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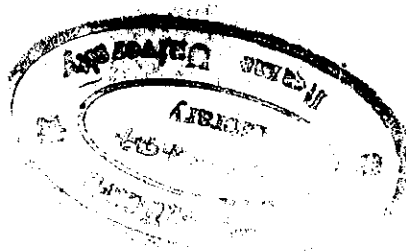
**The Impact of Human Resource Practices on Employees' Perceived
Performance in Commercial Bank of Ethiopia, Jimma District.**

**A Research Paper Submitted to The College of Business and Economics in
Partial Fulfillment of the Requirements for the award of the degree of Master
of Business Administration (MBA).**

By
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Jimma, Ethiopia



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DECLARATION

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Abstract

This study attempts to examine the relationship between employees' perceived performance (dependent variable) and human resource practices (Selection practices, Training, Compensation practices and promotion practices) in Commercial Bank of Ethiopia the case of Jimma district. . Jimma district was selected owing to its poorest performance in the recent years. Three strata were formed among the branches and twenty branches were selected from all the strata and finally 190 sample populations were selected by the lottery method from the twenty branches. The survey was made on 182 samples of the 700 clerical staff of the district. Out of the 182 samples 82% of them were male & the remaining were female respondents and 65% of them were between the age of 20 to 30 and the rest were above the age of 30. The correlation between demographic characteristics and most of the study variables were found very weak and insignificant. Pearson correlation showed that there are positive and medium effect size relationship between the dependent variable and the independent variables (Promotion=0.35, Training=0.33, Compensation=0.32 and Selection=0.28) and employees perceived that they performed in a range between better to higher (Mean=4.0948, SD=0.64179) as compared with other colleagues within CBE & other banks. From the Person Correlation Coefficient it could be deduced that HR practices have the capacity to describe employee perceived performance in CBE, Jimma district. The value of R^2 was 13% in regression analysis which portrayed 13% variability in employee perceived performance is explained by the HR practices namely Training, Promotion, Compensation and Selection in CBE, Jimma district.

From the result it can be also concluded that all the hypotheses were accepted. Based on the findings it was realized that HR practices could bring variability and has an impact on employees' perceived performance of CBE, Jimma district. The findings have important implication for the management in Commercial Bank of Ethiopia particularly in Jimma district. In order to improve employees' performance, the bank has to improve their human resource practices. The bank management needs to use and/or develop and

improve professional, fair and objective human resources management system and practices in order to improve the performance of the employees and hence the district.

Keywords: Employee Perceived Performance, Selection, Compensation, Promotion Training, CBE and Jimma district.

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Acronyms

1. CBE – Commercial Bank of Ethiopia
2. HRM – Human Resource Management
3. HRp – Human Resource practices
4. EPP – Employee Perceived Performance
5. SPSS – Statistical Package for Social Science

Chapter One

1. Introduction

1.1 Background of the study

A message frequently found in the organizations' mission statement and annual reports is that people are firms' most valuable resource. Having the right personnel at the right place and at the right time is utmost important to survival and success of any organization (Oladipo 2011). Firms proclaim that people are the source of their competitive advantage whether they be technical experts, accommodating customer services expert, or visionary managers at a time of unparalleled technology development, it is the human resource that spell success or failure for all firms, and especially entrepreneurial ones (Katz et al.2000).

Of course, organizations are aware that at every point, they face rapid and complex changes in the market environment. One of the most remarkable results is the change of attitude in some firms toward organizations' people or human resource. Top managers in such firms perceive that people are among the organizations' most valuable strategic resources (Pfeffer 1994). Organizations with long term objective are therefore, to re-examine the way in which they manage their human resource. This reappraisal is leading to a widening of the role of personnel management, as indicated by increasing popularity of term "Human resource management (HRM).

The effective management of human resources requires sound Human Resource Management systems. Storey (1995) defines HRM as a distinctive approach to employment management which seeks to obtain competitive advantage through the deployment of a highly committed and skilled workforce, using an array of techniques.

HRM can help firms improve organizational behavior in such areas as staff commitment, competency and flexibility, which in turn leads to improved staff performance (Koch and McGrath, 1996).

In order to develop a sound HRM system, the organization should have effective Human Resource Management practices. HRM practices refer to organizational activities directed at managing the pool of human resources and ensuring that the resources are employed towards the fulfillment of organizational goals (Wright & Snell, 1991).

HRM practices help the organizations to achieve competitive advantage. According to the resource based view of the firm (Penrose 1995; Barney 1991), competitive advantage can be developed and sustained by creating value in a way that is rare and difficult for competitors to imitate and the quality the human resource within is difficult to imitate.

Employee-employer relations can be improved if the organization implements effective HRM practices. The HRM practices help the organization to increase mutual understanding between the employees and the employer. Guzzo and Noonan (1994) considered HRM practices as a communication channel between employer and employees.

Qureshi et al., (2007) pointed out that the study of HRM practices has been a critical and significant area in management and organizational performance since the last several years. Influence of human resource management practices on organizational performance has been a significant area of research in the past 25 years indicating positive relationship between Human Resource Management practices and organizational performance (Qureshi et al., 2007).

The student researcher did not find a research that has been done to explore the association between HRM practices and employees perceived performance in banking sector in Ethiopia. The banking sector of Ethiopia is playing basic role in the development of the country's economy. Commercial Bank of Ethiopia is one of

the largest and the oldest state owned commercial bank organized at one Head quarter, fifteen district offices and branch level. This study is done on Jimma district, one of the fifteen districts, because of the poor performance of the district compared with the other districts due to unknown reasons.

Hence, this study identified some of the causes of performing below the standards set by the bank and pointed out its management and mechanisms of improving the performance of the district.

Brief History of the Commercial Banking Industry in Ethiopia

A reference to the Ethiopian history reveals that the first bank in the country, Bank of Abyssinia was founded during the regime of Emperor Menelik II in February 1905. Due to foreign domination of its management (mainly the British), the then Bank of Abyssinia was forced to dissolve and in its place was established the Bank of Ethiopia in 1931 whose management was still left to foreigners due to non-availability of skilled manpower in the country. The Bank of Ethiopia was later replaced by the State Bank of Ethiopia soon after the war with Italy during 1942. The latter was the first bank in the country fully controlled and owned by the Ethiopian government. In the meantime, however, a number of foreign banks had opened their branches in the country, most of them with an interest to have control over the nation's economy. However, it was the State Bank of Ethiopia that gave rise to the present Commercial Bank of Ethiopia (CBE) and National Bank of Ethiopia.

During the Dergue regime, (1974-1991) CBE had remained as the only participant in the country's commercial banking sector. However, following the 1991 takeover by the present government and accompanying encouragement of private investment, a number of private banks have emerged in the country's financial sector. CBE is one of the state owned commercial banks in the country established in 1942. The bank has the following Vision & Mission statements (CBE Annual Report 2010/11).

Vision Statement:

To become a world-class Commercial bank by the year 2025.

Mission Statement:

We are committed to best realize stakeholders' needs through enhanced financial intermediation globally and supporting national development priorities, by deploying highly motivated, skilled and disciplined employees as well as state-of-the-art technology. We strongly believe that winning the public confidence is the basis of our success.

The bank has succeeded to raise its number of branches 733 at end of October 2013. It has also managed to secure a total workforce of more than 15,000 at the end of June 2013. The bank has shifted recruiting its clerical staffs from Diploma holders to first Degree holders since 2010. In CBE, the following job positions are commonly available at branch level- Branch Manager, one up to four Customer Service Managers, usually two Senior Customer Service Officers, one or two Credit Relationship Officers, various numbers of Customer Service Officers & Junior Officers (Entrant level for one year), and other support staffs. Branch managers and Customer Service managers are the responsible parties to implement the HR practices at branch level.

1.2 Statement of the problem

Banks are financial institutions that play intermediary role in the economy through channeling financial resources from surplus economic units to deficit economic units. In turn, they facilitate the saving and capital formation in the economy (Jeff 2010). Commercial Bank of Ethiopia is one of the commercial Banks in Ethiopia which is striving to become a world-class bank in the existing rivalry banking industry. Performance of the bank plays a fundamental role in determining its existence in the industry. Though Commercial Bank of Ethiopia has been showing bank wide financial and none financial growth, there are wide performance variation among districts. Jimma district, the focus of the student researcher, has shown poor performance in the recent three years against most of the bank's performance measuring yardsticks. Particularly in deposit mobilization, one of the major targets set by the bank, the district has placed at the bottom three ranks of the districts. To improve the performance of the Bank in general and the district in particular the student researcher understood that Human Resource Management Practices are crucial and has something to do with employees' performance.

Over the years, various researches have suggested many HRM practices that have the potential to improve and sustain organizational performance. These practices include emphasis on employee selection based on fit with the company's culture, emphasis on behavior, attitude, and necessary technical skills required by the job, compensation contingent on performance, and employee empowerment to foster team work, among others. Pfeffer (1998) has proposed seven HRM practices that are expected to enhance organizational performance. The practices proposed by Pfeffer (1998, p. 96) are employment security, selective hiring of new personnel, self-managed teams and decentralization of decision making, comparatively high compensation contingent on organizational performance, extensive training, reduced status distinctions and barriers, and extensive sharing of financial and performance information throughout the organization.

In another study, Redman and Matthews (1998) identify an 'HRM bundle' of key practices which support service organizations quality strategies, these being:

1. Careful recruitment and selection, for example, 'total quality recruitment', 'zero defects recruitment', 'right first time recruitment'.
2. Extensive remuneration systems, for example, bonuses available for staff willing to be multi-skilled.
3. Team working and flexible job design, for example, encouraging a sense of cohesiveness and designing empowered jobs.
4. Training and learning, for example, front line staff having enhanced interpersonal and social skills.
5. Employee involvement, for example, keeping employees informed of key changes in the organization.
6. Performance appraisals with links to contingent reward systems, for example, gathering customer feedback to recognize the work by employees over and above their expected duties, which in turn is likely to lead to a bonus for staff.

Recently, Saxena and Tiwari (2009) examined the HRM Practices implemented by leading IT Companies such as TATA, Infosys and Wipro in India. They developed the 3cTER Framework of HRM practices and identified Training and Development, Employer-Employee Relations, Recognition through Rewards, Culture building, Career Development, Compensation and Benefits as important HRM Practices.

The impact of HRM practices on organizational performance has been a leading area of research in the developed countries for years. But very limited number of studies have been conducted on HRM practices in the context of developing countries in general (Sarbariy 2011) therefore, conducting HRM studies in the other parts of the world, for example, Asia or Africa will help to meet the shortage of empirical work in field of those parts of the world and also serve as a vehicle for comparative studies.

The student researcher has not found documented researches on the impact of HRM practices on employees' perceived performance in Ethiopian financial institutions

particularly in Banks. At this early stage the student researcher understood from literatures that HRM practices have something to do with employees' performance and this affects the performance of the organization as a whole and the researcher indeed argued that HRM practice has taken its share in influencing employee's performance of CBE, Jimma District.

Wood (1999) while discussing impact of HR Management practices on business performance has argued that HR practices in selection & training influence performance by providing appropriate skills. Huselid (1995) stressed that by adapting best practices in selection, inflow of best quality of skills set will be inducted adding value to skills inventory of the organization. Those skilled employees after joining the organization contribute for the attainment of the goals of the firm.

In organizations that lack the implementation of best HR practices would result in diminished employees' commitment that leads to poor performance of employees this in turn influence the performance of the organization.

1.3 Objectives of the study

1.3.1 General Objective

The general objective of this study is to examine the relationship between some selected HRM practices and employees perceived performance.

1.3.2 Specific Objectives

In addition to the general objective, the study answers and addresses the following specific objectives:

1. To identify the relationship between promotion practices and employee perceived performance
2. To assess the relationship between compensation practices and employee perceived performance.
3. To evaluate the relationship between training& development and employee perceived performance.
4. To examine the relationship between employee selection practices and employee perceived performance.
5. To indicate briefly the relationship between demographic characteristics and HR practices and Employee Perceived Performance in CBE, Jimma district.

1.4 Research Hypotheses

The degree of impact of HRM practices on employees' perceived performance as proposed by different researchers can be also reflected in CBE, jimma district if it is found support for the set of hypotheses below.

H_a 1 - Promotion practice is positively related with perceived performance of employees of CBE, Jimma district.

H_0 1 – Promotion practice is not related with perceived performance of employees of CBE, Jimma district.

H_a 2 - Compensation practice is positively related with perceived performance of employees of CBE, Jimma district.

H_0 2 - Compensation practice is not related with perceived performance of employees of CBE, Jimma district

H_a 3 - Training practice is positively related with perceived performance of employees of CBE, Jimma district.

H_0 3 - Training practice is not related with perceived performance of employees of CBE, Jimma district.

H_a 4 - Selection practice is positively related with perceived performance of employees of CBE, Jimma district.

H_0 4 - Selection practice is not related with perceived performance of employees of CBE, Jimma district.

1.5 Significance of the Study

The success of service giving organizations like banks can be measured mainly through delivery of quality service to their customers. High Job performers in an organization boost organizational performance and this leads to attract & capture potential customers. In the recent years, it was realized that HRM practices have significant impact on employee performance. The researcher anticipates the results of this study will have the following significance in CBE particularly Jimma district:

- It helps to understand management at different levels of the bank the impact of HRM practices on employee perceived performance and will benefit them to design or revise the HR policies and procedures in order the employees attain higher performance.
- Provide knowledge and understanding on the relationship between HRM practices and employee performance.
- It serves as a base for interested researchers to conduct further research in the area.

1.6 Scope of the Study

The study focuses on the impact of four HRM Practices (Selection, Compensation, Promotion and Training) on employee perceived performance of Clerical staffs in CBE, Jimma district. These practices were selected because of the reason that Selection, Compensation, Promotion and Training practices are the major practices exercised at the district level. Clerical staffs are all staffs excluding service workers & transport workers.

1.7 Limitation of the Study

The following were faced as some of the limitations

- There are little or no empirical studies that have been done in Ethiopian context on the issue particularly on financial institutions.
- Due to resource constraints the study encompasses only one district among the fifteen districts of the bank.

1.8 Organization of the Report

The research paper comprised of five chapters. In the first chapter there are background of the study, statement of the problem, the general and specific objectives, the research hypotheses, the significance, the scope and limitations of the study and organization of the study.

Review of related literature presented in chapter two, provides the literature on various theories with the aim of laying down the theoretical basis underpinning this study.

Chapter three discusses and justifies the methodology used for the study. Chapter four presents the data and analyzes the findings. The last chapter (chapter five) brings to a close by summarizing the major findings, give conclusions and recommendations.

Definitions of the Study Variables

- ❖ **Selection** – is the process used to hire individuals. Although the term can apply to all aspects of the process (recruitment, selection, hiring, acculturation etc.) the most common meaning focuses on the selection of workers. In this respect, selected prospects are separated from rejected applicants with the intention of choosing the person who will be the most successful and make the most valuable contributions to the organization.
- ❖ **Training** – is the acquisition of knowledge, skills, and competencies as a result of the teaching of vocational skills and knowledge that relate to specific useful competencies (Keep, 1992). Training has specific goals of improving one's capability, productivity and performance.
- ❖ **Compensation** – Employee compensation includes all forms of pay & rewards received by employees for the performance of their jobs (Murphy, 1985). Direct Compensation encompasses employee wages & salaries, incentive-payments, bonuses & commissions. Indirect compensations comprise the many benefits supplied by employers & non-financial compensation includes fringe benefits like free insurance, subsidized lunch etc.
- ❖ **Promotion** – is the advancement of an employee's rank or position in an organizational hierarchy system (Bernhardt & Scoores, 1993). Promotion may be an employee's reward for good performance, i.e., positive appraisal. Before a company promotes an employee to a particular position it ensures that the person is able to handle and added responsibilities by screening the employee with interviews and tests and giving them training or on-the-job experience. A promotion can involve advancement in terms of designation, salary and benefits, and in some organizations the type of job activities may change a great deal. The opposite of promotion is a demotion.

- ❖ **Job performance** –It is most commonly refers to whether a person performs their job well. Despite the confusion over how it should be exactly defined, performance is an extremely important criterion that relates to organizational outcomes and success. Coming from a psychological perspective, Campbell describes job performance as an individual level variable. That is performance is something a single person does. This differentiates it from more encompassing performance which is higher level variable.

Chapter Two

2. Review of Related Literature

Introduction

Beginning from the early times of the twentieth century, Human Resource Management Practices and the researches those theories generated had varied views on the degree of impacts on employee performance. The following section of the paper discusses the different Human Resource Management Practices and their impact on performance. The discussion begins by describing the different HRM practices, then impact of HRM practices on performance and continuous to present internal and external factors affecting HRM practices then reviewing empirical findings of different researchers and concludes by depicting the theoretical framework of this study.

2.1 Human Recourses Management Practices

Human resources are considered as one group of key success factors in organizations (Dessler, 2010). Lad and Wilson (1994, p. 701) describe human resource practices as “a set of distinct but interrelated activities, functions and processes that are directed at attracting, developing, and maintaining (or disposing of) a firm’s human resources”. The HRM practices contribute significantly to the accomplishment of a firm’s objectives and to creating and adding value for its customers, and physical resources. In general terms, HRM comprise practices and activities of acquiring, retaining, empowering, & motivating employees.

The impact of HR practices on performance depends upon worker’s response to HR practices, so the impact will move in direction of the perception of HR practices by the employee. Huselid (1995) have found that the effectiveness of employees will depend on impact of HRM on behavior of the employees. HR practices would include the following:

2.1.1 Recruitment and Selection

Recruitment begins with a clear statement of objectives, based on the type of knowledge, skills, abilities, and other characteristics that an organization needs. It involves internal, external or both types of labor markets. Recruiters can tap a variety of sources including current employees, retirees, part-time workers, the unemployed and employees of other firms who feel they are underemployed. Various elements have been suggested in literature (Cascio, 1995, p.188) for successful recruitment program. They are:

- Always view recruitment as long term strategy
- Be responsive to employees needs
- Develop benefits that genuinely appeal to employees being hired
- Promote recruitment benefits to the target audience
- Audit the recruitment program in place
- Carefully train or select recruiters
- Provide realistic information to applicants
- Avoid time delays and offensive practices

Selection is process of choosing qualified professionals who are available to fill positions in an organization. Interviews, reference and background checks, and application blanks are the most common used methods. Pre-employment tests are also effective to identify the candidates who will match the job requirements. The selection method should be practical to use, job related, legally acceptable, and provide sufficient utility.

2.1.2 Training practices

Training aims to change behavior at work place in order to increase efficiency and higher performance standards. It is defined as function that includes all forms of planned learning experiences and activities whose purpose is to effect changes in performance and other behavior through the acquisition of new knowledge, skills, beliefs, values and attitudes (Kyprianou & Kasket, 1998, p. 62). Thus, training reflects activities that are intended to influence the ability and motivation of individual employees. Training includes traditional training, education, vocational education, management development, and organizational development. Benefits and responsibility of training rests with the organization as well as individual. Therefore, commitment to training is required from both.

The training process includes analysis, design, development, implementation and evaluation. Stressing upon the importance of training, Keep (1992, p. 335) argues that training effort is one useful litmus test of reality of adoption of HRM policies in a company. If the training is not seen as a vital component in the realization of business plans, then it is hard to accept that such a company has committed itself to HRM. Training need assessment is the most vigorous and important step in training and development process. Without a clear understanding of needs, organizations' training efforts may completely miss the mark resulting in a total waste of valuable resources. Employee development is the pursuit of any activity that leads to continuous learning and personal growth and contributes to achieving both the individual's and the organization's objectives. A continuous learning process deepens an employee's understanding of his or her values, interests, aptitudes, personality attributes, and competency strengths. Competencies acquired through employee development are usually intended for future application. Employee development is thus a process that continues throughout an individual's life span, regardless of employers or type of employment and individual experiences. What is so interesting about this process is that it evolves and often occurs whether or not employers explicitly support it as an organizational commitment. However, when an employer supports employee development as a business investment, the organization can realize enormous benefits. Development can occur through education, job experiences (job enlargement, job rotation, transfer, and promotion), interpersonal relationship (mentoring), and assessment of employees' knowledge, skills, attitudes and behavior. Companies' involvement in development activities varies according to the business conditions, staffing strategy, and other organizational characteristics.

2.1.3 Compensation practices

Compensation systems are designed to attract, retain, and motivate employees while complying with all legal rules and regulations. Compensation refers not only to extrinsic rewards such as salary and benefits but also to intrinsic rewards such as achieving personal goals, autonomy, and more challenging job opportunities (Carrell et al., 1995, p. 498). Job evaluation is used to evaluate jobs systemically and to assign them to pay grades. Standard methods of evaluation include ranking, classification, point, and factor

comparison. Pay systems are usually designed to compensate people for work they produce, the skills they learn and use, or the time they spend on the job. Individual-employee, team-based, and organization wide systems such as profit sharing and gain sharing are replacing automatic pay increases to relate pay to performance. Executive compensation systems normally include four components, including salary, bonuses, long-term incentives and benefits.

According to Noe et al. (2003, p.519), wages, bonuses, and other types of pay have an important influence on an employee's standard of living. This carries at least two important implications. First, pay can be a powerful motivator. An effective pay strategy can substantially promote an organization's success; conversely, a poorly conceived pay strategy can have detrimental effects. Second, the importance of pay means that employees care a great deal about the fairness of the pay process. A recurring theme is that pay programs must be explained and administered in such a way that employees understand their underlying rationale and believe it is fair.

2.1.4 Promotion practices

Promotion can be used as an incentive tool. It is a way of rewarding the employees for meeting the organizational goals thus it serves as a mean of synchronizing organizational goals with personal goals (Lazear & Rosen, 1981). According to Rosen (1982) the deciding factor for the position of any individual in the hierarchy is his talent, higher the level of talent in any individual higher will be his position in the hierarchy. Promotion has its importance due to the fact that it carries with it a significant change in the wage package of an employee (Murphy, 1985). In this highly competitive corporate world, promotion can help the competing firms to trace the most productive participant of one organization to be worth hiring for another organization (Bernhardt & Scoones, 1993). In such a way the promotion highlights an employee in the external environment and realizes his worth in the internal environment. According to Carmichael (1983) promotion enhances the yield of an organization when an employee climbs a promotion ladder on the basis of his seniority and resultantly he gets an increased wage rate. However, according to Baker et al. (1988), promotion does not consider to be an incentive device, thus the optimal results cannot be generated by promoting the employee in the organization. There

is a more failure rate when the employees are hired externally than when they are promoted internally (Kelly-Radford, 2001).

2.2 Impact of HRM practices on performance

Success in a scientific endeavor depends significantly on imaginative and flexible systems of management and administration, which will help in realization of the full potential of the gifted, trained and highly valuable manpower resources, and ensure conditions for the highest level of performance in achieving the objectives that are laid down. It is imperative to have a dynamic and sensitive management, and appropriate working conditions and incentives which will attract, retain and deploy in a patently efficient manner these precious human resources.

The primary goal of HRM in any organization is to facilitate organizational performance. Productivity improvement is most common indicator to assess the effect of HRM on company performance. Productivity improvement relates to getting more out of what has been put in, doing better with available resources and working smarter not harder. Firm performance can also be measured in terms of quality of work life and the bottom line.

It is now commonly accepted that employees constitute an important source of competitive advantage for firms (Pfeffer, 1994). As a result, it is important for a firm to adopt human resource management (HRM) practices that make the best use of its employees. The above realization has led to increased interest in the impact of HRM on organizational performance, and a number of studies have found a positive relationship between so called "high performance work practices" (Huselid, 1995) and different measures of company performance.

2.3 Factors affecting HRM Practices

HRM practices differ from one country to another and the factors which affect the HRM practices include external and internal factors. As quoted by Ozutku and Ozturkler (2009), external and internal factors affecting HR practices differ significantly across countries. Some of the major potential influences are as follows:

External Factors

Kane and Palmer (1995) opine that external factors affecting HR practices are those pressures on firms that cannot be controlled and changed in a favorable way in the short run. These factors include the following:

Economic Changes: Satow & Wang (1994) found that as a result of development of the global economy, the international dimension of HR practices has become more and more significant. The focus of HR practices has shifted from traditional topics such as internal selection and rewards to concepts such as globalization and international competition.

Technological Changes: Technology affects HRM to a greater extent because of high degree of interaction between technology and HR. Technology changes the way we work, the roles we undertake and the interactions through which work gets done (DeFillippi, 2002). Verkinderen and Altman (2002) argued that technology facilitates the growth of a multinational enterprise but generates simultaneous problem of “unpluggedness” among a geographically dispersed workforce. Garavan et al. (2008) suggested that technology lies at the heart of manufacturing industry. It provides a series of business advantages. Technological developments alter the context of HR practices and the way they are implemented.

National Culture: Chandrakumara and Sparrow (2004) found that culture has crucial importance in organizations preferences in developing appropriate structure and methods for HR practices affectivity **Industry/Sector Characteristics:** Organizations can be classified into manufacturing and service organizations for the purpose of analyzing the HRM practices. The idea behind this classification is the fact that different production processes necessitates different HR practices.

Legislations /Regulations: Legislations and regulations are frequently cited as having a direct impact on HR practices (Kane and Palmer, 1995). Every country has developed a set of regulations for the management of human resources, so, the HRM practices have to be designed or modified according to these regulations.

Actions of Competitors: There are many ways in which companies can gain a competitive edge or a lasting and sustained advantage over their competitors, among them being the development of comprehensive human resource practices (Narsimha, 2000).

Action of Unions: (Kochan et al. 1984) opine that the presence or absence of unions in organizations is a salient variable known to be associated with some HR.

Globalization: As a result of globalization, the whole world has become a single market; the companies have crossed the boundaries of their country of origin and opened their operations in other countries. This has created a challenge for the organization in terms of management of human resources, some companies have tried to transfer the HRM practices from one country to another but it has been found that some practices can be transferred across nations almost without any change but some must be modified to become workable in another setting and some are more deeply culture-specific and may not always be transferable. The findings of the study conducted by Tayeb (1998) support the argument that multinational companies' HRM practices are more prone to local cultural influences than are their overall policies and strategies. Moreover, some of the practices which the company had imported from abroad had to be modified to make them workable, given its local cultural and non-cultural contexts.

Internal Factors

The Internal environment of organizations strongly affects their HR practices. According to Milkovich and Boudreau (1991) researchers have compiled a lengthy list of organizational characteristics related to HR practices. The important internal factors are as follows:

Organizations Size: According to McPherson (2008) evidence suggests that there is a large number of small firms that do not institute formal HR practices in large organizations, for each functional level there may be a need for a different HR department (Kaynak et al., 1998).

Organizational Structure: A firm's strategy and structure are important in determining HR practices flexibility and integration. There are important structural differences among

firms that affect the way in which HR practices are designed and implemented (Hudson et al., 2001).

Business Strategy: To gain competitive advantage, firms use different competitive strategies. These strategies are more productive when they are systematically linked with human resource management practices. Companies can improve their environment by making efficient choices about human resource practices that consistently support their chosen strategy (Milkovich and Boudreau, 1991).

Human Resource Strategy: HR strategy is an important determinant of both intensity and diversity of HR practices (Gravan et al., 2008). As a rule HR practices are shaped in accordance with HR strategy.

History, Tradition and past practices: A number of closely related factors, such as history, traditions and past practices tend to generate resistance to change in most organizations (Kane and Palmer, 1995).

Top Management: The influence of top management on HR practices is acknowledged by most writers, even if only to the extent of advising that top managements support should be present (Kane and Palmer, 1995) in designing and implementing HR policies.

Line Management: Line Management participation in designing and implementing HR activities is the key to organizational success. Since line managers are responsible for creating value, they should integrate HR practices in their work (Okpara and Wynn, 2008).

Power and Politics: Tsui and Milkovich (1987) found that organizational power and politics as exercised by various constituencies are crucial determinants of HR practices.

Academic and Professional influence on HR Practices: HR staffs are often involved in the decision making process about HR policies and practices. Their knowledge about alternative HR practices may represent important variables in their own right (Kane and Palmer, 1995).

2.4 Empirical Literature Review

The earliest indications of the relationship between HRM and corporate performance started to appear in the managerial literature in the 1980s (Guest, 2011). According to Miles and Snow (1984), there were two main reasons for the management to start paying an increased attention to the HRM. First, under the challenge of the increased global competition, companies started to invest in improving their HRM systems as a way to restore their competitive positions. Second, the role of HRM was recognized as important for the long-term strategic planning, as the economy was on the verge of the new, service-based stage of high technology (Miles & Snow, 1984). (Walton 1985) noted that particularly in high-wage countries, success heavily depended on the superior performance, which in turn required increased employees' commitment. Therefore, he argued that control-oriented workforce management models, dominant at the time and assuming low employee commitment, could not match the standards of world-class competition and required serious revision.

As Sparrow, Schuler, and Jackson (1994) later claimed, when technology and capital became commodities in the domestic markets, the only thing that could distinguish the firms, and help them achieve competitive advantage, were skills in managing their human resources. Ultimately, the shifting foci in management philosophy required adequate development of policies and practices of managing people. On the wave of the increasing attention to HRM as a potential source of competitive advantage, the HR specialists demanded participation in the strategic planning processes, arguing that only by incorporating HRM in overall business planning would allow corporations to meet their long-term needs (Miles & Snow, 1984). These developments in managerial thought served as antecedents of a new focus in the HRM research, namely the linkage between HRM and organizational strategy, or strategic HRM (SHRM).

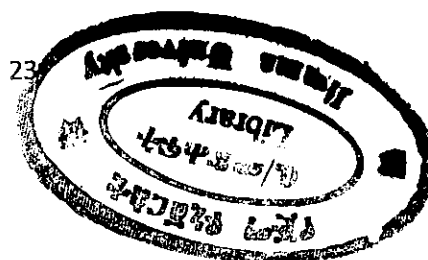
Within the newly emerged HRM field, Miles and Snow (1984) differentiated three major strategic orientations: defensive, prospective, and analytic, each requiring a distinct approach to the management of human resources. Based on the review of the leading corporations within these strategic modes, Miles and Snow (1984) described the roles

that HR departments were to assume. As a conclusion of the analysis of the different roles played by the HR departments in these corporations, the authors prescribed four principles by which SHRM systems could be implemented:

- 1) Top managers within HR departments should have at least conceptual knowledge of all of the services needed to acquire, develop, allocate, and maintain managers and employees.
- 2) HR departments should comprehend the language and processes involved in strategic planning.
- 3) The strategy of HR departments should be aimed at matching that of organizations.
- 4) HR departments should act as professional consultants to the business units.

Advancing the idea behind SHRM, Schuler and Jackson (1987) identified various role behaviors, required from employees by different organizational strategic foci, and HR practices necessary to facilitate them. In a later article, Jackson, Schuler, and Rivero (1989) expanded their previous work by finding that configurations of the HR practices, used by corporations, differed as a function of such organizational characteristics as manufacturing technology, industry sector, organizational structure, and organizational strategy. These works of the period, among others, brought crucial implications for the development of modern HRM theories. While their prescriptive nature suggested the existence of a relationship between HRM and organizational performance, no empirical evidence was provided in support of this notion.

The first flow of statistically analyzed research on the relationship between the HRM and organizational performance emerged in the beginning and halfway through the 1990s, a period characterized by Guest (2011) as empiricism. One of the first studies within this stream was Arthur's (1994) investigation of the HRM's effects on turnover and manufacturing performance in the US steel mills. Arthur hypothesized that HRM model emphasizing employees' commitment would result in superior organizational performance as compared to that under the control approach to managing human resources. He then presented a number of arguments in support of this argument.



As Arthur (1994) claimed, a commitment HRM strategy, characterized by decentralized decision-making, formalized participation mechanisms, and appropriate training and reward schemes, empowered and motivated employees. Building on Thomas and Velthouse (1990), Arthur also argued that these conditions were likely to facilitate alignment between individual and organizational goals, and to engage the workforce in organizational citizenship behaviors (OCBs). Consequently, due to the aligned goals, organizations could reduce resources allocated to controlling employee compliance (Locke & Schweiger, 1979, as cited in Arthur, 1994). In addition, OCBs, defined as unrewarded, discretionary employee behaviors, were assumed to promote the efficient and effective organizational functioning (Organ, 1988).

In one of the most influential works of the period Huselid (1995) has studied similar relationships concerning the HRM's impact on turnover, productivity, and corporate financial performance. As a point of departure in his discussion, Huselid referred to the resource based view of HRM (Barney, 1991) as a potential source of competitive advantage. The question however was, and has remained (Guest, 2011), how this potential could be realized? Continuing Arthurs's (1992, 1994) attempts to answer this question, Huselid (1995) mentioned the unpublished Bailey's (1993) work on employees' discretionary efforts, which argued that organizational human resources were frequently 'underutilized', because employees rarely performed at their maximum potential. In turn, through influencing employees' skills and motivation HRM systems could elicit discretionary employee effort and yield returns beyond any relevant cost (Bailey, 1993).

One way to influence employee skills was through acquisition and development of organizational human capital. Carefully designed selection, based on relevant and reliable criteria, was believed to have crucial importance for the quality and type of organizational skill set (Bailey, 1993). However, even highly skilled employees could be ineffective if appropriately configured motivational mechanisms were not in place. As an example of such mechanism, Huselid (1995) referred to the performance appraisal (PA) practice, aimed at assessing individual or team performance, and linking it with various forms of incentives, deliberately aligning individual interests with that of organization.

Finally, Bailey (1993) contended that the effectiveness of even highly skilled and motivated employees could be hindered by an inappropriate organizational structure, if employees having superb understanding of their jobs were not allowed to use their skills and abilities so as to improve current job processes. Therefore, another way of enhancing organizational performance through HRM configuration, proposed by Bailey, was to provide organizational structures facilitating employees' participation and engaging them in the development of their own work processes. Combined, these HRM practices, aimed at improving different aspects of organizational performance, were defined as High Performance Work Practices (HPWP) (Huselid, 1995).

Basing on this argumentation, Huselid (1995) formulated two main assumptions about the connection between HRM and organizational performance. First, if there were a specific configuration of HRM practices enhancing employees' discretionary efforts, their implementation would be expected to impact the outcomes directly controlled by employees, such as turnover and productivity. Second, if the returns from investments in superior set of HRM practices exceeded its real cost, as suggested by Bailey (1993), then lower employee turnover and higher productivity should have consequently added to corporate financial performance.

If prior works of that period, such as Arthur's (1994) research in steel industry, has provided evidence for the impact of HPWP or high-commitment HR practices on employee turnover and organizational effectiveness, research on the relationship between such practices and corporate financial performance was scarce. As Huselid (1995) claimed, although works of some scholars provided some indications of the positive relationship between high performance/high commitment HR practices and corporate financial performance, their findings were subject to various limitations, such as sector specificity, or inability to control for the firm size or industry.

As an answer to shortcomings of some research, Huselid (1995) claimed to have incorporated in his study the full range of HRM practices, and investigated their effects on both immediate employment outcomes and corporate financial performance, while taking into account a broad range of industries and firm sizes. In the initial stage of this

investigation, Huselid's (1995) main hypothesis stated that systems of HPWP would decrease employee turnover, improve productivity and contribute to corporate financial performance, while employee turnover and productivity would mediate the relationship between HPWP and financial performance. Huselid (1995) also referred to the concepts of 'internal fit' and 'complementarity' and hypothesized that internal synergies and strategic, or external, fit of HRM practices would matter for organizational performance.

Huselid's (1995) study contributed an unprecedented for that period body of evidence in support of the notion that investments in HPWP were likely to decrease employees' turnover, boost their productivity, and enhance corporate financial performance, while found no support for the hypotheses concerning fit. Moreover, Huselid noted that the HPWPs' effects on corporate financial performance were only partially explained by their impact on employee turnover and productivity, thus requiring further studies of the relationship between HRM and organizational performance.

Singh (2004) was one of the popular studies that portrayed the relationship between HRM practices and organizational performance. He took six HRM practices and firms level performance in India. 359 firms were drawn from firms listed in the Center for Monitoring India Economy (CMIE). 82 responded positively to the survey. Using regression and correlation analysis, the study found a significant relationship between the two HR practices namely training and compensation and perceived organizational and market performance.

Based on a questionnaire Seonghee et al. (2006) investigated the relationship between the use of 12 human resource management (HRM) practices and organizational performance, the population of the study was lodging and restaurant companies in the USA. The sample was drawn from compact Disclosure database consist of 219 hotel and restaurant. The result of regression analyses indicated that companies implementing HRM practices are more likely to experience lower turnover rates for non-managerial employee.

Also, based on Cranet Network questionnaire responses by highest-ranking officer from corporate HR team, Eleni T. et al. (2007) utilizes an innovative research

methodology (Kohonen's self-organizing maps) to examine the relationship between human resource management and organization performance among organizations in the private and wider public sector of EU. The samples in each country have been selected from lists provided by national federations. The 1546 respondents were members of corporate HR teams. The study indicated that training & practices strongly related to performance.

Based on data of 19,000 organizations and using meta-analysis. Yongmei, et al., (2007) identified 13 HRM practices that researchers have studied as possible antecedents to firm performance, that finding of the research is that, HRM practices add a significant value for organization. In addition to that, the study illustrated HRM practices and processes they impact most. Selection, training, and compensation level enhancing knowledge, skills and abilities. Participation, grievance procedures and employment security are enhancing empowerment practices. Incentive compensation and internal promotion are enhancing motivation enhancing practices.

Cohen et al. (1997) had summarized problems of HR in developing countries: low levels of salary, deficiency of useful performance values, lack of ability to fire people, small number of incentives for excellent performance, employment measures that do not catch the attention of properly skilled people, promotion guidelines based more on seniority than on actual performance of employees, deliberate promotion and lack of compensation against hard work, deficient and uncomfortable management by supervisors and lack of motivating tasks. Budhwar and Debrah (2001) revealed that many developing countries face unintentional barriers in the way of development due to outdated and unproductive human resource management (HRM) systems.

Okpara and Pamela (2008) examined the extent to which organization in Nigeria use various practices and perceived challenges and prospect of these practices. Data were collected from 253 managers in 12 selected companies in 10 cities. Their findings reveal that HRM practices, such as training, recruitment, compensations, performance appraisal and reward system are still in place and that issue of tribalism, ADIS, training and development and corruption are some of the challenges facing HRM in Nigeria.

Many researchers have recognized numerous HR organizing practices that significantly influence performance. Pfeffer (1994) supported the employ of sixteen HRM-related implementations to attain better performance. Delery and Doty (1996) classified seven human resource interconnected practices. Most of researchers have resulted that cluster of HR practices had significant effect on performance than those individual practices functioning in segregation (Baron and Kreps, 1999). In other words, an effective employment of those particular practices fallout in high performance transversely all nature of organizations or state. As will be explained, in this study, researchers utilize three HR practices that they presume influence employee performance. Paauwe (1998) and Guest (1997) found that performance is a comprehensive and multipart observable fact. Tessema and Soeters (2006) have conducted study on eight HR practices consist of staffing and assortment procedures, selection practices, guidance, reward, promotion, and complaint procedure and allowance or social security in relative with the perceived performance of employees.

Qureshi et al. (2006) conducted research related to Pakistan regarding impact of human resource practices on organizational performance and concluded that HR practice system influence business performance through outcomes of employees. Researchers can build up assumption by the help of theoretical study that HR practices are related with employee perceived performance of employees. Because of there is no any such types of studies conducted in CBE, this study will evaluate the impact of HR Practices on employee perceived performance in CBE, Jimma district.

In summarizing the major research findings, Miles and snow discussed reasons for the management to start paying an increased attention to the HRM, the reasons are restoring their competitive position in the increased global competition and as the company was on the verge of the new, service based stage of high technology, the role of HRM was recognized as important for the long-term strategic planning. Sparrow and his colleague have also described as technology and capital became commodities, managing their human resource help them achieve competitive advantage. Huselid (1995) studied the relationship concerning the HRM impact on turnover, productivity, and corporate financial performance. Bailey (1993)

unpublished work as mentioned by Huselid portrayed that through influencing employees' skills and motivation HRM systems could elicit discretionary employee effort and yield returns beyond any relevant cost.

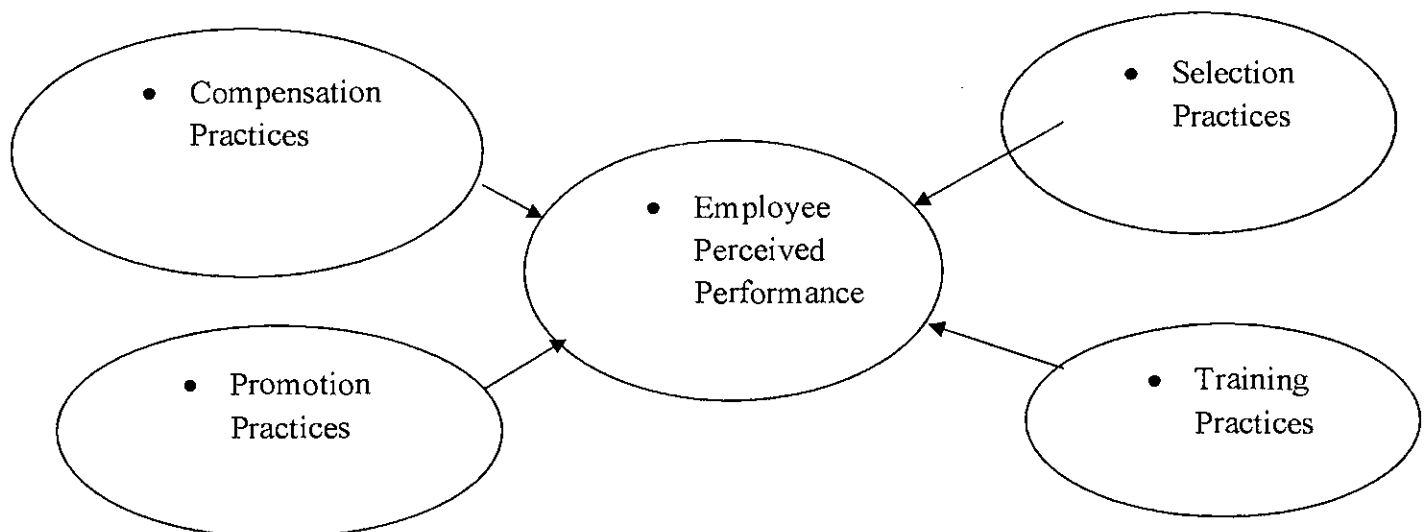
Finally Yongmei, et. al. has identified three categories of HRM practices and the associated values for the organization. These HRM practices and processes they impact most are Selection, training, and compensation level enhancing knowledge, skills and abilities. Participation, grievance procedures and employment security are enhancing empowerment practices. Incentive compensation and internal promotion are enhancing motivation enhancing practices.

As there is no any such type of studies in the area of HRM practices in CBE, Jimma district, this study evaluates the impact of HRM practices on employee perceived performance in CBE, Jimma district and further it will add some knowledge in the area of the study.

Theoretical Framework of the Study

In this theoretical framework employee perceived performance is the dependent variable while HRM practices (Selection practices, compensation practices, promotion practices & Training) are independent variables.

Figure 1-Theoretical framework of the study



Source: Adapted from the work of Bowra et.al

Chapter Three

3. Research Methodology

3.1 Research Design

The research designs in this study are descriptive and inferential type and employed quantitative and qualitative research techniques. According to Strauss et. al. (1998:10), quantitative research design analyzes information gathered from questionnaires handed out to target individuals or groups. In order to achieve the desired result of this research it makes sense to choose quantitative technique at large as it enabled the researcher to be able to look into all areas of the subject at hand.

The study involved self-administered questionnaire with sample clerical employees of CBE, Jimma district. Interviews conducted with 8 Senior Branch Controllers of the selected sample branches. This is because of the reason that these staff has the responsibility to inspect the overall transactions of the branches and would provide very relevant information that couldn't be found easily elsewhere. The questionnaires were adapted from questionnaire used by Teseema et.al (2006). This questionnaire was used by Teseema and his colleagues for measuring impact of various HRM practices on employee performance and was well tested on reliability and validity scales. (Cronbach's alpha in the range of 0.73 to 0.82). In this study the relationship between HRM practices and employee perceived performance was assessed and quantified by using 5-point Likert scale where 1= Strongly Disagree, 2= Disagree, 3= Indifferent, 4= Agree and 5= Strongly Agree.

3.2 Source of Data and Data Collection Tools

In an attempt to identify the impact of HR practices (Selection, Compensation, Promotion, & Training) on employee perceived performance and to provide possible recommendations, the researcher used primary data sources. Questionnaire were filled by sampled targets that encompasses branch Managers, Customer Service Managers, Senior Customer Service Officers, Senior Branch Controllers, Customer Service Officers and interview was made with Senior Branch Controllers of some selected branches.

As far as secondary data are concerned; relevant data were collected by reading and reviewing publications of the bank, HRM books and literatures, websites of the bank (internet) and other available sources.

3.3 Study Population and Sampling Procedures

In this study stratum and random sampling techniques were used. Jimma district was selected among the other 15 districts of the bank because of the reason that the district has been showing poor performance compared to other districts and the student researcher is one of the staff members in the district office. The student researcher wants to assess the impact of HRM practices on Employee Perceived Performance in the district and believed it would portrait for the bank wide scenario.

The district currently has 43 branches and 1 district office with a total of 700 clerical employees. The student researcher formed 3 strata among branches & the district office, each stratum shows similar peculiar traits. The strata are the district office, grade 4 & 3 branches, and grade 2 & 1 branches. The similarity within the stratum is expressed on resemblances in the types of jobs, composition of staffs, job grades and the associated compensation packages.

There is one grade 4 branch, three grade 3 branches, five grade 2 branches and thirty four grade 1 branches & one district office. The researcher selected the following samples, the district office, Jimma Main (grade 4) branch, Mizan Teferi, Agaro, & Gambella (All grade 3) branches, Bedelle, Bonga and Teppa (grade 2) branches and A/Jifar, Gera, Gore, Kuyi, Limu Suntu, Sekoru, Shewabench & Wacha(8 grade 1) branches. The selection of

branches was convincing that it could sample wide evenly each stratum and also encompassed the geographical distribution of branches under the district.

The population of this study was 700 that are the total number of clerical staffs under the district as of October 31, 2013. In order to estimate the size of the population the student researcher used the formula given by Jeff Watson. Accordingly, variability (P)-80%-20%, confidence level (Z)-95%, 5% precision desired (A) and estimate response (R)-95% were utilized. Using the formula depicted below the sample size (n) of this study was calculated to be 190. (To adjust for non-returnable questionnaires the sample size increased from 181 to 190)

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

Where n=Sample size

N=Population size

P=Variability

A=Precision desired

Z=Confidence level

R=Estimate response

Jeff (2001)

Thus,

$$n = \frac{\frac{0.2(1-0.02)}{0.05^2 + \frac{0.2(1-0.2)}{700}}}{0.95}$$

The sample size (n) was calculated to be 190.

Note: Confidence level (Z): 1.96 for 95% Confidence, and hence, 1.96 was used in this research.

Based on the staff strength of each sample branches, the student researcher took proportional number of respondents (Refer Table 1). Individual respondents from each branch were selected through lottery method by listing names of employees on paper slips & pick again and again until the required samples were obtained from each sample branch. Out of the 190 distributed questionnaires 182 of them were collected. These uncollected eight questionnaires are numbered below the 5% non-response rate.

Table 1-List of Sampled Branches

S.no	Branch	Population	Sample
1	District Office	35	20
2	Jimma Main	54	30
3	MizanTeferi	34	19
4	Agaro	33	19
5	Gambella	35	20
6	Bedelle	20	11
7	Bonga	22	13
8	Teppi	19	11
9	Abajifar	9	5
10	Gera	5	5
11	Gore	13	7
12	Kuyi	7	5
13	LimmuSuntu	16	9
14	Sekoru	11	6
15	Shewa Bench	9	5
16	Wacha	7	5
	Total	330	190

Study Variables

Independent Variables

- Selection Practices
- Compensation Practices
- Promotion Practices
- Training Practices

Dependent Variable

Employee Perceived Performance

3.4 Data Analysis Techniques and Study Variables

The student researcher used a statistical analysis program called Statistical Package for Social Science (SPSS version 16) to clean and enter the data after it is recorded by the Likert scale. To describe the profile of the respondents and the study variables Frequency distribution, Mean and Standard Deviation were utilized. Further in order to calculate the exact relationship and nature of relationship between variables, Pearson Correlation and multiple regression analysis was used.

Many previous studies used same techniques of descriptive and correlation analysis to examine relationship between employees perceived performance and HRM practices (Baloch et al., 2010; Qureshi et al., 2006; Shahzad et al., 2008; Tessema and Soeters, 2006).

Econometric model $EP = \beta_0 + \beta_1 PP + \beta_2 CP + \beta_3 TP + \beta_4 SP + \epsilon$

Where;

β = Slope of the model

EP= Employees Perceived Performance

PP= promotion practices

CP= Compensation Practices

TP= Training practices

SP= Selection practices

ϵ =error term

3.5 Reliability Test of Items

Before applying statistical tools, testing of reliability is very much important. Therefore, in this study nineteen (10% of the total sample size) questionnaires were distributed for respondents found in Jimma town branches for pilot testing and the Cronbach Alpha reliability test was checked and found above 0.7 for all variables. The values are satisfactory because the satisfactory level is required to be more than 0.7 for the scale to be reliable (Cronbach & Meehl 1955). The Cronbach's Alpha reliability statistics is depicted below.

Table 2-Reliability of test of items

Variables	Cronbach's Alpha	No. of Items
Selection	0.767	4
Promotion	0.777	5
Compensation	0.730	5
Training	0.740	5
Employee Per. Perfor.	0.713	4

Chapter Four

4. Presentation and Analysis of Data

This chapter presents and analyzes the results of the study. The study findings give clue on HR practices and their association with Employee Perceived Performance in CBE, Jimma district. Findings about the demographics of study participants, and the statistical analyzes also presented. This helped to interpret and understand the results.

4.1 Introduction

Commercial bank of Ethiopia has different functional divisions under the Corporate Human Resource Section lead by the V/P Corporate Human Resource management. Under the V/P there are Directors for Human Resource Management and Human Resource Development. Under the directors there are various managerial levels within the Head office and in the District Offices.

Districts' HR Management is composed of the District Manager, the Operation Manager, the HR Business Manager, the HR Business Officers and HR clerks. The districts' HR Management team is responsible to plan the HR, Recruitment and Selection, perform performance planning and management, training and development, compensation administration, labor-management relations, discipline and other related duties for their respective offices and branches under them.

Districts' HR management team has the discretion to recruit and select employees and responsible for their internal promotion up to grade II branch manager and its equivalent. Promotion beyond grade II branch manager and equivalent are handled by Director HRM at the Head Office level. Planned trainings are delivered by the trainers in the district and some training are planned and delivered by the Head Office Organ (Human Resource Development). Commercial Bank of Ethiopia has uniform scheme of salary across the board for those with same job grade but some variations in different benefits according to the difference in place of assignment and positions.

4.2 Demographic Characteristics of Respondents

4.2.1 Frequency distribution of Respondents

Table 3-Age of Respondents

Age Category	Frequency	Percent	Cumulative Percent
20 - 30	118	64.8	64.8
31 - 45	53	29.1	94
46 - 55	10	5.5	99.5
56 And above	1	0.5	100
Total	182	100	

Source: Data collected from respondents 2014

Out of the 182 respondents 118 or 65% were between the age of 20 and 30, 53 or 29% of the respondents were between the age of 31 and 45, 10 or 5.5% of the respondents were between the age of 46 and 55 and only one individual were found at the age of 56 and above of the total number of respondents. Most of the respondents are under the age of 30; this is because this age group is the one actively filling the new vacant posts created due to new branch openings.

Table 4 -Sex of Respondents

Sex	Frequency	Percent	Cumulative Percent
Male	149	81.9	81.9
Female	33	18.1	100
Total	182	100	

Source: Data collected from respondents 2014

From the total of 182 respondents 82% or 149 respondents were male and the remaining 18% or 33 respondents were females.

Table 5- Educational Level (Qualification) of Respondents

Qualification	Frequency	Percent	Cumulative Percent
Diploma	16	8.8	8.8
First degree	162	89	97.8
Second degree	4	2.2	100
Total	182	100	

Source: Data collected from respondents 2014

When we look at the compositions of educations status of the respondents, 16(9%) of the respondents were diploma holders, 162(89%) of the respondents were first degree holders and 4(2%) of the respondents were second degree holders. Recently since 2010 the bank has started hiring graduates and existing diploma holders upgraded their qualification as a result first degree holders numbered highest.

Table 6-Work Experiences (Service year) of Respondents

Service Years	Frequency	Percent	Cumulative Percent
1 - 5 years	100	54.9	54.9
6 - 10 years	41	22.5	77.5
11 - 15 years	30	16.5	94
16 - 20 years	6	3.3	97.3
21 years and above	5	2.7	100
Total	182	100	

Source: Data collected from respondents 2014

Regarding to the service years of the respondents, out of the 182 respondents 100(55%) were within the range of 1 to 5 years of working experience, 41(22.5%) were having 6 to 10 years of working experience, 6 of the respondents were with the experience of 16 to 20 years and only 5 respondents were served for 21 years and above in the bank. Following the recent wide expansion of branches in CBE, most of the staffs are with service years five and less than five years.

4.2.2 Correlation between Demographic Characteristics and Study Variables

Table 7-Correlation between Demographic characters & study variables

	EEP	Promotion	Training	Selection	Compensation
Age	-0.113	0.054	-0.055	0.053	-0.025
Sex	-0.052	0.009	-0.037	0.097	-0.072
Qualification	0.129	-0.06	-0.035	-0.03	0.074
Service Year	-0.058	0.117	0.042	0.116	-0.035

Source: Data collected from respondents 2014

Relationship among the demographic characteristics of the respondents and the study variables were found very weak signifying demographic characteristics would have negligible associations with the type of reply the respondents' replied.

4.3 Description of HRM Practices and EPP in CBE, JimmaDistrict

4.3.1 Frequency Distribution

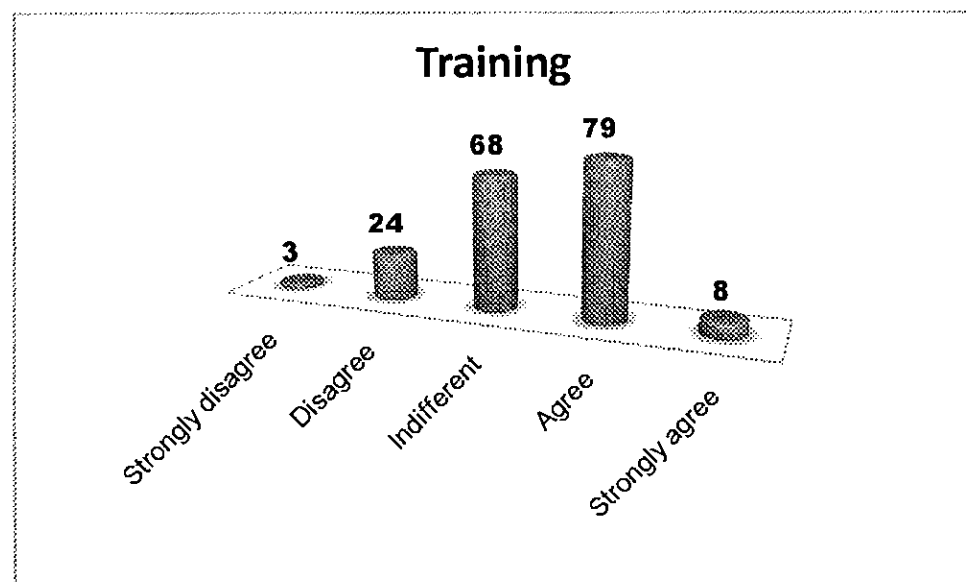
HRM Practices and Employee Perceived Performance in CBE, Jimma district would be described in this section using frequency distribution tables and graphs.

Table 8-Respondents' view of Training Practices

Respondents View	Frequency	Percent	Cumulative Percent
Strongly disagree	3	1.6	1.6
Disagree	24	13.2	14.8
Indifferent	68	37.4	52.2
Agree	79	43.4	95.6
Strongly agree	8	4.4	100
Total	182	100	

Source: Data collected from Respondents 2014

Figure 2–Graph of respondents' view of Training Practices



Source: Data collected from Respondents 2014

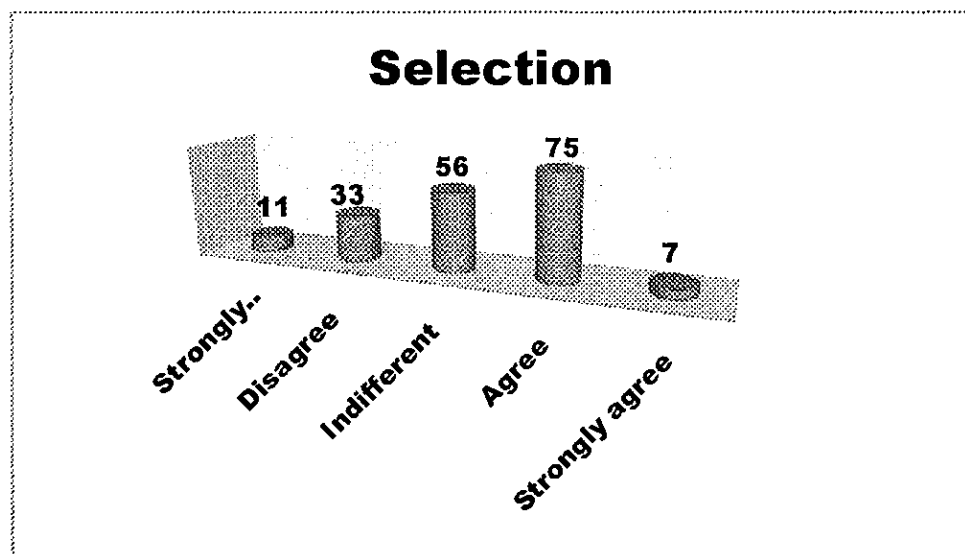
As indicated in Table eight out of 182 respondents 15% were disagree on the appropriateness of the Training practice, 37% were indifferent whether the Training practice was appropriate or not and 48% of the respondents agreed on the appropriateness of the training conducted in CBE, Jimma district. The result indicated that half of the respondents perceived the Training practice appropriate and useful and 37% of them perceived Training program of the district neither appropriate nor helpless and 15% were perceived the Training practice not appropriate.

Table 9-Respondents' view of Selection Practices

Respondents View	Frequency	Percent	Cumulative Percent
Strongly Disagree	11	6	6
Disagree	33	18.1	24.2
Indifferent	56	30.8	54.9
Agree	75	41.2	96.2
Strongly agree	7	3.8	100
Total	182	100	

Source: Data collected from Respondents 2014

Figure 3-Graph of respondents' view of Selection Practices



Source: Data collected from Respondents 2014

When we look at Table nine from the total respondents 6% of them strongly disagree on the appropriateness of the Selection Practice of the district, 18% of them were showed their disagreement, 31% were indifferent to agree or disagree, 41% agreed on the appropriateness of the Selection practices of the district and remaining 4% were disclosed their strong disagreement on the Selection Practices of the district. The employee selection practice of the district perceived by 41% respondents as scientific and objective, 24% of them perceived differently and 31% did not show their perception either ways.

Table 10-Respondents'view of Promotion Practices

Respondents View	Frequency	Percent	Cumulative Percent
Strongly disagree	4	2.2	2.2
Disagree	29	15.9	18.1
Indifferent	61	33.5	51.6
Agree	80	44	95.6
Strongly agree	8	4.4	100
Total	182	100	

Source: Data collected from Respondents 2014

From Table ten it could be stated that 2% of the 182 respondents strongly disagree on the fairness of the Promotion practice of CBE, jimma district, 16% were disagreed on the fairness of the promotion practice, 33.5% were indifferent in their respond, 44% of the total respondents agreed on the correctness of the Promotion practice of the district and the rest 4.4% were strongly agreed on the correctness of the staff promotional practice of jimma district. It is observed that around half of the respondents perceived promotional practice as correct and fair, 18% perceived contrary, and 33% were perceived indifferent.

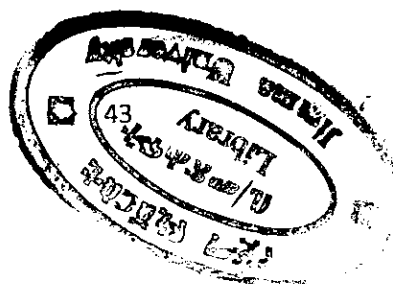


Figure 4- Graph of respondents' view of Promotion Practices

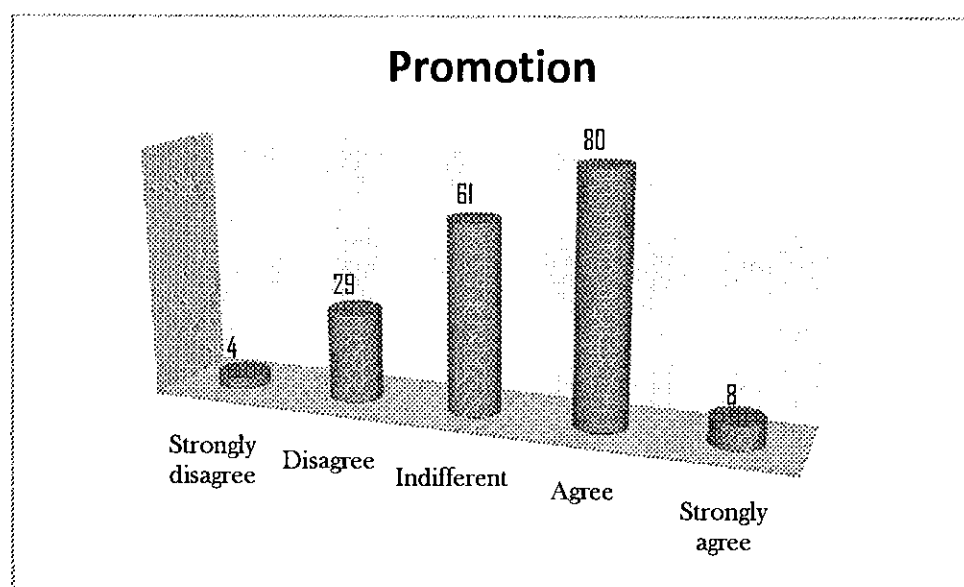
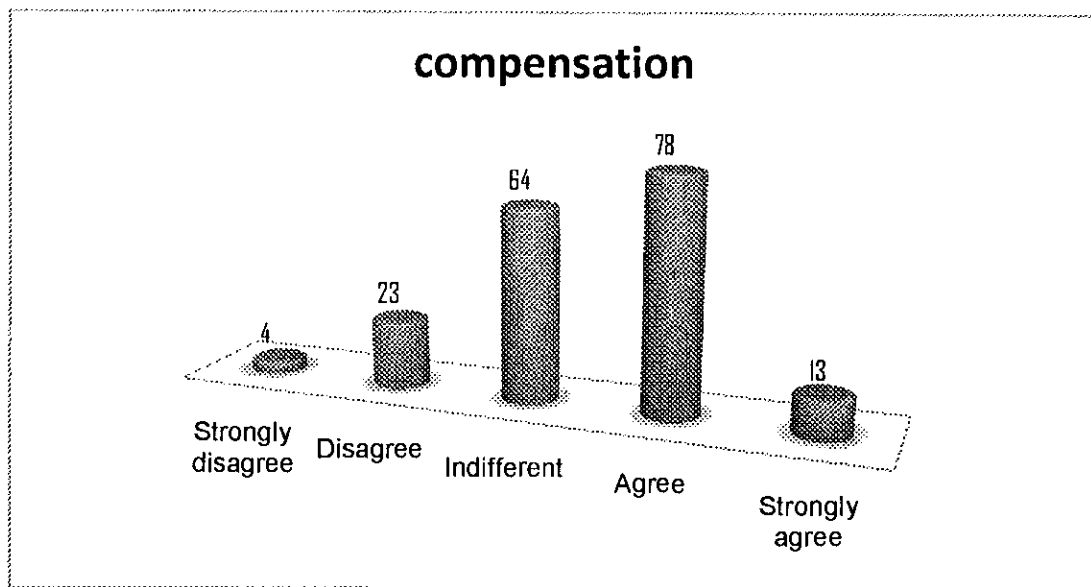


Table 11- Respondents' view of Compensation Practices

Respondents View	Frequency	Percent	Cumulative Percent
Strongly disagree	4	2.2	2.2
Disagree	23	12.6	14.8
Indifferent	64	35.2	50
Agree	78	42.9	92.9
Strongly agree	13	7.1	100
Total	182	100	

Source: Data collected from Respondents 2014

Figure 5-Graph of respondents' view of Compensation Practices



Source: Data collected from Respondents 2014

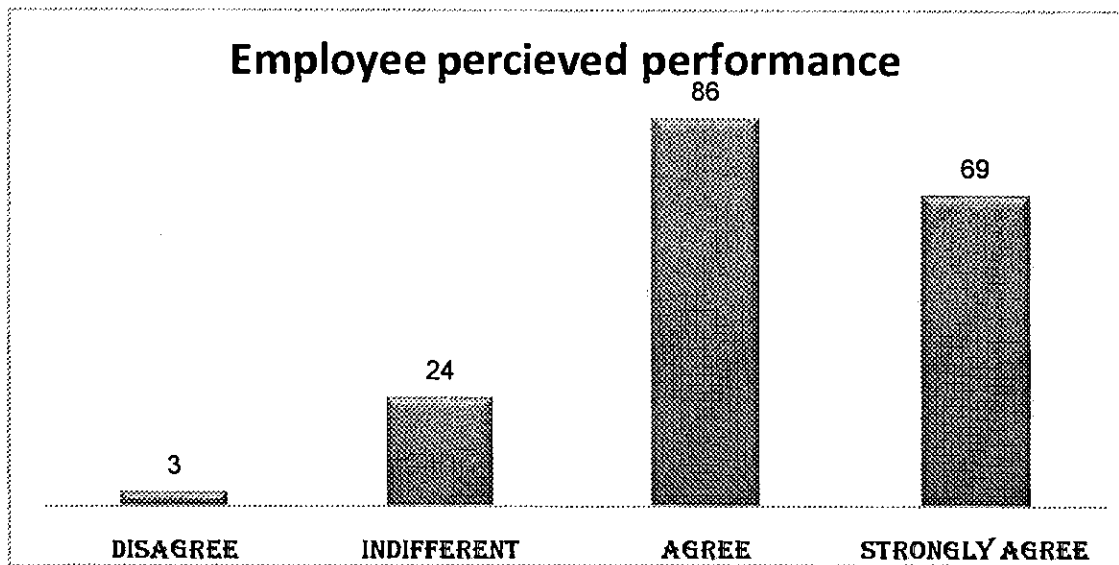
As Table eleven depicted 2% of the total respondents strongly disagree on the appropriateness of the Compensation practice of the district, 13% were disagreed on the fairness of the compensation practice, 35% of the respondents were indifferent, 43% were agreed on the appropriateness of the Compensation practice of the district and the remaining 7% were strongly agreed on the fairness of the Compensation practice of Jimma district. 50% of the respondents perceived compensation practice as comparable to the market, 15% perceived it not comparable and the remaining perceived it indifferent.

Table 12-Respondents' view of Perceived Performance

Respondents View	Frequency	Percent	Cumulative Percent
Disagree	3	1.6	1.6
Indifferent	24	13.2	14.8
Agree	86	47.3	62.1
Strongly agree	69	37.9	100
Total	182	100	

Source: Data collected from Respondents 2014

Figure 6-Graph of respondents' view of Employee Perceived Performance



Source: Data collected from Respondents 2014

Table twelve portrays the response on Employee Perceived Performance in jimma district. No one was found strongly disagreed, 2% of the respondents disagreed, 13% were indifferent, and 47% were agreed that their performance uppermost as compared with Colleague in CBE and other banks, and the remaining 38% were strongly agreed. The result implies 85% of the respondents perceived their performance better than others and 13% perceived neither of ways.

4.3.2 Mean and Standard Deviation of HR practices & EPP

Table 13-Mean and Standard Deviation

Study Variables	Mean	Minimum	Maximum	Std. Deviation	N
EPP	4.0948	3.940	4.247	0.64179	182
Training	3.4176	2.879	4.000	0.82430	182
Promotion	3.5264	3.176	3.775	0.83360	182
Compensation	3.3813	2.819	4.055	0.82735	182
Selection	3.0975	2.692	3.330	0.93418	182

Source: Data collected from Respondents 2014

The student researcher expected and defined mean value ≥ 4 high, 3 – 3.9 better and ≤ 2.9 poor. Table thirteen suggested that in the district the HR Practices were believed to be practiced with range of mean score of 3.0975 to 3.5264 which is rated as better. An examination of what the employees think of their current performance (Mean= 4.0948, SD=0.64179) shows that employees perceived that they performed in a range between better to higher as compared with other colleagues within CBE and other Bankers.

4.3.3 Correlation between HR Practices and Employee Perceived Performance

From Table fourteen below the Pearson Correlation Coefficient (r) shows that there is positive and medium effect size between the dependent variable and the independent variables. According to Barrett et.al (2005) the value of ' r ' is very large when $r \geq 0.70$, large when $r \geq 0.50$, medium when $r \geq 0.30$ and small when $r \leq 0.20$. In this study a positive and medium sized correlation coefficients were found between dependent variable and independent variables. Table 11 portrays the Pearson Correlation coefficient of the study variables as follows: Promotion= 0.35, Training= 0.33, Selection= 0.28 and Compensation=0.32 which has shown similar direction with the work of Malik (2013) who found 0.66, 0.78, and 0.62 for Training, Compensation and Selection respectively. According to Bowra et. al. (2012) Promotion has a correlation value of 0.25 with Employee Perceived Performance.

Referring to the Pearson Correlation it could be deduced that those listed HR Practices have the capacity to describe Employee Perceived Performance of CBE, Jimma District, i.e. HR Practices could have significant impact in Employees Perceived Performance.

Table 14-Pearson Correlation b/n HR practices and EPP in CBE, Jimma district

	Variables	EPP	Training	Promotion	Compensation	Selection
Pearson Correlation	EPP	1.000	.332	.348	.327	.280
	Training	.332	1.000	.651	.598	.557
	Promotion	.348	.651	1.000	.722	.669
	Compensation	.327	.598	.722	1.000	.632
	Selection	.280	.557	.669	.632	1.000
Sig.	EPP		.000	.000	.000	.000
	Training	.000		.000	.000	.000
	Promotion	.000	.000		.000	.000
	Compensation	.000	.000	.000		.000
	Selection	.000	.000	.000	.000	
N	EPP	182	182	182	182	182
	Training	182	182	182	182	182
	Promotion	182	182	182	182	182
	Compensation	182	182	182	182	182
	Selection	182	182	182	182	182

. Correlaun is significant at the 0.01 level, (2-tailed)

Source: Data collected from Respondents 2014

4.4 Interview Result

Interview was made with eight branch controllers found under the district. The interview was summarized as follows:

For the question asked to compare their perceived performance with colleagues and other bankers with similar qualification six of the respondents were highly confident and they believe their experience and qualifications enabled them to rate themselves high and perform better than others one respondent believed that he is not yet fully mastered his duties as he is promoted on the post recently the other respondent replied that he couldn't able to give answer for this particular question.

For the question asked to give comment on the training practices of the district all the respondents agreed that training had been improving the behavior and knowledge of many employees and they were certain that the training practice of the district was according to the training policy of the bank and they believed it was adequately given.

For the question asked to comment on the Promotion practice of the district four of the respondents disagree on the fairness of the Promotion practice of the district. They argued that promotion was highly attached with personal relationship and other connections. The nature of personal relationship was not disclosed by the respondents the remaining four were preferred not to say anything.

For the question asked to comment on the compensation practice of the district all the respondents valued the compensation scheme of the bank was better compared to other firms' in the industry.

For the question asked to comment on the Selection practice of the district all the respondents believed that the Selection practice of the bank was according to the bank's recruitment and selection policy and believed it was fair and scientific.

4.5 Regression Analysis

To find the contribution of independent variables towards dependent variable, regression analysis was used. The adjusted R square of the model is 13 % (Table 15), which means 13% variability in Employee Perceived Performance is explained by the HR practices namely Selection, Training, Compensation and Promotion practices in CBE, Jimma district. In this study the adjusted R square is smaller but according to Reisinger (1997) value of R square is smaller in case of primary data and when sample size is large but number of independent variables is less in the study. This result pointed out that the variability in Employees Perceived Performance in CBE, Jimma district has some reflection of the HR practices prevailed and the perception of the practices by the employees.

Table 15-Relationship between HR Practices & EPP in CBE,Jimma district

	Un standardized Coefficient		Standardized Coefficient		
Variable	B	Std. Error	Beta	P-value	Correlation
(Constant)	2.932	0.216		0	
Training	0.12	0.074	0.154	0.023	0.332
Promotion	0.117	0.089	0.152	0.029	0.348
Compensation	0.087	0.083	0.112	0.041	0.327
Selection	0.015	0.068	0.022	0.065	0.28

Source: Data collected from Respondents 2014

Variable is significant at the 0.05 level (2-tailed) and Adjusted R^2 of the model = 0.13

- Predictors: Selection, Training, compensation, Promotion
- Dependent Variable: EPP

From Table 15 the Econometric Model could be synthesized and give meaning as follows:

$$EPP = \beta_1 PP + \beta_2 CP + \beta_3 TP + \beta_4 SP + \varepsilon$$

$$EPP = 0.152 + 0.112 + 0.154 + 0.022 + 0.216$$

The Beta Coefficient in the regression model shows that increasing one unit of each of the HR practice will increase Employee Perceived Performance by the respective coefficient of the HR practices. Thus, a unit changes in Promotion practice will bring 0.152 unit change in Employee Perceived Performance, a unit change in Compensation practice will bring 0.112 unit change in Employee Perceived Performance, a unit changes in Training practice will bring 0.154 unit change in Employee Perceived Performance and a unit change in Selection practice will bring 0.022 unit change in Employee Perceived Performance in CBE, Jimma district. From the above result it could be understood that among the HR practices in CBE, Jimma district, Training practice weighted highest in affecting the Employee Perceived Performance and Selection Practice weighted least. The regression analysis indicated statistically significant (see the 'P' value in the table) and positive relationship between Employee Perceived Performance and the HR practices under study. However, it is found statistically insignificant result (0.065) for the Selection practices. According to (Barrett et.al 2005) a statistically insignificant outcome does not always lack the capacity to give information about strength or size of the outcome. Therefore, it is important to know, in addition to information on statistical significance, the effect size. Hence, the effect size (r) for Selection practices is sufficient (0.28) that it has the capacity to describe Employee Perceived Performance in CBE, Jimma district.

Chapter Five

5. Summary of Major Findings, Conclusions and Recommendations

5.1 Summary of Major Findings

When we start from the demographic characteristics most of the respondents (94%) were under the age of 30 and 82% of them were male respondents. 89% of the respondents were first degree holders and the rest 11% were second degree and diploma holders. Correlation was analyzed against the demographic characteristics and the result showed very weak relationship between demographic characteristics and the study variables.

The descriptive results suggested that in the district the HR Practices were believed to be practiced with range of mean score of 3.0975 to 3.5264 which is rated as better. An examination of what the employees think of their current performance (Mean= 4.0948, SD=0.64179) shows that employees perceived that they performed in a range between better to higher as compared with other colleagues within CBE and other Bankers.

The Correlation Coefficient (r) shows that there is positive and medium effect size between Employee perceived performance and the HR practices. The following are the Pearson Correlation coefficient of the study variables: Promotion=0.35, Training=0.33, Selection=0.28 and Compensation=0.32.

The result in the regression analysis indicated the adjusted R square of the model is 13 %, which means 13% variability in Employee Perceived Performance is explained by the HR practices namely Selection, Training, Compensation and Promotion practices in CBE, jimma district.

Finally when we look at the beta or slope of the model a unit changes in Promotion practice will bring 0.152 unit change in Employee Perceived Performance, a unit change in Compensation practice will bring 0.112 unit change in EPP, a unit changes in Training practice will bring 0.154 unit change in EPP and a unit change in Selection practice will bring 0.022 unit change in Employee Perceived Performance in CBE, Jimma district. The regression analysis also indicated statistically significant and positive relationship between Employee Perceived Performance and the HR practices under study.

5.2 Conclusions

The purpose of this study, which is to identify the impact of HR practices on employee perceived performance in CBE, Jimma district, have in the student researcher's opinion been fulfilled. Regression in the research finding tells us the degree of relationship existing between the dependent variable and the independent variables. Accordingly the regression result shows moderate and positive relationship between EPP and the HR practices. After analyzing the results the research came to conclusion that a moderate relationship exist in EPP and HR practices namely Promotion, Training, Compensation and Selection practices. The findings in the interview also suggested that interviewees were satisfied with most of the HR practices of the district and they are also rated their performance better than other colleagues and this indeed suit with the results obtained from the questionnaires collected.

The following are the major conclusions drawn from the research findings:

H_1 = Promotion practice is positively related with perceived performance of employees of CBE, Jimma district. Based on the findings of this study the null hypothesis is rejected and H_a is accepted.

H_2 = Compensation practice is positively related with perceived performance of employees of CBE, Jimma district. Based on the findings of this study the null hypothesis is rejected and H_a is accepted.

H_3 = Training practice is positively related with perceived performance of employees of CBE, Jimma district. Based on the findings of this study the null hypothesis is rejected and H_a is accepted.

H_4 = Selection practice is positively related with perceived performance of employees of CBE, Jimma district. Based on the findings of this study the null hypothesis is rejected and H_a is accepted.

All hypotheses are accepted. The HR practices and EPP has positive Correlation Coefficient and statistically significant relationship in this study.

5.3 Recommendations

Based on the findings it is realized that HR practices could bring variability and has an impact in employee perceived performance of CBE, Jimma district. This study can help Commercial Bank of Ethiopia and the banking industry in general to properly understand the impact of HR practices in producing higher performance if it is properly handled and wisely implemented which ultimately results in increasing the productivity of individuals and the firm in general.

The findings have important implications for the management in the Commercial Bank of Ethiopia and particularly in Jimma district. In order to improve employees' performance the bank has to improve their human resource practices. Jimma district needs to use and /or develop and improve professional, fair and objective human resource management systems and practices.

- The bank needs to organize and provide to all employees equal opportunities for career development; educational and training courses and programs.
- Promotions opportunities need to be distributed fairly and offered to competent employees. The promotion practice of CBE should only be based on the merit of the individual rather than his or her personal relations with individuals in charge of executing the HR management practices.
- Compensation packages have to be designed and distributed fairly. The Bank should give various financial and non-financial benefits to employees according to their performance. This will make them more devoted and satisfied.
- The Bank's employment selection practices need follow the regulation of equal employment opportunity for all competent candidates. All job applicants, regardless of race, religion, gender should be guaranteed equal opportunities in seeking employment.

In this study, the student researcher adapted self-administered questionnaire & interview and chooses four important HR practices. The future studies can be done by utilizing other HR practices like placement practices, grievance handling practices, performance management, etc.

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Appendices

Questionnaire

Jimma University

College of Business and Economics

Masters of Business Administration (MBA) Program

This questionnaire is designed for preparing a thesis on the title of “HR Practices on Employees’ Perceived Performance in Commercial Bank of Ethiopia, case of Jimma District” for the partial fulfillment of the requirements for the award of the degree of Masters of Business Administration (MBA).

The outcome of the study will be used in order to suggest possible solutions for problems identified while conducting the study and I would like to confirm you that all the information you provide in this questionnaire will be confidential and will entirely be used for research purpose.

I kindly request you to spent your precious time to fill the questionnaire as frank as & reasonable as possible.

Thank you for your cooperation!

Elias Tameru

Mobile Phone +251-911-48-20-25

E- Mail elatameru@gmail.com

Direction

-Please answer by making a √ mark wherever appropriate

-In case you have ambiguities on any of the questions, please do not hesitate to contact me using my address shown above.

Part I -Personal Profile

1. Age

☐ 20-30 ☐ 31- 45 ☐ 46-55 ☐ 56 & above

2. Sex

☐ Male ☐ Female

3. Education Level

☐ Diploma ☐ First degree ☐ Second degree ☐ other

4. Total years of Experience with this Organization

☐ 1-5 ☐ 6-10 ☐ 11-15 ☐ 16-20 ☐ 21 & above

Part II -Questions on the Impact of HR Practices on Employee Perceived Performance

Kindly identify your point of view toward each of the following statement using the scale and put tick mark (√) in the space provided.

(5) Strongly agree	(4) Agree	(3) Indifferent	(2) Disagree	(1) Strongly disagree	5	4	3	2	1
1- My performance is better than that of my colleague with similar qualifications.									
2- Our organization conducts extensive training programs for its employees.									
3- Competencies and skills required for job positions are well defined and used for employees' development.									
4- My performance is better than that of Bankers with similar qualification in other Banks.									

5- Job performance is an important factor determining the incentive compensation of employees.					
6- Training needs are identified through a formal performance appraisal mechanism.					
7- There is priority to merit in promotion.					
8- In our organization, line managers and HR managers participate in selection process.					
9- The compensation for all employees is directly linked to his/ her performance.					
10- I am satisfied with my performance because it is mostly good.					
11- I get enough opportunities for career development.					
12- The selection system followed in our organization is highly scientific and objective.					
13- In our organization, compensation is decided on the basis of competence or ability of the employees.					
14-There is written and operational promotion policy.					
15- The performance of my Bank is better than that of other Banks.					
16- New knowledge and skills are imparted to employees periodically to work in team.					
17-CBE shows high interest in employee career development.					
18- Valid and standardized tests are used when required in the selection process.					
19- In our organization, profit sharing is used as a mechanism to reward higher performance.					
20- Selection system in our organization favors those having the desired knowledge, skills and attitudes.					
21- Training needs identified are realistic, useful and based on the business strategy of the Bank.					
22- Employees in each job will normally go through training programs every year.					
23- In our organization, salary and other benefits are comparable to the market.					

Interview Questions

1. How do you rate your performance as compared to colleagues & other bankers with similar qualifications?
2. How do you see the relevance of the trainings which have been delivered by the bank in improving the knowledge and skills of employees?
3. How do you evaluate the Promotion Practices of the bank in the career development of employees?
4. Do you think the compensation system is fair and adequate as compared to other firms in the industry?
5. How do you assess the recruitment & selection process of the bank in filling the vacant posts?