

## **Impact of Human Resources Management Practices on Employee Performance: The Case of BuleHora University, Ethiopia, Africa**

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### **Abstract**

*This study examines the impact of training, performance appraisal and compensation as HRM practices on employees' performances at Bule Hora University, Ethiopia. The objectives of the study are to identify factors affecting the selected HRM practices and employees' performances in the university, evaluate the relationships training, performance appraisal and compensation as HRM practices on employees' performances in the university, and the impact of these HRM practices on employees' performances. To attain these objectives mixed methods are employed to collect and analyze data for the study. The instruments used to collect data are questionnaires and individual interviews. The quantitative data collected through questionnaires are tallied and tabulated in the analysis. The results of the quantitative data were substantiated by the qualitative to arrive at the findings. The findings show that lack of skills, knowledge, experiences, identifying gaps that need training and lack of performance appraisal are the main factors affecting HRM practices and employees performances in the university. Thus, the selected HRM practices have significant impacts on employees' commitment, punctuality, trust, and deliverables in both quality and quality negatively. It is also indicated that the practices have also impacted productivity of the university. Thus, there are significant relations between training, performance appraisal and commitment. As immediate recommendations, the university needs to identify gaps that need to be filled through training, and appraise individuals with exemplary works in order to increase productivity of the university.*

**Keywords:** HRM Practices, Employees' Performances Training, Performance Appraisal and Compensation.

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### **1.1. Background to the Study**

Human resources need different managerial skills than material and financial resources of an organization. Researches on Human Resource Management (henceforth HRM) of an organization show any organization is responsible to answer questions its employees ask about their duties and responsibilities. The success of an organization is basically based on the positive impacts made on employees through the HRM system an organization creates (Hassan, 2016); (Ilyas Waqas et al., 2016). The positive impact of HRM is realized in and through their practices. HRM practices attract, motivate and retain employees to ensure the survival of the organization. The practices are designed and implemented in such a way that human capital plays a significant role in achieving the goals of the organization.

The existing literature on the area of management practice shows that there is a strong positive relationship between HRM practices and employee's performances (Sels Laura et al., 2019). That is to say that if the application and implication of HRM practice balance the interest of the organization and the employees, there will be a positive relationship between HRM practices and organizational performance. If the practices are siding only one party, for instance, the interest of the organization or the interest of the employees of that organization, one can easily expect negative relationships between the two (Qureshi et al., 2007). Thus, HRM practices improve organizational performance by improving employee outcome.

According to (Wan D et al., 2002), the effect of HRM practices depends strongly upon the worker's response and interest. (Guest D, 2002) also states that the effects of HRM practices will follow the directions of employee perception of these practices. Guest argues that the relationship among HRM practices and organizational performance and calculated the results through regression that show effective and proper implementation of core HRM practices increase organizational performance. Consistent with Guest's argument, (Datta et al., 2005) stress that the use of HRM practices strongly impacts the employees' performance. The proper use of HRM practices positively influence the level of employer and employee commitment. HRM practices such as training and development, performance appraisal encourage the employees to work better in order to increase the organizational performance (Delery & Doty, 1996); (Purcell & Kinnie, 2009); (Schuler & Jackson, 2014).

This study examines the impact of Training, Performance Appraisal and Compensation (henceforth TPACS) as HRM practice of Bule Horal University (hereafter BHU) on employee's performance. BHU is one of the emerging academic institutions in Ethiopia. Apparently, one of the recurrently observed

problems of the university refers to resource management practices. This practice includes human resource, material resource and financial resources. Among the resource management practices in the university, HRM practice is selected due to the fact that human resource plays a great role in creating and mobilizing both material and financial resources.

Specifically, the most relevant HRM practices of the university selected for the study are training and capacity building, performance appraisal, promotion practice and employee participation. The HRM practices in the university seem ineffective and inefficient. As a result, significant changes are observed in the actions of the employees, especially in the supportive or administrative line of the staff. The rationale for conducting this research arises from such personal observations.

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

Research works conducted in countries other than Ethiopia show the impact of HRM practice is one of the problems that hamper organizational success. (Delery & Doty, 1996) note that HRM practices significantly impact an employee's performance. According to (Purcell & Kinnie, 2009), HRM practices have a direct relationship with employee's performance and have a direct role to meet or not to meet the goals of an organization. The appropriate handling of HRM practices depends on the skills of the managers (Guest D, 2002). Same earlier studies were conducted but their objectives were not particularly related with the problem this study tried to address. Most of the work focused on employee satisfaction, employee commitment, and employee retention due to the changing business environment and organizations are moving towards seeing human resource as a valuable asset in Ethiopia. For instance, (Gebremichael, 2017) has conducted research on "The Effect of Selected Human Resource Management Practices on Employees' Job Satisfaction in Ethiopian Public Banks". Amare's study has implicated that recruitment and selection is found to have moderate but positive correlation with employees' job satisfaction and the remaining, training and development, performance appraisal and compensation package found to have strong positive correlation with employees' job satisfaction has also conducted research on HRM function IN Ethiopia. His finding reveals better performance of HRM practice compared to centralized administrative systems. Similarly, (Wubalem, 2017) and (Gebremichael, 2017) have conducted MA research in the Ethiopian context. Their works have depended on identifying the impact of e-banking service on the performance of top performers in commercial banks, the interface between training and employee performance in chain hotels and evaluating the promotional practice of private colleges in Ethiopia respectively. As much as my knowledge is tried to address human resource management

practices on employee's performances. This is one of the gaps that triggered this study. Similarly, human resource management practices are organization dependent. Hence, none of them has tried to address the case of BuleHora University. Based on my experience of the HRM practices and the employee performance situation in BuleHora University, four things motivated me to conduct research on the impact of HRM of the University. The first one is the employee performance regularly observed in the university since 2018. As one of the administrative staff members, I regularly observe that the employees don't deliver their duties on time for the clients as well as for their coordinators. The second one is most of them blaming the management officials for the career structure they did for the employees. They claim that the career structure for the increment of the salary rather delivers quality work. The third one is the blame of the top management against the employees for the ineffective deliverables. As far as I know, no work has been conducted on the impact of HRM practice on employee performance to solve the problem in the university. To address these problems, the three questions this study tries to answer were mentioned in the next sub-topic of the chapter.

### **1.3 Objectives**

The specific objectives of this study are to:

To identify the major human resource management practices on employee performance

To evaluate the relationship between human resource management practices and employee performance.

Analyze the impact of human resource management practices on employee performance.

### **1.4 Review of Empirical Studies**

Many empirical works have been done on the impact of HRM practices on employee's performance across the world. One of the works was done on different sectors in Pakistan. One of the sectors is academic institutions. Among the informants 62% employees agree with association of promotion practices and its impact on their performance. The results of the study reveal that the promotion practices are significantly correlated with the performance of university teachers. Promotion provides the teachers with better hierarchical positions and also teachers get motivated as they get a chance of professional development. Some financial benefits are also attached to the promotion practice, so the performance of teachers is greatly affected by the compensation practice in the universities of Pakistan. The Government should provide the employees with the opportunities for professional growth (Bashir et al., 2008).

The other sector regarding the impact of HRM practice on employee performance is telecom in Pakistan. The result of the research shows that career planning is positively correlated with the performance of employees of the telecom sector in Pakistan (Qureshi et al., 2007). A study conducted for the banking sector (private and public) of NWFP, Pakistan also concluded that the promotion practices have a significant positive relationship with the perceived employee Performance.

Another study also finds positive correlation among the promotion practices and perceived employee performance (Tessema & Soeters, 2006). The companies like HP, which are making success financially always promote and develop their employees because these are the employees who make them successful (Truss, 2001). In the case of performance appraisal, research show that is intended to be, for the improvement of employee's productivity and performance as it is a formal process of monitoring the employees (Brown & Heywood, 2005).

Employees can be made more productive/efficient and committed toward the organization by using appropriate performance appraisal systems (Brown & Benson, 2003). If performance is measured and supervised properly and correctly, it leads the employees to high job satisfaction and commitment to their profession (Rahman, 2006). A positive relationship lies between performance appraisal and organizational performance (Singh K, 2004). Performance management is much more than only performance measurement. Employees will use open effort if a fair and appropriate performance appraisal system is applied and is linked with the compensation system (Datta K et al., 2003). Organizations can improve and expand their operations by increasing efficiency through the proper use of rewards and performance appraisals. A positive relationship is present between performance evaluation and employee performance (Tessema & Soeters, 2006).

An appropriate performance appraisal system provides basis for evaluation of employee's performance, assess the potential forfeiture career development and most importantly improves the employee performance (Mullins, 1999). Performance appraisal is an instrument which measures the employee current performance and merely affects the future performance (Ulrich & Brockbank, 2007). A study of 74 Chinese SMEs resulted that performance evaluation practices are useful to increase performance levels (Zheng et al., 2019). The effective, productive and efficient employee performance reviews are only possible if there is a healthy and pleasant relationship occurs among the employees and their superordinates as well as the continuous discussions about the performance over the year according to the best context of HR practices.

In the context of Ethiopia, there are also many related works done in the in the area of business administration. One of the latest works done in the area is Betelhem's (2018) research. Betelhem has conducted research on examining the

impact of e-banking service on the performance of top performer commercial banks in Ethiopia. Overall the results revealed that e-banking services have negative significant impact on the performance of commercial banks in Ethiopia. The other worth mentioning work related this work is (Wubalem, 2017) MA Thesis. Wubalem has investigated the interface between training and employee performance in chain hotels located in Addis Ababa. Her research has confirmed that training has a relationship with employee performance. Yet, the other similar work to be reviewed is (Gebremichael, 2017) MA Thesis. This thesis was conducted evaluating the promotional practice of private colleges in the case of CPU and Addis Ababa Medical colleges. The findings of the study generally indicate promotional efforts of the colleges are not achieve the intended objective. It also shows that there are problems in designing the messages and measuring results.

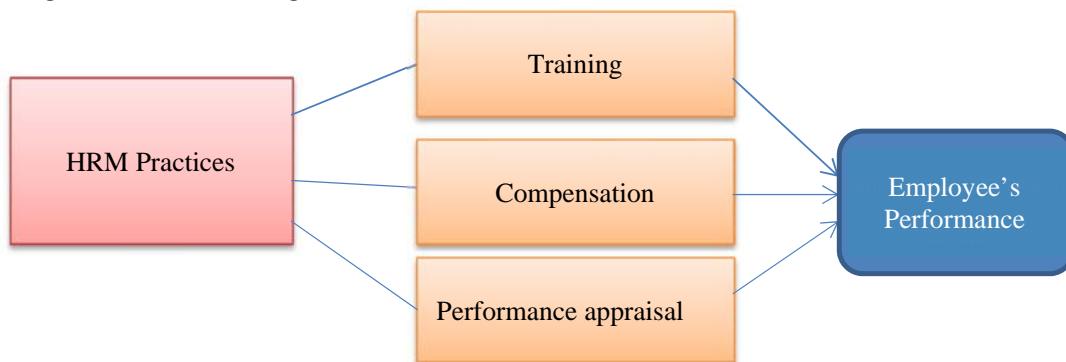


Figure 1: Researcher Own Framework (2022).

### **1.5 Research Methodology**

The over-arching methodological frame selected for this study is qualitative and quantitative methodologies, qualitative and quantitative very important in this research. And also charts. That is, the study employed mixed methodology research that measures the collection and analysis of data using numbers and words.

### **1.6 Description of the Study Area**

This study is conducted on the management officials and employees of BHU, on which this study is conducted, is found at Bule Hora Town. Bule Hora Town (formerly Hagera Miriam, older, alternative names were Alga, Kuku) is a town in southern Ethiopia. The town is located on the paved Addis Ababa Moyale highway. The 2020 national census reported a total population of 27,820 for Bule Hora Town, of whom 14,519 were men and 13,301 were women. 6,507 households and 6,246 housing units were counted. The town was divided into three urban kebele. Based

on figures from the Agency in 2005, Hager Miriam had an estimated total population of 22,784 of whom 12,046 were men and 10,738 were women Addis Moyale highway.

**1.7 Research Design**

This study mainly used descriptive-case study design with a qualitative and quantitative approach in order to ascertain and be able to describe the characteristics of variables of interest in the situation. Descriptive design has the advantage in explaining, describing in detail and it is best in analyzing the problems. This method is found to be very essential for this study because it helps to clarify points that are discussed.

**1.8 Sampling Technique and Sampling Size**

Bule Hora University has 456 instructors and 1254 administration employees at five facilities. In general, the university has 1710 employees. The sample size of the informants taken to provide information to this research is calculated by using Taro Yamane (Yamane, 1973) formula with 95% confidence level.

$$n = N/(1+N(e)^2)$$

Where : n = sample size required

N = number of people in the population e = allowable error (%)

Thus, n = 1710/ (1+1710(0.05)<sup>2</sup>)

n = 325 is informants participated in providing data for this study.

**1.9 Reliability**

Table 1: Cronbach Alpha Value

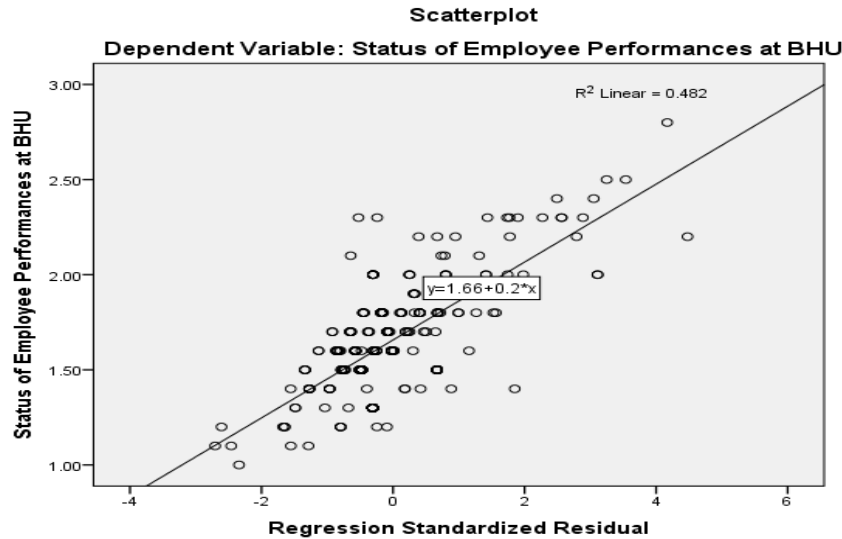
S.No	Item Category	Number of	Cronbach Alpha Val
1	Training effectiveness	9	0.821
2	Compensation	9	0.823
3	Performance appraisal	9	0.703
4	Employee performance	10	0.745

The reliability of the questionnaires, Cronbach’s alpha reliability test was calculated after the pilot test was conducted. All items were carefully input in to SPSS version 24 and the average result found were greater than 0.70 for all likert scale thematic questionnaire items which shows the items are internally consistent and the details are presented in Table above.

**Table 2: Pearson Correlation between HRM practices and Employee performance**

S. No	Employee Performance			
		N	Correlation value	Sig.
1	Training Practices BHU	296	0.589	0.000
2	Compensation Practices	296	0.623	0.000
3.	Employee Performance	296	0.523	0.000

Pearson correlation was applied on the data to check the relationship between HRM practices and employee performance. Accordingly, Pearson correlation for the Employee Performance with Training practices ( $r=.589$ ), Compensation ( $r=0.623$ ), and Performance Appraisal ( $r=.0.523$ ) show a positive relationship and the results indicates that all the variables are statistically significant at ( $p<.05$ ).According to Cohen (1988) correlation value between 0.6-07 is substantial. This affirmed that boosting effectiveness of training practices, employing performance appraisal and developing compensation policy and practicing it is positively correlated with employee performance.



Meaning success in HRM practices is contributing to success in employee performances and failure in HRM practices is also substantially contributing to failure in employee performances. Therefore, based on evidence, Ho (null hypothesis) is rejected and Ha (alternative hypothesis) accepted.

**Multiple Collinearity Test:** Multiple linear regressions make several key assumptions. And one of the assumptions is that Multicollinearity assumption; this assumption states that the independent variables should not highly correlate with each other.

**Table 3: Variance Inflation Factor (VIF) for Continuous explanatory variables**

Variables	VIF	1/VIF (Tolerance)
Training practices	5.100	.196
Compensation	5.311	.188
Performance appraisal	1.115	.897

Source own survey (2022)

This assumption is tested using the variance inflation factor and the tolerance values. Accordingly, each of the variables should have a tolerance value of more than 0.10 and a variance inflation factor (VIF) of less than ten (10). And this indicates that there is no serious multicollinearity problem.

**Table 4: Multiple linear regression results**

Variables	Unstandardized Coefficients		Standardized Coefficients	T value	Sig.	Zero order
	B	S.E	Beta			
(Constant)	.020	.102		-.197	.844	
Training practices	.222	.091	.224	2.438	.015	.589
Compensation	.303	.094	.306	3.266	.001	.623
Performance appraisal	.314	.059	.374	8.704	.000	.523

Source: own survey (2022)

In this study as it is revealed from R2 value, 51.8% of the variation in dependent variable is explained by independent variables used in model, so the model is fitted at 5% ( $p < 0.05$ ) significant level. Thus, the independent variables (training practices, performance appraisal and compensation) account for 51.8 percent of the change in employee performance in general. The F statistics shows the overall significance of the model. Since the F value is found to be 104.486 is significant at  $P < 0.05$ , the HRM practices significantly predicts employee performance.

The beta values show the magnitude of relationship between variables, higher values being an indication of strong relationship. In this study, performance appraisal has got the highest Beta coefficient of 0.374. This result implies that the performance appraisal the most significant of all the HRM practices.

The estimated linear function for this study was presented as:

$$\text{Employee performance (Yi)} = -0.020 + 0.224\text{TP} + 0.306\text{CS} + 0.374\text{PA}$$

Where, CS = Customer satisfaction

TP = Training practices

CS = Compensation

PA = Performance appraisal

Generally HRM practices focused in this study that is TPACS and employees' performance at BHU are closely linked. The successful accomplishment of objectives of the university is unthinkable if either of the two gets less attention. This is to mean that to provide and/ or get effective, efficient and timely deliverables, the employees should be skillful, knowledgeable, strategic and communicative. These skills, knowledge and approaches could be developed in and through training. Performance appraisal on the other hand, increases employees' commitment and interests to increase their works on time with good quality. Most of the respondents also agree that awarding individuals for their good accomplishments and compensating their effort through part time payment, allowance (house, travel, medical, etc.) increase their performances. Thus, every employee in their university need to deliver his/her works effectively and efficiently on time in line with objectives of the they university, if and only if the HRM practices, especially TPACS, are effective and based on gap identified to be filled.

### **1.10 Conclusion**

Through BHU is providing training for employees, lack of identifying areas of expertise and services that need training is one of the major factors which is affecting HRM practices and employees performances. The other major factor to be mentioned is lack of performance appraisal. Among the many elements of performance appraisal, lack of awarding or appraising individuals for the good work they deliver is the main factor affecting employees' performances. Likewise, lack of skills, knowledge, experiences is also the other factors which affect both the HRM practices and employees performances at the university. There are significant relationships between the selected HRM practices, i.e., TPACS and employee performances in the university. Lack of effectiveness and appropriateness of TPACS can be resulted in equipping employees' capacity to deliver quality works. Lack of identifying gaps to give training for employees, and lack of appraising individuals for their exemplary works have negative impacts on employees' performance. However, the presence of training and compensation in the university has positively impacted employees' punctuality and commitment to their work.

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