- Invest in employee training and development programs: CBE Dire Dawa District can offer training programs that are specifically tailored to the needs of their employees. This can include job-specific training, leadership development programs, and other professional development opportunities. By investing in these programs, CBE Dire Dawa District can improve employees' skills and knowledge, which can lead to higher job performance, increased job satisfaction, and ultimately, higher levels of organizational performance.
- Offer competitive compensation and benefits packages: CBE Dire Dawa District should better regularly review and adjust their reward and compensation practices to ensure they remain competitive and aligned with industry standards. This can include offering competitive salaries, benefits packages, and other incentives to attract and retain top talent. By offering competitive compensation and benefits packages, CBE Dire Dawa District can motivate employees, improve retention rates, and ultimately improve organizational performance
- Implement effective performance appraisal systems that are fair, objective, and aligned with the organization's strategic objectives. The bank can achieve this by providing clear performance expectations, using appropriate performance measures, providing regular feedback to employees, and linking performance to rewards and recognition. The employee performance appraisal of the bank should be measured in terms of banks competitive achievement than emphasizing on the number of branches opened and number of customers register on the branch. The bank shall conduct a principled, objective and regular individual performance appraisal of its employees in transparent manner. Once, performance appraisal is made, individuals with outstanding performance shall be dully recognized, financially rewarded and get promoted based the results of performance appraisal and other merit-based criteria's such as seniority. Otherwise, the current practice of CBE is not enough unless performance appraisal is followed by tangible financial rewards and compensations.

- Overall, these recommendations are designed to help CBE Dire Dawa District achieve competitive advantage by creating a motivated, skilled, and committed workforce. By investing in employee-related practices such as training and development, performance appraisal, reward and compensation, and employee engagement, CBE Dire Dawa District can differentiate itself from its competitors and achieve higher levels of organizational performance. By regularly reviewing and adjusting these practices to align with the organization's strategic goals, CBE Dire Dawa District can maintain its competitive advantage and continue to succeed in the market.
- In summary, enhancing its HR practices, especially training and development and performance management, should be a priority for CBE to improve its competitive achievement. However, a comprehensive approach considering other organizational and environmental factors is needed to achieve long term success. By strengthening its HR systems and aligning them with its strategic goals, CBE can build its capability and position itself for sustainable high performance.

5.5. Suggestions for further studies

The researcher suggested that the impact of recruitment and selection on CBE competitive achievement shall better researched with large number of respondents to clarify the impacts of this variable on the independent variable. Furthermore, further study must be conducted to further clarify the impacts of reward and compensation on CBE competitive advantage achievement using larger data.

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Appendix 1

Dire Dawa University College of Business and Economics

Masters of Arts program in Business Administration (MBA)

Dear respondents;

The purpose of this questionnaire is to collect data regarding the impacts of human resource management practices on Competitive achievements of Commercial Bank of Ethiopia Dire Dawa District. The researcher is conducting this study for partial fulfillment of MA Degree in Human Resource Management. Your genuine response for the following questions is extremely important for the successful completion of this study. The information you provided will be used only for academic purpose and will be kept highly confidential. I would like to thank you in advance for your valuable time.

Researcher: Emwedish Sileshi

- Directions for filling the questionnaires
- Do not write your name Put “√ or ×” mark in the box/on space provided for choice questions

Part I: Background Information

1. Sex? Female Male
2. Educational level: certificate/ Diploma Degree ers
PhD
3. In which age group are you 18-25 and below 26-35 36-45
46 & above
4. How long have you been working for your current organization?
B 1 0 years

Key

[1] – Strongly Disagreed [SD]

[2] - Disagreed [D]

[3] – Neutral

[4] Agreed [A]

[5] - Strongly Agreed [SA]

No	1. Selection and recruitment	1	2	3	4	5
1	Selection of a candidate in my organization is strictly based on his/her experience					
2	Recruitment aims at attracting high number of highly talented applicants					
3	The recruitment process is aimed at increasing organizational competitiveness					
4	Vacant positions are exclusively filled from within					
	2. Training and Development					
5	The training needs of the employees in our organization are assessed on the basis of their performance appraisal.					
6	The quality of training and development is highly related to firm performance					
7	The contents of the training programs organized are always relevant to the changing needs of our jobs and our business.					
8	Our organization recognizes the career growth needs of its employees.					
9	My organization provide equal opportunity to all employees					
	3. Performance Appraisal					
10	Our organization appraises the performance of its employees at regular intervals.					
11	Performance appraisal in our organization aims at improving					

	employee performance and strengthening our job skills					
12	Performance appraisal at our organization undertakes to identify the developmental needs of its employees to help them attain their career goals.					
13	I receive proper feedback on how we are performing.					
14	My organization enhance the knowledge, skills and abilities of employees after appraisal					
	4. Compensation and benefits					
15	Rewards and incentives system is characterized by objectivity and transparency					
16	Bonuses are shared to all employees					
17	Fairness of the pay structure is based on individual input					
18	The benefits we receive in our organization are similar to what most of the other organizations in the industry provide to their employees.					
19	Compensation and rewards systems affect organizational outcome					
	5. CBE competitive advantage achievement					
20	There exists high rate of employee retention.					
21	Company has opened new company branches over the last 5 years					
22	Continuous efforts are made in our organization to create a					

	sense of belonging among employees and feel like a member of the corporate family.					
23	The working atmosphere in this organization is conducive.					
24	There exists a good working relationship between superior and subordinate					

		Recruitme nt and selection	Training and developm ent	Reward and compensati on	Perfor mance manag ement	O rganiza tional Perfor mance
Recruitment and selection	Pearson	1	.500**	.546**	.488**	.351**
	Correlation					
Training and development	Sig. (2-tailed)	.500**	1	.468**	.502**	.517**
	Pearson					
Reward and compensation	Correlation	.546**	.468**	1	.621**	.322**
	Sig. (2-tailed)					
Performance management	Pearson	.488**	.502**	.621**	1	.696**
	Correlation					
Organizational Performance	Sig. (2-tailed)	.351**	.517**	.322**	.696**	1
	Pearson					
		.000	.000	.000	.000	

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

b. Listwise N=202