The Impact of Human Resource Management Practice on Organizational Performance - A Study on Debre Brehan University

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Abstract

The purpose of this paper is to examine the impact of human resource management (HRM) practices on organizational performance. A total of 169 employees from Debre Brehan University comprising of both academicians and support staff responded to the survey. The survey questionnaire had 58 items covering selected HRM practices and University performance. The study has found that human resource practices: recruitment and selection, training and development, performance appraisal and compensation have a significant relationship with university performance. The results come from a survey study which was done at the convenience of the researcher. If the university is to increase its performance to higher levels, it should emphasize more on compensation, recruitment and selection. Some improvement needs to be done on the other performance appraisal and training and development in order to increase their effectiveness on the university performance. Most studies on impact of HRM practices on organizational performance have focused on private sectors in Ethiopia. In other countries, the studies have focused only on academicians as a sample. This study has attempted to add to the body of knowledge on the impact of HRM practices on University performance in Ethiopia combining both the academicians and administration staff.
1. Introduction

Human Resource Management can be described as a strategic, integrated and coherent approach to the employment, development and well-being of the people working in organizations. It has a strong conceptual basis drawn from the behavioural sciences and from strategic management, human capital and industrial relations theories. This foundation has been built with the help of a multitude of research projects (Armstrong, 2010).

Human resource management (HRM) is the policies, practices, and systems that influence employees’ behaviour, attitudes, and performance. Many companies refer to HRM as involving “people practices”. There are several important HRM practices that should support the organization’s business strategy: analyzing work and designing jobs, determining how many employees with specific knowledge and skills are needed (human resource planning), attracting potential employees (recruiting), choosing employees (selection), teaching employees how to perform their jobs and preparing them for the future (training and development), evaluating their performance (performance management), rewarding employees (compensation), and creating a positive work environment (employee relations). An organization performs best when all of these practices are managed well. At companies with effective HRM, employees and customers tend to be more satisfied, and the companies tend to be more innovative, have greater productivity, and develop a more favourable reputation in the community (Raymond A. Noe, 2011).

Organizational performance (OP) is an indicator which measures how well an enterprise achieves their objectives (Hamon, 2003). Organizational performance is concerned with product or service quality, product or service innovation, employee attraction, employee retention, customer satisfaction, management/employee relation and employee relation (Delaney and Huselid, 1996). Human resources have been identified to be both valuable and a source of competitive advantage (Legge, 1995). According to Bontis (1999), the human elements of the organization are those that are capable of learning, changing, innovating and providing the creative thrust which if properly motivated can ensure the long-term survival of the organization. Delery (1998) observed that the methods used by an organization to manage its human resources can have a substantial impact on many organizationally relevant outcomes.

When organizations face challenges such as an economy recession, it depend thoroughly trained professionals who react quickly to changes in the environment and create strategies for success. Human resource management (HRM) is responsible for carefully selecting and training people with the necessary skills to pursue the strategy effectively. Some external factors can be predicted; others, such as the collapse of large banks and insurance companies, can seemingly come out of nowhere (P.Robbins, 2010).
According to Noe et al. (2011) human resource management is critical to the success of organizations because human capital has certain qualities that make it valuable. In terms of business strategy, an organization can succeed if it has a sustainable competitive advantage (is better than competitors at something and can hold that advantage over a sustained period of time). Therefore, we can conclude that organizations need the kind of resources that will give them such an advantage.

Employees are one of the most important assets of an organization as they contribute to its growth and success (Danish and Usman, 2010). Malik et al. (2010) concluded that in the era characterized by rapid and continuous change, knowledge capital must be retained in order for organizations to be productive and responsive to the needs of their stakeholders. Likewise, universities as training and research institutions need to attract, retain and develop their employees. Universities need employees who are well trained and motivated so that they are committed to their work of conducting research and training for the development of the nations (Lew, 2009). Research literature has shown that effective application of some human resources management (HRM) practices enables university employees to be committed to their work for good performance of the universities (Chen et al., 2009; Shahzad et al., 2008). Implementation of appropriate HRM practices for university employees will promote university performance as Lew (2009) noted that employees play a strategic role in improving ratings in key areas like research quality, academic reputation of faculty, academic program quality, research contribution to society, preparation of tomorrow’s leaders and quality of graduates. Realizing the importance of promoting university performance, many universities are embarking into strategizing its HRM (Sirat, 2005). For this to materialize, it is significant that the country’s universities improve their world class university ranking by attracting and retaining excellent and experience academicians and support staff.

One of the sectors which will play an important role is education especially the higher learning institutions. The nation needs more human resources capable of performing different activities both in public and private sectors. Subsequently, the higher learning institutions are expected to produce high-quality human resources. Malik et al. (2010) training and development of well-qualified human resources will depend on the performance of the universities subjected to effective implementation of different bundles of HRM practices such as selection, compensation, information sharing, participative decision making, job definition, training, career planning and performance management among others.

Little empirical research has been conducted to examine the effects of HRM practices on public universities performance in Ethiopia. In order to effectively investigate whether human resources are capable of contributing to competitive advantage, it is pragmatic to examine HRM practices in as many settings as possible. Therefore, this study is to examine the impact
of HRM practices on organizational performance in Ethiopia with a particular focus on a Debre Berhan University.

1.1 Statement of the Problem

Impact of Human Resource Management practices on organizational performance has been a widely researched area. Result of studies, from developed countries to developing countries; have been time and again showing that HR practices have significant impact on organizational performance. But unluckily, very insufficient numbers of studies have been conducted in this area context of Ethiopia and other developing countries. To augment the contemporary knowledge base of HR practices of developing countries, this study has been undertaken. This study assessed the impact of human resource management on organizational performance and investigates impact of Debre Berhan University’s four human resource practices (recruitment & selection, training & development, compensation and performance appraisal) on organization performance.

Although, it was accepted that HRM is positively related to organizational performance. There is a great need for additional evidence to support the HRM-performance relationship from different contexts.

The observations of the researcher in Debre Berhan University, teaching and non-teaching staff criticize about they are not satisfied with their wellbeing in terms of compensation i.e. wages and benefits. There are no sufficient salary and reward. Due to these motives top quality performers (employees) of public organizations have been moved to other private, non-governmental organization and other countries. There is no significant work in public organizations in the context of human resource management and the reason is that top management never realize the needs and demands of their employees. As a result to develop a better understanding the research is carried to know the benefits to practice the HR and evaluating the losses if don’t.

Country in the growing phase like Ethiopia needs to know the contribution of different factors and the intensity of their impact on organizational performance that leads towards economic development and prosperity. Ethiopia is gradually shifting from agriculture to industrial economy and therefore it is important to determine empirically, the contribution of different factors like, HRM practices towards organizational performance. Because as Bennett (1983) has written importing approaches from one country to another may not work. For example the Japanese approaches may fail because of cultural attitudes and values are different. In order to work effectively, such approaches will have to be fitted to the culture. In our country, there are a large numbers of employees working on public organizations and most of them are unsure about their satisfaction towards the HRM practices and with the job. Also it’s difficult to get published researches that addressed the effect of human resource management practices on organizational performance in public organizations.
1.2 Hypotheses
On the basis of extensive literature review six hypotheses were developed for the study. They are:
Hypothesis 1: HR practices have significant association with organizational performance
Hypothesis 2: HR practices have significant impact on organizational performance
Hypothesis 3: Recruitment and selection positively influences on organizational performance
Hypothesis 4: Training and development positively influences on organizational performance
Hypothesis 5: Performance appraisal positively influences on organizational performance
Hypothesis 6: Compensation positively influences on organizational performance

2. Objectives
The main purpose of the study was to identify the impact of HR practices on organizational performance and assesses Debre Berhan University’s human resource practices on its Performance. In order to materialize this objective, the following specific objectives were considered.

- To address the linkage between HR practices and organizational performance.
- To assess Debre Berhan University’s Human resource management practices on its performance.
- To offer some measures in order to enhance the Debre Berhan Universities performance.
- To identify the most neglected Human Resource practices which employees believe that could help to perform better than before.
- To explore the importance and to change the mindset of the employers by introducing Human Resource practices as these practices are contributing in the performance of the organization and employees collectively.
- To suggest the university high weight HRM practices so that they can move towards strengthening its Performance.

2.1 Delimitation of the Study
The study focused on the impact of Human Resource Management practices on organizational performance, evidence from Debre Berhan University. The study further limited to four factors which were the independent variables in this study: the role of recruitment and selection, training and development, performance appraisal and compensation and the dependent variable was organization performance.

3. Methodology
3.1 Research Design
In this research quantitative research methodology was used. Because quantitative research includes surveys and questionnaires can help organizations to improve their products and
services by enabling them to make informed decisions. Quantitative research is about asking people for their opinions in a structured way so that research can produce hard facts and statistics to guide you. To get reliable statistical results, it’s important to survey people in fairly large numbers and to make sure they are a representative sample of the target.

This study utilized a relational research design in an effort to examine the relationship between human resource management (HRM) practices and organizational performance (OP). Correlation research methods are used to determine relationships and patterns of relationships among variables in a single group of subjects. In correlation studies, a researcher may be able to state a hypothesis about an expected relationship. If two variables are correlated, then one variable can be used to predict the other.

Four HRM practices included as independent variables in this study were, recruitment and selection, training and development, performance appraisal and compensation. And Organizational performance was the dependent variable in this study.

The research methodology was based on empirical data collected through questionnaire surveys with employees working in Debre Berhan University. As has been mentioned earlier, education sector plays a vital role toward the success of a nation’s economic plan and universities are expected to produce high-quality graduates. For this to be realized, it is significant that universities attract and retain excellent and experience academicians as well as support staff. Attracting and retaining excellent staff will require a sound HRM practices. In addition, an employee’s belief about HRM practices may differ from one person to another (Chen et al., 2009). For this reason, a study on the employees’ evaluation of the impact of HRM practices on organizational performance with particular reference to Debre Berhan University is justified.

3.2 Population

Population of interest is homogeneous and population studies are more representative because everyone has an equal chance to be included in the final sample that is drawn. The target population for this study was the employees of Debre Berhan University. These include all employees in president office, academics, research and community services office and supportive staff employees. The target population for this study was 1693.

3.3 Sampling and Sampling Technique

The selected university has approximately 900 academic and 793 supporting staff during the period of the study from February 2/2015 to May 29/2015. For the research to be feasible the researcher aimed to make Debre Berhan University employees both academic and supportive staff as the target population of the study. A stratified random sampling technique was used in this study. The total numbers of the workers are 1693 from the total researcher selected 10% of the academic and non-academic employees which represents the population. That is 90 academic staff and 79 supportive staffs and the total is 169 samples. A total of
169 questionnaires were distributed to academic and support staff at all faculties and administration offices and collected 132 of them.

### 3.4 Data Sources and Instrumentation

This study purely based on primary sources of data. A structured questionnaire for the respondents was prepared for data collection. The questionnaires were distributed to the respondents by the researcher at the various field offices from April 1-28, 2015.

### 3.5 Survey instrument

The survey instrument used in this study was adapted and adopted from various studies. The questionnaire used in this study is divided into three sections. The first section of the questionnaire gathers information on the profile of respondents. The second section of the questionnaire measures the extent to which human resource practices (recruitment and selection, training and development, performance appraisal and compensation) are being practiced in this selected organization.

Respondents are requested to rate these aspects based on a five-point Likert scale ranging from 1=strongly disagree, 2=disagree, 3=neutral, 4=agree and 5=strongly agree. Lastly, the third section of the questionnaire measures the University’s performance. In this part, respondent rate the performance of their organization based on a five-point Likert scale ranging from 1=strongly disagree, 2=disagree, 3=neutral, 4=agree and 5=strongly agree.

### 3.6 Measurement

#### 3.6.1 HRM Practices

Huselid (1995) and Youndt, et al. (1996) and Becker (1996) have developed HRM practices items for their questionnaire survey research. From various previous studies, 29 HRM practices items were adopted for this study. These include employee recruitment and selection, training and development, performance appraisal and compensation/reward benefits.

#### 3.6.2 Employee Recruitment and Selection questionnaire

Recruitment and selection are considered as one construct for ‘acquisition of university employees’. This inventory has nine items. Some of these are ‘hiring employee with specialised skills’, ‘hiring people with creative thinking skills’, ‘recruitment and selection process fit the candidates with the jobs’, and ‘organisation prefers promotion from within when filling vacant position’. These items have been developed and used earlier by many researchers (Huselid, 1995).

#### 3.6.3 Employee Performance Appraisal questionnaire

This questionnaire has five items. They are: ‘employee evaluation criteria are clear’, ‘performance appraisal is result oriented’, ‘feedback is provided on a regular basis by the management’, ‘employees satisfied with performance appraisal result’, and ‘employees
commitment towards work performance’. These items were developed and used by authors (Huselid (1995) and Pfeffer (1998).

3.6.4 Employee Training and Development questionnaire

This questionnaire has eight items. These are: ‘new employees familiarise with organisational norms and values (orientation)’, ‘organisation provides continuous training for updating employee skills and knowledge’, ‘training programmes are constantly revised or updated to fit with present requirement’, and ‘all training programmes are of high quality’. These items are used by Huselid (1995), Becker and Huselid (1998), Siengthai and Bechter (2001), and Dechawatanapaisal (2005).

3.6.5 Employee Compensation/Reward questionnaire

It has seven items. These are: ‘organisation relates to compensation system with the level of knowledge and skill acquired by employees’ knowledge and skill’, ‘compensation is directly linked to employees performance and there is an attractive compensation system’, ‘Job performance is an important factor in determining the incentives and compensation of employees’, ‘compensation system is rewarded by innovative idea’, ‘good job performance is noticed and rewarded’, and ‘top management prefers participation in decision making with all levels of jobs’. The construct/item developed by Huselid (1995), Ngo, et al. (1998), Paul and Anantharaman (2003), Collins and Smith (2003) and Minbaeva (2005).

3.6.6 University Performance questionnaire


3.7 Data collection procedure

The main source of data is primary source by using questionnaire method. A questionnaire consists of a number of questions printed in a definite order on a form or set of forms (Kothari, 2004). The researcher distributed 169 questionnaires to the selected sample and collected the filled questionnaires from the respondents. Among the 169 distributed 132 questionnaires were collected and used for analysis purpose.
3.8 Method of data analysis and presentation

Questionnaires were coded and entered the data into SPSS 16.0 package and perform required calculations. SPSS can take data from almost any type of file and use them to generate tabulated reports, charts and plots of distributions and trends, descriptive statistics, and complex statistical analyses. Construct validity of measures was determined for the validation of an instrument. For accurate relationship, among variable construct validity of measures is incredibly essential and it relies on the aptitude of the researcher to appropriately measure the variables. Cronbach’s alpha was calculated to determine the internal reliability of the tool.

Frequency distribution was used to describe the profile of the sample. After the data’s are organized into a frequency distribution, it’s presented in graphical form. The purpose of graphs in statistics is to convey the data to the viewers in pictorial form. It is easier for most people to comprehend the meaning of data presented graphically than data presented numerically in tables or frequency distributions. This is especially true if the users have little or no statistical knowledge. Finally regression analysis was performed. The R² value was computed to examine the goodness predictive validity so that it can be used to predict a future behaviour.

3.9 Review of Literatures

Thus, the review of literature shows that there have been several studies around the globe focusing on HR practices and organizational performance. However, very limited numbers of studies have been conducted on the impact of HR Practices on organizational performance in context of Ethiopia. This study has been undertaken to fill this obvious research gap.

4. Analysis and Results

4.1 Questionnaire Response Rate

Out of the 169 sample respondents 132 respondents filled and returned the questionnaires making a response rate of 73%. This response rate is excellent and conforms to Mugenda and Mugenda (1999) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent.

4.2 Demographic Characteristics of Subjects

Frequencies of occurrence of certain variables are determined, from which the percentage and cumulative percentage are calculated. Frequency tables of demographic variables are given bellow.
The gender distribution has shown in Table 1.1. Majority of the respondents were male (n = 105) representing 79.5% of the sample, while females were (n = 27), 20.5%.

**Table 1.2 Educational level**

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diploma</td>
<td>27</td>
<td>20.5</td>
<td>20.5</td>
<td>20.5</td>
</tr>
<tr>
<td>Bachelor</td>
<td>48</td>
<td>36.4</td>
<td>36.4</td>
<td>56.8</td>
</tr>
<tr>
<td>Master’s</td>
<td>51</td>
<td>38.6</td>
<td>38.6</td>
<td>95.5</td>
</tr>
<tr>
<td>PhD</td>
<td>6</td>
<td>4.5</td>
<td>4.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>132</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Survey data

Educational level of the respondents has exhibited in Table 1.2 and from the respondents, majority of the employees self-reported to have a Master’s degree (n = 51; 38.6%), followed by a Bachelor’s degree (n = 48; 36.4%), Diploma (n=27; 20.5%), and PhD (n=6; 4.5%).

**Table 1.3 Length of service in Debre Berhan University**

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>less than 1 year</td>
<td>12</td>
<td>9.1</td>
</tr>
<tr>
<td>1-2 years</td>
<td>45</td>
<td>34.1</td>
</tr>
<tr>
<td>2-3 years</td>
<td>18</td>
<td>13.6</td>
</tr>
<tr>
<td>3-4 years</td>
<td>18</td>
<td>13.6</td>
</tr>
<tr>
<td>5 years and above</td>
<td>39</td>
<td>29.5</td>
</tr>
<tr>
<td>Total</td>
<td>132</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Survey data

Table 1.3 shows the tenure of the employees in Debre Berhan University during the study period. For tenure with the current employer, most respondents indicated that they had worked for one-two years (n = 45; 34.1%), followed by five years and above (n=39; 29.5%), two-three years (n = 18; 13.6%) and three-four years (n = 18; 13.6%), the smallest number of
employees self-reported to have been working in the university for less than one year ($n = 12; 9.1$).

4.3 Reliability and Validity

Before applying statistical tools, testing of the reliability of the scale is very much important as it shows the extent to which a scale produces consistent result if measurements were made repeatedly. This is done by determining the association in between scores obtained from different administrations of the scales. If the association is high, the scale yields consistent result, thus is reliable. Cronbach’s alpha is most widely used method. It has mentioned that its value varies from 0 to 1 but satisfactory value is required to be more than 0.6 for the scale to be reliable (Cronbach, 1951). In the present study, the researcher used Cronbach’s alpha scale as a measure of reliability. Data was analyzed to measure reliability. The study computed separate and combined reliability estimates, which are similar to the normally used coefficient alpha statistics. Cronbach value beyond ($\alpha = .7$) signifies acceptable reliability (Cuieford, 1965).

Inter item consistency reliability or Cronbach’s alpha reliability coefficients of one dependent, one mediating and six independent variables were obtained, they all were above ($\alpha = .70$). Cronbach’s alpha calculated is given in the Table 1.4. As the coefficients get closer to ($\alpha = 1.0$) the better is reliabilities and coefficients, and less than ($\alpha = .60$) are considered poor. Recruitment & selection was measured by 9 items and had a Cronbach’s alpha of ($\alpha = .813$), training & development scale contained 5 items with ($\alpha = .847$) Cronbach’s alpha value, employee performance appraisal was measured through 10 items with Cronbach’s alpha of ($\alpha = .921$), compensation system the last HRM practice of the study was also measured by 7 item scale with Cronbach’s alpha ($\alpha = .889$), and the dependent variable perceived organizational performance was also measured by 23 items scale with Cronbach’s alpha value of ($\alpha = .870$).

<table>
<thead>
<tr>
<th>Scale</th>
<th>No. of Items</th>
<th>Cronbach’s Alpha ($\alpha$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Recruitment and Selection</td>
<td>9</td>
<td>.813</td>
</tr>
<tr>
<td>2. Training and Development</td>
<td>5</td>
<td>.847</td>
</tr>
<tr>
<td>3. Performance Appraisal</td>
<td>8</td>
<td>.921</td>
</tr>
<tr>
<td>4. Compensation</td>
<td>7</td>
<td>.889</td>
</tr>
<tr>
<td>5. Organizational Performance</td>
<td>23</td>
<td>.870</td>
</tr>
</tbody>
</table>

The internal consistency reliability of the measurers used in the study can be considered to be good and reliable. It is observed that the scale of the present study was highly reliable for data analysis. Validation procedures involved initial consultation of the questionnaires. The
experts also judged the face and content validity of the questionnaires as adequate. Hence, researcher satisfied reliability and validity of the scale.

5. Data Analysis and Findings

The researcher analysed the data by correlation and multiple regression analysis. In this context, a multiple regression was performed, by making use of all the discrete variables (i.e., dependent and independent variables) available in the dataset. The estimation process was based on Ordinary Least Squares (OLS) [i.e. \( \hat{y} = a + bx \)]. For this purpose, the researcher consider the following model specifications, by taking as dependent variable i.e., organizational performance by making HR practices as independent variables.

\[
OP = \beta_0 + \beta_1 (RNS) + \beta_2 (TND) + \beta_3 (PA) + \beta_4 (COM) + e...
\]

Model (1)

Where \( \beta_0, \beta_1, \beta_2, \beta_3, \) and \( \beta_4, \) are the regression co-efficient


To test the model fit the data and findings, correlation (r), \( R, R^2 \) (Coefficient of determination), variance, and the t test statistic were used. Correlation analysis was performed to find out the pair wise relationship between variables; RNS, TND, PA, COM, and OP.

**Table 1.5 Correlations**

<table>
<thead>
<tr>
<th></th>
<th>RNS</th>
<th>TND</th>
<th>PA</th>
<th>COM</th>
<th>OP</th>
</tr>
</thead>
<tbody>
<tr>
<td>RNS</td>
<td>Pearson Correlation</td>
<td>1</td>
<td>.311**</td>
<td>.358**</td>
<td>.103</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.241</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>132</td>
<td>132</td>
<td>132</td>
<td>132</td>
</tr>
<tr>
<td>TND</td>
<td>Pearson Correlation</td>
<td>.311**</td>
<td>1</td>
<td>.491**</td>
<td>.556**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>132</td>
<td>132</td>
<td>132</td>
<td>132</td>
</tr>
<tr>
<td>PA</td>
<td>Pearson Correlation</td>
<td>.358**</td>
<td>.491**</td>
<td>1</td>
<td>.697**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>132</td>
<td>132</td>
<td>132</td>
<td>132</td>
</tr>
<tr>
<td>COM</td>
<td>Pearson Correlation</td>
<td>.103</td>
<td>.556**</td>
<td>.697**</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.241</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>132</td>
<td>132</td>
<td>132</td>
<td>132</td>
</tr>
<tr>
<td>OP</td>
<td>Pearson Correlation</td>
<td>.372**</td>
<td>.368**</td>
<td>.463**</td>
<td>.456**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>132</td>
<td>132</td>
<td>132</td>
<td>132</td>
</tr>
</tbody>
</table>
**. Correlation is significant at the 0.01 level (2-tailed). Source: Survey data**
A correlation result has shown in Table 1.5. Correlations amongst variables are positive. Correlation interpretation is based on following five classical rules introduced by Franzblau (1985) to interpret correlation coefficient amongst different variables,

- \( r = 0 \) to .20 indicates negligible or no correlation
- \( r = .20 \) to .40 indicates positive but low degree of correlation
- \( r = .40 \) to .60 indicates positive moderate degree of correlation
- \( r = .60 \) to .80 indicates positive and marked degree of correlation
- \( r = .80 \) to 1.00 indicates positive and high degree of correlation

All variables are treated symmetrically, i.e. there is no distinction between dependent and independent variables. Two variables are said to be correlated when they tend to simultaneously vary in the same direction. If both the variables tend to increase or decrease together, the correlation is said to be direct or positive. When one variable tends to increase and the other decreases, the correlation is said to be negative.

Table 1.5 also shows that the factors RNS, TND, PA, and COM are independently and positively correlated with OP and also highly significant at 1% levels. As a result, Hypothesis 1 of this study was accepted. Here it is obvious that the maximum correlation \( r = .463 \) is existed between PA and OP, followed by the association \( r = .456 \) between COM and OP; RNS and OP \( r = .372 \); and TND and OP \( r = .368 \). It should be needed to give the highest emphasis on PA for super OP. Compensation is also crucial for wonderful perceived organizational performance followed by other HR practices (i.e., RNS and TND). HR practices are pair-wise positively correlated with one to another and also statistically significant at P-value 0.000. Among the four HR practices, the relationship \( r = .697 \) between PA and COM is the highest, followed by the link \( r = .556 \) between TND and PA.

Multiple regression analysis was performed to identify the predictors of OP as conceptualized in the model. To what degree different types of HRM practices can predict perceived organizations? To answer this question, inferential statistical technique of Multiple Regression Analysis (MRA) was used. Kerlinger and Lee (2000) pointed that regression analysis is a statistical method that relates on dependent variable to a linear combination of one or more independent variables. Regression identifies how much each independent variable has an impact on dependent variable. For each performance indicator separate data were regressed. Multiple regression analysis calculates multiple correlation coefficients, \( R^2 \); it is the proportion of variance in dependent variables explained by the independent variables. The contribution of independent variables towards dependent variables is measured by the Beta value and can be explained on the basis of p or t value.
Model summary of regression analysis has presented in Table 1.6. R-Square is a commonly used statistic to evaluate model fit. R-square is 1 minus the ratio of residual variability. The adjusted $R^2$, also called the coefficient of multiple determinations, is the percent of the variance in the dependent explained uniquely or jointly by the independent variables. It indicates that 32% of the changes on organizational performance could be attributed to the combined effect of the predictor variables and consequently hypothesis 2 is supported.

The HR practices (RNS; TND; PA; and COM) in the above model revealed the ability to predict OP ($R^2 = .322$). In this model value of $R^2$ denotes that 32.2% of the observed variability in OP can be explained by the HR practices explicitly RNS; TND; PA and COM. The remaining 67.8 percent is not explained which means that the rest 67.8 percent of the variation of OP is related to other variables which are not depicted in the model. This variance has highly significant as indicated by the F value ($F=15.088$ and $P < 0.01$).

Table 1.6 Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.568*</td>
<td>.322</td>
<td>.301</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), COM, RNS, TND, PA  
b. Dependent Variable: OP  
Source: Survey data

Table 1.7 Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>1.569</td>
<td>.243</td>
<td>6.462</td>
</tr>
<tr>
<td></td>
<td>RNS</td>
<td>.237</td>
<td>.070</td>
<td>.284</td>
</tr>
<tr>
<td></td>
<td>TND</td>
<td>.026</td>
<td>.054</td>
<td>.044</td>
</tr>
<tr>
<td></td>
<td>PA</td>
<td>.188</td>
<td>.066</td>
<td>.322</td>
</tr>
<tr>
<td></td>
<td>COM</td>
<td>.467</td>
<td>.151</td>
<td>.485</td>
</tr>
</tbody>
</table>

Source: Survey data

Table 1.7 indicates that the model explains the most possible combination of predictor variables that could contribute to the relationship with the dependent variable. The regression equation established that taking all factors into account (recruitment & selection, training & development, performance appraisal and compensation) constant at zero organizational performance in Debre Berhan University will be 1.569. The findings presented also show that taking all other independent variables at zero, a unit increase in the recruitment & selection
would lead to a .237 increase in organizational performance in Debre Berhan University and a unit increase in the training & development would lead to a .026 increase in the organizational performance in Debre Berhan University. Further, the findings shows that a unit increases in the performance appraisal would lead to a .188 increase in the organizational performance in Debre Berhan University. In addition, the findings show that a unit increase in compensation would lead to a .467 increase in organizational performance in Debre Berhan University. Overall, training & development had the least effect on the organizational performance in Debre Berhan University, followed by performance appraisal.

The Table 1.7 also shows that COM, RNS, PA and TND is positively influencing on OP. For RNS the value of t is 3.41 (p=0.001, p<0.01), PA the value of t is 2.833 (p=005, p<0.01), COM the value of t is 3.081 (p=0.004, p<0.01). Thus Hypothesis 3, 5 and 6 is supported but Hypothesis 4 is not supported since for TND the t value is .472 (p=.638, p>0.01). Hence, it can be concluded that RNS, PA and COM has significant impact on OP but the TND has no significant impact.

5.1 Scatter plots

Scatter diagram is used to study the relationship between two variables. It shows what happens to one variable when the other variable changes. For finding the relationship between variables, each pair of independent-dependent variables is plotted in graphical shape, using X-axis for independent and Y-axis for dependent variables. There is positive and linear relationship amongst all the variables with perceived organizational performance, therefore the points in the scatter diagrams are showing a tendency around a straight line. Scatter plots are indicating visible pattern of how two factors vary simultaneously.

Figure 1.1

The trend of scatter plots is that of upward straight line, which shows direct positive correlation between the two variables. In Figures 1.1 scatter plots were developed between HRM practices (recruitment & selection, training & development, performance appraisal and
compensation system) with Perceived Organizational Performance, showing significantly positive relationship.

5.2 Finding of the study

- The first objective is about association between HR practices and Organizational Performance. Here the correlation analysis shows that HRM practices has a positive relation with organizational performance. The maximum correlation (r =.463) is existed between PA and OP, followed by the association (r =.456) between COM and OP; RNS and OP (r=.372); and TND and OP (r=.368). All the Correlation between independents and dependent variable was significant at the 0.01 level. Therefore, Hypothesis 1 of this study was supported.

- The second objective is about HRM practices and its impact on organizational performance in Debre Berhan University. The value of R² denotes that 32.2 percent of the observed variability in OP can be explained by the HR practices namely RNS; TND; PA and COM. The remaining 67.8 percent is not explained which means that the rest 67.8 percent of the variation of OP is related to other variables which are not depicted in the model. This variance is highly significant as indicated by the F value (F=15.088 and P = 0.000, P < 0.01). Therefore hypothesis 2 is supported.

- The third objective is some measures in order to enhance the Debre Berhan Universities performance. Recruitment and selection practice on its performance the regression analysis of RNS the value of t is 3.41 (p=0.001, p<0.01) shows there is a significant impact on university performance. Therefore hypothesis 3 is supported.

- The impact of Debre Berhan University’s training and development on its performance. TND the t value is .472 (p=.638, p>0.01). Even though there is a relationship but the relationship was not significant. Therefore Hypothesis 4 is not supported. Hence, the most neglected Human Resource practices which employees believe that could help to perform better than before is training and development

- The fifth objective is about the impact of Debre Berhan University’s performance appraisal on its performance, PA the value of t is 2.833 (p=005, p<0.01) this shows performance appraisal has a significant positive impact on University’s performance. Therefore hypothesis 5 is supported.

- Also the impact of Debre Berhan University’s compensation practice on its performance, COM the value of t is 3.081 (p=0.004, p<0.01) shows the impact is positively significant. Therefore hypothesis 6 is supported.

6. Conclusion

The study revealed that a HRM practice has significant impact on organizational performance. It has been found that university performance can be attributed to HRM
practices including recruitment and selection, training and development, performance appraisal, and compensation. This study is consistent with Qureshi et al. (2010), Chen et al., 2009, Khan (2010), Huselid (1995), Rizov and Croucher (2009), Chang and Chen (2002).

Based on the results, the researcher concluded that the effectiveness of implementing HR practices in the University does indeed have a major impact towards the University’s performance. The findings show that HR practices have an impact of nearly 32.2 percent on University performance. This is consistent with the research done by Chew and Basu (2005) and Khandekar and Sharma (2005). Thus, this form of analysis could help organizations to realize and be more aware of the importance of human resource practices and the need to integrate and align HR into the university’s strategic plan.

The regression analysis shows that three main HR practice seems to have the highest influence on organizational performance during the study period:

1. Compensation
2. Recruitment and Selection
3. Performance appraisal

Compensation system based on expectancy of employees, comparable with market packages, competency based, and performance based, benefit sharing based mechanism, covering both financial and non-financial dimensions, is positively correlated with perceived organizational performance.

Recruitment & selection, based on well-defined merit and unprejudiced system developed through managerial expert opinions, using standardized test to scrutinize the exact required attitude, skills and knowledge in potential candidates showed notable significant correlation with employee performance and Perceived Organizational Performance. Results were similar to the findings of Holzer (1987), Sels et al. (2003), Datta (2003), Singh (2004), Katou (2008) and also support the argument of Tseng et al. (2009) that identification of the right candidate with required skills to perform the job for achieving organizational performance is the output of sophisticated selection system.

7. Recommendations

Human resources, which are considered as the greatest asset of an organization, refer to people whose knowledge, skills, and abilities are utilized to create and to deliver effective services. Effective recruitment and selection attracts the right quality and quantity of people, develops the knowledge, skills, and abilities of employees, and retains employees within the organization.

The University need to have an effective recruitment policy to promote scientific selection of prospective employees. The departments should participate in selection process as they
have different preferences in the candidates. Candidates need to be selected based on requisite skills knowledge, attitude and qualification using appropriate selection techniques. Besides, appropriate training program for both academicians and support staff should be organized to continuously improve the skills of employees.

Moreover, a training and management development program should be implemented to enhance the capabilities of employees of the Debre Berhan University. Investing in the improvement of the knowledge and skills of employees would enable the University to develop more productive and effective employees.

Furthermore, performance appraisal should be guided by the performance management policy. Employee’s performance should be assessed based on quantifiable standards and feedback be given to employees on their performance. The appraisal system should be explicitly described specific purpose of the appraisal. Organizations that clearly state the purpose for the appraisal reduce the confusion and ambiguity of the process. The goal should be that everyone knows why to conduct appraisals. Planning is required to set the stage for effective appraisals. Meaningful and accurate evaluation and feedback requires clear goals be established beforehand. Therefore a large part of the process should be devoted to determining what actions need to be taken in the future. It is harder to correct the results of poor planning than it is to plan correctly at the beginning.

Performance-related compensation is critical in enhancing performance; hence the organization should implement this to motivate those employees who achieve the set targets. Since HRM practices have a significant impact on organizational performance, managers need to implement them in an integrated and coherent manner (Chen et al., 2009; Wickramasinghe and Gamage, 2011).

This study has an addition to earlier research efforts in understanding the relationship between organizational performance and HRM practices. The study provides new dimensions in the research of management by opening a debate on the importance of HRM practices in organizational performance. Statistically significant correlations and regression results were indicated that different HRM practices, such as recruitment & selection, training & development, performance appraisal and compensation system are significantly related and make positive contributions towards perceived organizational performance.

**7.1 Suggestions for Future Research**

Future researchers should also consider moderating variables such as university culture, organization climate, labour market, legal, motivation factor and regulatory environment.

**References**


